JHM CONSOLIDATION BERHAD (686148-A)

SCALING NEW HEIGHTS

ANNUAL REPORT 2017

CONTENTS

SCALING NEW HEIGHTS

A car with blazing headlights expresses JHM Consolidation Berhad's technological leadership in design, manufacturing and assembly of forward automotive headlights. Against the background of a globe, abstract technological elements further symbolise the company's focus on reasearch-based innovation and steady advancement into regional markets in recent years. Along with the theme "Scaling New Heights", the visual captures JHM Consolidation Berhad's progressive market performance as it challenges the frontiers of innovation.

VISION

To continuously acquire latest technologies in design and development by keeping abreast with global developments for the advancement of Microelectronics Components ("MEC") and benefits of our customers.

MISSION

- To provide one-stop engineering solution to our customers, from the design and development of MEC to the complete design, fabrication and assembly of toolings for the manufacturing of these MEC.

- To continuously enhance our Research and Development ("R&D") capabilities to enable us to offer quality MEC to our customers at competitive pricing.

- To continuously strengthen the core competencies of the Group through on-going improvement on the employees' skills and knowledge.

CORPORATE INFORMATION

Board of Directors

Dato' Tan King Seng
(Executive Chairman/Managing Director)

Koh Yew Wah
(Executive Director/Chief Operating Officer)
(Appointed on 1 June 2017)

Cheah Choon Ghee
(Executive Director)

Khor Thean Lee
(Executive Director)

Loh Chye Teik
(Senior Independent Non-Executive Director)

Dato' Dr. Loh Hock Hun
(Independent Non-Executive Director)

Wong Chi Yeng
(Independent Non-Executive Director)
(Appointed on 4 January 2017)

Lai Fah Hin
(Independent Non-Executive Director)
(Appointed on 30 August 2017)

Ooi Yeok Hock
(Executive Director)
(Resigned on 30 June 2017)

Tan Chin Hong
(Executive Director)
(Resigned on 30 June 2017)

Audit Committee and Risk Management Committee

Chairman

Loh Chye Teik
(Senior Independent Non-Executive Director)

Member

Dato' Dr. Loh Hock Hun
(Independent Non-Executive Director)

Wong Chi Yeng
(Independent Non-Executive Director)
(Appointed on 4 January 2017)

Lai Fah Hin
(Independent Non-Executive Director)
(Appointed on 27 November 2017)

Nomination Committee

Chairman

Loh Chye Teik
(Senior Independent Non-Executive Director)

Member

Dato' Dr. Loh Hock Hun
(Independent Non-Executive Director)

Wong Chi Yeng
(Independent Non-Executive Director)
(Appointed on 4 January 2017)

Remuneration Committee

Chairman

Loh Chye Teik
(Senior Independent Non-Executive Director)

Member

Wong Chi Yeng
(Independent Non-Executive Director)
(Appointed on 4 January 2017)

Dato' Tan King Seng
(Executive Chairman/Managing Director)
(Appointed on 30 June 2017)

Company Secretaries
Chee Wai Hong
(BC/C/1470)

Foo Li Ling
(MAICSA 7019557)

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

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) Bhd
Hong Leong Bank Berhad
Hong Leong Islamic Bank Berhad
Malayan Banking Berhad
OCBC Bank (Malaysia) Berhad
RHB Bank Berhad

Solicitors
Zaid Ibrahim & Co.
Allen Chee Ram

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

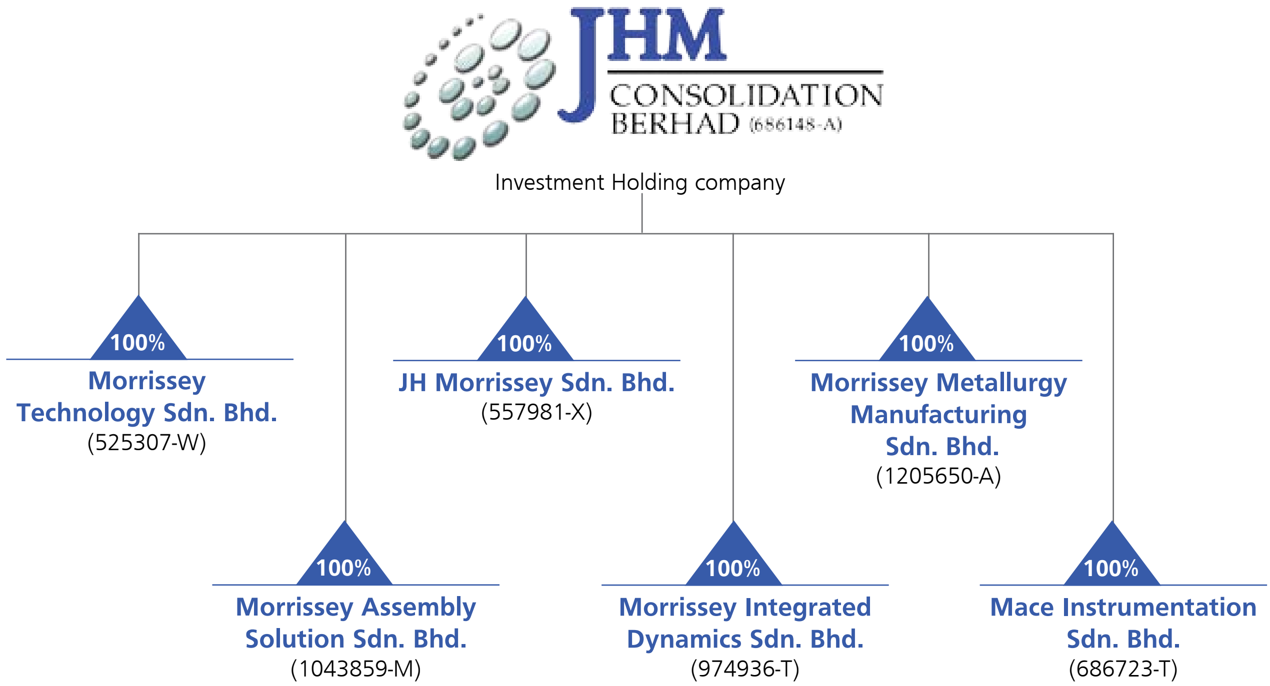
GROUP STRUCTURE
OF JHM GROUP

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) wholly-owned subsidiaries, namely Morrissey Technology Sdn. Bhd. ("MTSB"), Morrissey Assembly Solution Sdn. Bhd. ("MASSB"), JH Morrissey Sdn. Bhd. ("JMSB"), Morrissey Metallurgy Manufacturing Sdn. Bhd. ("MMMSB"), Morrissey Integrated Dynamics Sdn. Bhd. ("MIDSB") and Mace Instrumentation Sdn. Bhd. ("MISB").

On 28 February 2018, the Company acquired the remaining 1,000,000 ordinary shares in MIDSB, representing 40% equity interest and MIDSB became a wholly-owned subsidiary of the Company on 26 March 2018.

On 28 September 2017, the Company entered into the Share Sale Agreement with the shareholders of MISB to acquire the entire equity interest in MISB. MISB became a wholly-owned subsidiary of the Company upon the completion of the said acquisition.

The current group structure is as follows:-



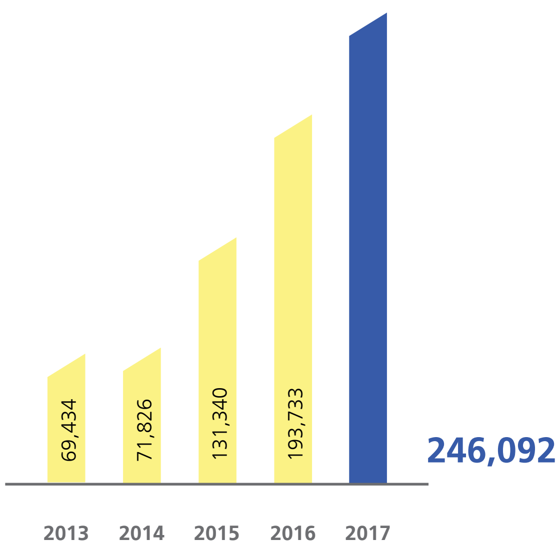
Companies	Date of Incorporation	Total Issued Shares	Principal activities
Morrissey Technology Sdn. Bhd.	5 September 2000	1,000,000	Design and manufacture of precision miniature engineering metal parts and components
Morrissey Assembly Solution Sdn. Bhd.	24 April 2013	5,000,000	Manufacture and assembly of electronic components using surface-mount technology
JH Morrissey Sdn. Bhd.	5 September 2001	200,000	International procurement office
Morrissey Metallurgy Manufacturing Sdn. Bhd.	18 October 2016	2	The subsidiary did not undertake any business activity during the financial year
Morrissey Integrated Dynamics Sdn. Bhd.	12 January 2012	2,500,000	Assembly of all kinds of tools, equipment and industrial machinery
Mace Instrumentation Sdn. Bhd.	31 March 2005	5,000,000	Manufacture 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

FINANCIAL
HIGHLIGHTS

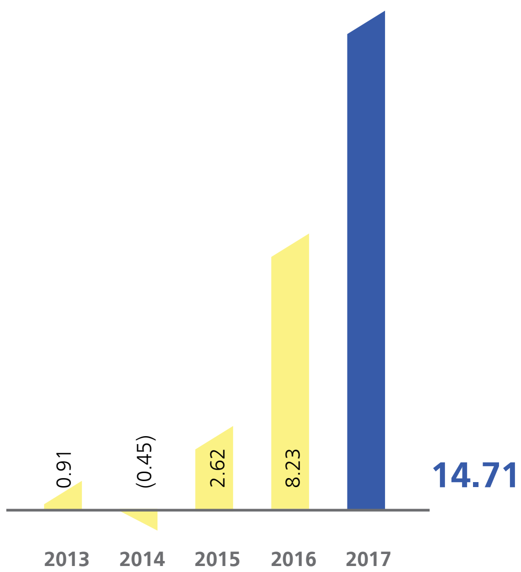
Year Ended 31 December	Audited 2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000
Revenue (RM'000)	69,434	71,826	131,340	193,733	**246,092**
Profit/(Loss) Attributable to Owners of the Company (RM'000)	2,250	(1,120)	6,453	20,337	**29,647**
Net Earnings/(Loss) per share (sen) *	0.91	(0.45)	2.62	8.23	**14.71**
Net Assets per share (RM) *	0.13	0.12	0.15	0.23	**0.47**

* The comparative figures for Net Earnings/(Loss) per share and Net Assets per share have been restated to reflect the adjustment arising from the bonus issue completed during the financial year 2017.

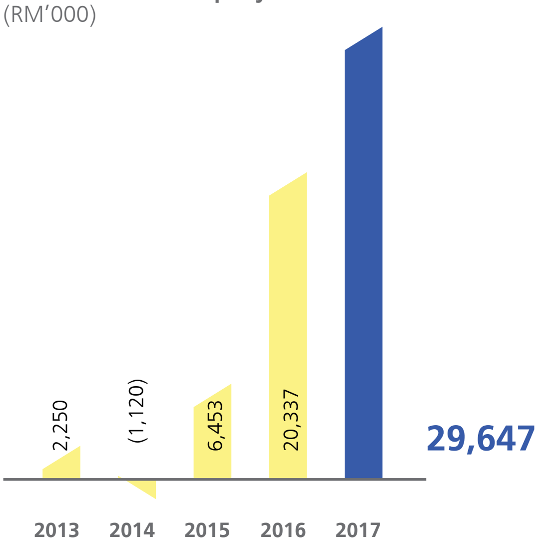
Revenue
(RM'000)



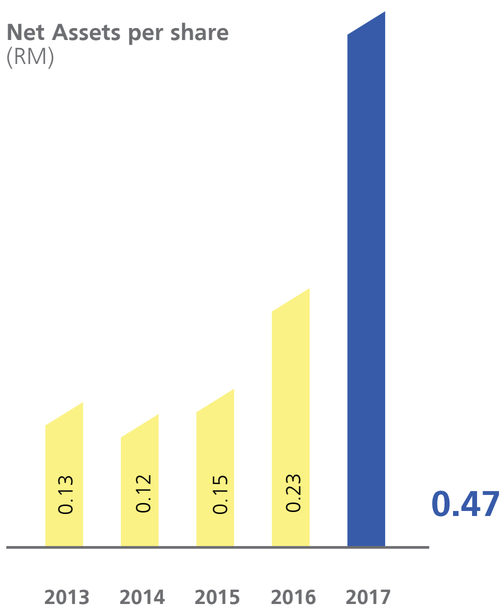
Net Earning/ (Loss) per share
(sen)



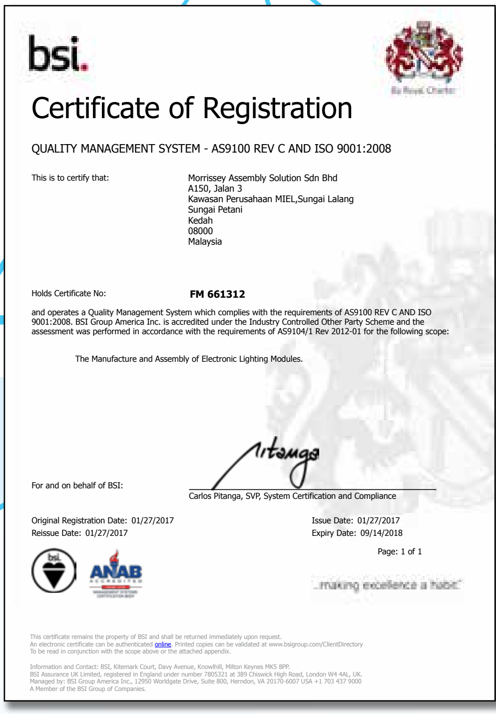
Profit/(Loss) Attributable to Owners of the Company
(RM'000)



Net Assets per share
(RM)



CERTIFICATIONS



bsi.

By Royal Charter

Certificate of Registration

QUALITY MANAGEMENT SYSTEM - AS9100 REV C AND ISO 9001:2008

This is to certify that: Morrissey Assembly Solution Sdn Bhd
A150, Jalan 3
Kawasan Perusahaan MIEL,Sungai Lalang
Sungai Petani
Kedah
08000
Malaysia

Holds Certificate No: **FM 661312**

and operates a Quality Management System which complies with the requirements of AS9100 REV C AND ISO 9001:2008. BSI Group America Inc. is accredited under the Industry Controlled Other Party Scheme and the assessment was performed in accordance with the requirements of AS9104/1 Rev 2012-01 for the following scope:

The Manufacture and Assembly of Electronic Lighting Modules.

For and on behalf of BSI: Carlos Pitanga, SVP, System Certification and Compliance

Original Registration Date: 01/27/2017
Reissue Date: 01/27/2017

Issue Date: 01/27/2017
Expiry Date: 09/14/2018

Page: 1 of 1

...making excellence a habit.

This certificate remains the property of BSI and shall be returned immediately upon request.
An electronic certificate can be authenticated online. Printed copies can be validated at www.bsigroup.com/ClientDirectory
To be read in conjunction with the scope above or the attached appendix.

Information and Contact: BSI, Kitemark Court, Davy Avenue, Knowlhill, Milton Keynes MK5 8PP.
BSI Assurance UK Limited, registered in England under number 7805321 at 389 Chiswick High Road, London W4 4AL, UK.
Managed by: BSI Group America Inc., 12950 Worldgate Drive, Suite 800, Herndon, VA 20170-6007 USA +1 703 437 9000
A Member of the BSI Group of Companies.

bsi.

By Royal Charter

Certificate of Registration

QUALITY MANAGEMENT SYSTEM - AS9100D AND ISO 9001:2015

This is to certify that: Morrissey Integrated Dynamics Sdn Bhd
A141, Jalan 3
Kawasan Perusahaan MIEL
Sg. Lalang
Sg. Petani
Kedah
08000
Malaysia

Holds Certificate No: **FM 661312**

and operates a Quality Management System which complies with the requirements of AS9100D (technically equivalent to prEN9100:2016 and JISQ 9100:2016) and ISO 9001:2015 and is assessed in accordance with AS9104/1 for the following scope:

The Manufacture and Assembly of Electronic Lighting Modules and CNC Machining Parts.

For and on behalf of BSI: Carlos Pitanga, SVP, System Certification and Compliance

Original Registration Date: 2017-01-27
Reissue Date: 2018-02-17

Issue Date: 2017-01-27
Expiry Date: 2020-01-26

Page: 1 of 1

...making excellence a habit.

This certificate remains the property of BSI and shall be returned immediately upon request.
An electronic certificate can be authenticated online. Printed copies can be validated at www.bsigroup.com/ClientDirectory
To be read in conjunction with the scope above or the attached appendix.

Information and Contact: BSI, Kitemark Court, Davy Avenue, Knowlhill, Milton Keynes MK5 8PP.
BSI Assurance UK Limited, registered in England under number 7805321 at 389 Chiswick High Road, London W4 4AL, UK.
Managed by: BSI Group America Inc., 12950 Worldgate Drive, Suite 800, Herndon, VA 20170-6007 USA +1 703 437 9000
A Member of the BSI Group of Companies.

CERTIFICATE OF REGISTRATION

This is to certify that:
Morrissey Assembly Solution Sdn. Bhd.

A150 & A151, Jalan 3 Kawasan Perusahaan MIEL Sungai Lalang, Sungai Petani, Kedah, 08000, MALAYSIA

operates a

QUALITY MANAGEMENT SYSTEM

Which complies with the requirements of

ISO/TS 16949:2009

For the following scope of registration:

The manufacture and assembly of electronic modules and lighting systems.
Exclusions-Product design.

Certificate No.: AUTO40152
IATF Database No.: 0278645

Issue Date: 15 November 2017
Expiry Date: 14 September 2018

Page 1 of 2

Nicole Grantham
General Manager SAI Global Certification Services

George Azedo
Automotive Technical Manager

SAI GLOBAL

ATTACHMENT TO CERTIFICATE OF REGISTRATION

Appendix to Certificate No. AUTO40152 / IATF No. of: 0278645 Page 2 of 2

Morrissey Assembly Solution Sdn. Bhd.
A150 & A151, Jalan 3 Kawasan Perusahaan MIEL Sungai Lalang, Sungai Petani, Kedah, 08000, MALAYSIA

This registration is supported by the following remote locations:

Morrissey Technology Sdn Bhd.
A95, Jalan 2A-3, Kawasan Perusahaan Miel, Sungai Lalang, 08000, Sungai Petani, Kedah, Malaysia

For the following function
Contract Review, Finance, Human Resources, Management Review and Policy Making and Training

Morrissey Technology Sdn Bhd.
A138, Jalan 2B, Kawasan Perusahaan MIEL Sungai Lalang, 08000, Sungai Petani, Kedah, Malaysia

For the following function
Calibration, Internal Audit Management and Quality System Management

SAI GLOBAL

CERTIFICATE OF REGISTRATION

This is to certify that:
Morrissey Technology Sdn. Bhd.

A95, Jalan 2A -3, Kawasan Perusahaan MIEL, Sungai Lalang, Sungai Petani, Kedah, 08000, Malaysia

operates a

QUALITY MANAGEMENT SYSTEM

which complies with the requirements of

ISO/TS 16949:2009

for the following scope of registration:

The manufacture and assembly of precision metal stamped parts and lighting system.
Exclusions - Product design.

Certificate No.: IATF20698-1
IATF Database No.: 0240768

Issue Date: 14 June 2016
Expiry Date: 14 September 2018

Page 1 of 2

Heather Mahon
Acting Head of
Policy, Risk and Certification

Brian Keckler
Global Scheme Owner (GSO) - Automotive

SAI GLOBAL

CERTIFICATE OF REGISTRATION

Appendix to Certificate No. IATF20698-1 /IATF No. of: 0240768 Page 2 of 2

Morrissey Technology Sdn. Bhd.
A95, Jalan 2A -3, Kawasan Perusahaan MIEL, Sungai Lalang, Sungai Petani, Kedah, 08000, Malaysia

This registration is supported by the following remote locations:

Morrissey Technology Sdn. Bhd.
A138, Jalan 2B, Kawasan Perusahaan MIEL, Sungai Lalang, Sungai Petani, Kedah, 08000, Malaysia
For the following scope of registration:
Process Design, Calibration, Quality System Management and Internal Audit Management

SAI GLOBAL

SGS

Morrissey Technology Sdn. Bhd.

ISO 14001:2004

SGS

Morrissey Technology Sdn. Bhd.

ISO 14001:2004

SGS

Morrissey Technology Sdn. Bhd.

ISO 14001:2004

SGS

Morrissey Technology Sdn. Bhd.

ISO 14001:2004

CHAIRMAN'S
LETTER TO THE SHAREHOLDERS

On behalf of the Board of Directors and Management team of JHM Consolidation Berhad ("JHM"), I have great pleasure in presenting to you the Annual Report and Financial statements of JHM Consolidation Berhad for the financial year ended 31 December 2017.

JHM continued with an excellent performance in the financial year ended 31 December 2017 with revenue of RM246.09 million, representing a very respectable growth of 27.02% and a profit after tax of RM29.60 million, an increase of 43.56% from RM20.62 million in the previous financial year.

It is with great pleasure that I congratulate the JHM Management team for achieving this outstanding performance in earnings despite undergoing robust and challenging economic conditions during the financial year.

Industry Trend, Development and Business Outlook

Continuous and accelerated demand growth in automotive light-emitting diode ("LED") external lighting applications as well as progressive, technological breakthrough in development of intelligent lighting systems (ILS), lighting features and new lighting platforms such as adaptive, matrix, weather-safe, precise, auto distribution and multi-beam lighting levels will spearhead the sustainability and ensured growth of the Group's strategic expansion in the automotive LED lighting business.

New inroads and discoveries into the intense and elevated role and objective of automotive lighting designs and technology, both for the rear as well as front head lamps as an important factor in securing the general safety and well-being of passengers, drivers, pedestrians and surrounding environs alike, further lend critical importance that far surpasses the aesthetical and illumination functional purpose of automotive lighting. In this respect, automotive LED lighting innovation and its intended new applications will become a basic technological requirement and necessity ranging from high-end to even mid-range vehicle variants moving forward into the future. This augurs well for the Group's continued thrust into this specialized area of automotive business.

The estimated global passenger car market volume totaled about 85.7 million cars in 2017 and is expected to grow to 103.3 million by 2025. LED penetration rate in exterior automotive lighting is steadily growing owing to technological improvements of high-power LEDs, thus making expansion across car market segments inevitable. The global market value of high/low beam LED application alone is projected to increase at a compound annual growth rate ("CAGR") of 15.8% from 2016 to 2020, coming close to USD1.46 billion at the end of the forecast period.

*(*Source: LEDInside, 'Global Automotive LED Market Outlook 2018').*

Group Prospects

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

Fast forward into 2018 this year, JHM will be initiating interactive strategic business with new customers into new technological manufacturing territory, proceeding into earlier planned aerospace manufacturing, with an initial focus in high precision Computer Numerical Control ("CNC") machining parts as well as later period into LED based electronics SMT/PCBAs, both of which have been formerly certified to AS9100 requirements.

REVENUE
RM246.09
MILLION

27.02%

PROFIT AFTER TAX
RM29.60
MILLION

43.56%

The noticeable positive performance and increase in revenue (2017) was mainly attributable to the continuous favorable demand for LED lighting applications in the automotive sector which currently still contributes to 75%-80% of the Group's total revenue.

We are fully optimistic that JHM will continue to perform satisfactorily in the financial year ending 2018 barring any unforeseen external economic or political factors. The Management team as always will continue to strive for greater efficiency and innovation, with lean manufacturing and effective costs management as key initiatives. A strong commitment in containing costs and eliminating waste will ensure we have sustainable resource depth for continuous product innovation and market expansion as well as to elevate ourselves into a stronger and robust entity.

The Company had on 28 September 2017 make announcement of multiple proposals ("Proposals") which included :

i) Proposed acquisition of 5,000,000 ordinary shares in Mace Instrumentation Sdn. Bhd. ("MISB"), representing 100% of the total issued shares in MISB for a purchase consideration of RM48,000,000.00;
ii) Proposed split share of every one JHM share into two ordinary shares; and
iii) Proposed establishment of an executive share option scheme ("ESOS") of up to 30% of Company's issued shares.

On 17 October 2017, the Board has resolved to revise the Proposed ESOS of up to 30% of Company's issued shares to up to 10% of Company's issued shares .

The shareholders of the Company had approved the above Proposals at the Extraordinary General Meeting held on 24 January 2018.

Board Changes and Appreciation

The later part of 2017 saw some changes in the Board composition with the appointment of Mr. Lai Fah Hin as the Board's new Independent Non-Executive Director as well as Mr. Koh Yew Wah as the Board's new Executive Director. We also had to bid farewell to two former Executive Directors, Mr. Tan Chin Hong and Mr. Ooi Yeok Hock and I wish to record our sincere thanks and appreciation to both of them for their valuable contribution and active participation in serving the Board since 2006.

Further to that, on behalf of the Board of Directors, I wish to convey my sincere gratitude to all shareholders, affiliates, partners, suppliers and esteemed customers for your continuous support and confidence in our Group. I would also like to extend my heartfelt thanks to all of our employees for your patience, dedication, diligence and the excellent team spirit you have all exhibited. These noble traits and attributes will definitely help the Group to persevere and succeed in managing all future challenges and opportunities amidst the expected rigorous business environment in the year ahead.

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

Thank you.

Dato' Tan King Seng
Executive Chairman/Managing Director

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 28 (Operating Segment) to the financial statements.

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

(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.

(ii) Level 2 Assembly for Automotive Business Unit

- Design and assembly of automotive rear lighting for well-known car manufacturers in North America 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 subsidiary 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 operation in Sungai Petani, Kedah.

For additional segmental information, please refer to Note 28 (Operating Segment) to the financial statements.

2. FINANCIAL RESULTS AND FINANCIAL CONDITION

Financial performance

The Group achieved revenue of RM246.09 million in the financial year ended 31 December 2017 (FY2017), an improvement of 27.02% against RM193.73 million recorded in the financial year ended 31 December 2016 (FY2016). The increase in revenue was mainly attributable to the result from E&E Business Unit. The Group recorded a net profit of RM29.60 million in FY2017, an increase of 43.56% % compared to RM20.62 million in FY2016.

The main factors contributing to the increase in revenue and net profit are as follows:

(i) Higher demand in LED lamps for automotive industry as well as industrial products;
(ii) Strengthening of USD against MYR for the period ended 30 September 2017 - Foreign currency exchange gain of RM2.52 million in FY2017 as compared to RM1.59 million foreign currency exchange gain in FY2016; and
(iii) Realized operating leverage across-the-board as unit costs fell following the increase in economies-of-scale in all its plants.

2. FINANCIAL RESULTS AND FINANCIAL CONDITION (cont'd)

Financial performance (cont'd)

The following factors have, however, reduced the net profit impact contributed by the aforementioned:

(i) Worldwide passive components shortage coupled with increase lead times in the supply chain has resulted a slowdown in revenue growth;
(ii) Higher administrative expenses of RM10.57 million due to the increased in activities for new business development; two (2) corporate exercises carried out in FY2017 and the unrealized foreign currency exchange loss of RM2.77 million due to strengthening of MYR against USD towards the end of the financial year;
(iii) Depreciation and amortization cost have increased from RM5.11 million to RM5.38 million; and
(iv) Increase in tax expense by RM2.59 million mainly due to increase in profit before tax.

Liquidity and capital resources

As at 31 December 2017, the Group has deposits and other cash and cash equivalents amounting to RM47.33 million [2016:RM9.17 million] as well as unutilized banking facilities amounting to RM26.08 million. The Group currently is having a net cash position after the completion of a private placement on 9 August 2017. The placement shares were issued at an issue price of RM2.64 per share and total proceeds of RM40.484 million being received from the said placement.

Acquisition of subsidiaries

The following are the changes to the Group structure:

a) On 28 February 2018, the Company acquired the remaining 1,000,000 ordinary shares in Morrissey Integrated Dynamics Sdn. Bhd. ("MIDSB"), representing 40% equity interest for a total cash consideration of RM1,500,000. Consequently, MIDSB became a wholly-owned subsidiary of the Company.

b) On 28 September 2017, the Company entered into the Share Sale Agreement with the shareholders of Mace Instrumentation Sdn. Bhd. ("MISB") to acquire the entire equity interest in MISB. Consequently, MISB became a wholly-owned subsidiary of the Company.

3. REVIEW OF OPERATING ACTIVITIES

Broaden export market for automotive

About 75% - 80% of the Group's revenues are currently derived from the export of automotive LED lighting to first-tier automotive parts suppliers in North America. JHM has been actively working towards growing its automotive LED lighting business and is in the midst of penetrating and capturing growth opportunities by being a crucial part in the Japanese and European automotive parts supply chain.

JHM continues to invest into cutting edge assembly technologies to support the advancement in LED head lamp critical requirements. This will not only lay a very solid foundation to enable JHM to be a major LED head lamp manufacturing partner, it will also ensure JHM to stay ahead in both business and technology curves when the advancement in LED head lamp becomes more accessible and economical to a wider range of automobiles.

Penetration into new business

Aerospace

On 17 February 2018, MIDSB has been successfully awarded with the stringent AS9100D and ISO 9001:2015 Quality Management System certification to begin its diversification into the manufacturing and assembling of LED Electronic Lightning Modules and CNC Machinery Parts for aerospace industry.

Currently, two (2) subsidiaries of the Group, namely MASSB and MIDSB have been awarded with the AS9100 Rev C and Rev D certifications respectively.

4. OPERATIONAL AND FINANCIAL RISKS

Operational Risks - Dependence on major customers

Our Group is dependent on its major customers for a significant portion of its revenue. Total revenue from three (3) major customers which individually contributed more than 10% of the Group revenue amounted to RM222.97 million [2016: RM173.83 million]

However, the Group is taking the necessary steps to grow its other customers to reduce the dependency on one (1) single customer to be less than 50% of Group revenue. Details as below:

	Industries	FYE 2015	FYE 2016	FYE 2017
Customer A	Automotive	64%	53%	35%
Customer B	Automotive	13%	24%	44%
Customer C	Industrial products	7%	12%	12%
Others		16%	11%	9%

The potential loss of these customers could pose a huge impact on the results of its operations. However, JHM is confident to retain the major customers and sustain at current levels especially for the automotive customers. This is mainly due to the automotive LED lighting has gained wide market adoption and acceptance. In addition to that, the product life cycle of five (5) to seven (7) years for each model has also played a significant role ensuring a steady and consistent revenue stream.

Financial Risks

The Group's financial risks are set out in Note 29 (Financial Investments) to the financial statements.

5. FORWARD-LOOKING

Outlook

We are optimistic that with our continuing pursuit of excellence, steadfast execution of our strategies and our presence in the fast growing LED industry as well as diversification into aerospace industry, JHM will continue to perform well in the years ahead.

6. Dividend policy

The Company had on 28 November 2017 announced a first interim single tier dividend of 1.5 sen per share amounting to RM3,942,000 and was paid out on 28 December 2017 in respect of financial year ended 31 December 2017. This represent a 13.32% paid out from the Group's profit after tax.

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

DIRECTORS' PROFILE

Dato' Tan King Seng
Executive Chairman and Managing Director

Dato' Tan King Seng, aged 62, male, a Malaysian, was appointed to the Board on 13 April 2006 and is presently the Executive Chairman and Managing Director of the Company. He serves as a member of Remuneration Committee. 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
Executive Director and Chief Operating Officer

Koh Yew Wah, aged 53, male, a Malaysian, 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
Executive Director

Cheah Choon Ghee, aged 55, male, a Malaysian, 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, the newly acquired subsidiary of JHM Group.

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

Khor Thean Lee
Executive Director

Khor Thean Lee, aged 59, male, a Malaysian, 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 and just prior to joining Morrissey Technology Sdn Bhd in May 2011, Mr. Khor served in the capacity of General Manager/Director of Eko Metal Industries, 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 Vice President of Manufacturing overseeing the overall business and operations functions in the subsidiaries of JHM.

Loh Chye Teik
Senior Independent Non-Executive Director

Loh Chye Teik, aged 59, male, a Malaysian, was appointed to the Board on 13 April 2006 and is presently Senior Independent Non-Executive Director of the Company. He serves as the Chairman of Audit Committee and Risk Management Committee, Remuneration Committee and Nomination Committee. He graduated from University of Malaya, Kuala Lumpur with a Bachelor of Accounting (Honours) in 1984.

He is presently the Partner of UHY, Chartered Accountants & Partner of UHY Loh, Chartered Accountant and the Managing Director of Interesources Tax Advisory Sdn. Bhd. He is a member of both the Malaysian Institute of Accountants and the Chartered Tax Institute of Malaysia. Mr. Loh started his career as an auditor in a Chartered Accountants firm in Penang in 1985 and proceeded to set up his own accountancy and audit firm in 1994, known as Tan & Loh Chartered Accountants, and held the position of the Managing Partner.

Dato' Dr. Loh Hock Hun
Independent Non-Executive Director

Dato' Dr. Loh Hock Hun, aged 73, male, a Malaysian, was appointed to the Board on 11 December 2007 and is presently Independent Non-Executive Director of the Company. He serves as a member of the Audit Committee and Risk Management Committee and Nomination Committee.

He graduated with a Doctor of Medicine from Kaohsiung Medical University in Taiwan in 1974. Upon his return to Malaysia, Dato' Dr. Loh was employed by the General Hospital of Penang until 1980 where he entered into a partnership to open a clinic until 1999. In 1995, he became a State Assemblyman in the State Legislative Assembly of Penang, a position he held until February 2008. For the period from 1999 to 2004, Dato' Dr. Loh served his term as an Executive Councilor of the Penang State Government. In addition, in August 2004, Dato' Dr. Loh was appointed as a Chairman of the Penang Port Commission, a position he held until the end of 2008.

Wong Chi Yeng
Independent Non-Executive Director

Wong Chi Yeng, aged 56, female, a Malaysian, was appointed to the Board on 4 January 2017 and is presently Independent Non-Executive Director. She serves as a member of the Audit Committee and Risk Management Committee, Nomination Committee and Remuneration Committee.

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 a Tax Manager of Interesources Tax Advisory Sdn. Bhd. since year 2001. She is a member of both Malaysian Institute of Accountants and Chartered Tax Institute of Malaysia.

Lai Fah Hin
Independent Non-Executive Director

Lai Fah Hin, aged 62, male, a Malaysian, 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. He graduated with Malaysian Certificate of Education in year 1975.

Mr. Lai started his career in the government service (Royal Malaysia Police) in 1 Oct 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 as a Chief of Security of MTT Group of Companies and Security Consultant of Bandar Kepala Batas Sdn Bhd, a subsidiary of Hunza Properties Berhad.

Notes:
1. There are no other family relationships or associations amongst the directors or major shareholders of the Company except Ms. Wong Chi Yeng who is the spouse of Mr. Loh Chye Teik.
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 95 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 for Mr. Loh Chye Teik, who is currently an Independent Non-Executive Director of Olympia Industries Berhad and Ivory Properties Group Berhad, companies listed on the Main Market of Bursa Malaysia Securities Berhad.

PROFILE OF
KEY SENIOR MANAGEMENT

Ooi Yeok Hock
Operation Director

Ooi Yeok Hock, aged 55, male, a Malaysian, was appointed as director on 13 April 2006.

He graduated with a Bachelor of Engineering Degree majoring in Mechanical Engineering from University of Strathclyde, United Kingdom in 1986 and subsequently obtained a Diploma in Electrical Engineering from City & Guilds (C&G), United Kingdom in 1990. Mr. Ooi started his career as a Senior Process Engineer with Northern Telecom Sdn. Bhd. in 1987. He left Northern Telecom Sdn. Bhd. in 1995 and joined Allied Stamping Corporation Sdn. Bhd. as its Operation and Engineering Manager responsible for the company's plant operation and engineering, a position which he held until 2000. Prior to joining Morrissey Technology Sdn Bhd in 2001, he has more than 15 years of experience in engineering and production of MEC from multinational corporations in the United States of America, China and Malaysia. He is currently the Business Unit Director for electronic division under Morrissey Technology Sdn Bhd and a Director of Morrissey Metallurgy Manufacturing Sdn. Bhd.

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

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

Tan Chin Hong
Operation Director

Tan Chin Hong, aged 50, male, a Malaysian, was appointed as director on 13 April 2006.

Mr. Tan started his career as a Machining Technician with Mifa Engineering Sdn. Bhd. in 1989 after completing his Higher School Certificate. He joined Brusia Engineering Sdn. Bhd. as a Production Supervisor in 1992 and was promoted to Production Manager in 1994. He left Brusia Engineering Sdn. Bhd. in 1999 and joined Forward Matrix Sdn. Bhd. as the General Manager in charge of Factory Operation, a position which he held until July 2001. Prior to joining Morrissey Technology Sdn Bhd in September 2001 as its Plant Manager, he has 10 years working experience in design and fabrication of tools and dies and 5 years working experience in production. Mr. Tan is currently involved in business development for JHM's Group and is presently Executive Director of Morrissey Technology Sdn. Bhd., Morrissey Assembly Solution Sdn. Bhd. and JH Morrissey Sdn. Bhd.

He is the nephew of Dato' Tan King Seng, the major shareholder and the Executive Chairman/Managing Director of the Company.

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

Kuan Chee Hong
Senior Operation Director

Kuan Chee Hong, aged 55, male, a Malaysian, was appointed as Senior Operation Director of Morrissey Technology Sdn Bhd on 16 June 2014. He graduated with a MSc in Electronics Engineering from Queen's University of Belfast in 1988. Mr. Kuan started his career with AMD in Penang as the Test Maintenance Engineer in 1989. For larger part of his career he is working in the field of Electronics Manufacturing Services (EMS) for multinational companies at various functions such as Engineering/Technical Manager, Product Costing Manager, Operation Manager, Manufacturing Director and General Manager. He starts up the new subsidiary of JHM, namely Morrissey Assembly Solution Sdn. Bhd. and currently he is the Business Unit Director of this subsidiary.

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

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

Low Soo Kim
Senior Finance Manager

Low Soo Kim, aged 40, female, a Malaysian, 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 is currently hold a position as Senior Finance Manager and in charge of the 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. All the above Key Senior Management do not have any conflict of interest with the Company.
2. Other than traffic offences, none of the Key Senior Management of the Group and 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 Rule 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 2017 ("FY2017") 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 30 April 2018. 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 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 Managing Director.

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.

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

(I) Board Responsibilities (cont'd)

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 20 and 21 of this Annual Report.

Retirement and Re-election of Directors

In accordance with the Company's Constitution (Articles of Association as adopted before the commencement of the Companies Act 2016), one-third (1/3) of the Directors including the Managing Director 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 Managing Director shall be subject to retirement by rotation at least once every three (3) years.

Directors who are standing for re-election at the Thirteenth AGM of the Company to be held on 22 May 2018 are as per detailed set out in the Notice of the Thirteenth AGM.

Board Meetings and Time Commitment

The Board is to meet at least four 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 five (5) times. The Board is satisfied with the time commitment given by the Directors of the Company in discharging their duties for FY2017 as evidenced by the attendance record of the Directors at the Board Meeting. The details of attendance of the Directors during FY2017 are as follows:

Name of Directors	Number of Meetings Attended	Percentage of Attendance
Dato' Tan King Seng	5/5	100%
Koh Yew Wah (appointed on 1 June 2017)	2/3	67%
Cheah Choon Ghee	4/5	80%
Khor Thean Lee	4/5	80%
Loh Chye Teik	5/5	100%
Dato' Dr. Loh Hock Hun	5/5	100%
Wong Chi Yeng (appointed on 4 January 2017)	5/5	100%
Lai Fah Hin (appointed on 30 August 2017)	2/2	100%
Tan Chin Hong (resigned on 30 June 2017)	2/2	100%
Ooi Yeok Hock (resigned on 30 June 2017)	1/2	50%

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.

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

(I) Board Responsibilities (cont'd)

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 ensure 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.

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 Managing Director. The Charter, which serves 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 has been uploaded on the Company's website at www.jhm.net.my in line with Practice 2.1 of the MCCG. 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 25 to 26 of this Annual Report.

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

(I) Board Responsibilities (cont'd)

Gender, Ethnicity and Age Diversity Policy

The Board has no immediate plans to implement gender, ethnicity and age diversity policy for its Board of Directors. 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 also has no immediate plans to implement workforce diversity policy or target as it is of the view that 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.

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 as required by the Bursa Securities.

Details of the training programmes attended by the Directors throughout the year are as follows:

Name	No. of days	Mode of Training	Title
Dato' Tan King Seng	One day	Workshop	Latin American Business Day
	One day	Seminar	Malaysian Code on Corporate Governance: A New Dimension
	One day	Seminar	2018 Budget Seminar
Koh Yew Wah (appointed on 1 June 2017)	One day	Workshop	Latin American Business Day
	One day	Workshop	Malaysian-German Game Changer
	Two days	Seminar	Mandatory Accreditation Programme
	One day	Seminar	2018 Budget Seminar
Cheah Choon Ghee	One day	Seminar	Malaysian Code on Corporate Governance: A New Dimension
Khor Thean Lee	One day	Seminar	2018 Budget Seminar

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

(I) Board Responsibilities (cont'd)

Directors' Training (cont'd)

Name	No. of days	Mode of Training	Title
Loh Chye Teik	One day	Conference	Malaysian Private Entities Reporting Standard Conference 2017
	Two days	Conference	National GST Conference 2017
	Two days	Seminar	A Comprehensive Review of Malaysian Private Entities Reporting Standards (MPERS)
	Two days	Conference	National Tax Conference 2017
	One day	Seminar	GST Seminar on Manufacturing (Warehousing, LMW & FIZ)(New Issue and Updates)
	Two days	Conference	SSM National Conference 2017
	One day	Conference	2017 IFRS Regional Conference
	Two days	Seminar	Kursus Percukaian Koperasi
	Two days	Conference	GST Conference 2017
	One day	Seminar	Seminar Percukaian Kebangsaan 2017
	One day	Seminar	Persidangan Juruaudit Koperasi 2017
	Two days	Conference	MIA International Accountants Conference 2017
	One day	Seminar	Seminar on GST Latest Development, Issue & GST Treatment on Freight Transportation
Wong Chi Yeng (appointed on 4 January 2017)	Two days	Conference	National GST Conference 2017
	Two days	Conference	National Tax Conference 2017
	One day	Seminar	Latest Updates on Practical Tax Issues
	One day	Seminar	Recent Tax Cases 2017
	One day	Seminar	Seminar Percukaian Kebangsaan 2017
	Two days	Seminar	Mandatory Accreditation Programme
Dato' Dr. Loh Hock Hun	One day	Seminar	2018 Budget Seminar
Lai Fah Hin (appointed on 30 August 2017)	Two days	Seminar	Mandatory Accreditation Programme

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.

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

(I) Board Responsibilities (cont'd)

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 Malaysia Securities Berhad 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

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 30 to 31 of this Annual Report.

Nomination Committee

The Nomination Committee currently comprises of the following members:

Name of Directors	Designation
Loh Chye Teik (Chairman)	Senior Independent Non-Executive Director
Dato' Dr. Loh Hock Hun	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 of 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 and Remuneration Committees, 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.

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

(I) Board Responsibilities (cont'd)

Nomination Committee (cont'd)

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 do 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.

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 five (5) times during FY2017 and activities of the Nomination Committee is 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 Twelfth Annual General Meeting.
(c) Reviewed and assessed the independence of the Independent Non-Executive Directors.
(d) Recommended the retention of Independent Non-Executive Directors who has served as an Independent Non-Executive of the Company for a cumulative term of more than nine (9) years, in compliance with the recommendation of Malaysian Code on Corporate Governance 2012.
(e) Reviewed to terms of office and performance of an Audit Committee and its members.
(f) Reviewed and recommended to the Board the appointment of Mr. Koh Yew Wah as Executive Director and Mr. Lai Fah Hin as Independent Non-Executive Director of the Company.
(g) Reviewed and recommended to the Board the appointment of Mr. Wong Chi Yeng as Member of Audit Committee and Remuneration Committee of the Company.
(h) Recommended to the Board the appointment of Mr. Lai Fah Hin as Member of Audit Committee and Risk Management Committee of the Company.

Remuneration Committee

The Remuneration Committee currently comprises the following members:

Name of Directors	Designation
Loh Chye Teik (Chairman)	Senior Independent Non-Executive Director
Wong Chi Yeng	Independent Non-Executive Director
Dato' Tan King Seng (appointed on 30 June 2017)	Executive Chairman/Managing Director
Ooi Yeok Hock (resigned on 30 June 2017)	Executive Director

The Committee consists majority of Non-Executive Directors, where two (2) out of the three (3) members are 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.

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

(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 Ms. Wong Chi Yeng and Mr. Lai Fah Hin as Independent Non-Executive Directors on 4 January 2017 and 30 August 2017 respectively, the Board is currently made up of eight (8) members as follows:

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

This is in compliance with the one-third requirement for Independent Non-Executive Directors to be appointed to the Board under Ace Market Listing Requirements ("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 the Independent Non-Executive Directors. The Independent Non-Executive Directors of the Company, Mr. Loh Chye Teik and Dato' Dr. Loh Hock Hun have served as the Independent Non-Executive Directors of the Company for a cumulative of more than nine (9) years. The Nomination Committee and the Board is satisfied with the performance and the level of independence demonstrated by the present Independent Non-Executive Directors, hence recommended Mr. Loh Chye Teik and Dato' Dr. Loh Hock Hun to continue to act as the Independent Non-Executive Directors of the Company. The relevant motion on the subject matter will be presented to the shareholders for approval at the forthcoming Annual General Meeting. The profiles of the Directors are presented on pages 12 and 13 of this Annual Report.

There is a clear division of authority between the Executive Chairman/Managing Director 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.

Mr. Loh Chye Teik is the designated Senior Independent Non-Executive Director to whom concerns relating to the Company may be conveyed by shareholders or stakeholders.

Separation of positions of the Executive Chairman and Managing Director

The Executive Chairman and Managing Director of the Company is currently being held by the same person. The Board is aware that it is not in compliance with the best practices of the MCCG on the separation of the roles of the Chairman and Managing Director.

However, the Board is satisfied with the dual role held by the same person in view of his vast experience and knowledge of the businesses of the Group and the time he has spent in fulfilling all his responsibilities. The presence of the independent directors, though not forming a majority of the Board members, is sufficient to provide the necessary checks and balances on the decision making process of the Board. The significant contributions of the independent directors in the decision making process is evidenced in their participation as members of the various committees of the Board.

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

(II) Board Composition (cont'd)

Separation of positions of the Executive Chairman and Managing Director (cont'd)

The Executive Chairman/Managing Director will ensure that procedural rules are followed in the conduct of meetings and that decisions made are formally recorded and adopted. He also holds the primary executive responsibility for the Group's business performance and manages the Group in accordance with the strategies and policies approved by the Board. He leads the Executive Directors in making and implementing the day-to-day decisions on the business operations, managing resources and risks in pursuing the corporate objectives of the Group. He brings material and other relevant matters to the Board, motivates employees, and drives change/innovation and growth within the Group.

(III) Remuneration

The objective of the Company's policy on Directors' remuneration is to attract and retain the appropriate Directors of the 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 not formalised it 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.

The aggregate remuneration paid or payable to all Directors of the Company during the financial year ended 31 December 2017 is listed on named basis with the detailed remuneration breakdown is 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

A summary of the activities of the Audit Committee during the financial year are set out in Audit Committee's Report on page 30 to 31 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 auditors attend 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 2017 without the presence of the Executive Directors, with the purposes of finalising the Group's audited financial statements 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.

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

(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 28 and 29 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 Malaysia Securities Berhad that are available on the website www.bursamalaysia.com;
- Company website at www.jhm.net.my provides corporate information on the Group;
- Annual Report of the Company.

(II) Conduct of General Meetings

The Annual General Meeting ("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 if 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 21 days before the AGM. The notice of AGM is also published in a nationally circulated daily newspaper. The Board is available to respond to shareholder 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.

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 achieving 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 FY2017.

This statement is made in accordance with the resolution of the Board dated 20 April 2018.

SUSTAINABILITY
STATEMENT

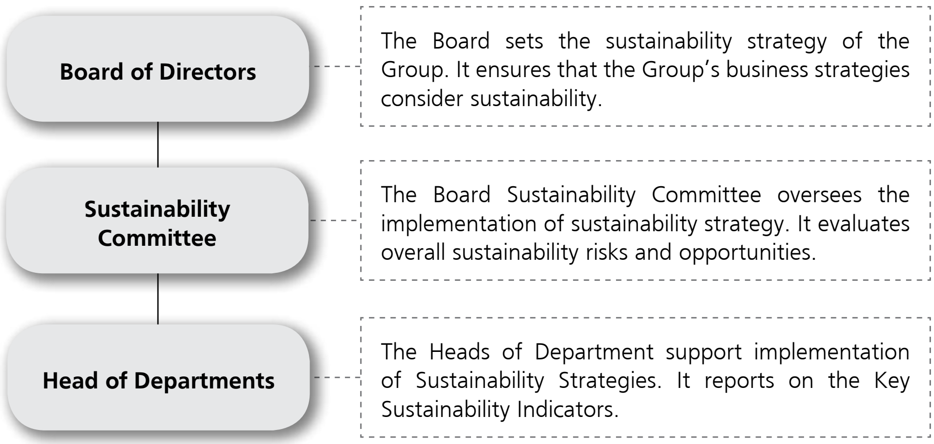
The Board of Directors is pleased to present the Sustainability Statement of the Group.

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 recognizes that it is important for the Group to be sustainable in the way of carry out business. In this regard, the Board and the Managing Director are 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 STRUCTURE

The Group is presently at phase 2 of the governance structure as prescribed by the Bursa Malaysia Securities Berhad 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 almost 100% of Group's revenue:
(a) Morrissey Technology Sdn Bhd ("MTSB")
(b) Morrissey Assembly Solution Sdn Bhd ("MASSB")

C. STAKEHOLDERS

The Board has identified the sustainability stakeholders as follows. They are ranked in the order of their impact and significance to the Group.

Internal Stakeholders	External Stakeholders
1. Investors	1. Customers
2. Employees	2. Suppliers
	3. Regulators
	4. Government
	5. Local communities

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.

MTSB and MASSB'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, copper 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. The Board has identified the Material Sustainability Matters of the Group as follows:

Areas	Material Sustainability Matters
Social	• Labour practices • Safety & health • Diversity
Economic	• Procurement practices
Environmental	• Solid wastes • Energy consumption • Raw material use

The key sustainability efforts of the Group are set out below:-

(1) The Board and Management recognize that the employees are key to the success of the business of the Group. In this respect, the Group has always ensured that laws and regulations relating to labour are fully complied with. There is a Safety & Health Committee set up to oversee workplace safety matters.

The Management provides equal opportunities for all employees to progress their career within the Group,

(2) For economic sustainability, the Group places priority in buying from local suppliers where possible.

(3) In the areas of environmental sustainability, MTSB and MASSB comply with the sustainability conditions set by their customers, which include not using environmentally harmful raw materials in its products.

In the goal of saving resources, all employees are required to play a role in minimizing the use of electricity and water.

This statement is made in accordance with the resolution of the Board dated 20 April 2018.

STATEMENT ON
CORPORATE SOCIAL RESPONSIBILITY ("CSR")

The Group is driven by the belief that in pursuit of any business objective, we need to strike a balance between profitability and contributions to the social welfare of employees, community and environmental responsibilities.

During the financial year under review, our Group continued to carry out diverse range of CSR activities that are reflective of the Group intention of giving back to society.

EMPLOYEES

We strongly believe that human capital is the most important value to an organisation. In retaining the best talents, we continually provide our employees with education and training. Employee Training and Development which is carried out internally and externally is aimed at equipping our employees with skills and knowledge related to projects and tasks handled by them so that these may be executed to meet customers' needs and expectation. In recognition of their services and create amiable workplace for its employees, the Group organised several events throughout the year such as buffet dinner during Labour Day, annual dinner, team building and recreational activities for the employees.

ENVIRONMENT

As part of our corporate social responsibility agenda, the Group ensured strictly on going compliance with the environmental laws governing plant operations, maintenance in areas relating to environmental standards, emission standards and noise level management. This is in line with our manufacturing factories being certified as an ISO 14001 organization holder by an international body.

On-going programmes initiated among its staff on awareness of recycling of waste materials and continuous improvements in our manufacturing process create a greener environment.

COMMUNITY

In FY2017, the Group continued to offer internship programme to undergraduates with the objective of equipping the undergraduates with necessary working skills, knowledge and experience.

Our contribution continues with our participation and donations in fund raising activities for school development and to local charitable organisation.

Annual Futsal Match

Bowling Tournament 2017

Donation to Penang Rotary Club for Dialysis Center

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 crystallization 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 upon the severity of consequence and 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:

- Authorizing 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 of the problems and to formulate appropriate solutions;

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

- Delegating necessary authority to the Managing Director 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;

- Systematic and regular audit on the compliance of ISO 14001, ISO 9001 and TS 16949 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:-

- Human resource
  - Payroll
  - Human resource development
  - Safety and health
- Information technology

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 amounted to RM 16,904.

(F) CONCLUSION

The Board has received assurance from the Managing Director and the Finance Manager 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 20 April 2018 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. Loh Chye Teik - Chairman
   (Senior Independent Non-Executive Director)

2. Dato' Dr. Loh Hock Hun - Member
   (Independent Non-Executive Director)

3. Wong Chi Yeng - Member
   (Independent Non-Executive Director)

4. Lai Fah Hin - Member
   (Independent Non-Executive Director) (Appointed on 27 November 2017)

MEETINGS AND ATTENDANCE

During the financial year under review, the AC held five (5) meetings with all the members of the AC attendance as follows: -

Name of AC Members	Number of Meetings Attended	Percentage of Attendance
Loh Chye Teik	5/5	100%
Dato' Dr. Loh Hock Hun	5/5	100%
Wong Chi Yeng (Appointed on 4 January 2017)	5/5	100%
Lai Fah Hin (Appointed on 27 November 2017)	N/A	N/A

The AC meetings were attended by the AC members and Senior Management. The Company Secretary acted as Secretary 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 2017 ("FY2017") 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.

ii. Oversee Activities of External Auditors in dealing with the Group
   a) Discussed and reviewed the external auditors' audit planning report for the FY2017 outlining their audit team, audit timeline, recent development of the Group, key areas of audit focus, fraud risk, communication of other significant audit matters, legal updates, 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 2016.
   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.

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 2018 as tabled by the internal auditors.
   b) Reviewed progress report on Risk Management and Sustainability Reporting.

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.
   b) Reviewed and formed the opinion for the following multiple proposals:-
      i. Proposed acquisition of 5,000,000 ordinary share in Mace Instrumentation Sdn Bhd ("MISB") representing 100% of the total issued shares in MISB for a purchase consideration of RM48,000,000.00;
      ii. Proposed split share of every one JHM share into two ordinary shares; and
      iii. Proposed establishment of an executive share option scheme of up to 30% of Company's issued shares.

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 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, as ESOS was only in force after the financial year ended 31 December 2017.

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 Committee 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 28 to 29 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 2017.

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 the financial position of the Group and the Company, and which enable them to ensure that the financial statements comply with 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 20 April 2018.

ADDITIONAL
COMPLIANCE INFORMATION

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

Save as below, 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:-

JHM had on 28 September 2017 entered into the Share Sales Agreement with Ong Hock Seong, Chan Huai Leng and Tan Land Ghee (collectively the "Vendors") to acquire 5,000,000 ordinary shares in Mace Instrumentation Sdn. Bhd. ("MISB"), representing one hundred percentum (100%) of the total issued shares in MISB from the Vendors for a purchase consideration of RM48,000,000. The said purchase consideration of RM48,000,000 was satisfied by the issuance and allotment of 32,000,000 new ordinary shares of the Company ("JHM Share") at an issue price of RM1.50 per JHM Share to the Vendors ("Acquisition of MISB").

The Acquisition of MISB was completed on 9 April 2018.

Dato' Tan King Seng was deemed interested in the Acquisition of MISB as Dato' Tan King Seng and his wife, Datin Ngo Chinh Mien have provided management and consultancy services and financial assistance to MISB in their personal capacity. Dato' Tan King Seng had received a one-off allowance from MISB for the services he provided. In addition, Tan Land Ghee being one of the Vendors and a major shareholder of MISB, is the nephew of Dato' Tan King Seng and he is also an employee of Morrissey Technology Sdn. Bhd., a subsidiary of the Company.

Cheah Choon Ghee, a director of the Company, was deemed interested in the Acquisition of MISB by virtue of him being associated with Ong Hock Seong via Noble Matters Sdn. Bhd., a major shareholder of the Company. Cheah Choon Ghee has received a one-off allowance and benefits in kind from MISB for the management and consultancy services he provided to MISB in his personal capacity.

Ong Hock Seong was deemed interested in the Acquisition of MISB by virtue him being a Director and a major shareholder in MISB and is deemed a major shareholder of the Company via Noble Matters Sdn Bhd.

Tang Nam Soon was deemed interested in the Acquisition of MISB by virtue him being a person connected to Dato' Tan King Seng and a substantial shareholder of Noble Matters Sdn. Bhd., a major shareholder of the Company. Tang Nam Soon is also a key management in MISB. Chan Huai Leng being one of the Vendors of the Acquisition of MISB, is the spouse of Tang Nam Soon.

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

The Company does not have any recurrent related party transactions of a revenue or trading nature during the financial year.

3. UTILISATION OF PROCEEDS

On 11 August 2017, the Company completed the listing of 15,335,000 new ordinary shares to third party investors through private placement. The placement shares were issued at an issue price of RM2.64 per share and total proceeds of RM40.484 million was received from the said placement.

Subsequently, the Board of Directors of the Company has on 20 April 2018 resolved to:-

(a) revise part of the proceeds amounting to RM3.6 million allocated for working capital to capital expenditure ("**Revision**"); and

(b) extend the timeframe for the utilisation of the remaining unutilised proceeds allocated to working capital ("**Extension**").

3. UTILISATION OF PROCEEDS (cont'd)

Below are the status of utilisation of proceeds as at 20 April 2018:-

Details of Utilisation	Proposed utilisation as disclosed in the announcement dated 6 April 2017	Proposed utilisation after the Revision	Actual utilisation as at 20 April 2018	Balance unutilised as at 20 April 2018	Initial timeframe as stated in announcement dated 6 April 2017 for utilisation of Private Placement Proceeds ("Initial Timeframe")	Extension of timeframe for utilisation of Private Placement Proceeds from the Initial Timeframe
	RM'000	RM'000	RM'000		RM'000	%
Working capital	26,299	22,699	20,946*	1,753	Within 6 months	Within 12 months
Repayment of bank borrowing	12,000	12,000	12,000	Completed	Within 6 months	-
Capital expenditure	2,000	5,600	2,000	3,600	Within 12 months	-
Expenses for the corporate proposal	185	185	186*	Completed	immediate	-
Total	**40,484**			**5,353**		

Note:
* The actual expenses for the corporate proposal incurred were higher than the estimated expenses for the corporate proposal by RM1,000. The said variation was adjusted from the amount allocated for working capital requirements.

4. AUDIT FEES

During the financial year ended 31 December 2017, the amount of audit fees paid to external auditors by the Company and the Group respectively were as follow:-

	Audit Fee (RM)
Company	**20,000**
Group	**71,000**

5. NON-AUDIT FEES

During the financial year ended 31 December 2017, the amount of non-audit fees paid to external auditors and its affiliates by the Company and the Group respectively were as follow:-

	Non-Audit Fee (RM)
Company	**110,347**
Group	**123,547**

Non-audit services rented by Grant Thorton and their affiliates for:
- Review statement on risk management and internal control
- Acting as the reporting accountants for the corporate exercise
- Financial and tax due diligence on Mace Instrumentation Sdn. Bhd.
- Tax services fee

FINANCIAL
STATEMENTS

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 2017**.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding.

The principal activities of the subsidiaries are disclosed in Note 5 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	29,595,480	6,231,774
Attributable to:		
Owners of the Company	29,646,942	6,231,774
Non-controlling interests	(51,462)	-
	29,595,480	6,231,774

DIVIDENDS

Since the end of the previous financial year, the Company has paid a first interim single tier dividend of 1.5 sen per share amounting to RM3,942,000 in respect of financial year ended 31 December 2017.

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 increased its issued and paid-up share capital from RM12,373,250 to RM65,230,900 by way of the following:

(i) Bonus issue of 123,732,500 new ordinary shares credited as fully paid up on the basis of 1 bonus share for every 1 existing ordinary share held through the capitalisation of RM3,537,844 from share premium and RM8,835,406 from retained profits; and

(ii) Allotment of 15,335,000 new ordinary shares at an issue price of RM2.64 per share pursuant to a private placement. The proceeds were used for working capital.

The new ordinary shares issued during the financial year ranked pari passu in all respects with the existing ordinary shares of the Company.

Other than the foregoing, the Company did not issue any other share or debenture and did not grant any option to anyone to take up unissued shares of the Company.

DIRECTORS

The directors who served since the date of the last report are as follows:

Directors of the Company:

Dato' Tan King Seng
Cheah Choon Ghee
Khor Thean Lee
Koh Yew Wah (appointed on 1.6.17)
Loh Chye Teik
Dato' Dr. Loh Hock Hun
Wong Chi Yeng
Lai Fah Hin (appointed on 30.8.17)
Ooi Yeok Hock (resigned on 30.6.17)
Tan Chin Hong (resigned on 30.6.17)

Directors of the subsidiaries:

Ooi Yeok Hock
Tan Chin Hong
Chan Kai Kong
Ngou Yee Mun (resigned on 9.1.18)

DIRECTORS' INTERESTS IN SHARES

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

	Number of ordinary shares				
	Balance at 1.1.17	**Bonus issue**	**Bought**	**Sold**	**Balance at 31.12.17**
The Company					
Direct Interest:					
Dato' Tan King Seng	43,567,379	44,917,379	6,566,000	-	95,050,758
Cheah Choon Ghee	3,207,500	1,457,500	-	(1,750,000)	2,915,000
Khor Thean Lee	500,000	500,000	-	-	1,000,000
Koh Yew Wah	-*	-	250,000	-	250,000
Deemed Interest:					
Dato' Tan King Seng	4,664,095	5,664,095	1,000,000	(5,216,000)	6,112,190
Cheah Choon Ghee	25,745,263	24,994,163	-	(5,251,100)	45,488,326
Lai Fah Hin	2,000*	-	-	-	2,000

* At the date of appointment.

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

Other than the above, none of the other directors holding office at the end of the financial year had any interests in shares in the Company and its related corporations during the financial year.

DIRECTORS' BENEFITS

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 included in the aggregate amount of emoluments received or due and receivable by the directors shown in the financial statements) 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.

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.

DIRECTORS' REMUNERATION

Details of directors remuneration are set out in Note 20 to the financial statements.

INDEMNIFYING DIRECTORS, OFFICERS OR AUDITORS

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

OTHER STATUTORY INFORMATION

Before the financial statements of the Group and of the Company were made out, 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 all known bad debts had been written off and that adequate provision had been made for doubtful debts, 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 the amount written off for bad debts or the amount of the provision for doubtful debts in the Group and in the Company inadequate to any substantial extent, 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) which 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.

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, or

(ii) any contingent liability in respect of the Group and of the Company that has arisen since the end of the financial year.

OTHER STATUTORY INFORMATION (cont'd)

In the opinion of the directors:

(i) 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,

(ii) the results of operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature, and

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

SIGNIFICANT EVENTS DURING AND AFTER THE REPORTING PERIOD

Details of significant events during and after the reporting period are disclosed in Note 32 to the financial statements.

AUDITORS

Details of auditors' remuneration of the Group and of the Company are set out in Note 20 to the financial statements.

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

Signed in accordance with a resolution of the directors:

....
Dato' Tan King Seng

....
Koh Yew Wah

Penang,

Date: 12 April 2018

DIRECTORS' STATEMENT

In the opinion of the directors, the financial statements set out on pages 45 to 93 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 2017** and of their financial performance and cash flows for the financial year then ended.

Signed in accordance with a resolution of the directors:

....	....
Dato' Tan King Seng	**Koh Yew Wah**

Date: 12 April 2018

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 45 to 93 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 **12th**)
day of **April 2018**)

....
Low Soo Kim
MIA No. : 28242

Before me,

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

INDEPENDENT
AUDITORS' REPORT

TO THE MEMBERS OF JHM CONSOLIDATION BERHAD Company No. 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 2017** 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 significant accounting policies, as set out on pages 45 to 93.

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 2017** and of their financial performance and their 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 Matter	How our audit addressed the Key Audit Matter
Valuation of inventories (*Note 8 to the financial statements*) The Group holds significant inventories as at 31 December 2017 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. The Group measures inventories at the lower of cost and net realisable value. Identifying and determining the appropriate write down of the inventories to net realisable value required judgement by the Group. We focused on this area as judgements made by the Group are affected by external and market considerations which are inherently uncertain.	Our audit procedures in relation to the valuation of inventories included: • 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 the year end physical inventory counts to identify whether any inventories were damaged. • Reviewing the consistency of the application of management's methodology in determining and estimating the provision from year to year. • Reviewing and testing the reliability of the ageing report of inventories provided by management. • Testing the work-in-progress and finished goods on sampling basis to sales subsequent to the year end and checked that they were sold at higher than the carrying amount.

Key Audit Matters (cont'd)

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment of trade receivables (*Note 7 to the financial statements*) The Group has significant trade receivables as at 31 December 2017 and it is subject to credit risk exposure. We focus on this area as the assessment of recoverability of receivables involved management judgements and estimation uncertainty in determining the probability of insolvency or significant financial difficulties of the debtors and default or significant delay in payments. Specific factors that the Group considered include the age of the balance, existence of disputes, recent historical payment patterns and any other available information concerning the creditworthiness of the debtors.	Our audit procedures in relation to management's impairment assessment included: • Obtaining an understanding of: - the Group's control over the customers collection process; - how the Group identifies and assesses the impairment of trade receivables; and - how the Group makes the accounting estimates for impairment. • Reviewing the consistency of the application of management's methodology for calculating the impairment from year to year. • Reviewing the aging of trade receivables and testing the reliability thereof. • Reviewing subsequent collections of major customers and overdue amounts. • Making inquiries of management regarding the action plans to recover overdue balances. • Evaluating the adequacy of the impairment estimated and provided in the financial statements.

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

Information Other than the Financial Statements and Auditors' Report Thereon

The directors of the 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.

Directors Responsibilities 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.

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

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's 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 Matters

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

Grant Thornton
No. AF: 0042
Chartered Accountants

Tham Shien Hong
No. 03266/04/2019 J
Chartered Accountant

Date: 12 April 2018

Penang

STATEMENTS OF
FINANCIAL POSITION
AS AT 31 DECEMBER 2017

		GROUP		COMPANY	
		2017	2016	**2017**	2016
	NOTE	**RM**	RM	**RM**	RM
ASSETS					
Non-current assets					
Property, plant and equipment	4	**30,980,419**	30,887,220	**293**	468
Investment in subsidiaries	5	**-**	-	**12,966,000**	11,106,000
Deferred tax assets	6	**108,000**	-	**-**	-
		31,088,419	30,887,220	**12,966,293**	11,106,468
Current assets					
Inventories	7	**23,548,258**	20,479,629	**-**	-
Trade receivables	8	**76,795,307**	64,882,401	**-**	-
Other receivables, deposits and prepayments	9	**2,619,292**	2,157,027	**1,000**	731,000
Amount due from subsidiaries	10	**-**	-	**21,325,142**	14,017,101
Tax recoverable		**36,263**	255,570	**-**	8,000
Cash and bank balances	11	**47,330,022**	9,171,881	**34,858,250**	337,025
		150,329,142	96,946,508	**56,184,392**	15,093,126
TOTAL ASSETS		**181,417,561**	127,833,728	**69,150,685**	26,199,594
EQUITY AND LIABILITIES					
Equity attributable to owners of the company					
Share capital	12	**65,230,900**	12,373,250	**65,230,900**	12,373,250
Share premium	13	**-**	3,537,844	**-**	3,537,844
Capital reserve	14	**(276,976)**	(276,976)	**-**	-
Retained profits	15	**58,068,246**	41,198,710	**3,710,524**	10,256,156
		123,022,170	56,832,828	**68,941,424**	26,167,250
Non-controlling interests		**1,232,112**	-	**-**	-
Total equity		**124,254,282**	56,832,828	**68,941,424**	26,167,250
Non-current liabilities					
Borrowings	16	**6,406,749**	7,787,053	**-**	-
Deferred tax liabilities	6	**788,731**	1,213,144	**-**	-
		7,195,480	9,000,197	**-**	-
Current liabilities					
Trade payables	17	**33,905,234**	33,726,575	**-**	-
Other payables and accruals	18	**7,435,660**	9,762,760	**173,342**	32,344
Borrowings	16	**6,332,900**	16,278,068	**-**	-
Tax payable		**2,294,005**	2,233,300	**35,919**	-
		49,967,799	62,000,703	**209,261**	32,344
Total liabilities		**57,163,279**	71,000,900	**209,261**	32,344
TOTAL EQUITY AND LIABILITIES		**181,417,561**	127,833,728	**69,150,685**	26,199,594

The notes set out on pages 51 to 93 form an integral part of these financial statements.

STATEMENTS OF
COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

		GROUP		COMPANY	
		2017	2016	**2017**	2016
	NOTE	**RM**	RM	**RM**	RM
Revenue	**19**	**246,091,976**	193,732,863	**8,294,086**	10,309,549
Cost of sales		**(189,387,119)**	(159,465,560)	**-**	-
Gross profit		**56,704,857**	34,267,303	**8,294,086**	10,309,549
Other income		**2,746,027**	2,943,159	**-**	-
Administrative expenses		**(20,656,478)**	(10,087,701)	**(1,868,258)**	(342,259)
Operating profit		**38,794,406**	27,122,761	**6,425,828**	9,967,290
Finance costs		**(1,224,104)**	(1,124,706)	**-**	-
Profit before tax	**20**	**37,570,302**	25,998,055	**6,425,828**	9,967,290
Tax expense	**21**	**(7,974,822)**	(5,382,766)	**(194,054)**	(89,862)
Net profit, representing total comprehensive income for the financial year		**29,595,480**	20,615,289	**6,231,774**	9,877,428
Total comprehensive income attributable to:					
Owners of the Company		**29,646,942**	20,337,291	**6,231,774**	9,877,428
Non-controlling interests		**(51,462)**	277,998	**-**	-
		29,595,480	20,615,289	**6,231,774**	9,877,428
Earnings per share attributable to owners of the Company (sen)					
- Basic/Diluted	**22**	**14.71**	8.23		

The notes set out on pages 51 to 93 form an integral part of these financial statements.

CONSOLIDATED
STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

		Attributable to owners of the Company						
			Non-distributable		Distributable			
	NOTE	Share Capital RM	Share Premium RM	Capital Reserve RM	Retained Profits RM	Total RM	Non-controlling Interests RM	Total Equity RM
2017								
Balance at beginning		**12,373,250**	**3,537,844**	**(276,976)**	**41,198,710**	**56,832,828**	**-**	**56,832,828**
Total comprehensive income for the financial year		**-**	**-**	**-**	**29,646,942**	**29,646,942**	**(51,462)**	**29,595,480**
Transactions with owners:								
Issuance of shares pursuant to:								
- Bonus issue	**12 & 13**	**12,373,250**	**(3,537,844)**	**-**	**(8,835,406)**	**-**	**-**	**-**
- Private placement	**12**	**40,484,400**	**-**	**-**	**-**	**40,484,400**	**-**	**40,484,400**
Acquisition of a subsidiary		**-**	**-**	**-**	**-**	**-**	**643,574**	**643,574**
Issuance of shares to non-controlling interests		**-**	**-**	**-**	**-**	**-**	**640,000**	**640,000**
Dividend	**23**	**-**	**-**	**-**	**(3,942,000)**	**(3,942,000)**	**-**	**(3,942,000)**
Total transactions with owners		**52,857,650**	**(3,537,844)**	**-**	**(12,777,406)**	**36,542,400**	**1,283,574**	**37,825,974**
Balance at end		**65,230,900**	**-**	**(276,976)**	**58,068,246**	**123,022,170**	**1,232,112**	**124,254,282**
2016								
Balance at beginning		12,300,000	2,953,447	-	21,031,335	36,284,782	(544,890)	35,739,892
Total comprehensive income for the financial year		-	-	-	20,337,291	20,337,291	277,998	20,615,289
Transactions with owners:								
Cash allotment	12 & 13	73,250	622,625	-	-	695,875	-	695,875
Allotment expenses	12	-	(38,228)	-	-	(38,228)	-	(38,228)
Changes in ownership interest in a subsidiary		-	-	-	(169,916)	(169,916)	109,916	(60,000)
Premium paid on acquisition of a subsidiary		-	-	(276,976)	-	(276,976)	156,976	(120,000)
Total transactions with owners		73,250	584,397	(276,976)	(169,916)	210,755	266,892	477,647
Balance at end		12,373,250	3,537,844	(276,976)	41,198,710	56,832,828	-	56,832,828

The notes set out on pages 51 to 93 form an integral part of these financial statements.

STATEMENTS OF
CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

			Non-distributable	Distributable	
		Share Capital	**Share Premium**	**Retained Profit**	**Total Equity**
	NOTE	**RM**	**RM**	**RM**	**RM**
2017					
Balance at beginning		**12,373,250**	**3,537,844**	**10,256,156**	**26,167,250**
Total comprehensive income for the financial year		**-**	**-**	**6,231,774**	**6,231,774**
Transactions with owners:					
Issuance of shares pursuant to:					
- Bonus issue	**12 & 13**	**12,373,250**	**(3,537,844)**	**(8,835,406)**	**-**
- Private placement	**12**	**40,484,400**	**-**	**-**	**40,484,400**
Dividend	**23**	**-**	**-**	**(3,942,000)**	**(3,942,000)**
Total transactions with owners		**52,857,650**	**(3,537,844)**	**(12,777,406)**	**36,542,400**
Balance at end		**65,230,900**	**-**	**3,710,524**	**68,941,424**
2016					
Balance at beginning		12,300,000	2,953,447	378,728	15,632,175
Total comprehensive income for the financial year		-	-	9,877,428	9,877,428
Transactions with owners:					
Cash allotment	12 & 13	73,250	622,625	-	695,875
Allotment expenses	12	-	(38,228)	-	(38,228)
Total transactions with owners		73,250	584,397	-	657,647
Balance at end		12,373,250	3,537,844	10,256,156	26,167,250

The notes set out on pages 51 to 93 form an integral part of these financial statements.

STATEMENTS OF
CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	GROUP		COMPANY	
	2017	2016	**2017**	2016
	RM	RM	**RM**	RM
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax	**37,570,302**	25,998,055	**6,425,828**	9,967,290
Adjustments for:				
Amortisation of development costs	**-**	14,507	**-**	-
Depreciation	**5,382,060**	5,096,956	**175**	175
Gain on bargain purchase of a subsidiary	**(65,361)**	-	**-**	-
Interest expense	**1,224,104**	1,124,706	**-**	-
Interest income	**(671,623)**	(79,792)	**(1,294,086)**	(309,549)
Gain on disposal of property, plant and equipment	**(47,064)**	(34,999)	**-**	-
Property, plant and equipment written off	**202,463**	-	**-**	-
Unrealised loss/(gain) on foreign exchange	**2,770,329**	(1,507,261)	**-**	-
Operating profit before working capital changes	**46,365,210**	30,612,172	**5,131,917**	9,657,916
Increase in inventories	**(2,996,934)**	(1,532,023)	**-**	-
(Increase)/Decrease in receivables	**(16,507,223)**	(23,336,660)	**730,000**	(730,000)
(Decrease)/Increase in payables	**(353,016)**	1,438,744	**140,998**	(8,136)
Cash from operations	**26,508,037**	7,182,233	**6,002,915**	8,919,780
Income tax paid	**(8,229,711)**	(4,605,064)	**(150,135)**	(142,862)
Interest paid	**(1,224,104)**	(1,124,706)	**-**	-
Net cash from operating activities	**17,054,222**	1,452,463	**5,852,780**	8,776,918
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisition of non-controlling interests	**-**	(180,000)	**-**	-
Advance to subsidiaries	**-**	-	**(6,488,041)**	-
Interest received	**671,623**	79,792	**474,086**	1,318
Investments in subsidiaries	**-**	-	**(1,860,000)**	(180,002)
Net cash outflow from acquisition of a subsidiary (Note 5)	**(640,261)**	-	**-**	-
Placement of fixed deposits	**(1,140,774)**	(3,549,635)	**-**	-
Proceeds from disposal of property, plant and equipment	**166,085**	35,000	**-**	-
* Purchase of property, plant and equipment	**(3,634,158)**	(3,372,012)	**-**	-
Net cash used in investing activities	**(4,577,485)**	(6,986,855)	**(7,873,955)**	(178,684)
CASH FLOWS FROM FINANCING ACTIVITIES				
Dividend paid	**(3,942,000)**	-	**(3,942,000)**	-
(Payment)/Drawdown of bankers acceptance	**(9,556,400)**	7,629,500	**-**	-
Drawdown of finance lease liabilities	**861,000**	4,210,498	**-**	-
Net change in subsidiaries	**-**	-	**-**	(8,973,084)
Payment of allotment expenses	**-**	(38,228)	**-**	(38,228)
Payment of finance lease	**(3,705,586)**	(2,836,969)	**-**	-
Payment of term loans	**(290,362)**	(287,308)	**-**	-
Proceeds from issuance of shares	**40,484,400**	695,875	**40,484,400**	695,875
Proceeds from issuance of shares to non-controlling interests	**640,000**	-	**-**	-
Repayment of invoice financing	**-**	(1,000,000)	**-**	-
Net cash from/(used in) financing activities	**24,491,052**	8,373,368	**36,542,400**	(8,315,437)
NET INCREASE IN CASH AND CASH EQUIVALENTS CARRIED FORWARD	**36,967,789**	2,838,976	**34,521,225**	282,797

The notes set out on pages 51 to 93 form an integral part of these financial statements.

STATEMENTS OF
CASH FLOWS (cont'd)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	GROUP		COMPANY	
	2017	2016	**2017**	2016
	RM	RM	**RM**	RM
NET INCREASE IN CASH AND CASH EQUIVALENTS CARRIED FORWARD	**36,967,789**	2,838,976	**34,521,225**	282,797
CASH AND CASH EQUIVALENTS AT BEGINNING	**5,621,874**	2,782,898	**337,025**	54,228
CASH AND CASH EQUIVALENTS AT END	**42,589,663**	5,621,874	**34,858,250**	337,025
Represented by:				
Cash and bank balances	**47,330,022**	9,171,881	**34,858,250**	337,025
Less: Fixed deposits pledged to licensed banks	**(4,690,409)**	(3,549,635)	**-**	-
	42,639,613	5,622,246	**34,858,250**	337,025
Bank overdrafts	**(49,950)**	(372)	**-**	-
	42,589,663	5,621,874	**34,858,250**	337,025
* **Purchase of property, plant and equipment**				
Total acquisition cost	**4,259,158**	4,219,312	**-**	-
Acquired under finance lease	**(625,000)**	(847,300)	**-**	-
Total cash acquisition	**3,634,158**	3,372,012	**-**	-

The notes set out on pages 51 to 93 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

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 5 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 Penang.

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

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 12 April 2018.

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 significant accounting policies as set out below.

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 MFRS

The accounting policies adopted by the Group and by the Company are consistent with those of the previous financial year 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 2017
Amendments to MFRS 12 Disclosure of Interest in Other Entities (under Annual Improvements to MFRS 2014-2016 Cycle)
Amendments to MFRS 107 Statement of Cash Flows: Disclosure Initiative
Amendments to MFRS 112 Recognition of Deferred Tax Assets for Unrealised Losses

Initial application of the above standards did not have any material impact to the financial statements of the Group and of the Company except as mentioned below:

Amendments to MFRS 107 Statement of Cash Flows: Disclosure Initiatives

The Group and the Company have applied these amendments for the first time in the current financial year. The amendments require the Group and the Company to disclose a reconciliation between the opening and closing balances for liabilities arising from financing activities, including changes arising from both cash flows and non-cash changes, which is disclosed in Note 29.7 to the financial statements.

2. BASIS OF PREPARATION (CONT'D)

2.5 Standards Issued But Not Yet Effective

The Group and the Company have not applied the following standards that have been issued by the Malaysia Accounting Standards Board ("MASB") but are not yet effective for the Group and for the Company:

Effective for annual periods beginning on or after 1 January 2018
MFRS 9 Financial Instruments (IFRS 9 issued by IASB in July 2014)
MFRS 15 Revenue from Contracts with Customers
Amendments to MFRS 2 Classification and Measurement of Share-based Payment Transactions
Amendments to MFRS 4 Insurance Contracts: Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts
Amendments to MFRS 7 Mandatory Date of MFRS 9 and Transition Disclosures
Amendments to MFRS 140 Investment Property: Transfer of Investment Property
Annual Improvements to MFRS 2014-2016 Cycle (except for Amendments to MFRS 12 Disclosure of Interest in Other Entities)
IC Interpretation ("IC Int") 22 Foreign Currency Transactions and Advance Consideration

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 Int 23 Uncertainty over Income Tax Treatments
Annual Improvements to MFRS Standards 2015-2017 Cycle

Effective for annual periods beginning on or after 1 January 2021
MFRS 17 Insurance Contracts

Effective date yet to be confirmed
Amendments to MFRS 10 and MFRS 128 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The existing *MFRS 4* and Amendments to *MFRS 4* will be withdrawn upon the adoption of the new *MFRS 17* which will take effect on or after 1 January 2021.

The initial application of the above standards is not expected to have any material impacts to the financial statements of the Group and the Company upon adoption except as mentioned below:

MFRS 9 Financial Instruments

MFRS 9 Financial Instruments replaces *MFRS 139 Financial Instruments: Recognition and Measurement* and all previous versions of *MFRS 9*. *MFRS 9* brings together all three aspects of the accounting for financial instruments project: (i) classification and measurement, (ii) impairment and (iii) hedge accounting. *MFRS 9* is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions. However, the directors deem the hedge accounting requirements under this standard to be irrelevant as the Group and the Company do not apply hedge accounting.

The Group and the Company plan to adopt the new standard on the required effective date and will not restate comparative information. During 2017, the Group and the Company have performed a detailed impact assessment of aspects (i) and (ii). This assessment is based on currently available information and may be subject to changes arising from further reasonable and supportable information being made available to the Group and the Company in 2018 when the Group and the Company will adopt *MFRS 9*. Overall, the Group and the Company expect no significant impact on the statements of financial position and equity. The Group and the Company will implement changes in classification of certain financial instruments.

2. BASIS OF PREPARATION (CONT'D)

2.5 Standards Issued But Not Yet Effective (cont'd)

(i) Classification and measurement

Financial assets

The Group and the Company assessed that all trade and other receivables, including intragroup balances, are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. The Group and the Company analysed the contractual cash flow characteristics of those instruments and concluded that they meet the criteria for amortised cost measurement under *MFRS 9*. Therefore, reclassification for these instruments is not required.

Financial liabilities

There is no impact on the classification and measurement of the Group's and the Company's financial liabilities.

(ii) Impairment

MFRS 9 requires the Group and the Company to record Expected Credit Losses ("ECL") on all of its trade and other receivables, either on a 12-month or lifetime basis. The Group and the Company will apply the simplified approach prescribed by *MFRS 9*, which requires a lifetime ECL to be recognised from initial recognition of the trade and other receivables which are financial assets. After initial assessment, the Group and the Company has determined that, due to there was no incident of recent default from its customers, no additional allowance will be provided.

In summary, the adoption of *MFRS 9* is not expected to have any material impact to the financial statements of the Group and the Company for the financial year ended 31 December 2017.

MFRS 15 Revenue from Contracts with Customers

MFRS 15 replaces the guidance in *MFRS 11 Construction Contracts, MFRS 118 Revenue, IC Int 13 Customer Loyalty Programmes, IC Int 15 Agreements for Construction of Real Estate, IC Int 18 Transfers of Assets from Customers and IC Int 131 Revenue – Barter Transactions Involving Advertising Services.*

The core principle of *MFRS 15* is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under *MFRS 15*, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Depending on the substance of the contract, revenue is recognised when the performance obligation is satisfied, which may be at a point in time or over time.

2. BASIS OF PREPARATION (CONT'D)

2.5 Standards Issued But Not Yet Effective (cont'd)

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

The standard identifies three (3) situations where control of the promised goods or services is regarded as being transferred over time:

(i) When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

(ii) When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;

(iii) When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

The Group's revenue is mainly derived from contract manufacturing of micro-electronic components ("MEC") as well as assembly of electronic modules which the revenue is currently recognised when the goods are delivered to the customer and based on the timing when the related risk and rewards of ownership have been transferred to the customer. Revenue is recognised at this point provided that the revenue and costs can be measured reliably, the recovery of the consideration is probable and there is no continuing management involvement with the goods.

The Group assessed that under the new *MFRS 15*, the revenue from contract manufacturing of the MEC and electric module meets the criteria (iii) above and will result in revenue and some associated costs being recognised over time – i.e. before the goods are delivered to the customers. The Group will measure the revenue over time either using the input or output methods, depending which faithfully depicts the Group's performance.

As for the sales of other general products which do not meet any of the three criteria mentioned above, revenue will be recognised at point in time.

The Group plans to adopt *MFRS 15* using the cumulative effect method (simplified transitional approach), with the effect of initially applying this standard recognised at the date of initial application i.e. 1 January 2018. As a result, the Group will not apply the requirements of *MFRS 15* to the comparative period presented.

MFRS 16 Leases

The scope of *MFRS 16* includes leases of all assets, with certain exceptions. A lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration.

MFRS 16 requires lessees to account for all leases under a single on-balance sheet model in a similar way to finance leases under *MFRS 117*. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (e.g., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (e.g., the lease liability) and an asset representing the right to use the underlying asset during the lease term (e.g., the right-of-use asset).

Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will be required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting is substantially unchanged from today's accounting under *MFRS 117*. Lessors will continue to classify all leases using the same classification principle in *MFRS 117* and distinguish between two types of leases: operating and finance leases.

Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2019 with early adoption permitted. The Group and the Company are currently assessing the financial impact of adopting *MFRS 16*.

2. BASIS OF PREPARATION (CONT'D)

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.

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 machinery 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. Therefore, future depreciation charges could be revised.

(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) Inventories

The management reviews for damage, 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.

(iv) Impairment of loans and receivables

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience of assets with similar credit risk characteristics.

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 investment in a subsidiary, the difference between the net disposal proceeds 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.

(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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 Basis of Consolidation (cont'd)

(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, at the following annual rates:

Leasehold land	Amortised over its lease period of 37 years
Freehold office lot	2%
Plant and machinery	10% - 50%
Office equipment, furniture and fittings	10% - 20%
Electrical installation	10%
Renovation	10%
Motor vehicles	20%

Depreciation on capital expenditure in progress commences when the assets are ready for their intended 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. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.3 Research and Development Costs

All research costs are expensed as incurred. Expenditure incurred on projects to develop new products is capitalised as development costs and deferred only when the Group can demonstrate the technical feasibility of completing the asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Development costs which do not meet these criteria are expensed as incurred.

Capitalised development costs comprise direct attributable costs incurred for development. Capitalised development costs, considered to have finite useful lives, are stated at cost less accumulated amortisation and any accumulated impairment losses. Development costs are amortised using the straight-line basis over the commercial lives of the underlying products of five years from the commencement of the commercialisation of the products. The amortisation period and method are reviewed at the end of each reporting period to ensure that the expected useful lives of the assets are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of intangible assets.

3.4 Leases

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 lease

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

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

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 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.

Leasehold land which in substance is an operating lease is classified as prepaid lease payments.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.5 Impairment of Non-Financial Assets

The carrying amounts of non-financial assets (except for inventories) 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 and intangible assets that has indefinite useful lives or that are not yet available for use, the recoverable amount is estimated at the end of each period 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. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset 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.

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

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the instrument.

A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transactions costs that are directly attributable to the acquisition or issue of the financial instrument.

3.6.2 Financial instrument categories and subsequent measurement

The Group and the Company categorise financial instruments as follows:

Financial assets

Loans and receivables

Loans and receivables category comprises debt instruments that are not quoted in an active market.

Financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective interest method.

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

All financial assets are subject to review for impairment.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.6 Financial Instruments (cont'd)

3.6.2 Financial instrument categories and subsequent measurement (cont'd)

Financial liabilities

All financial liabilities are subsequently measured at amortised cost.

Financial liabilities are classified as current liabilities, except for those having maturity dates later than 12 months after the end of the reporting period which are classified as non-current.

3.6.3 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.

3.6.4 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is 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.

3.6.5 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 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.

3.7 Impairment of Financial Assets

All financial assets (except for investment in subsidiaries) are assessed at the end of each reporting period whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. For an investment in an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment.

An impairment loss in respect of loans and receivables is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.8 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.

3.9 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.

3.10 Provisions

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

3.11 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.

3.12 Income Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and to the Company and when the revenue can be reliably measured on the following bases:

(i) Sale of goods

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

(ii) Interest income

Interest income is recognised on a time proportion basis using the applicable effective interest rate.

(iii) Dividend income

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.13 Employee Benefits

Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the years in which the associated services are rendered by employees of the Group. 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.

3.14 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 following 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 is not a tax base of an asset, is recognised as a deferred tax asset to the extent that it is probable that future taxable profits will be available against which the unutilised tax incentive can be utilised.

3.15 Goods and Services Tax

Goods and Services Tax ("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%. 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.

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.16 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.

3.17 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 Company, to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

3.18 Share Capital, Share Issuance Expenses 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.

Share issuance costs

Prior to Companies Act 2016 which came into operation on 31 January 2017, incremental external costs directly attributable to the issuance of new shares are deducted against the share premium account. Effective on 31 January 2017 and subsequent period, incremental external costs directly attributable to the issuance of new shares are deducted against equity.

Dividends

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

3.19 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. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.20 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; or
(iii) Is a member of the key management personnel of the Group

(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.

4. PROPERTY, PLANT AND EQUIPMENT

GROUP
2017

	At cost					
	Balance at beginning	Additions	Acquisition through business combination	Disposals	Written off	Balance at end
	RM	RM	RM	RM	RM	RM
Leasehold land	6,315,010	-	-	-	-	6,315,010
Freehold office lot	687,389	-	-	-	-	687,389
Plant and machinery	46,525,123	589,350	2,657,874	(2,795,010)	(3,883,942)	43,093,395
Office equipment, furniture and fittings	4,009,143	831,884	160,657	-	(2,740)	4,998,944
Electrical installation	952,766	12,152	-	-	-	964,918
Renovation	4,317,160	344,168	448,529	-	-	5,109,857
Motor vehicles	3,726,041	745,933	233,472	(983,416)	-	3,722,030
Capital expenditure in progress	-	1,735,671	-	-	-	1,735,671
	66,532,632	4,259,158	3,500,532	(3,778,426)	(3,886,682)	66,627,214

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

GROUP

2017

	Accumulated depreciation					
	Balance at beginning RM	Current charge RM	Acquisition through business combination RM	Disposals RM	Written off RM	Balance at end RM
Leasehold land	519,838	174,727	-	-	-	694,565
Freehold office lot	108,935	13,748	-	-	-	122,683
Plant and machinery	27,057,228	3,850,414	1,578,413	(2,701,072)	(3,213,888)	26,571,095
Office equipment, furniture and fittings	2,310,569	406,583	76,232	-	(2,092)	2,791,292
Electrical installation	556,337	66,973	-	-	-	623,310
Renovation	2,497,784	324,645	182,933	-	-	3,005,362
Motor vehicles	2,126,482	544,970	125,369	(958,333)	-	1,838,488
	35,177,173	5,382,060	1,962,947	(3,659,405)	(3,215,980)	35,646,795

	Accumulated impairment loss					
	Balance at beginning RM	Current charge RM	Acquisition through business combination RM	Disposals RM	Written off RM	Balance at end RM
Plant and machinery	468,239	-	-	-	(468,239)	-

	Carrying amount RM
Leasehold land	5,620,445
Freehold office lot	564,706
Plant and machinery	16,522,300
Office equipment, furniture and fittings	2,207,652
Electrical installation	341,608
Renovation	2,104,495
Motor vehicles	1,883,542
Capital expenditure in progress	1,735,671
	30,980,419

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

2016

	At cost			
	Balance at beginning RM	Additions RM	Disposals RM	Balance at end RM
Leasehold land	6,315,010	-	-	6,315,010
Freehold office lot	687,389	-	-	687,389
Plant and machinery	44,635,584	1,889,539	-	46,525,123
Office equipment, furniture and fittings	3,408,513	600,630	-	4,009,143
Electrical installation	821,316	131,450	-	952,766
Renovation	3,720,840	596,320	-	4,317,160
Motor vehicles	2,840,056	1,001,373	(115,388)	3,726,041
	62,428,708	4,219,312	(115,388)	66,532,632

	Accumulated depreciation			
	Balance at beginning RM	Current charge RM	Disposals RM	Balance at end RM
Leasehold land	345,111	174,727	-	519,838
Freehold office lot	95,187	13,748	-	108,935
Plant and machinery	23,271,995	3,785,233	-	27,057,228
Office equipment, furniture and fittings	1,938,976	371,593	-	2,310,569
Electrical installation	491,056	65,281	-	556,337
Renovation	2,218,083	279,701	-	2,497,784
Motor vehicles	1,835,196	406,673	(115,387)	2,126,482
	30,195,604	5,096,956	(115,387)	35,177,173

	Accumulated impairment loss			
	Balance at beginning RM	Current charge RM	Disposals RM	Balance at end RM
Plant and machinery	468,239	-	-	468,239

	Carrying amount RM
Leasehold land	5,795,172
Freehold office lot	578,454
Plant and machinery	18,999,656
Office equipment, furniture and fittings	1,698,574
Electrical installation	396,429
Renovation	1,819,376
Motor vehicles	1,599,559
	30,887,220

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

GROUP

The leasehold land and freehold office lot are pledged to a licensed bank for banking facility granted to a subsidiary.

The carrying amount of property, plant and equipment being acquired under finance lease are as follows:

	2017	2016
	RM	RM
Plant and machinery	**10,793,730**	10,886,492
Motor vehicles	**1,820,506**	1,544,430
	12,614,236	12,430,922

The leased assets are pledged as security for the related finance lease liabilities (Note 16).

COMPANY

	Office equipment, furniture and fittings	
	2017	2016
	RM	RM
At cost	**1,750**	1,750
Accumulated depreciation		
Balance at beginning	**1,282**	1,107
Current charge	**175**	175
Balance at end	**1,457**	1,282
Carrying amount	**293**	468

5. INVESTMENT IN SUBSIDIARIES

	COMPANY	
	2017	2016
	RM	RM
Unquoted shares, at cost	**12,966,000**	11,106,000

5. INVESTMENT IN SUBSIDIARIES (CONT'D)

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

Name of Company	Effective Equity Interest		Principal Activities
	2017	2016	
Morrissey Technology Sdn. Bhd.	**100%**	100%	Design and manufacture of precision miniature engineering metal parts and components.
JH Morrissey Sdn. Bhd. (Formerly known as Jingheng Electronic Precision Technology 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 Metallurgy Manufacturing Sdn. Bhd.	**100%**	100%	Dormant.
Morrissey Integrated Dynamics Sdn.Bhd.	**60%**	-	Assembly of all kinds of tools, equipment and industrial machinery.

(a) Acquisition of subsidiaries

2017

On 10 January 2017, the Company acquired 540,000 ordinary shares in Morrissey Integrated Dynamics Sdn. Bhd. ("MID"), representing 60% equity interest in MID for a total cash consideration of RM900,000. Upon completion of the acquisition, MID became a subsidiary of the Company.

On 9 October 2017, the Company subscribed for an additional 960,000 new ordinary shares in MID for a total cash consideration of RM960,000. The additional subscription does not result in a change in the effective equity interest of the Company in MID.

Impact of the acquisition of MID on profit or loss

The acquired subsidiary which qualified as business combination did not have a material effect on the Group's results for the financial year ended 31 December 2017.

Fair value of MID's assets and liabilities assumed at the date of acquisition on 10 January 2017

	RM
Property, plant and equipment	**1,537,585**
Deferred tax assets	**97,032**
Inventories	**71,695**
Receivables	**977,290**
Cash and cash equivalents	**259,739**
Payables	**(308,288)**
Borrowings	**(926,598)**
Tax payable	**(99,520)**
Net identifiable assets	**1,608,935**
Non-controlling interests	**(643,574)**
Share of net identifiable assets	**965,361**

5. INVESTMENT IN SUBSIDIARIES (CONT'D)

(a) Acquisition of subsidiaries (cont'd)

Fair value of MID's assets and liabilities assumed at the date of acquisition on 10 January 2017 (cont'd)

	RM
Bargain purchase gain arising from acquisition:	
Total cash consideration transferred	**900,000**
Fair value of net identifiable assets	**965,361**
Bargain purchase gain recognised in profit and loss as other income	**65,361**
Net cash outflow arising from acquisition of a subsidiary	
Purchase consideration settled in cash	**900,000**
Less: Cash and cash equivalents	**(259,739)**
	640,261

2016

(i) The Company had on 18 October 2016 incorporated 2 ordinary shares of RM1 each, representing 100% equity interest in Morrissey Metallurgy Manufacturing Sdn. Bhd. for a total consideration of RM2.

(ii) On 30 May 2016, the Company had acquired 60,000 ordinary shares of RM1 each in Morrissey Assembly Solution Sdn. Bhd. ("MASSB") for a cash consideration of RM60,000. Consequently, the equity interest of the Company in MASSB was increased from 60% to 75%.

On 30 June 2016, the Company subscribed for an additional 4,600,000 new ordinary shares of RM1 each in MASSB by way of capitalisation of debts owing to the Company. Consequent to the subscription, the equity interest of the Company in MASSB was increased from 75% to 98%.

On 5 July 2016, the Company acquired the remaining 2% equity interest of MASSB for a cash consideration of RM120,000. Consequently, MASSB became a wholly-owned subsidiary of the Company.

(b) Non-controlling interests ("NCI") in a subsidiary - MID

The details of the NCI are as follows:

	RM
NCI percentage of ownership interest and voting interest	**40%**
Carrying amount of NCI	**1,232,112**
Loss allocated to NCI	**(51,462)**

5. INVESTMENT IN SUBSIDIARIES (CONT'D)

(b) Non-controlling interests ("NCI") in a subsidiary - MID

Summarised financial information of MID before intra-group elimination:

	RM
As at 31 December 2017	
Non-current assets	**2,601,863**
Current assets	**1,642,757**
Non-current liabilities	**(176,097)**
Current liabilities	**(988,243)**
Net assets	**3,080,280**
Year ended 31 December 2017	
Revenue	**2,357,759**
Net loss, representing total comprehensive loss for the financial year	**(128,655)**
Net cash from operating activities	**360,769**
Net cash used in investing activities	**(1,441,088)**
Net cash from financing activities	**1,522,762**
Net cash inflow for the financial year	**442,443**
Dividend paid to NCI	**-**

6. DEFERRED TAX ASSETS/LIABILITIES

	GROUP	
	2017	2016
	RM	RM
Deferred tax assets:		
Balance at beginning	**-**	-
Acquisition of a subsidiary	**97,032**	-
Transfer from profit or loss	**10,968**	-
Balance at end	**108,000**	-
Deferred tax liabilities:		
Balance at beginning	**1,213,144**	1,080,172
Transfer from profit or loss	**101,587**	148,972
	1,314,731	1,229,144
Over provision in prior year	**(526,000)**	(16,000)
Balance at end	**788,731**	1,213,144

6. DEFERRED TAX ASSETS/LIABILITIES (CONT'D)

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

	GROUP	
	2017	2016
	RM	RM
Assets		
Property, plant and equipment	**57,000**	-
Unabsorbed tax losses	**51,000**	-
	108,000	-
Liabilities		
Property, plant and equipment	**838,000**	1,615,000
Unabsorbed reinvestment allowance	**-**	(332,000)
Inventories - tax effect on unrealised profit	**(49,269)**	(69,856)
	788,731	1,213,144

7. INVENTORIES

	GROUP	
	2017	2016
	RM	RM
Raw materials	**14,793,600**	14,112,939
Work-in-progress	**2,696,970**	2,510,825
Finished goods	**5,414,110**	3,003,406
Consumables	**643,578**	852,459
	23,548,258	20,479,629

The inventories recognised in profit or loss as cost of sales for the financial year amounted to **RM189,111,376** (2016: RM159,465,560).

8. TRADE RECEIVABLES

The currency profile of trade receivables is as follows:

	GROUP	
	2017	2016
	RM	RM
Ringgit Malaysia	**15,377,318**	16,254,648
US Dollar	**61,417,989**	48,627,753
	76,795,307	64,882,401

The trade receivables are non-interest bearing and are generally on **30 to 150 days** (2016: 30 to 150 days) credit terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

9. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	GROUP		COMPANY	
	2017	2016	**2017**	2016
	RM	RM	**RM**	RM
Other receivables	**289,567**	128,910	**-**	-
Refundable deposits	**649,014**	555,635	**1,000**	1,000
Non-refundable deposits for acquisition of a subsidiary	**-**	730,000	**-**	730,000
Prepayments	**371,849**	385,436	**-**	-
GST receivables	**1,308,862**	357,046	**-**	-
	2,619,292	2,157,027	**1,000**	731,000

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

	GROUP		COMPANY	
	2017	2016	**2017**	2016
	RM	RM	**RM**	RM
Ringgit Malaysia	**2,383,273**	2,157,027	**1,000**	731,000
US Dollar	**236,019**	-	**-**	-
	2,619,292	2,157,027	**1,000**	731,000

10. AMOUNT DUE FROM SUBSIDIARIES

	COMPANY	
	2017	2016
	RM	RM
Interest bearing at 4% per annum	**21,320,000**	8,014,018
Non-interest bearing	**5,142**	6,003,083
	21,325,142	14,017,101

The amount due from subsidiaries is non-trade related, unsecured and is repayable on demand.

11. CASH AND BANK BALANCES

	GROUP		COMPANY	
	2017	2016	**2017**	2016
	RM	RM	**RM**	RM
Unencumbered:				
Repo	**1,086,000**	1,824,000	**-**	-
Short term placements with a licensed financial institution	**25,849,200**	2,735	**25,344,382**	2,735
Cash in hand and at banks	**15,704,413**	3,795,511	**9,513,868**	334,290
	42,639,613	5,622,246	**34,858,250**	337,025
Encumbered:				
Fixed deposits with licensed banks	**4,690,409**	3,549,635	**-**	-
	47,330,022	9,171,881	**34,858,250**	337,025

The currency profile of cash and bank balances is as follows:

	GROUP		COMPANY	
	2017	2016	**2017**	2016
	RM	RM	**RM**	RM
Ringgit Malaysia	**46,209,870**	6,692,355	**34,858,250**	337,025
US Dollar	**1,120,152**	2,478,516	**-**	-
Others	**-**	1,010	**-**	-
	47,330,022	9,171,881	**34,858,250**	337,025

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

Short term placements represent investment in money market.

The effective interest rates per annum of the repo, short term placements and fixed deposits at the end of the reporting period are as follows:

	GROUP		COMPANY	
	2017	2016	**2017**	2016
	%	%	**%**	%
Repo	**2.45**	2.45	**-**	-
Short term placements with a licensed financial institution	**3.61**	3.22	**3.61**	3.22
Fixed deposits with licensed banks	**2.45 to 3.60**	3.60 to 4.05	**-**	-

12. SHARE CAPITAL

	Number of ordinary shares		Amount	
	2017	2016	**2017**	2016
			RM	RM
Issued and fully paid:				
Balance at beginning	**123,732,500**	123,000,000	**12,373,250**	12,300,000
Allotment pursuant to:				
- Bonus issue	**123,732,500**	-	**12,373,250**	-
- Private placement	**15,335,000**	732,500	**40,484,400**	73,250
Balance at end	**262,800,000**	123,732,500	**65,230,900**	12,373,250

During the financial year, the Company increased its issued and paid-up share capital from RM12,373,250 to RM65,230,900 by way of the following:

(i) Bonus issue of 123,732,500 new ordinary shares credited as fully paid up on the basis of 1 bonus share for every 1 existing ordinary share held through the capitalisation of RM3,537,844 from share premium and RM8,835,406 from retained profits;

(ii) Allotment of 15,335,000 new ordinary shares at an issue price of RM2.64 per share pursuant to a private placement. The proceeds were used for working capital.

The new Companies Act 2016 ("the Act"), which came into operation on 31 January 2017 has abolished the concept of authorised share capital and par value of share capital. There is no impact on the number of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition.

13. SHARE PREMIUM

	GROUP AND COMPANY	
	2017	2016
	RM	RM
Balance at beginning	**3,537,844**	2,953,447
Arising from the issuance of 732,500 ordinary shares at a premium of RM0.85 per share	**-**	622,625
Allotment expenses	**-**	(38,228)
Bonus issue	**(3,537,844)**	-
Balance at end	**-**	3,537,844

14. CAPITAL RESERVE

GROUP

Capital reserve represents the premium paid on acquisition of additional equity interest in an existing subsidiary from non-controlling interest.

15. RETAINED PROFITS

COMPANY

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

16. BORROWINGS

	GROUP 2017 RM	GROUP 2016 RM
Non-current liabilities		
Secured:		
Finance lease liabilities		
Minimum payments:		
Within 1 year	**3,192,019**	3,485,192
Later than 1 year but not later than 2 years	**2,678,159**	2,588,083
Later than 2 years but not later than 5 years	**2,123,617**	3,442,037
	7,993,795	9,515,312
Future finance charges	**(617,374)**	(845,903)
	7,376,421	8,669,409
Amount due within 1 year under current liabilities	**(2,849,485)**	(3,065,870)
	4,526,936	5,603,539
Term loans		
Total amount repayable	**2,194,678**	2,485,040
Amount due within 1 year under current liabilities	**(314,865)**	(301,526)
	1,879,813	2,183,514
	6,406,749	7,787,053
Current liabilities		
Secured:		
Bank overdraft	**49,950**	372
Bankers acceptance	**3,118,600**	12,910,300
Finance lease liabilities	**2,849,485**	3,065,870
Term loans	**314,865**	301,526
	6,332,900	16,278,068
Total borrowings	**12,739,649**	24,065,121

The currency profile of borrowings is as follows:

	GROUP 2017 RM	GROUP 2016 RM
Ringgit Malaysia	**11,521,049**	19,354,821
US Dollar	**1,218,600**	4,710,300
	12,739,649	24,065,121

The borrowings (except for finance lease liabilities) 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 subsidiaries;
(iii) A third party first fixed charge over the properties of a company in which a director of the Company has substantial financial interest; and
(iv) Corporate guarantees of the Company.

The finance lease liabilities are secured over the leased assets (Note 4) and corporate guarantees of the Company and a subsidiary.

16. BORROWINGS (CONT'D)

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

	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
2017						
Bank overdraft	**6.60**	**49,950**	**49,950**	**-**	**-**	**-**
Bankers acceptance	**2.96 to 4.52**	**3,118,600**	**3,118,600**	**-**	**-**	**-**
Finance lease liabilities	**2.37 to 3.40**	**7,376,421**	**2,849,485**	**2,500,665**	**2,026,271**	**-**
Term loans	**4.50**	**2,194,678**	**314,865**	**329,329**	**1,081,578**	**468,906**
2016						
Bank overdraft	6.65	372	372	-	-	-
Bankers acceptance	2.44 to 4.62	12,910,300	12,910,300	-	-	-
Finance lease liabilities	2.37 to 3.33	8,669,409	3,065,870	2,329,671	3,273,868	-
Term loans	4.50	2,485,040	301,526	315,377	1,035,757	832,380

17. TRADE PAYABLES

The currency profile of trade payables is as follow:

	GROUP	
	2017	2016
	RM	RM
Ringgit Malaysia	**8,428,137**	4,200,900
US Dollar	**25,457,694**	29,473,874
Singapore Dollar	**14,305**	25,027
Taiwan Dollar	**5,098**	26,774
	33,905,234	33,726,575

The trade payables are non-interest bearing and are normally settled within **30 to 120 days** (2016: 30 to 120 days) terms.

18. OTHER PAYABLES AND ACCRUALS

	GROUP		COMPANY	
	2017	2016	**2017**	2016
	RM	RM	**RM**	RM
Other payables	**1,575,087**	4,048,836	**113,413**	-
Accruals	**5,632,919**	5,061,350	**59,929**	32,344
GST payables	**277,654**	652,574	**-**	-
	7,435,660	9,762,760	**173,342**	32,344

18. OTHER PAYABLES AND ACCRUALS (CONT'D)

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

	GROUP		COMPANY	
	2017	2016	**2017**	2016
	RM	RM	**RM**	RM
Ringgit Malaysia	**7,147,474**	8,760,610	**171,342**	32,344
US Dollar	**148,455**	986,550	**-**	-
Thai Baht	**105,655**	-	**-**	-
Singapore Dollar	**32,544**	15,600	**-**	-
Japanese Yen	**1,532**	-	**-**	-
	7,435,660	9,762,760	**171,342**	32,344

19. REVENUE

	GROUP		COMPANY	
	2017	2016	**2017**	2016
	RM	RM	**RM**	RM
Gross dividend income from subsidiaries	**-**	-	**7,000,000**	10,000,000
Invoiced value of goods sold less returns and discounts	**245,617,890**	193,731,546	**-**	-
Interest income	**474,086**	1,317	**1,294,086**	309,549
	246,091,976	193,732,863	**8,294,086**	10,309,549

20. PROFIT BEFORE TAX

This is arrived at:

	GROUP		COMPANY	
	2017	2016	**2017**	2016
	RM	RM	**RM**	RM
After charging:				
Amortisation of development costs	**-**	14,507	**-**	-
Auditors' remuneration				
- statutory audit				
- current year	**71,000**	58,000	**20,000**	18,000
- overprovision in prior year	**(500)**	-	**-**	-
- non-audit	**123,547**	6,606	**110,347**	756
Depreciation	**5,382,060**	5,096,956	**175**	175
Interest expense on:				
- Bank overdraft	**55,836**	74,571	**-**	-
- Bankers acceptance	**518,391**	360,609	**-**	-
- Invoice financing	**31,582**	56,016	**-**	-
- Finance lease	**504,501**	512,395	**-**	-
- Term loans	**104,365**	121,115	**-**	-
- Others	**9,429**	-	**-**	-

20. PROFIT BEFORE TAX (CONT'D)

	GROUP		COMPANY	
	2017	2016	**2017**	2016
	RM	RM	**RM**	RM
Preliminary expenses	**-**	3,086	**-**	-
Property, plant and equipment written off	**202,463**	-	**-**	-
Realised loss on foreign exchange	**-**	26,205	**-**	-
Rental of equipment	**10,695**	-	**-**	-
Rental of machinery	**51,215**	273,039	**-**	-
Rental of premises	**1,112,196**	795,700	**-**	-
* Staff costs	**31,779,057**	25,615,171	**106,620**	98,620
Unrealised loss on foreign exchange	**2,770,329**	-	**-**	-
And crediting:				
Gain on bargain purchase of a subsidiary	**65,361**	-	**-**	-
Gain on disposal of property, plant and equipment	**47,064**	34,999	**-**	-
Interest income	**671,623**	79,792	**1,294,086**	309,549
Realised gain on foreign exchange	**2,518,234**	1,616,394	**-**	-
Unrealised gain on foreign exchange	**-**	1,507,261	**-**	-
*** Staff costs**				
- Salaries, allowances, bonus and wages	**28,771,887**	23,149,249	**31,500**	29,500
- Fee	**72,000**	66,000	**72,000**	66,000
- EPF	**2,610,740**	2,127,872	**3,120**	3,120
- SOCSO	**324,430**	272,050	**-**	-
	31,779,057	25,615,171	**106,620**	98,620

Directors' remuneration

Included in the staff costs of the Group and of the Company are directors' remuneration as shown below:

	GROUP		COMPANY	
	2017	2016	**2017**	2016
	RM	RM	**RM**	RM
Executive directors of the Company:				
- Salary, allowances and bonus	**1,855,791**	1,641,170	**-**	-
- EPF	**299,136**	251,246	**-**	-
	2,154,927	1,892,416	**-**	-
Benefits-in-kind	**50,760**	69,167	**-**	-
	2,205,687	1,961,583	**-**	-

20. PROFIT BEFORE TAX (CONT'D)

Directors' remuneration (cont'd)

	GROUP		COMPANY	
	2017	2016	**2017**	2016
	RM	RM	**RM**	RM
Non-executive directors of the Company:				
- Allowance	**7,500**	5,500	**7,500**	5,500
- Fee	**72,000**	66,000	**72,000**	66,000
	79,500	71,500	**79,500**	71,500
Executive director of a subsidiary:				
- Salary, allowances and bonus	**140,065**	-	**-**	-
- EPF	**16,822**	-	**-**	-
	156,887	-	**-**	-
Benefits-in-kind	**4,400**	-	**-**	-
	161,287	-	**-**	-
Total directors' remuneration	**2,446,474**	2,033,083	**79,500**	71,500

21. TAX EXPENSES

	GROUP		COMPANY	
	2017	2016	**2017**	2016
	RM	RM	**RM**	RM
Malaysian income tax:				
Based on results for the financial year				
- Current tax	**(8,544,400)**	(5,361,000)	**(193,000)**	(72,000)
- Deferred tax relating to the origination and reversal of temporary differences	**(90,619)**	(148,972)	**-**	-
	(8,635,019)	(5,509,972)	**(193,000)**	(72,000)
Over/(Under) provision in prior year				
- Current tax	**134,197**	111,206	**(1,054)**	(17,862)
- Deferred tax	**526,000**	16,000	**-**	-
	660,197	127,206	**(1,054)**	(17,862)
	(7,974,822)	(5,382,766)	**(194,054)**	(89,862)

21. TAX EXPENSES (CONT'D)

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

	GROUP		COMPANY	
	2017	2016	**2017**	2016
	RM	RM	**RM**	RM
Profit before tax	**37,570,302**	25,998,055	**6,425,828**	9,967,290
Income tax at Malaysian statutory tax rate of 24%	**(9,016,872)**	(6,239,533)	**(1,542,199)**	(2,392,150)
Income not subject to tax	**2,424,970**	487,446	**1,793,781**	2,400,316
Expenses not deductible for tax purposes	**(2,920,611)**	(679,804)	**(444,582)**	(80,166)
Utilisation of unabsorbed tax losses and capital allowances	**377,733**	217,661	**-**	-
Utilisation of unabsorbed export allowance	**682,000**	-	**-**	-
Deferred tax movements not recognised	**(182,239)**	704,258	**-**	-
	(8,635,019)	(5,509,972)	**(193,000)**	(72,000)
Over/(Under) provision in prior year	**660,197**	127,206	**(1,054)**	(17,862)
	(7,974,822)	(5,382,766)	**(194,054)**	(89,862)

GROUP

The net deferred tax (assets)/liabilities which have not been recognised are represented by property, plant and equipment.

The amount and future availability of unabsorbed tax losses and unabsorbed export allowance for which the related tax effects have not been accounted for at the end of the reporting period are estimated at **RM Nil** (2016: RM1,574,000) and **RM Nil** (2016: RM2,842,000) respectively.

22. 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:

	2017	2016 (Restated)
Profit attributable to owners of the Company (RM)	**29,646,942**	20,337,291
Weighted average number of ordinary shares	**201,607,007**	247,077,678 *
Basic earnings per share (sen)	**14.71**	8.23 *

* As the bonus issue during the financial year ended 31 December 2017 was without any consideration, it is treated as if it had occurred before the beginning of 2016, the earliest period presented. Accordingly, the weighted average number of ordinary shares have been restated.

(b) Diluted earnings per share

	2017	2016
Diluted earnings per share (sen)	**14.71**	8.23

There is no diluted earnings per share as the Company does not have any convertible financial instruments as at the end of the reporting period.

23. DIVIDEND

	2017 RM	2016 RM
First interim single tier dividend of 1.5 sen per share in respect of financial year ended 31 December 2017	**3,942,000**	-

24. DEVELOPMENT COSTS

	GROUP	
	2017 RM	2016 RM
Development costs	**280,149**	280,149
Accumulated amortisation		
Balance at beginning	**280,149**	265,642
Current charge	**-**	14,507
Balance at end	**280,149**	280,149
Carrying amount	**-**	-

25. CAPITAL COMMITMENTS

	GROUP		COMPANY	
	2017 RM	2016 RM	**2017 RM**	2016 RM
Approved and contracted for:				
- Property, plant and equipment	**-**	67,290	**-**	-
Approved but not contracted for:				
- Property, plant and equipment	**878,995**	389,400	**-**	-
- Investment in a subsidiary	**-**	170,000	**-**	170,000

26. CONTINGENT LIABILITIES (SECURED)

	COMPANY	
	2017 RM	2016 RM
Corporate guarantees extended to financial institutions for credit facilities granted to its subsidiaries		
- Limit	**45,344,124**	40,134,026
- Utilised	**9,887,610**	22,853,391

The corporate guarantees do not have a determinable effect on the terms of the credit facilities due to the financial institutions require parent guarantee as a pre-condition for approving the credit facilities granted to the subsidiaries. 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 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.

27. RELATED PARTY DISCLOSURES

(i) Identity of related parties

The Company has related party relationship with its subsidiaries and key management personnel.

(ii) Related party transactions

	COMPANY	
	2017	2016
	RM	RM
Gross dividend from subsidiaries	**7,000,000**	10,000,000
Interest charged to a subsidiary	**820,000**	308,232

(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	
	2017	2016	**2017**	2016
	RM	RM	**RM**	RM
Salaries and other short-term employee benefits	**3,042,814**	2,281,310	**103,500**	95,500
Defined contribution plan	**476,650**	345,174	**3,120**	3,120
Benefits-in-kind	**73,536**	79,467	**-**	-
	3,593,000	2,705,951	**106,620**	98,620
Analysed as:				
Directors	**2,446,474**	2,033,082	**79,500**	71,500
Other key management personnel	**1,146,526**	672,869	**27,120**	27,120
	3,593,000	2,705,951	**106,620**	98,620

28. 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, 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 components related to High Brightness Light Emitting Diode ('HB LED'), Direct Current ('DC') micromotor components, fine pitch connector pins and other electronic components and products.
(ii)	Investment holding	Investment holding.

28. OPERATING SEGMENT (CONT'D)

By business segments

2017

	Electronic products RM	Investment holding RM	Elimination RM	Note	Total RM
Revenue					
External customers	245,617,890	474,086	-		246,091,976
Inter-segment revenue	-	7,820,000	(7,820,000)	A	-
Total revenue	245,617,890	8,294,086	(7,820,000)		246,091,976
Results					
Segment results	39,925,680	5,197,103	(7,000,000)		38,122,783
Interest income	197,537	1,294,086	(820,000)		671,623
Interest expense	(2,044,104)	-	820,000		(1,224,104)
Profit before tax	38,079,113	6,491,189	(7,000,000)		37,570,302
Tax expense	(7,780,768)	(194,054)	-		(7,974,822)
Net profit, representing total comprehensive income for the financial year	30,298,345	6,297,135	(7,000,000)		29,595,480
Assets					
Segment assets	134,049,983	34,292,435	(34,291,142)		134,051,276
Tax recoverable	36,263	-	-		36,263
Cash and bank balances	12,471,772	34,858,250	-		47,330,022
Total assets	146,558,018	69,150,685	(34,291,142)		181,417,561
Liabilities					
Segment liabilities	62,492,694	173,342	(21,325,142)		41,340,894
Borrowings	12,739,649	-	-		12,739,649
Deferred tax liabilities	788,731	-	-		788,731
Tax payable	2,258,086	35,919	-		2,294,005
Total liabilities	78,279,160	209,261	(21,325,142)		57,163,279
Other segment information					
Capital expenditure	4,259,158	-	-	B	4,259,158
Depreciation and amortisation	5,381,885	175	-		5,382,060
Non-cash expenses/(income) other than depreciation and amortisation	2,925,728	(65,361)	-	C	2,860,367

28. OPERATING SEGMENT (CONT'D)

By business segments

2016

	Electronic products RM	Investment holding RM	Elimination RM	Note	Total RM
Revenue					
External customers	193,731,546	1,317	-		193,732,863
Inter-segment revenue	-	10,308,232	(10,308,232)	A	-
Total revenue	193,731,546	10,309,549	(10,308,232)		193,732,863
Results					
Segment results	27,385,228	9,657,741	(10,000,000)		27,042,969
Interest income	78,475	309,549	(308,232)		79,792
Interest expense	(1,432,938)	-	308,232		(1,124,706)
Profit/(Loss) before tax	26,030,765	9,967,290	(10,000,000)		25,998,055
Tax expense	(5,292,904)	(89,862)	-		(5,382,766)
Net profit/(loss), representing total comprehensive income/(loss) for the financial year	20,737,861	9,877,428	(10,000,000)		20,615,289
Assets					
Segment assets	117,674,809	25,854,569	(25,123,101)		118,406,277
Tax recoverable	247,570	8,000	-		255,570
Cash and bank balances	8,834,856	337,025	-		9,171,881
Total assets	126,757,235	26,199,594	(25,123,101)		127,833,728
Liabilities					
Segment liabilities	57,474,092	32,344	(14,017,101)		43,489,335
Borrowings	24,065,121	-	-		24,065,121
Deferred tax liabilities	1,213,144	-	-		1,213,144
Tax payable	2,233,300	-	-		2,233,300
Total liabilities	84,985,657	32,344	(14,017,101)		71,000,900
Other segment information					
Capital expenditure	4,219,312	-	-	B	4,219,312
Depreciation and amortisation	5,111,288	175	-		5,111,463
Non-cash income other than depreciation and amortisation	(1,542,260)	-	-	C	(1,542,260)

28. OPERATING SEGMENT (CONT'D)

Notes to segment information:

A. Inter-segment revenue are eliminated on consolidation.

B. Additions to non-current assets consist of:

	2017	2016
	RM	RM
Property, plant and equipment	**4,259,158**	4,219,312

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

	2017	2016
	RM	RM
Gain on bargain purchase of a subsidiary	**(65,361)**	-
Gain on disposal of property, plant and equipment	**(47,064)**	(34,999)
Property, plant and equipment written off	**202,463**	-
Unrealised loss/(gain) on foreign exchange	**2,770,329**	(1,507,261)
	2,860,367	(1,542,260)

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 ***	
	2017	2016	**2017**	2016
	RM	RM	**RM**	RM
Malaysia	**185,337,876**	164,108,707	**30,980,419**	30,705,163
People's Republic of China	**259,973**	291,956	**-**	182,057
United States of America	**30,718,806**	5,513,088	**-**	-
United Kingdom	**1,123,830**	1,977	**-**	-
Singapore	**28,651,491**	23,817,135	**-**	-
	246,091,976	193,732,863	**30,980,419**	30,887,220

* Non-current assets information presented above consist of property, plant and equipment.

Information about major customers

Total revenue from major customers which individually contributed more than 10% of the Group revenue amounted to **RM222,970,111** (2016: RM173,834,583).

29. FINANCIAL INSTRUMENTS

29.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised as loans and receivables ("L&R") and financial liabilities measured at amortised cost ("FL").

	Carrying amount RM	L&R RM	FL RM
GROUP			
2017			
Financial assets			
Trade receivables	**76,795,307**	**76,795,307**	**-**
Other receivables and refundable deposits	**938,581**	**938,581**	**-**
Cash and bank balances	**47,330,022**	**47,330,022**	**-**
	125,063,910	**125,063,910**	**-**
Financial liabilities			
Borrowings	**12,739,649**	**-**	**12,739,649**
Trade payables	**33,905,234**	**-**	**33,905,234**
Other payables and accruals	**7,208,006**	**-**	**7,208,006**
	53,852,889	**-**	**53,852,889**
2016			
Financial assets			
Trade receivables	64,882,401	64,882,401	-
Other receivables and refundable deposits	684,545	684,545	-
Cash and bank balances	9,171,881	9,171,881	-
	74,738,827	74,738,827	-
Financial liabilities			
Borrowings	24,065,121	-	24,065,121
Trade payables	33,726,575	-	33,726,575
Other payables and accruals	9,110,186	-	9,110,186
	66,901,882	-	66,901,882

29. FINANCIAL INSTRUMENTS (CONT'D)

29.1 Categories of financial instruments (cont'd)

	Carrying amount RM	L&R RM	FL RM
COMPANY			
2017			
Financial assets			
Refundable deposit	**1,000**	**1,000**	**-**
Amount due from subsidiaries	**21,325,142**	**21,325,142**	**-**
Cash and bank balances	**34,858,250**	**34,858,250**	**-**
	56,184,392	**56,184,392**	**-**
Financial liabilities			
Accruals	**173,342**	**-**	**173,342**
2016			
Financial assets			
Refundable deposit	1,000	1,000	-
Amount due from subsidiaries	14,017,101	14,017,101	-
Cash and bank balances	337,025	337,025	-
	14,355,126	14,355,126	-
Financial liabilities			
Accruals	32,344	-	32,344

29.2 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.

29.3 Credit risk

Credit risk refers to the risk that the 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.

29. FINANCIAL INSTRUMENTS (CONT'D)

29.3 Credit risk (cont'd)

29.3.1 Trade receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The Group gives its existing customers credit terms ranging from 30 to 150 days. In deciding whether credit shall be extended, the Group will take into consideration factors such as the relationship with the customer, its payment history and credit worthiness. The Group will subject new customers to credit verification procedures. In addition, receivables balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

The maximum exposure to credit risk arising from trade receivables is represented by the carrying amount in the Group's statement of the financial position.

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

	2017 RM	2016 RM
Not past due	**71,184,384**	62,360,160
1 to 30 days past due	**4,723,035**	1,038,684
31 to 60 days past due	**355,268**	664,504
61 to 90 days past due	**258,331**	301,182
Past due more than 90 days	**274,289**	517,871
	5,610,923	2,522,241
	76,795,307	64,882,401

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 **RM5,610,923** (2016: RM2,522,241) that were past due but not impaired as the management is of the view that these debts will be collected in due course.

As at the end of the reporting period, the Group has significant concentration of credit risk in the form of outstanding balance due from **3 customers** (2016: 3 customers), representing **86%** (2016: 91%) of the total trade receivables.

29.3.2 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.

29.3.3 Financial guarantees

The Company provides unsecured financial guarantees to banks in respect of borrowings granted to its subsidiaries.

The maximum exposure to credit risk and the outstanding borrowings are as disclosed in Note 26.

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.

The financial guarantees have not been recognised since the fair value on initial recognition was not material.

29. FINANCIAL INSTRUMENTS (CONT'D)

29.4 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						
2017						
Non-derivative financial liabilities						
Borrowings	**12,739,649**	**13,680,691**	**6,767,753**	**3,085,343**	**3,345,170**	**482,425**
Trade and other payables	**41,113,240**	**41,113,240**	**41,113,240**	**-**	**-**	**-**
	53,852,889	**54,793,931**	**47,880,993**	**3,085,343**	**3,345,170**	**482,425**
2016						
Non-derivative financial liabilities						
Borrowings	24,065,121	25,119,748	16,754,424	2,946,643	4,543,845	874,836
Trade and other payables	42,836,761	42,836,761	42,836,761	-	-	-
	66,901,882	67,956,509	59,591,185	2,946,643	4,543,845	874,836
COMPANY						
2017						
Non-derivative financial liabilities						
Other payables	**173,342**	**173,342**	**173,342**	**-**	**-**	**-**
* Financial guarantee	**-**	**9,887,610**	**9,887,610**	**-**	**-**	**-**
	173,342	**10,060,952**	**10,060,952**	**-**	**-**	**-**
2016						
Non-derivative financial liabilities						
Other payables	32,344	32,344	32,344	-	-	-
* Financial guarantee	-	22,853,391	22,853,391	-	-	-
	32,344	22,885,735	22,885,735	-	-	-

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

29. FINANCIAL INSTRUMENTS (CONT'D)

29.5 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:

	2017	2016
	RM	RM
GROUP		
Fixed rate instruments		
Financial assets	**31,625,609**	5,376,370
Financial liabilities	**7,376,421**	8,669,409
Floating rate instruments		
Financial liabilities	**5,363,228**	15,395,712
COMPANY		
Fixed rate instruments		
Financial assets	**46,664,382**	8,016,753

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 in profit before tax by **RM43,504** (2016: RM31,576) 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.

29.6 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 currencies giving rise to this risk are primarily US Dollar ("USD") and Thai Baht ("THB").

29. FINANCIAL INSTRUMENTS (CONT'D)

29.6 Foreign currency risk (cont'd)

The Group's exposure to foreign currency risk, based on carrying amounts as at the end of the reporting period are as follows:

		Denominated in	
	USD	THB	Others
	RM	RM	RM
GROUP			
2017			
Trade receivables	**61,417,989**	**-**	**-**
Other receivables	**236,019**	**-**	**-**
Cash and bank balances	**1,120,152**	**-**	**-**
Trade payables	**(25,457,694)**	**-**	**(19,403)**
Other payables	**(148,455)**	**(105,655)**	**(34,076)**
Borrowings	**(1,218,600)**	**-**	**-**
Net exposure	**35,949,411**	**(105,655)**	**(53,479)**
2016			
Trade receivables	48,627,753	-	-
Cash and bank balances	2,478,516	-	1,010
Trade payables	(29,473,874)	-	(51,801)
Other payables	(986,550)	-	(15,600)
Borrowings	(4,710,300)	-	-
Net exposure	15,935,545	-	(66,391)

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 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.

	2017	2016
	RM	RM
USD	**(3,594,941)**	(1,593,555)
THB	**10,566**	-
Others	**5,348**	6,639
Reduction in profit before tax	**(3,579,027)**	(1,586,916)

29. FINANCIAL INSTRUMENTS (CONT'D)

29.7 Reconciliation of liabilities arising from financing activities

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

	2016 RM	Acquisition of a subsidiary RM	Interest charge RM	Interest paid RM	Cash flows RM	*Non-cash changes* Foreign exchange RM	2017 RM
Bank overdraft	**372**	-	**55,836**	**(55,836)**	**49,578**	-	**49,950**
Bankers acceptance	**12,910,300**	-	**518,391**	**(518,391)**	**(9,556,400)**	**(235,300)**	**3,118,600**
Invoice financing	**-**	-	**31,582**	**(31,582)**	**-**	-	**-**
Finance lease liabilities	**8,669,409**	**926,598**	**513,930**	**(513,930)**	**(2,219,586)**	-	**7,376,421**
Term loans	**2,485,040**	-	**104,365**	**(104,365)**	**(290,362)**	-	**2,194,678**
Total liabilities from financing activities	**24,065,121**	**926,598**	**1,224,104**	**(1,224,104)**	**(12,016,770)**	**(235,300)**	**12,739,649**

Pursuant to the transition provisions of the *Amendments to MFRS 107 Statement of Cash Flows*, the Company has not disclosed comparative information for the prior period.

30. 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 borrowings is reasonable approximation of fair value due to the insignificant impact of discounting.

31. 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 in 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.

32. SIGNIFICANT EVENTS DURING AND AFTER REPORTING PERIOD

(a) On 28 September 2017, the Company announced that it is proposing to undertake the following proposed corporate exercise:

(i) Proposed acquisition of 5,000,000 ordinary shares in Mace Instrumentation Sdn. Bhd. ("MISB"), representing 100% equity interest in MISB by the Company from Ong Hock Seong, Chan Huai Leng and Tan Land Ghee, for a total purchase consideration of RM48,000,000 which will be fully satisfied by the issuance and allotment of 16,000,000 new ordinary shares in the Company at an issue price of RM3.00 per share.

(ii) Proposed share split involving the subdivision of every 1 existing ordinary share into 2 ordinary shares held on an entitlement date to be determined and announced later.

(iii) Proposed establishment of Executive Share Option Scheme of up to 30% of the Company's issued share capital (excluding treasury shares, if any) at any point in time, to be granted to the eligible directors and employees of the Company and its subsidiaries who fulfil the eligibility criteria. Subsequently on 17 October 2017, it was amended to 10% from the initial 30%.

As at the date of this report, the Company has submitted the listing application in relation to the above corporate exercise to Bursa Malaysia Securities Berhad and was approved by the shareholders during an Extraordinary General Meeting held on 24 January 2018.

(b) On 3 November 2017, the Company has entered into a collaboration agreement with MLS Automotive Inc. ("MLS"), whereby Morrissey Assembly Solution Sdn. Bhd. ("MASSB"), a wholly-owned subsidiary of the Company, together with MLS, will jointly establish a dedicated Research and Development Group focused on Automotive Forward Lighting Applications. MLS continues its close cooperation with MASSB, leveraging MASSB's manufacturing expertise to further expand both companies' market share in North America.

(c) On 13 February 2018, the Company's proposed share split as disclosed in (a) (ii) above was completed with the total number of issued shares of 262,800,000 have been subdivided into 525,600,00 ordinary shares in the Company, listed and quoted on the ACE Market of Bursa Malaysia Securities Berhad.

(d) On 28 February 2018, the Company acquired the remaining 1,000,000 ordinary shares in Morrissey Integrated Dynamics Sdn. Bhd. ("MID"), representing 40% equity interest for a total cash consideration of RM1,500,000. Consequently, MID became a wholly-owned subsidiary of the Company.

(e) On 21 March 2018, the proposed acquisition of MISB as disclosed in (a)(i) above was completed with the issuance and allotment of 32,000,000 new ordinary shares at an issue price of RM1.50 per share. Consequently, MISB became a wholly-owned subsidiary of the Company.

(f) On 3 April 2018, the Company announced that the effective date for the implementation of the ESOS as disclosed in (a)(iii) above is 3 April 2018 which is the date of full compliance with all relevant requirement of Rule 6.44(1) of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad.

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 31/12/2017 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	19 years	339,706
15-1-22, Bayan Point, Medan Kampung Relau, 11900 Penang	10.10.2012	Office Lot	1,066 sq. ft.	Sales and administration office	Freehold	19 years	225,000
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	2,722,010
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	2,898,435

ANALYSIS OF
SHAREHOLDINGS
AS AT 10 APRIL 2018

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

Name	← Number of Shares Held →			
	Direct	%	Deemed	%
DATO' TAN KING SENG	192,101,516	34.451	14,224,380*	2.551
NOBLE MATTERS SDN. BHD.	82,976,652	14.881	-	-
CHEAH CHOON GHEE	5,830,000	1.046	82,976,652#	14.881
ONG HOCK SEONG	12,542,600	2.249	82,976,652#	14.881

Note :

* Deemed interested by virtue of his shareholdings of not less than 20% in First Share Sdn. Bhd. pursuant to Section 8 of the Companies Act 2016.

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

Name	← Number of Shares Held →			
	Direct	%	Deemed	%
DATO' TAN KING SENG	192,101,516	34.451	14,224,380*	2.551
CHEAH CHOON GHEE	5,830,000	1.046	82,976,652#	14.881
KHOR THEAN LEE	500,800	0.090	-	-
KOH YEW WAH	500,000	0.090	-	-
LAI FAH HIN	13,000	0.002	4,000^	0.001
LOH CHYE TEIK	-	-	-	-
DATO' DR. LOH HOCK HUN	-	-	-	-
WONG CHI YENG	-	-	-	-

Note :

* Deemed interested by virtue of his shareholdings of not less than 20% in First Share Sdn. Bhd. pursuant to Section 8 of the Companies Act 2016.

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

Size of shareholdings	Number of Shareholders	% of Shareholders	Number of Shares	% of Shares
Less than 100 shares	7	0.222	260	0.000
100 to 1,000 shares	600	19.048	314,548	0.056
1,001 to 10,000 shares	1,322	41.968	6,897,160	1.237
10,001 to 100,000 shares	956	30.349	32,229,700	5.780
100,001 to less than 5% of issued shares	263	8.349	243,280,164	43.630
5% and above of issued shares	2	0.064	274,878,168	49.297
Total	**3,150**	**100.000**	**557,600,000**	**100.00**

LIST OF THIRTY LARGEST SHAREHOLDERS

	NAME	NO. OF SHARES HELD	%
1	TAN KING SENG	55,640,000	9.978
2	TAN KING SENG	55,432,000	9.941
3	TAN KING SENG	45,000,000	8.070
4	NOBLE MATTERS SDN.BHD.	42,143,316	7.558
5	NOBLE MATTERS SDN.BHD.	40,833,336	7.323
6	TAN KING SENG	35,829,516	6.426
7	CITIGROUP NOMINEES (ASING) SDN BHD EXEMPT AN FOR CITIBANK NEW YORK (NORGES BANK 15)	15,480,000	2.776
8	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD	10,087,200	1.809
9	MALACCA EQUITY NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR PHILLIP CAPITAL MANAGEMENT SDN BHD (EPF)	7,343,100	1.317
10	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR RONIE TAN CHOO SENG (8058147)	7,185,000	1.289
11	TAN LAND GHEE	7,120,000	1.277
12	ONG HOCK SEONG	7,066,200	1.267
13	TAN CHIN HONG	6,996,784	1.255
14	LIM LENG NA	6,834,400	1.226
15	FIRST SHARE SDN BHD	6,290,800	1.128
16	FIRST SHARE SDN BHD	5,933,580	1.064
17	CHEAH CHOON GHEE	5,830,000	1.046
18	ONG HOCK SEONG	5,474,000	0.982
19	TAN LAND GHEE	5,460,000	0.979
20	DB (MALAYSIA) NOMINEE (TEMPATAN) SENDIRIAN BERHAD EXEMPT AN FOR KUMPULAN SENTIASA CEMERLANG SDN BHD (TSTAC/CLNT)	4,985,400	0.894
21	CARTABAN NOMINEES (TEMPATAN) SDN BHD RHB TRUSTEES BERHAD FOR MANULIFE INVESTMENT SHARIAH PROGRESSFUND	4,760,000	0.854
22	AMANAHRAYA TRUSTEES BERHAD PMB SHARIAH AGGRESSIVE FUND	4,736,000	0.849
23	MAYBANK NOMINEES (TEMPATAN) SDN BHD SAW KONG BENG	4,143,400	0.743
24	UOB KAY HIAN NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR UOB KAY HIAN PTE LTD (A/C CLIENTS)	4,010,000	0.719
25	CHAN HUAI LENG	3,942,000	0.707
26	INTER-PACIFIC EQUITY NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR OOI YEOK HOCK (AO0020)	3,451,100	0.619
27	MALACCA EQUITY NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR PHILLIP CAPITAL MANAGEMENT SDN BHD	3,187,000	0.572
28	CHAN HUAI LENG	3,066,000	0.550
29	MALACCA EQUITY NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR PHILLIP CAPITAL MANAGEMENT SDN BHD	2,954,900	0.530
30	TEY THIAN SING @ TEE THIAN KERN	2,550,000	0.457
	Total	**413,765,032**	**74.205**

NOTICE OF
ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Thirteenth Annual General Meeting of the Company will be held at Ballroom 2, LG Level – Main Wing, Hotel Equatorial Penang, 1, Jalan Bukit Jambul, Bayan Lepas, 11900 Penang on Tuesday, 22 May 2018 at 11.30 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 2017 together with the Reports of the Directors and Auditors thereon. **Please refer to the Explanatory Notes**
2. To approve the additional Director's fee and Directors' benefits of RM11,000.00 for financial year ended 31 December 2017 **Resolution 1**
3. To approve the payment of Directors' fees and Directors' benefits of RM152,000.00 for the financial year ending 31 December 2018. **Resolution 2**
4. To re-elect Dato' Tan King Seng who retires in accordance with the Company's Constitution (Article 129 of the Articles of Association of the Company as adopted before the commencement of the Companies Act 2016). **Resolution 3**
5. To re-elect Mr. Khor Thean Lee who retires in accordance with the Company's Constitution (Article 129 of the Articles of Association of the Company as adopted before the commencement of the Companies Act 2016). **Resolution 4**
6. To re-elect Mr. Lai Fah Hin who retires in accordance with the Company's Constitution (Article 134 of the Articles of Association of the Company as adopted before the commencement of the Companies Act 2016). **Resolution 5**
7. To re-elect Mr. Koh Yew Wah who retires in accordance with the Company's Constitution (Article 134 of the Articles of Association of the Company as adopted before the commencement of the Companies Act 2016). **Resolution 6**
8. 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. **Resolution 7**

As Special Business :

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

   (i) **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." **Resolution 8**

   (ii) **ORDINARY RESOLUTION**
   MANDATE FOR MR. LOH CHYE TEIK TO CONTINUE TO ACT AS AN INDEPENDENT NON-EXECUTIVE DIRECTOR

   "That approval be and is hereby given to Mr. Loh Chye Teik who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years, to continue to act as an Independent Non-Executive Director of the Company." **Resolution 9**

As Special Business : (Cont'd)

9. To consider and if thought fit, to pass with or without modifications the following resolutions :- (Cont'd)

(iii) **ORDINARY RESOLUTION**
MANDATE FOR DATO' DR. LOH HOCK HUN TO CONTINUE TO ACT AS AN INDEPENDENT NON-EXECUTIVE DIRECTOR

"That approval be and is hereby given to Dato' Dr. Loh Hock Hun who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years, to continue to act as an Independent Non-Executive Director of the Company." **Resolution 10**

(iv) **ORDINARY RESOLUTION**
PROPOSED 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 Listing Requirements of the Bursa Malaysia Securities Berhad ("Bursa Securities") ("Listing Requirements") 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,

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.

As Special Business : (Cont'd)

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." **Resolution 11**

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

By Order of the Board,

CHEE WAI HONG (BC/C/1470)
FOO LI LING (MAICSA 7019557)
Company Secretaries

Penang

Date : 30 April 2018

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 Georgetown, 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 Constitution of the Company (Article 79 of the Articles of Association as adopted before the commencement of the Companies Act 2016) and Rule 7.16(2) of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad, a Record of Depositors ("**ROD**") as at 15 May 2018 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 Thirteenth 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 2017 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.

Resolution 1 – Payment of additional Director's fees and Directors' benefits
Section 230(1) of the Companies Act 2016 which came into force on 31 January 2017 provides amongst others, that the fees of the Directors and any benefits payable to the Directors of a listed company and its subsidiaries shall be approved at a general meeting.

The additional Director's fees are for the payment of Director's fees and Director's benefits to Mr. Lai Fah Hin for the financial year ended 31 December 2017 in conjunction with his appointment as Independent Non-Executive Director with effect from 30 August 2017, as well as the additional meeting allowance to the Independent Non-Executive Directors for the additional Board and Committee meetings held during the financial year ended 31 December 2017.

The proposed Ordinary Resolution 1 is to seek shareholders' approval for the additional payment of Directors' benefits of up to RM3,000 and additional Director's fees of RM8,000 for the financial year ended 31 December 2017.

Resolution 2 – Payment of Directors' fees and Directors' benefits
The proposed Ordinary Resolution 2 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 2018 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.

Explanatory Note on Special Business

Resolution 8 – 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 8, 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, 15,335,000 ordinary shares were issued at an issue price of RM2.64 per share (via private placement) pursuant to Section 75 and Section 76 of the Companies Act 2016 under the general authority which was approved at the Twelfth Annual General Meeting held on 26 May 2017 and which will lapse at the conclusion of the Thirteenth Annual General Meeting to be held on 22 May 2018. The status of utilisation of the proceeds raised of RM40.484 million as at 20 April 2018 is as follow:-

Purpose	Proposed Utilisation RM'000	Actual Utilisation RM'000	Balance to be Utilised RM'000
Working capital	22,699	20,946*	1,753
Repayment of bank borrowing	12,000	12,000	Completed
Capital expenditure	5,600	2,000	3,600
Expenses for the corporate proposal	185	186*	Completed
Total	**40,484**		**5,353**

* The actual expenses for the corporate proposal incurred were higher than the estimated expenses for the corporate proposal by RM1,000. The said variation was adjusted from the amount allocated for working capital requirements.

A renewal of this authority is being sought at the Thirteenth Annual General Meeting under proposed Resolution 8.

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).

Explanatory Note on Special Business (Cont'd)

Resolution 9 – Mandate for Mr. Loh Chye Teik to continue to act as an Independent Non-Executive Director of the Company
The proposed Ordinary Resolution 9, if passed, will enable Mr. Loh Chye Teik to continue to act as Independent Non-Executive Director of the Company in line with the recommendation of the Malaysian Code of Corporate Governance. Both the Nomination Committee and Board have assessed the independence of Mr. Loh Chye Teik, who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years, and recommended him to continue to act as Independent Non-Executive Directors of the Company based on the following justifications:-

i. He fulfilled the criteria under the definition of Independent Director as stated in the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad, and thus, he would be able to function as check and balance, and bring an element of objectivity to the Board.
ii. His vast experience in the accounting, tax and audit industry enabled him to provide the Board with a diverse set of experience, expertise and independent judgment.
iii. He devotes sufficient time and attention to his professional obligations for an informed and balanced decision making.
iv. He consistently challenged management in an effective and constructive manner and actively participated in board discussion.
v. He has a good and thorough understanding of the main drivers of the business in a detailed manner.

Resolution 10 – Mandate for Dato' Dr. Loh Hock Hun to continue to act as an Independent Non-Executive Director of the Company
The proposed Ordinary Resolution 10, if passed, will enable Dato' Dr. Loh Hock Hun to continue to act as Independent Non-Executive Director of the Company in line with the recommendation of the Malaysian Code of Corporate Governance. Both the Nomination Committee and Board have assessed the independence of Dato' Dr. Loh Hock Hun, who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years, and recommended him to continue to act as Independent Non-Executive Directors of the Company based on the following justifications:-

i. He fulfilled the criteria under the definition of Independent Director as stated in the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad, and thus, he would be able to function as check and balance, and bring an element of objectivity to the Board.
ii. His vast experience particularly in public service has enabled him to provide the Board with a diverse set of experience, expertise and independent judgment.
iii. He devotes sufficient time and attention to his professional obligations for an informed and balanced decision making.
iv. He consistently challenged management in an effective and constructive manner and actively participated in board discussion.
v. He has a good and thorough understanding of the main drivers of the business in a detailed manner.

Resolution 11 - Proposed Share Buy-Back Authority
The proposed Resolution 11, 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 Listing Requirements of Bursa Malaysia Securities Berhad.

The details of the proposal are set out in the statement to shareholders dated 30 April 2018.

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 it 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 resolution 8 as stated in the Notice of Annual General Meeting of the Company for the details.

PROXY FORM

JHM CONSOLIDATION BERHAD
(Company No.: 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 Thirteenth Annual General Meeting of the Company to be held at Ballroom 2, LG Level – Main Wing, Hotel Equatorial Penang, 1, Jalan Bukit Jambul, Bayan Lepas, 11900 Penang on Tuesday, 22 May 2018 at 11.30 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 2017 together with the Reports of the Directors and Auditors thereon			
Resolutions		**For**	**Against**
1.	Approval of payment of additional Director's fees and Directors' benefits for the financial year ended 31 December 2017		
2.	Approval of payment of Directors' fees and Directors' benefits for the financial year ending 31 December 2018		
3.	Re-election of Dato' Tan King Seng as Director		
4.	Re-election of Mr. Khor Thean Lee as Director		
5.	Re-election of Mr. Lai Fah Hin as Director		
6.	Re-election of Mr. Koh Yew Wah as Director		
7.	Re-appointment of Messrs. Grant Thornton as Auditors and to authorise the Directors to fix the Auditors' remuneration		
8.	Authority under Section 75 and Section 76 of the Companies Act 2016 for the Directors to issue shares		
9.	Mandate for Mr. Loh Chye Teik to continue to act as an Independent Non-Executive Director		
10.	Mandate for Dato' Dr. Loh Hock Hun to continue to act as an Independent Non-Executive Director		
11.	Proposed Share Buy Back Authority		

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 .... , 2018.

....
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 Georgetown, 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 Constitution of the Company (Article 79 of the Articles of Association as adopted before the commencement of the Companies Act, 2016) and Rule 7.16(2) of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad, a Record of Depositors ("**ROD**") as at 15 May 2018 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.

Please fold here to seal

Stamp

THE COMPANY SECRETARIES
JHM CONSOLIDATION BERHAD (686148-A)
51-13-A Menara BHL Bank
Jalan Sultan Ahmad Shah
10050 Georgetown, Pulau Pinang

Please fold here to seal

JHM Consolidation Berhad (686148-A)

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

Tel : 604 646 5121
Fax : 604 645 7326

www.jhm.net.my