JHM CONSOLIDATION BERHAD (686148-A)

STRATEGISING

FOR A STRONGER FUTURE

ANNUAL REPORT

2018

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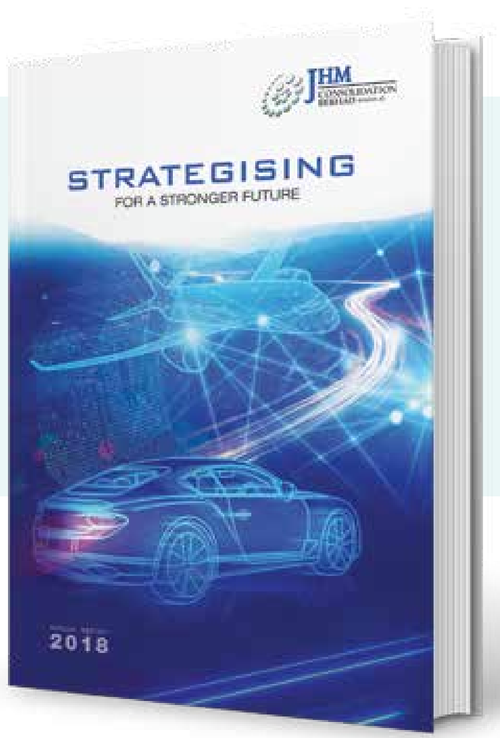


STRATEGISING FOR A STRONGER FUTURE

Showcasing JHM Consolidation's core capabilities with three industry solutions powered by its products, the brightly lit, futuristic illustration symbolises the company advancing into the future and leading the market with cutting edge capabilities. The organisation continues to 'glow' in reputation with its recognised quality and market compliance, and also 'grow' in its customer base through the one-stop engineering solution for wide market applications.

VISION

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

MISSION

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

CORPORATE INFORMATION

BOARD OF DIRECTORS

Lim Chun Thang
(Non-Executive Chairman, Independent Non-Executive Director)
(Appointed on 23 August 2018)

Dato' Tan King Seng
(Executive Director/ Group Chief Executive Officer)

Koh Yew Wah
(Executive Director/ Chief Operating Officer)

Cheah Choon Ghee
(Executive Director)

Khor Thean Lee
(Executive Director)

Loh Chye Teik
(Senior Independent Non-Executive Director)

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

Wong Chi Yeng
(Independent Non-Executive Director)

Lai Fah Hin
(Independent Non-Executive Director)

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)
Lai Fah Hin
(Independent Non-Executive Director)

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)

REMUNERATION COMMITTEE

Chairman
Loh Chye Teik
(Senior Independent Non-Executive Director)

Member
Wong Chi Yeng
(Independent Non-Executive Director)
Dato' Tan King Seng
(Executive Director/
Group Chief Executive Officer)

COMPANY SECRETARIES

Chee Wai Hong (BC/C/1470)
Foo Li Ling (MAICSA 7019557)
Tan She Chia (MAICSA 7055087)

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

SOLICITORS

Allen Chee Ram
Zaid Ibrahim & Co.

STOCK EXCHANGE LISTING

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

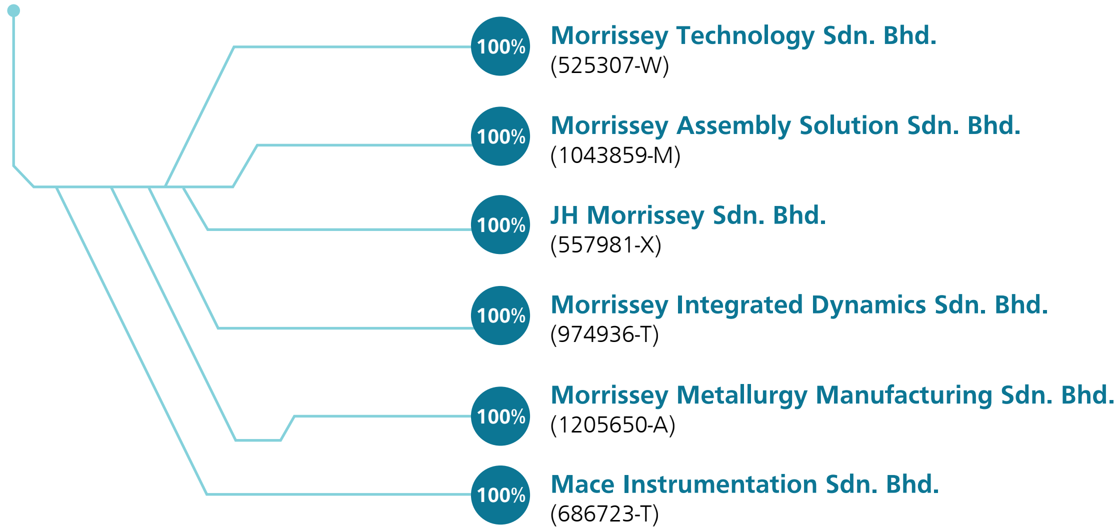
GROUP STRUCTURE OF JHM GROUP

JHM Consolidation Berhad ("JHM") was incorporated in Malaysia on 26 March 2005 and listed on the MESDAQ Market (now known as the ACE Market) on 13 July 2006. JHM is principally an investment holding company with six (6) 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").

The current group structure is as follows:-

JHM CONSOLIDATION BERHAD (686148-A)

Investment Holding company



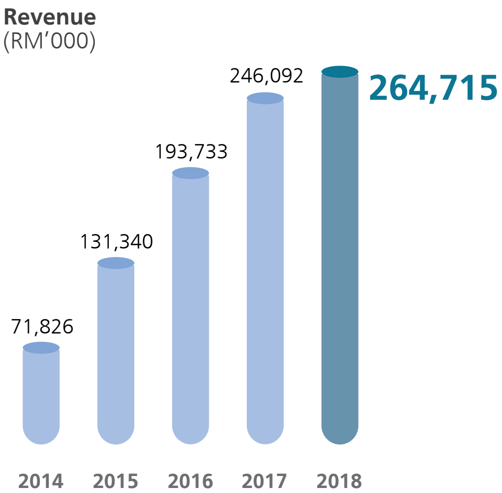
The principal activities of its subsidiaries are as follow:-

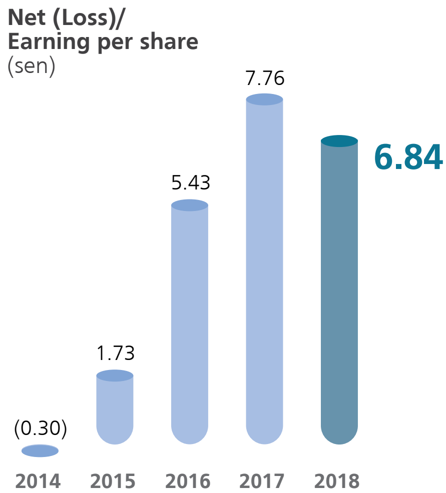
Companies	Date of Incorporation	Total Issued Shares	Principal activities
Morrissey Technology Sdn. Bhd.	5 September 2000	1,000,000	Design and manufacture of precision miniature engineering metal parts and components
Morrissey Assembly Solution Sdn. Bhd.	24 April 2013	5,000,000	Manufacture and assembling of electronic components using surface-mount technology
JH Morrissey Sdn. Bhd.	5 September 2001	200,000	International procurement office
Morrissey 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 and assembly of testing measuring equipment

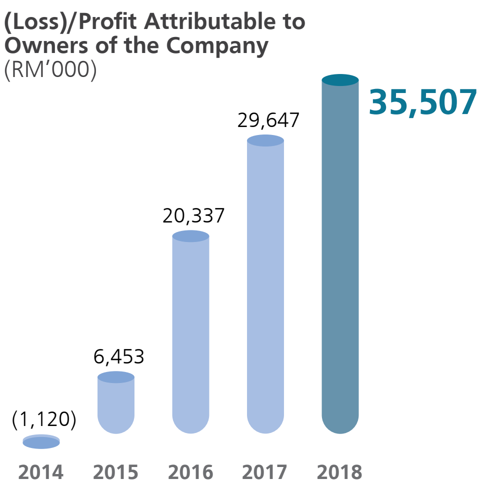
FINANCIAL HIGHLIGHTS

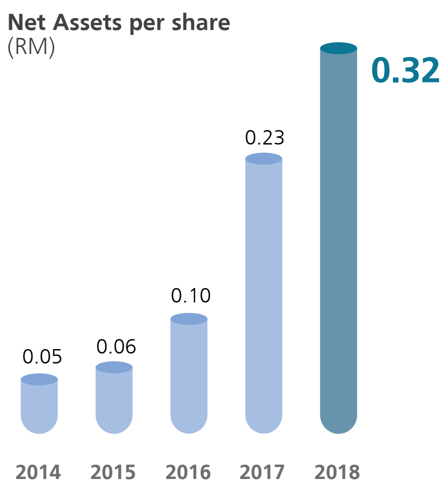
Year Ended 31 December	2014 RM'000	2015 RM'000	2016 RM'000 (Audited)	2017 RM'000	**2018 RM'000**
Revenue (RM'000)	71,826	131,340	193,733	246,092	**264,715**
(Loss)/Profit Attributable to Owners of the Company (RM'000)	(1,120)	6,453	20,337	29,647	**35,507**
Net (Loss)/Earnings per share (sen) *	(0.30)	1.73	5.43	7.76	**6.84**
Net Assets per share (RM) *	0.05	0.06	0.10	0.23	**0.32**

* The comparative figures for Net (Loss)/Earnings per share and Net Assets per share have been restated to reflect the adjustment arising from the share split completed during the financial year 2018.









GROUP CEO'S LETTER TO THE SHAREHOLDERS

On behalf of the Board of Directors and Management team of JHM Consolidation Berhad ("JHM"), I am very pleased to present to you the Annual Report and Financial Statements of JHM for the financial year ended 31 December 2018.

JHM's strategic initiatives continue to converge and thrust forward with full strength and vigor amidst a demanding and challenging business environment, culminating with a creditable performance for the financial year ended 31 December 2018, recording a revenue of RM264.71 million, which represents a commendable growth of 7.57% from RM246.09 million in the previous financial year, and a profit after tax of RM35.40 million, an increase of 19.60% from RM29.60 million in the previous financial year.

It is with great enthusiasm and admiration that I take this opportunity to thank the JHM Management team for this sterling achievement in earnings despite enduring robust economic conditions during the financial year.

Industry Trend, Development and Business Outlook

Demand dynamics, fueled by rapid adoption and advances within the automotive LED lighting industry from project designers, specialists, car makers to discerning consumers continue to thrive rigorously and steam ahead with full vigor as anticipated and envisaged since last year. Continuous demand growth in the very much competitive market for advanced external lighting applications with newly added technological features and state-of-the-art optics design breakthroughs as well as progressive development of intelligent lighting systems (ILS) will continue to provide good traction for the sustainability and optimum growth of the Group's strategic expansion and depth in the automotive LED lighting business.

It should be emphasized again that new inroads and discoveries into the elevated role of automotive lighting lamp designs and technology continues to lend critical importance to the automobile that far surpasses its aesthetical and illumination functional purposes. 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 near future.

Further technological trend indications are already apparent and in the plan for new featured functions of LED headlights to be used as projection onto roads for warnings, assisting paths and other information alert purposes as well as LED rear/taillights for delivering information as interactive and communicable functions to warn or communicate with other road users.

All these progressive customer-centric innovations and advance development in automotive LED lighting applications will augur well for the Group's continuous venture and investment into this specialized area of automotive business.

On the macro-level of the socio-economic and political scene, market demand uncertainties and sentiments as caused by US tariffs that came into effect since July'18 and the resultant US-China trade war dispute did not in any way adversely affected the Group's business as the automobile assembly plants still originate in US/Canada and are mainly meant for the North American Free Trade Agreement ("NAFTA") region. Manufacturing activities within the Group's local facilities in Malaysia will in fact gain even more advantages and opportunities as the on-going trade dispute triggers a preferred relocation and sourcing of manufacturing and assembly work to this part of the region and South East Asia in general.

Group's Prospects

JHM is primarily engaged in the manufacture and assembly of Automotive Surface Mount Technology/Printed Circuit Board Assembly and Automotive Level 2 LED Lighting modules and is one of the main Electronics Manufacturing Services ("EMS")/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 Fulfillment ("DOF") ready and shipped to well-known Tier 1 automotive manufacturers within the NAFTA countries.

REVENUE
RM264.71
MILLION
7.57%

PROFIT AFTER TAX
RM35.40
MILLION
19.60%

As highlighted and indicated last year, JHM has already initiated intensive strategic business dealings with new customers into uncharted technological manufacturing territory, specifically proceeding into aerospace mechanical parts machining manufacturing, with an initial focus in high precision, 5-Axis based Computer Numerical Control ("CNC") machining parts and of which are produced in our newly dedicated focus-facility certified to aerospace AS9100 requirements.

In quick summary, our aerospace business venture has taken off well and there will be more contributions heading to the Group in the very near future. We have in fact, sowed the seeds for initiating a game changer for a potentially secure and sustainable earnings base over the next 10 years.

Fast forward to March 2019 recently will be the just concluded successful signing of an Memorandum of Understanding ("MOU') in Langkawi International Maritime Aerospace ("LIMA") exhibition 2019 with Universal Alloy Corporation Europe ("UACE"), a premier and global leader in the manufacture of aerospace products. This strategic collaboration will help to spread out our business sector portfolio.

The Group's commendable performance in the increase of revenue and earnings has also been attributable through the synergistic, positive contributions from our acquisition of Mace Instrumentation Sdn Bhd, besides the continuous favorable demand for LED lighting applications in the automotive sector which currently contributes to 71% of the Group's total revenue.

We are therefore optimistic that JHM will continue to perform satisfactorily in the financial year ending 2019, barring any unforeseen external socio-economic or political factors. The Management team as always will continue to accord the highest efficiency and innovation means, with lean manufacturing and effective costs management as key performance initiatives. A strong commitment in containing costs and eliminating waste will ensure we have a sustainable operation base whilst nurturing our human resource depth for continuous product innovation and market expansion as well as to elevate ourselves into an agile and robust entity.

Board Changes and Appreciation

The month of August 2018 saw some changes in the Board Room composition with my impending re-designation from Executive Chairman to Group Chief Executive Officer ("CEO"). In my place, we are proud to welcome the appointment of Mr. Lim Chun Thang ("Kent Lim") as our Non-Executive Chairman.

Mr. Kent Lim brings with him more than 20 years of valuable working experience mainly in the field of corporate planning and investor relations as well as being attached to a few public listed companies and as an independent non-executive director in a public listed company prior to his appointment with JHM.

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

I would also like to extend my heartfelt thanks to all our staff and employees for your determination, tenacity, diligence and the excellent team spirit you have all exhibited. These very noble traits and personal attributes will definitely help to ensure the Group succeed in all future challenges and opportunities amidst the 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
Group Chief Executive Officer

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 27 (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 serving the automotive, aerospace and industrial sector:

(i) Mechanical Business Unit

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

(ii) Level 2 Assembly for Automotive Business Unit

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

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

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

(iv) Aerospace Business Unit

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

The resource allocation and assessment of performance are mainly based on the nature of business for each of the 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 location in Sungai Petani, Kedah. In addition, Mace Instrumentation Sdn. Bhd. ("MISB") is operating the Mechanical Business Unit at Kulim, Kedah.

For additional segmental information, please refer to Note 27 (Operating Segment) to the financial statements.

2. FINANCIAL RESULTS AND FINANCIAL CONDITION

Financial performance

The Group achieved revenue of RM264.71 million in the financial year ended 31 December 2018 ("FY2018"), an improvement of 7.57% against RM246.09 million recorded in the financial year ended 31 December 2017 ("FY2017"). The increase in revenue was mainly attributable to the result from Mechanical Business Unit. The Group recorded a net profit of RM35.40 million in FY2018, an increase of 19.60% compared to RM29.60 million in FY2017.

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

(i) Consolidation result from MISB effective from 9 April 2018;
(ii) Increased in other income from RM2.75 million to RM5.62 million mainly attributable from unrealised gain on foreign exchange of RM2.22 million in FY2018;
(iii) Reduction in tax expense by RM1.48 million despites the increase in profits. This is mainly due to tax incentive enjoyed by the subsidiaries; and
(iv) Realised 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, mitigated and 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) Depreciation cost have increased from RM5.38 million to RM7.17 million with the additional capital expenditure of RM32.30 million incurred in FY2018 as well as additional depreciation arising from MISB.

Liquidity and capital resources

As at 31 December 2018, the Group ended with healthy cash and bank balances of RM53.96 million [FY2017: RM47.33 million] after payment of dividend of RM8.36 million and capital expenditure ("CAPEX") investment of RM32.30 million in FY2018 [FY2017: RM4.26 million].

3. REVIEW OF OPERATING ACTIVITIES

Automotive Sector

About 70% [FY2017: 80%] of the Group's revenues are currently derived from the automotive sector. JHM has been actively working towards growing its automotive sector and it is optimistic that new customers will come on board in this financial year ending 2019.

Industrial Sector

Subsequent from the acquisition of MISB in FY2018, the contribution to the Group revenue from this sector has increased from 19% to 28%.

JHM continues to capture growth opportunities for this sector and the recent acquisition of property that was announced on 2 April 2019 was for the expansion project in Industrial sector.

Aerospace Sector

The revenue contribution from this sector was less than 10% of the Group's revenue for FY2018. By entering into Memorandum of Understanding ("MOU") with Universal Alloy Corporation Europe ("UACE") on 26 March 2019, the Group is optimistic on an increase in the contribution from this sector to the Group.

This MOU set forth the agreement between JHM and UACE, where UACE will outsource metal machining and sub-assembling of aerospace products to JHM. UACE will also provide technical and manufacturing capabilities insertion programs as and when needed to JHM. UACE and JHM will collaborate to create an efficient and effective supply chain for machined sub-assembled aerospace components and products.

4. OPERATIONAL AND FINANCIAL RISKS

Operational Risks - Dependence on Automotive Sector

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

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

4. OPERATIONAL AND FINANCIAL RISKS (cont'd)

Financial Risks

The Group's financial risks are set out in Note 28 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

As an appreciation to our valued shareholders, the Company had set up a dividend policy to fix a dividend payout of at least 20% of JHM's group profit to be paid out on regular basis effective from the FY2018, subject always to the relevant provisions of the Companies Act 2016.

Dividend paid out to shareholders totalled at RM11.15 million for FY2018 translate into approximately 31.40% of JHM group's net profit for the year.

Details of dividend payments are as follows:

i) First interim single tier dividends of 0.50 sen per ordinary share on 557,600,000 ordinary shares paid on 20 June 2018 amounting to RM2,788,000.

ii) Second interim single tier dividends of 0.50 sen per ordinary share on 557,600,000 ordinary shares paid on 28 September 2018 amounting to RM2,788,000.

iii) Third interim single tier dividends of 0.50 sen per ordinary share on 557,600,000 ordinary shares paid on 28 December 2018 amounting to RM2,788,000.

iv) Fourth interim single tier dividends of 0.50 sen per ordinary share on 557,600,000 ordinary shares paid on 28 March 2019 amounting to RM2,788,000.

DIRECTORS' PROFILE

Dato' Tan King Seng

Executive Director/
Group Chief Executive Officer

Dato' Tan King Seng, aged 63, male, a Malaysian, was appointed to the Board on 13 April 2006 and is presently the Executive Director/Group Chief Executive Officer 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/
Chief Operating Officer

Koh Yew Wah, aged 54, 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 56, 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.

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 60, 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 the 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 60, 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 74, 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 57, 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 63, 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) on 1 October 1977 as a Police Inspector. In year 2006, he was promoted to Deputy Superintendent of Police (DSP) and he became an officer in charge of Police District (OCPD) (South West District of Penang) in year 2014 until his retirement on 11 July 2016. He is currently a Chief of Security of MTT Group of Companies and Security Consultant of Bandar Kepala Batas Sdn. Bhd., a subsidiary of Hunza Properties Berhad.

Lim Chun Thang

Non Executive Chairman/
Independent Non-Executive Director

Lim Chun Thang, aged 54, male, a Malaysian, was appointed as the Non Executive Chairman/Independent Non-Executive Director of the Company on 23 August 2018. He graduated from Middlesex University, London with a Bachelor Degree in Accounting and Finance (Honours). Upon returning from London, he joined Arab-Malaysian Merchant Bank in 1995 and left in 1997 as a Corporate Finance Officer. Subsequently, he joined a few companies with his main scope of work in planning the success of their listings on Kuala Lumpur Stock Exchange (now known as Bursa Malaysia Securities Berhad).

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

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 105 of this Annual Report.

Directors' Directorships and Substantial Shareholdings in Other Public Companies

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

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

PROFILE OF KEY SENIOR MANAGEMENT

Tan Chin Hong

Business Development Director

Tan Chin Hong, aged 51, male, a Malaysian, was appointed as Executive Director of Morrissey Technology Sdn. Bhd., Morrissey Assembly Solution Sdn. Bhd. and JH Morrissey Sdn. Bhd. on 22 September 2000, 24 April 2013 and 5 September 2001 respectively. 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.

He is the nephew of Dato' Tan King Seng, the major shareholder and the Executive Director/Group Chief Executive Officer 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 41, 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 currently holds a position as Senior Finance Manager in the Company and is 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 Company has any convictions for offences within the past 5 years or any public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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

The Board is pleased to provide a Corporate Governance Overview Statement pursuant to Paragraph 15.25(1) of the ACE Market Listing Requirements ("AMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities") that explains an overview of the application of the corporate governance practices of the Group during the financial year ended 31 December 2018 ("FY 2018") 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 2019. Shareholders may obtain this CG Report by accessing this link www.jhm.net.my for further details.

PRINCIPAL A: BOARD LEADERSHIP AND EFFECTIVENESS

(I) Board Responsibilities

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

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

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

Clear functions of the Board and Management

To ensure the effective discharge of 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 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 page 19 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 Fourteenth AGM of the Company to be held on 31 May 2019 are as per detailed set out in the Notice of the Fourteenth 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 four (4) times. The Board is satisfied with the time commitment given by the Directors of the Company in discharging their duties for FY2018 as evidenced by the attendance record of the Directors at the Board Meeting. The details of attendance of the Directors during FY2018 are as follows: -

Name of Directors	Number of Meetings Attended	Percentage of Attendance
Lim Chun Thang (Appointed on 23 August 2018)	1/1	100%
Dato' Tan King Seng	4/4	100%
Koh Yew Wah	3/4	75%
Cheah Choon Ghee	4/4	100%
Khor Thean Lee	4/4	100%
Loh Chye Teik	4/4	100%
Dato' Dr. Loh Hock Hun	4/4	100%
Wong Chi Yeng	4/4	100%
Lai Fah Hin	4/4	100%

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

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

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

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, intergrity 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 is available on the Company's website at www.jhm.com.my in line with Practice 2.1 of the MCCG. The Board will reviewed 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 24 to 30 of this Annual Report.

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 nine 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.

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

(I) Board Responsibilities (cont'd)

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.

During the financial year ended 31 December 2018, the Directors of the Company had attended seminar or conference organized externally. The programmes attended by the Directors during the financial year, include the following:

Name	No. of days	Mode of Training	Title
Dato' Tan King Seng Cheah Choon Ghee Khor Thean Lee Lim Chun Thang	Half day	Seminar	FX & Economic Outlook Briefing by RHB Bank
Koh Yew Wah	Half day	Seminar	FX & Economic Outlook Briefing by RHB Bank
	1 day	Seminar	Building the Future of the Aerospace Ecosystem in Malaysia
Loh Chye Teik Wong Chi Yeng	2 days	Conference	Malaysian Tax conference 2018
	1 day	Seminar	MBRS for Prepares: Financial Statements
	1 day	Seminar	Effects of Companies Act 2016 on Accountants
	1 day	Seminar	Seminar Percukaian Kebangsaan 2018
Dato' Dr. Loh Hock Hun Lai Fah Hin	1 day	Seminar	2019 Budget Seminar

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

Supply of Information

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

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

Committees of the Board

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

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

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

(I) Board Responsibilities (cont'd)

Audit Committee and Risk Management Committee

The summary of the activities of the Company's Audit Committee and Risk Management Committee during the financial year are set out under the Audit Committee Report on page 33 and 34 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 by the Board compared to its current position and make recommendations to the Board with regard to any changes.
- Review and recommend the membership of the Audit Committee and Risk Management Committee and Remuneration Committee, in consultation with the Chairman of those committees.
- Assess the effectiveness of the Board and the contribution of individual directors and his independence where applicable.
- To develop, maintain and review the criteria to be used in the recruitment process and annual assessment of directors.

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

- Adding Value
- Conformance
- Stakeholder Relationship
- Performance Management

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

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

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

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

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

(I) Board Responsibilities (cont'd)

Nomination Committee (cont'd)

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

The Nomination Committee had met three (3) times during FY2018 and activities of the Nomination Committee are summarised as follows:

(a) Reviewed and assessed the effectiveness of the Board, the committees of the Board and the contribution of each individual director, including Independent Non-Executive Directors and principal officer.
(b) Reviewed and recommended the re-election and re-appointment of Directors who were retiring and seeking for re-election and re-appointment at Thirteenth AGM.
(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 Directors of the Company for a cumulative term of more than nine (9) years, in compliance with the recommendation of MCCG.
(e) Reviewed the terms of office and performance of an Audit Committee and its members.
(f) Reviewed and recommended to the Board the appointment of Mr. Lim Chun Thang as Independent Non-Executive Director 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	Executive Director/ Group Chief Executive Officer

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.

(II) Board Composition

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

With the appointment of Mr. Lim Chun Thang as Independent Non-Executive Director on 23 August 2018, the Board is currently made up of Nine (9) members as follows:-

- Four (4) Executive Directors, and
- Five (5) Independent Non-Executive Directors.

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

(II) Board Composition (cont'd)

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

The Nomination Committee and the Board had reviewed and assessed the Independent Non-Executive Directors during FY2018. 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 was satisfied with the performance and the level of independence demonstrated by the 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 Company has sought shareholders' approval at the Thirteenth AGM held on 22 May 2018 for Mr. Loh Chye Teik and Dato' Dr Loh Hock Hun, to continue to act as an Independent Non-Executive Director of the Company.

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

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

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 Roles of Chairman and Group Chief Executive Officer

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

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

(III) REMUNERATION

The objective of the Company's policy on Directors' remuneration is to attract and retain the appropriate Directors of 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 its remuneration policies, it is the policy of the Company and the Group that all Executive Directors and Senior Management are remunerated based on the Group's performance, market conditions and their responsibilities whilst the remuneration of the Non-Executive Directors is determined in accordance with their experience, level of responsibilities assumed in the Board Committees and the Board, their attendance and/or special skills and expertise they bring to the Board.

The aggregate remuneration paid or payable to all Directors of the Company during the financial year ended 31 December 2018 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 33 and 34 of this Annual Report.

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

The Audit Committee is empowered by the Board to review all issues in relation to appointment and re-appointment, resignation or dismissal of external auditors. The Audit Committee has also assessed the suitability and independence of the external auditors. The external auditor 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 2018 without the presence of the Executive Directors, with the purposes of finalising the Group's audited financial statement and approving the audit planning memorandum. The external auditors have confirmed that they are independent throughout the conduct of audit engagement in accordance with terms of professional and regulatory requirements.

(II) Risk Management and Internal Control Framework

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

The Statement on Risk Management and Internal Control set out on page 31 and 32 of this Annual Report provides an overview of the state of internal control within the Group.

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

(I) Communication with Stakeholders

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

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

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

(II) Conduct of General Meetings

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

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

A copy of the Annual Report and the notice of the AGM are sent to all shareholders at least 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 achieve high standards of corporate governance throughout the Group and to the highest level of integrity and ethical standards in all its business dealings. The Board considers that it has complied substantially with the principles and recommendations as stipulated in the MCCG throughout FY2018.

This statement is made in accordance with the resolution of the Board dated 12 April 2019.

CORPORATE SUSTAINABILITY STATEMENT

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

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

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

A. GOVERNANCE STUCTURE

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

Board of Directors	The Board sets the sustainability strategy of the Group. It ensures that the Group's business strategies consider sustainability.
Risk Management and Sustainability Committee	The Risk Management and Sustainability Committee oversees the implementation of sustainability strategy. It evaluates overall sustainability risks and opportunities.
Head of Departments	The Heads of Departments support implementation of Sustainability Strategies. It reports on the Key Sustainability Indicators.

B. SCOPE

This Sustainability Statement covers the following subsidiaries, as they are the two most significant subsidiaries of the Group, together contributing more than 80% of the Group's revenue:

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

In order to enable the Group to achieve sustainable growth and enhance long-term value for its shareholders, the Group applies a good corporate governance framework, environmentally responsible practices and sound social policies. In 2018, the Group continues with this commitment as a good and responsible corporate citizen.

C. STAKEHOLDERS' ENGAGEMENT

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

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

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

D. MATERIAL SUSTAINABILITY MATTERS

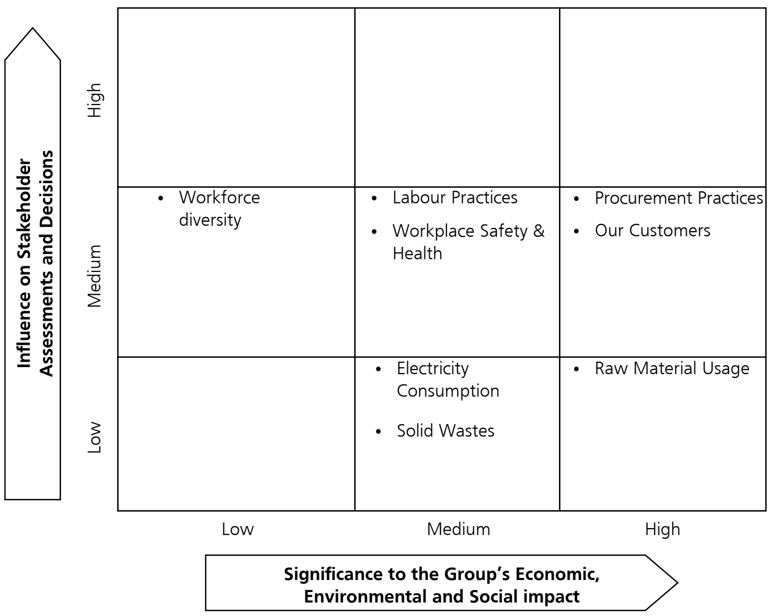
The principal businesses of the Group are designing and manufacturing of precision of metal parts and components as well as manufacturing and assembling of electronic components. These businesses require the hiring of many operational employees.

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

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

Materiality Matrix

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



D. MATERIAL SUSTAINABILITY MATTERS (CONT'D)

Sustainability Management

The Sustainability efforts of the Group are set out below.

Economic

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

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

(1) Our Customers

In fulfilling the Group's objective of ensuring that the Group provide one-stop engineering solution to our customers, from the design and development of our automotive and industrial products to the complete design, fabrication and assembly of toolings to ensure high quality performance, the subsidiaries, MTSB and MASSB successfully maintained ISO9001:2015, ISO14001:2015 and IATF16949:2016 certifications in the financial year 2018. Consistency in delivering high and acceptable quality products ensure that the Group's products are of high quality, minimising wastages as well as avoiding unnecessary costs associated with product returns.

Product acceptance level is one of the key matrices the management uses to measure the Group's performance in meeting customer's satisfaction. In the financial year 2018, the average defective return rate received from customers was below 5 defect parts per million.

(2) Our Suppliers

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

In Financial Year ("FY") 2018, the number of local vendors accounted for 81% of the total vendors of the Group.

D. MATERIAL SUSTAINABILITY MATTERS (CONT'D)

Sustainability Management (cont'd)

Environmental

We are committed to a holistic approach in incorporating sustainability practices into our daily activities. Metal scraps generated from the production of cables and wires are fully recyclable. The Group's operations do not release harmful emissions into the air or discharge hazardous effluent into the drainage system. By their nature, there are minimal industrial wastes generated from operations which go to the landfill. The Group comply with the sustainability conditions set by our customers, which include not using environmentally harmful raw materials in its products. These environmental-friendly measures have significantly reduced wastage on materials and electricity consumption to a minimum level. We also ensure that our manufacturing factories are certified as an ISO14001 organisation holder by an international body. We also ensure compliance with the Environmental Quality Act 1994 ("EQA") at all times. In FY2018, none of the Group's subsidiaries was subject to penalties due to non-compliance with EQA.

(1) Wastage and Scraps

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

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

The percentage of metal scraps per tonnage of goods produced in the current financial year was 57%.

(2) Electricity Consumption

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

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

For the FY2018, the electricity consumption was 4.44 million kw/mt.

D. MATERIAL SUSTAINABILITY MATTERS (CONT'D)

Sustainability Management (cont'd)

Social

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

(1) Employees

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

i. Training and Learning

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

- Safety & Health
- Waste Management
- Accounting & Tax Rules and Regulations
- Human Resource Management
- Quality/Systems Compliance Training

ii. Workforce Diversity

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

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

	Female	Male	Total
Management and executive positions	43.52%	56.48%	100%
Other positions	68.10%	31.90%	100%

iii. Employee welfare and motivational activities

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

2018 Jamuan Raya

2018 Annual Dinner

D. MATERIAL SUSTAINABILITY MATTERS (CONT'D)

Sustainability Management (cont'd)

Social (cont'd)

(1) Employees (cont'd)

iv. Safety at Workplace

The Group places a high priority in ensuring a safe and healthy working environment at all its factories. In doing so, the Board ensures that the requirements of Occupation Safety and Health 1994 ("OSHA") are complied with as well as observing good safety and health practices. In FY2018, none of the Group's subsidiaries was subject to penalties due to non-compliance with OSHA.

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

(a) Appointment of an interim safety officer. The responsibility of the safety officer is to manage matters relating to safety and health. In addition to safety officers, there is a safety committee set up at each factory with the purpose of providing a forum for management and workers to identify and resolve safety and health related issues.

(b) Ensuring that employees are well aware of the safety and health procedures. The Group provides personal protective equipment to employees in the production areas, which are required to be worn during work.

(c) Providing adequate training to employees. Safety and health related trainings attended by employees in FY2018 include:
- Forklift Operation
- Chemical and Scheduled Waste Management
- Posture at Workplace
- Fire safety and fire drill

Fire Drill Training

D. MATERIAL SUSTAINABILITY MATTERS (CONT'D)

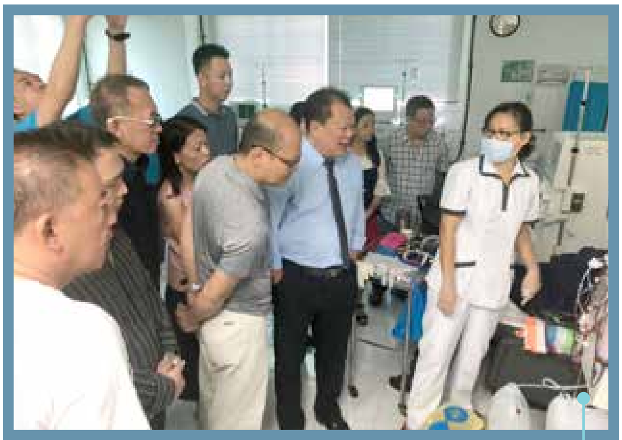
Sustainability Management (cont'd)

Social (cont'd)

(2) Society

I. Contribution to the Community

Being a corporate citizen, we are aware of our responsibilities towards the local society and community. Our contribution continues with our participation and donations in fund raising activities to local charitable organisations. We contribute by sponsoring RM1,000,000 to the Penang Rotary Club Dialysis Centre for a five year period from 2017-2021. We also actively sponsor charitable events such as the Charity Red Socks Run organised by Penang Adventist Hospital where the Group was a Platinum sponsor.



Opening of
JHM's Dialysis Centre

Platinum Sponsor for Charity Red Socks Run
organised by Adventist Hospital

II. Internship Programmes

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

In 2018, the Group offered internships for students of universities, colleges and polytechnics from different states of Malaysia, which have benefited a total of 12 students.

This statement is made in accordance with the resolution of the Board dated 12 April 2019.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

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.

(A) 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.

(B) 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.

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

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

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

- Authorising Board Committee members to investigate and report on any areas of improvement for the betterment of the Group;

- Conducting in-depth study on major variances and deliberating irregularities at Board meetings and Audit Committee and Risk Management Committee meetings so as to identify the causes of the problems and to formulate appropriate solutions;

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

- Delegating necessary authority to the Group Chief Executive Officer in order for him to play a major role as the link between the Board and Senior Management in implementing the Board's expectation of effective system of internal control and managing the Group's various operations;

- Maintaining an organisational chart which sets out each individual's responsibility, authority and reporting lines.

- Ensuring that the Management is informed of the development of action plan for enhancing system of internal control and allowing various management personnel to have access to important information for effective decision-making;

- Senior Management personnel make frequent on-site visits to the business and operating premises so as to acquire a first-hand information on various operational matters and addressing the issues accordingly; and

- Systematic and regular audit on the compliance of ISO14001, ISO9001, IATF16949 and AS9100 Rev C by external quality assurance auditors.

(D) 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:

- Licensed Manufacturing Warehouse procedures
- Inventory management procedures, policies and controls

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 RM8,510 based on audited accounts.

(E) CONCLUSION

The Board has received assurance from the Group Chief Executive Officer and the Senior 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 12 April 2019 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)

MEETINGS AND ATTENDANCE

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

Name of AC Members	Number of Meetings Attended	Percentage of Attendance
Loh Chye Teik	4/4	100%
Dato' Dr. Loh Hock Hun	4/4	100%
Wong Chi Yeng	4/4	100%
Lai Fah Hin	4/4	100%

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 the AC during the financial year ended 31 December 2018 ("FY2018") 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 FY2018 outlining their audit team, audit timeline, recent development of the Group, key areas of audit focus, fraud risk, communication of other significant audit matters, updates on accounting standards, and audit fees.
   (b) The AC reviewed the external auditors' findings arising from audits and their recommendation.
   (c) The AC also discussed and reviewed with external auditors the applicability of the new accounting standards and new financial reporting regime issued by the Malaysian Accounting Standards Board.
   (d) The AC reviewed the external auditors' audit completion for the financial year ended 31 December 2017.
   (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 2019 as tabled by the internal auditors.
- (b) Reviewed IA report from internal auditors and assessed the internal auditors' findings, recommendations together with the management's comments.

iv. Related Party Transaction
- (a) Reviewed any related party transaction and conflict of interest situation that may arise within the Company and the Group.

v. Other matters considered by Committee
- (a) Reviewed the Financial Analysis and Debtors Ageing Report prepared by the Management

EMPLOYEES 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.

INTERNAL AUDIT FUNCTION

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

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

Further details on the internal audit function and its activities are set out in the Statement On Risk Management And Internal Control on page 31 and 32 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 2018.

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 of 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 12 April 2019.

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 of 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 of 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 12 April 2019:-

Details of Utilisation	Proposed utilisation as disclosed in the announcement dated 6 April 2017	Proposed utilisation after the Revision	Actual utilisation as at 12 April 2019	Balance unutilised as at 12 April 2019	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	RM'000	%
Working capital	26,299	22,699	22,699*	Completed	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	5,600	Completed	Within 12 months	-
Expenses for the corporate proposal	185	185	186*	Completed	immediate	-
Total	**40,484**					

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 2018, the amount of audit fees payable to external auditors by the Company and by the Group respectively were as follows:-

	Audit Fee (RM)
Company	**25,000**
Group	**104,000**

5. NON-AUDIT FEES

During the financial year ended 31 December 2018, the amount of non-audit fees payable to external auditors and its affiliates by the Company and by the Group respectively were as follows:-

	Non-Audit Fee (RM)
Company	**28,000**
Group	**131,500**

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

FINANCIAL STATEMENTS

DIRECTORS' REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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 2018**.

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	**35,397,532**	**10,563,559**
Attributable to:		
Owners of the Company	**35,506,837**	**10,563,559**
Non-controlling interests	**(109,305)**	**-**
	35,397,532	**10,563,559**

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

DIVIDENDS

Since the end of the financial year, the Company has paid the following dividends in respect of the financial year ended 31 December 2018:

(i) First interim single tier dividend of 0.5 sen per share amounting to RM2,788,000;

(ii) Second interim single tier dividend of 0.5 sen per share amounting to RM2,788,000; and

(iii) Third interim single tier dividend of 0.5 sen per share amounting to RM2,788,000.

On 27 February 2019, the Company has declared a fourth interim single tier dividend of 0.5 sen per share amounting to RM2,788,000 in respect of the financial year ended 31 December 2018 which was paid on 28 March 2019.

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

The Company's share split exercise which entails the subdivision of its ordinary shares from one share into two shares was completed on 13 February 2018 following the listing and quotation of the 525,600,000 ordinary shares after the share split on Bursa Securities on the same date.

Thereafter, the Company's share capital was increased from RM65,230,900 to RM113,230,900 by way of allotment of 32,000,000 new ordinary shares at an issue price of RM1.50 per share as satisfaction of the purchase consideration of RM48,000,000 for the acquisition of a subsidiary on 9 April 2018 and the number of ordinary shares in issue increased from 525,600,000 shares to 557,600,000 shares. The new ordinary shares issued 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.

EMPLOYEE SHARE OPTION SCHEME ("ESOS")

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

There were no options granted during the financial year.

The salient features of the ESOS are disclosed in Note 33 to the financial statements.

DIRECTORS

The names of the directors of the Company in office during the financial year and until the date of this report are:

Directors of the Company:
Dato' Tan King Seng
Cheah Choon Ghee
Khor Thean Lee
Koh Yew Wah
Loh Chye Teik
Dato' Dr. Loh Hock Hun
Wong Chi Yeng
Lai Fah Hin
Lim Chun Thang (appointed on 23.8.18)

Directors of the subsidiaries:
Ooi Yeok Hock (resigned on 8.4.19)
Tan Chin Hong
Ong Hock Seng
Chan Kai Kong (resigned on 16.4.18)

DIRECTORS' INTERESTS IN SHARES

According to the register of Directors' Shareholdings required to be kept under Section 59 of the Companies Act 2016, the interests and deemed interests in the ordinary shares of the Company and its related corporations of those who were directors as at year end (including the interests of the spouses or children of the Directors who themselves are not directors of the Company) are as follows:

	Number of ordinary shares				
	Balance at 1.1.18	Effect of share split	Bought	Sold	Balance at 31.12.18
The Company					
Direct Interest:					
Dato' Tan King Seng	95,050,758	95,050,758	2,100,484	-	192,202,000
Cheah Choon Ghee	2,915,000	2,915,000	-	-	5,830,000
Khor Thean Lee	1,000,000	250,400	-	(1,131,400)	119,000
Koh Yew Wah	250,000	250,000	-	-	500,000
Wong Chi Yeng	-	-	30,000	-	30,000
Lai Fah Hin	-	-	23,000	-	23,000
Deemed Interest:					
Dato' Tan King Seng	6,112,190	6,112,190	2,700,000	-	14,924,380
Cheah Choon Ghee	45,488,326	41,488,326	-	(4,000,000)	82,976,652
Lai Fah Hin	2,000	2,000	10,000	-	14,000

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

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' REMUNERATION AND BENEFITS

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

	COMPANY RM	SUBSIDIARIES RM	GROUP RM
Salaries, allowance and bonus	**11,000**	**1,897,077**	**1,908,077**
Defined contribution plan	**-**	**322,883**	**322,883**
Fees	**152,000**	**-**	**152,000**
Benefits-in-kind	**-**	**59,981**	**59,981**
	163,000	**2,279,941**	**2,442,941**

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

Since the end of the previous financial year, no director of the Company has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of remuneration received or due and receivable by the directors as shown above) by reason of a contract made by the Company or a related corporation with a director or with a firm of which the director is a member or with a company in which the director has a substantial financial interest, other than those related party transactions disclosed in the notes to the financial statements.

INDEMNITY AND INSURANCE FOR DIRECTORS, OFFICERS AND AUDITORS

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

OTHER STATUTORY INFORMATION

Before the financial statements of the Group and of the Company were 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;

(ii) that would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading;

(iii) that would render any amount stated in the financial statements of the Group and of the Company misleading; and

(iv) that have arisen which render adherence to the existing methods of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

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

(i) any charge on the assets of the Group and of the Company that has arisen since the end of the financial year which secures the liabilities of any other person; and

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

In the opinion of the directors:

(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; and

(ii) 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 AFTER THE REPORTING PERIOD

Details of significant events after the reporting period are disclosed in Note 34 to the financial statements.

AUDITORS

The total amount of fees receivable by the auditors **Grant Thornton**, as remuneration for their services as auditors of the Group and of the Company for the financial year ended 31 December 2018 are RM104,000 and RM25,000 respectively.

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

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

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

Penang,

Date: 12 April 2019

DIRECTORS' STATEMENT

In the opinion of the directors, the financial statements set out on pages 48 to 103 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 2018** and of their financial performance and cash flows for the financial year then ended.

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

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

Date: 12 April 2019

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 48 to 103 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 2019**)

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

Before me,

....
Liew Suan Leng
No. P162
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 2018** 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 48 to 103.

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 2018** and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

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

Independence and Other Ethical Responsibilities

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

Key Audit Matters

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

Key Audit Matters	How our audit addressed the Key Audit Matters
Valuation of inventories ***(Refer to Notes 2.6 and 8 to the financial statements)*** The Group holds significant inventories as at the reporting date which exposes 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 management. 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 amongst others: • Obtaining an understanding of: - the Group's inventory management process; - how the Group identifies and assesses inventory write-downs; and - how the Group makes the accounting estimates for inventory write down. • Attended the year end physical inventory count to identify their physical existence and to assess the physical conditions of the inventories i.e. damaged, slow moving etc. • Reviewing the consistency of the application of management's methodology in determining and estimating the impairment from year to year. • Reviewing and testing the reliability of the ageing report of inventories provided by management. • Testing the net realisable values for work-in-progress and finished goods on a sampling basis to sales made subsequent to the year end and checked that they are sold at higher than their carrying amount.

Key Audit Matters (cont'd)

Key Audit Matters	How our audit addressed the Key Audit Matters
Impairment of trade receivables ***(Refer to Note 2.6 and 9 to the financial statements)*** The Group has significant trade receivables as at the reporting date and it is subject to credit risk exposure. We focus on this area as deriving the expected credit losses of receivables involves management's judgement and estimates in determining the probability of default occurring by considering the ageing of receivables, historical loss experience and forward-looking information.	Our audit procedures included, amongst others: • Obtaining an understanding of: - the Group's control over the trade receivables' collection process; - how the Group identifies and assesses the loss allowance of trade receivables; and - how the Group makes the accounting estimates for loss allowance. • Reviewing the application of the Group's policy for calculating the expected credit loss against the requirements of MFRS 9. • Considering the ageing of the trade receivables and testing the reliability thereon. • Assessing the estimated future cash flows by examining the historical repayment records, historical loss rate of receivables, information regarding the current creditworthiness and any significant changes in credit quality of the debtors, evidence of subsequent settlements and other relevant information.
Goodwill impairment assessment ***(Refer to Note 2.6 and 7 to the financial statements)*** As at the reporting date, the Group has goodwill which has been allocated to its manufacturing segment as the cash generating unit ("CGU"). The management is required to perform annual impairment assessment for its goodwill. We focus on this area as management's assessment of the 'value in use' of the CGU involves estimation uncertainty and judgements about the future results of the business and key assumptions applied to future cash flows projection.	Our audit procedures in relation to the goodwill impairment assessment included amongst others: • Evaluating the model used in determining the value in use of the CGU as well as assessing the discount rate used. • Challenging the reasonableness of key assumptions based on our knowledge of the business and industry. • Comparing actual performance of the CGU to assumptions applied in prior years' model and to assess accuracy of management's estimates. • Performing sensitivity analysis on the key assumptions inputted to the model and understand the impact on the overall carrying value of goodwill with the alterations to the key assumptions. • Assessing the adequacy of disclosures in the financial statements.

There are no key audit matters to be communicated in respect of the audit of the financial statements of the Company.

Information Other than the Financial Statements and Auditors' Report Thereon

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

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

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

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

Responsibilities of the Directors for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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.

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

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Other Matter

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

Grant Thornton
No. AF: 0042
Chartered Accountants

John Lau Tiang Hua
No. 01107/03/2020 J
Chartered Accountant

Penang

Date: 12 April 2019

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

		GROUP		COMPANY	
		2018	2017	**2018**	2017
	NOTE	**RM**	RM	**RM**	RM
ASSETS					
Non-current assets					
Property, plant and equipment	**4**	**69,194,816**	30,980,419	**12,959,710**	293
Investment in subsidiaries	**5**	**-**	-	**62,466,000**	12,966,000
Deferred tax assets	**6**	**-**	108,000	**-**	-
Goodwill on consolidation	**7**	**21,531,534**	-	**-**	
		90,726,350	31,088,419	**75,425,710**	12,966,293
Current assets					
Inventories	**8**	**27,429,946**	23,548,258	**-**	-
Trade receivables	**9**	**96,138,977**	76,795,307	**-**	-
Other receivables, deposits and prepayments	**10**	**3,195,629**	2,619,292	**3,262**	1,000
Amount due from subsidiaries	**11**	**-**	-	**25,573,908**	21,325,142
Tax recoverable		**2,007,800**	36,263	**17,332**	-
Cash and bank balances	**12**	**53,964,425**	47,330,022	**29,249,500**	34,858,250
		182,736,777	150,329,142	**54,844,002**	56,184,392
TOTAL ASSETS		**273,463,127**	181,417,561	**130,269,712**	69,150,685
EQUITY AND LIABILITIES					
Equity attributable to owners of the company					
Share capital	**13**	**113,230,900**	65,230,900	**113,230,900**	65,230,900
Capital reserve	**14**	**(15,956,976)**	(276,976)	**-**	-
Retained profits	**15**	**84,833,890**	58,068,246	**5,910,083**	3,710,524
		182,107,814	123,022,170	**119,140,983**	68,941,424
Non-controlling interests		**-**	1,232,112	**-**	-
Total equity		**182,107,814**	124,254,282	**119,140,983**	68,941,424
Non-current liabilities					
Borrowings	**16**	**25,822,438**	6,406,749	**10,089,210**	-
Deferred tax liabilities	**6**	**1,595,696**	788,731	**-**	-
		27,418,134	7,195,480	**10,089,210**	-
Current liabilities					
Trade payables	**17**	**27,667,428**	33,905,234	**-**	-
Other payables and accruals	**18**	**15,706,832**	7,435,660	**112,572**	173,342
Borrowings	**16**	**18,541,971**	6,332,900	**926,947**	-
Tax payable		**2,020,948**	2,294,005	**-**	35,919
		63,937,179	49,967,799	**1,039,519**	209,261
Total liabilities		**91,355,313**	57,163,279	**11,128,729**	209,261
TOTAL EQUITY AND LIABILITIES		**273,463,127**	181,417,561	**130,269,712**	69,150,685

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

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

		GROUP		COMPANY	
		2018	2017	**2018**	2017
	NOTE	**RM**	RM	**RM**	RM
Revenue	**19**	**264,714,581**	246,091,976	**12,106,120**	8,294,086
Cost of sales		**(204,044,473)**	(189,387,119)	**-**	-
Gross profit		**60,670,108**	56,704,857	**12,106,120**	8,294,086
Other income		**5,622,397**	2,746,027	**-**	-
Administrative expenses		**(23,130,342)**	(20,656,478)	**(1,183,174)**	(1,868,258)
Operating profit		**43,162,163**	38,794,406	**10,922,946**	6,425,828
Finance costs		**(1,273,164)**	(1,224,104)	**(116,758)**	-
Profit before tax	**20**	**41,888,999**	37,570,302	**10,806,188**	6,425,828
Tax expense	**21**	**(6,491,467)**	(7,974,822)	**(242,629)**	(194,054)
Net profit, representing total comprehensive income for the financial year		**35,397,532**	29,595,480	**10,563,559**	6,231,774
Total comprehensive income attributable to:					
Owners of the Company		**35,506,837**	29,646,942	**10,563,559**	6,231,774
Non-controlling interests		**(109,305)**	(51,462)	**-**	-
		35,397,532	29,595,480	**10,563,559**	6,231,774
Earnings per share attributable to owners of the Company (sen)					
- Basic/Diluted	**22**	**6.84**	14.71		

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	NOTE	Attributable to owners of the Company						
			Non-distributable		Distributable			
		Share Capital RM	Share Premium RM	Capital Reserve RM	Retained Profit RM	Total RM	Non-controlling Interests RM	Total Equity RM
2018								
Balance at beginning		**65,230,900**	**-**	**(276,976)**	**58,068,246**	**123,022,170**	**1,232,112**	**124,254,282**
Total comprehensive income for the financial year		**-**	**-**	**-**	**35,506,837**	**35,506,837**	**(109,305)**	**35,397,532**
Transactions with owners:								
Issuance of shares during the year	**13**	**48,000,000**	**-**	**-**	**-**	**48,000,000**	**-**	**48,000,000**
Acquisition of a subsidiary		**-**	**-**	**(15,680,000)**	**-**	**(15,680,000)**	**-**	**(15,680,000)**
Acquisition of non-controlling interests		**-**	**-**	**-**	**(377,193)**	**(377,193)**	**(1,122,807)**	**(1,500,000)**
Dividends	**23**	**-**	**-**	**-**	**(8,364,000)**	**(8,364,000)**	**-**	**(8,364,000)**
Total transactions with owners		**48,000,000**	**-**	**(15,680,000)**	**(8,741,193)**	**23,578,807**	**(1,122,807)**	**22,456,000**
Balance at end		**113,230,900**	**-**	**(15,956,976)**	**84,833,890**	**182,107,814**	**-**	**182,107,814**
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	13 & 32	12,373,250	(3,537,844)	-	(8,835,406)	-	-	-
- Private placement	13	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

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

STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	NOTE	Share Capital RM	Non-distributable Share Premium RM	Distributable Retained Profit RM	Total Equity RM
2018					
Balance at beginning		**65,230,900**	**-**	**3,710,524**	**68,941,424**
Total comprehensive income for the financial year		**-**	**-**	**10,563,559**	**10,563,559**
Transactions with owners:					
Issuance of shares	**13**	**48,000,000**	**-**	**-**	**48,000,000**
Dividends	**23**	**-**	**-**	**(8,364,000)**	**(8,364,000)**
Total transactions with owners		**48,000,000**	**-**	**(8,364,000)**	**39,636,000**
Balance at end		**113,230,900**	**-**	**5,910,083**	**119,140,983**
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	13 & 32	12,373,250	(3,537,844)	(8,835,406)	-
- Private placement	13	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

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

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	GROUP		COMPANY	
	2018	2017	**2018**	2017
	RM	RM	**RM**	RM
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax	**41,888,999**	37,570,302	**10,806,188**	6,425,828
Adjustments for:				
Allowance for slow moving inventories	**1,405,235**	-	**-**	-
Gain on disposal of property, plant and equipment	**(37,793)**	(47,064)	**-**	-
Depreciation	**7,167,234**	5,382,060	**29,579**	175
Gain on bargain purchase of a subsidiary	**-**	(65,361)	**-**	-
Interest expense	**1,273,164**	1,224,104	**116,758**	-
Interest income	**(1,260,994)**	(671,623)	**(1,977,420)**	(1,294,086)
Property, plant and equipment written off	**19,682**	202,463	**-**	-
Unrealised (gain)/ loss on foreign exchange	**(2,216,072)**	2,770,329	**-**	-
Operating profit before working capital changes	**48,239,455**	46,365,210	**8,975,105**	5,131,917
Decrease/(Increase) in inventories	**3,046,468**	(2,996,934)	**-**	-
(Increase)/Decrease in receivables	**(6,955,447)**	(16,507,223)	**(2,262)**	730,000
(Decrease)/Increase in payables	**(8,585,568)**	(353,016)	**(60,770)**	140,998
Cash generated from operations	**35,744,908**	26,508,037	**8,912,073**	6,002,915
Income tax paid	**(8,455,988)**	(8,229,711)	**(295,880)**	(150,135)
Income tax refunded	**30,656**	-	**-**	-
Interest paid	**(1,273,164)**	(1,224,104)	**(116,758)**	-
Net cash from operating activities	**26,046,412**	17,054,222	**8,499,435**	5,852,780
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisition of non-controlling interests	**(1,500,000)**	-	**-**	-
Advance to subsidiaries	**-**	-	**(3,267,566)**	(6,488,041)
Interest received	**1,260,994**	671,623	**996,220**	474,086
Purchase of investments in subsidiaries	**-**	-	**(1,500,000)**	(1,860,000)
Net cash outflow from acquisition of a subsidiary (Note 5)	**(3,932,909)**	(640,261)	**-**	-
Placement of fixed deposits	**(157,686)**	(1,140,774)	**-**	-
Proceeds from disposals of property, plant and equipment	**131,777**	166,085	**-**	-
* Purchase of property, plant and equipment	**(8,548,401)**	(3,634,158)	**(1,738,996)**	-
Net cash used in investing activities	**(12,746,225)**	(4,577,485)	**(5,510,342)**	(7,873,955)
CASH FLOWS FROM FINANCING ACTIVITIES				
Dividends paid	**(8,364,000)**	(3,942,000)	**(8,364,000)**	(3,942,000)
Net drawdown/(payment) of bankers acceptance	**4,474,285**	(9,556,400)	**-**	-
Drawdown of finance lease liabilities	**-**	861,000	**-**	-
Payment of finance lease	**(15,712,871)**	(3,705,586)	**-**	-
Net drawdown/(payment) of term loans	**8,762,928**	(290,362)	**(233,843)**	-
Proceeds from issuance of shares	**-**	40,484,400	**-**	40,484,400
Proceeds from issuance of shares to non-controlling interests	**-**	640,000	**-**	-
Net cash (used in)/from financing activities	**(10,839,658)**	24,491,052	**(8,597,843)**	36,542,400
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS CARRIED FORWARD	**2,460,529**	36,967,789	**(5,608,750)**	34,521,225

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

STATEMENTS OF CASH FLOWS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	GROUP		COMPANY	
	2018	2017	**2018**	2017
	RM	RM	**RM**	RM
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS BROUGHT FORWARD	**2,460,529**	36,967,789	**(5,608,750)**	34,521,225
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**185,628**	-	**-**	-
CASH AND CASH EQUIVALENTS AT BEGINNING	**42,589,663**	5,621,874	**34,858,250**	337,025
CASH AND CASH EQUIVALENTS AT END	**45,235,820**	42,589,663	**29,249,500**	34,858,250
Represented by:				
Cash and bank balances	**53,964,425**	47,330,022	**29,249,500**	34,858,250
Less: Fixed deposits pledged to licensed banks	**(4,848,095)**	(4,690,409)	**-**	-
	49,116,330	42,639,613	**29,249,500**	34,858,250
Bank overdrafts	**(3,880,510)**	(49,950)	**-**	-
	45,235,820	42,589,663	**29,249,500**	34,858,250
* **Purchase of property, plant and equipment**				
Total acquisition cost	**32,304,787**	4,259,158	**12,988,996**	-
Acquired under finance lease	**(23,756,386)**	(625,000)	**(11,250,000)**	-
Total cash acquisition	**8,548,401**	3,634,158	**1,738,996**	-

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

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 Georgetown, 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 2019

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 Group's and the Company's functional currency.

2.4 Adoption of Amendments/Improvements to MFRSs

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

Effective for annual periods beginning on or after 1 January 2018

Amendments to MFRS 2 Share-based Payment: Classification and Measurement of Share-based Payment Transactions
MFRS 9 Financial Instruments
MFRS 15 Revenue from Contracts with Customers
Amendments to MFRS 4 Insurance Contracts: Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts
Amendments to MFRS 140 Investment Property: Transfers of Investment Property
Annual Improvements to MFRS Standards 2014-2016 Cycle (except for Amendments to MFRS 12 Disclosure of Interests in Other Entities)
IC Interpretation 22 Foreign Currency Transactions and Advance Consideration

2. BASIS OF PREPARATION (CONT'D)

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

Effective for annual periods beginning on or after 1 January 2018 (cont'd)

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

MFRS 9 Financial Instruments

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

The Group has applied MFRS 9 prospectively, with an initial application date of 1 January 2018. The Group has not restated the comparative information, which was reported under MFRS 139. Differences arising from the adoption of MFRS 9 in relation to classification, measurement and impairment are recognised in retained profits.

The nature of the changes of adopting MFRS 9 are described below:

<u>Classification and measurement</u>
The classification and measurement requirements of MFRS 9 did not have a significant impact on the Group. The Group continues to measure at fair value all financial assets previously held at fair value under MFRS 9. The changes in the classification of the Group's trade receivables and other financial assets (i.e., other receivables, refundable deposits and cash and cash equivalents) previously classified as loans and receivables as at 31 December 2017 which were held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are now classified as debt instruments and measured at amortised cost beginning 1 January 2018.

<u>Impairment</u>
The adoption of MFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing MFRS 9's incurred loss approach with a forward-looking expected credit loss ("ECL") approach. MFRS 9 requires the Group to recognise an allowance for ECL for contract assets and debt instruments not held at fair value through profit or loss.

The Group applies simplified approach to recognise lifetime ECL for all trade receivables and contract assets. To measure the ECL, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The ECL also incorporates forward looking information. Given that (i) the customers of the Group are mainly well established and financially sound companies with no history of default in prior years, the management considers the historical default rate of the financial assets to be minimal; and (ii) the customers of the Group operate in the geographical regions where no adverse change in the business environment is anticipated, the management considers that the forward looking default rate to be minimal across all ageing bands. As a result, no provision for impairment of trade receivables and contract assets is made as the impact is insignificant.

For other financial assets measured at amortised cost, the Group applies general approach to recognise 12-month ECL as there is no significant increase in credit risk since initial recognition. After considering the factors as set out in Note 3.6.3, the management is of opinion that ECL rate applied for other financial assets measured at amortised cost is insignificant as the risk of default is low and the outstanding balance is insignificant.

The Group has not designated any financial liabilities as at fair value through profit or loss and therefore there are no changes to the classification and measurement for the Group's financial liabilities.

2. BASIS OF PREPARATION (CONT'D)

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

MFRS 15 Revenue from Contracts with Customers

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

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

The Group adopted MFRS 15 using the modified retrospective method of adoption with the date of initial application of 1 January 2018. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group elected to apply the standard to all contracts as at 1 January 2018.

The adoption of MFRS 15 results in changes in accounting policies for revenue recognition, and has no material financial impact on the substance of the principles applied by the Group to the amount and timing of revenue recognition. The revenue recognition principles and delivery terms applied by the Group remains generally unaltered. No adjustment to the opening balance of retained profits had been made as there are no changes in timing of the revenue recognition. The comparative information which was reported under MFRS 111, MFRS 118 and related Interpretations was not restated.

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 2019
Amendments to MFRS 9 Financial Instrument: Prepayment Features with Negative Compensation
MFRS 16 Leases
Amendments to MFRS 119: Plan Amendment, Curtailment or Settlement
Amendments to MFRS 128: Long-term Interests in Associates and Joint Ventures
IC Interpretation 23 Uncertainty over Income Tax Treatments
Annual Improvements to MFRS Standards 2015-2017 Cycle

Effective for annual periods beginning on or after 1 January 2020
Amendments to References to the Conceptual Framework in MFRS Standards

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

2. BASIS OF PREPARATION (CONT'D)

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

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

MFRS 16 Leases

MFRS 16 was issued in January 2016 and it replaces MFRS 117 Leases, IC Interpretation 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under MFRS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., 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 (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., 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 also 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 lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under MFRS 16 is substantially unchanged from today's accounting under MRFS 117. Lessors will continue to classify all leases using the same classification principle as in MFRS 117 and distinguish between two types of leases: operating and finance leases.

MFRS 16, which is effective for annual periods beginning on or after 1 January 2019, requires lessees and lessors to make more extensive disclosures than under MFRS 117.

The Group and the Company are currently assessing the impact of MFRS 16 and plan to adopt MFRS 16 on the required effective date using the modified retrospective approach.

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. BASIS OF PREPARATION (CONT'D)

2.6 Significant Accounting Estimates and Judgements (cont'd)

2.6.2 Key sources of estimation uncertainty

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

(i) Useful lives of depreciable assets

Plant and 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) Impairment of goodwill

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

(iv) Inventories

The management reviews for slow-moving and obsolete inventories. This review requires judgements and estimates. Possible changes in these estimates could result in revision to the valuation of inventories.

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

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

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

The assessment of the correlation between historical observed default rates, forecast economic conditions and expected credit losses is a significant estimate. The amount of expected credit losses is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

3. SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Basis of Consolidation

(i) Subsidiaries

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

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

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

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

(ii) Business combination

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

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

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

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

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

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

(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 30 - 37 years
Freehold office lot	2%
Buildings	2%
Plant and machinery	10% - 50%
Office equipment, furniture and fittings	10% - 33%
Electrical installation	10%
Renovation	10%
Motor vehicles	20%

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

Depreciation on capital work-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 Intangible assets

Goodwill

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

Research and development costs

All research costs are recognised in profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible 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. Product development expenditures which do not meet these criteria are expensed when incurred.

Development costs, considered to have finite useful lives, are stated at cost less any impairment losses and are amortised using the straight-line basis over 3 years. Impairment is assessed whenever there is an indication of impairment and the amortisation period and method are also reviewed at least at each reporting period.

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

A finance lease which includes hire purchase arrangement, is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee. Title may or may not eventually be transferred.

Minimum lease payments made under finance leases are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the profit or loss. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

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

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

The recoverable amount of an asset of CGU is the greater of its value in use and its fair value less costs of disposal. To compute value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

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

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

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

3.6 Financial Instruments

3.6.1 Initial recognition and measurement

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

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

3.6.2 Classification and measurement of financial assets

Current financial year

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

Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:
- amortised cost ("AC");
- fair value through profit or loss ("FVTPL"); and
- fair value through other comprehensive income ("FVOCI").

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.6 Financial Instruments (cont'd)

3.6.2 Classification and measurement of financial assets (cont'd)

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):
- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows; and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest method. The Group's and the Company's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

Previous financial year

Financial assets were classified and measured under *MFRS 139, Financial Instruments: Recognition and Measurement.* However, the Group did not have any financial assets that were categorised (i) at fair value through profit or loss, (ii) at fair value through other comprehensive income, (iii) available for sale financial assets, and (iv) held-to-maturity; except for loans and receivables category.

Loans and receivables

Loans and receivables category comprises debt instruments that are not quoted in an active market, trade and other receivables and cash and cash equivalents.

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.

3.6.3 Financial assets - Impairment

All financial assets are subject to review for impairment.

Current financial year

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

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

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

Stage 1
- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk;

Stage 2
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low; and

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.6 Financial Instruments (cont'd)

3.6.3 Financial assets - Impairment (cont'd)

***Current financial year* (cont'd)**

Stage 3
- financial assets that have objective evidence of impairment at the reporting date.

'12-month ECL' are recognised for the stage 1 category while 'lifetime ECL' are recognised for the stage 2 category.

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

Trade and other receivables

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

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

Previous financial year

All financial assets (except for financial assets categorised at fair value through profit or loss and 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.

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.

3.6.4 Classification and measurement of financial liabilities

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

The Group's financial liabilities include borrowings, trade and other payables.

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.6 Financial Instruments (cont'd)

3.6.5 Offsetting of financial instruments

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

3.6.6 Derecognition

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

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

3.6.7 Financial guarantee contracts

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

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

3.7 Inventories

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

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

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

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

3.8 Cash and Cash Equivalents

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.9 Provisions

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

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

3.10 Borrowing Costs

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

Other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that the Group incurred in connection with the borrowing of funds.

3.11 Income Recognition

According to MFRS 15, revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

The adoption of MFRS 15 is a change in accounting policy for revenue recognition but did not results in any financial impact on the profit or loss of the Group and of the Company due to the revenue recognition principles and delivery terms applied by the Group and by the Company remain generally unchanged as compared to previous year.

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

Revenue from sale of goods

Revenue from sale of goods is recognised at the point in time when control of the goods is transferred to the customer, generally on delivery of the goods to the customers. The normal credit term is 30 to 150 days upon delivery.

Interest income

Interest revenue or interest expense is recognised only to the extent that a contract asset (or receivable) or a contract liability is recognised in accounting for a contract with a customer.

Dividend income

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

Revenue from lease rental

Rental income is accounted for on a straight-line basis over the lease terms. The aggregate costs of incentives provided to lessees are recognised as a reduction of rental income over the lease term on a straight-line basis.

Contract balances

Trade receivables

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.12 Employee Benefits

Short term benefits

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

Defined contribution plans

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

3.13 Income Tax

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

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

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the 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.

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

GST is a consumption tax based on the value-added concept. GST is imposed on goods and services at every production and distribution stage in the supply chain including importation of goods and services, at the applicable tax rate of 6%. 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

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

The Finance Ministry has zero rated the GST effective from 1 June 2018. The government has replaced the GST with SST which came into effect on 1 September 2018. The rate for sales tax is fixed at 5% or 10%, while the rate for service tax is fixed at 6%.

Expenses and assets are recognised net of the amount of sales tax, except:

- When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable; and
- When receivables and payables are stated with the amount of sales tax included.

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

3.15 Foreign Currency Translations

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

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

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

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

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

3.16 Segment Reporting

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

3.17 Share Capital, Share Issuance Costs and Dividends

Classification

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

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.17 Share Capital, Share Issuance Costs and Dividends (cont'd)

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.

3.18 Contingencies

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

3.19 Related Parties

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

(a) A person or a close member of that person's family is related to the Group if that person:

- (i) Has control or joint control over the Group.
- (ii) Has significant influence over the Group.
- (iii) Is a member of the key management personnel of the Group or of its ultimate holding company.

(b) An entity is related to the Group if any of the following conditions applies:

- (i) The entity and the Group are members of the same group.
- (ii) One entity is an associate or joint venture of the other entity.
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefits of employees of either the Group or an entity related to the Group.
- (vi) The entity is controlled or jointly-controlled by a person identified in (a) above.
- (vii) A person identified in (a) (i) above has significant influence over the Group or is a member of the key management personnel of the entity.
- (viii) The entity, or any member of a group of which it is a party, provides key management personnel services to the Group.

4. PROPERTY, PLANT AND EQUIPMENT

GROUP
2018

	At cost						
	Balance at beginning RM	Additions RM	Acquisition through business combination RM	Disposals RM	Written off RM	Reclassification RM	Balance at end RM
Freehold land	-	8,576,720	-	-	-	-	8,576,720
Leasehold land	6,315,010	-	4,250,000	-	-	-	10,565,010
Freehold office lot	687,389	-	-	-	-	-	687,389
Buildings	-	4,412,276	-	-	-	-	4,412,276
Plant and machinery	43,093,395	16,436,125	21,646,060	(45,930)	(48,204)	-	81,081,446
Office equipment, furniture and fittings	4,998,944	769,597	2,136,201	-	(225,574)	-	7,679,168
Electrical installation	964,918	240,758	1,432,266	-	-	-	2,637,942
Renovation	5,109,857	267,565	941,024	-	-	1,016,395	7,334,841
Motor vehicles	3,722,030	1,052,229	1,043,415	(428,447)	-	-	5,389,227
Capital work-in-progress	1,735,671	549,517	-	-	-	(1,016,395)	1,268,793
	66,627,214	32,304,787	31,448,966	(474,377)	(273,778)	-	129,632,812

	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	694,565	278,667	311,821	-	-	1,285,053
Freehold office lot	122,683	13,748	-	-	-	136,431
Buildings	-	29,404	-	-	-	29,404
Plant and machinery	26,571,095	4,904,179	13,805,970	(44,278)	(30,131)	45,206,835
Office equipment, furniture and fittings	2,791,292	592,048	1,503,651	-	(223,965)	4,663,026
Electrical installation	623,310	117,071	1,153,496	-	-	1,893,877
Renovation	3,005,362	442,406	673,806	-	-	4,121,574
Motor vehicles	1,838,488	789,711	809,712	(336,115)	-	3,101,796
	35,646,795	7,167,234	18,258,456	(380,393)	(254,096)	60,437,996

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

GROUP
2018

	Carrying amount RM
Freehold land	**8,576,720**
Leasehold land	**9,279,957**
Freehold office lot	**550,958**
Buildings	**4,382,872**
Plant and machinery	**35,874,611**
Office equipment, furniture and fittings	**3,016,142**
Electrical installation	**744,065**
Renovation	**3,213,267**
Motor vehicles	**2,287,431**
Capital work-in-progress	**1,268,793**
	69,194,816

2017

	At cost					
	Balance at beginning RM	Additions RM	Acquisition through business combination RM	Disposals RM	Written off RM	Balance at end 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 work-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)

2017

	Accumulated depreciation					
	Balance at beginning	Current charge	Acquisition through business combination	Disposals	Written off	Balance at end
	RM	RM	RM	RM	RM	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	Current charge	Acquisition through business combination	Disposals	Written off	Balance at end
	RM	RM	RM	RM	RM	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 work-in-progress	1,735,671
	30,980,419

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

COMPANY

2018	**Freehold land RM**	**Buildings RM**	**Office equipment, furniture and fittings RM**	**Total RM**
At cost				
Balance at beginning	**-**	**-**	**1,750**	**1,750**
Additions	**8,576,720**	**4,412,276**	**-**	**12,988,996**
Balance at end	**8,576,720**	**4,412,276**	**1,750**	**12,990,746**
Accumulated depreciation				
Balance at beginning	**-**	**-**	**1,457**	**1,457**
Current charge	**-**	**29,404**	**175**	**29,579**
Balance at end	**-**	**29,404**	**1,632**	**31,036**
Carrying amount	**8,576,720**	**4,382,872**	**118**	**12,959,710**
2017				
At cost	-	-	1,750	1,750
Accumulated depreciation				
Balance at beginning	-	-	1,282	1,282
Current charge	-	-	175	175
Balance at end	-	-	1,457	1,457
Carrying amount	**-**	**-**	293	293

GROUP AND COMPANY

(i) The freehold land, leasehold land, office lot and buildings are pledged to a licensed bank for banking facilities granted to the Company and certain subsidiaries.

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

	2018 RM	2017 RM
Plant and machinery	**23,704,362**	10,793,730
Motor vehicles	**2,084,496**	1,820,506
	25,788,858	12,614,236

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

COMPANY

The freehold land and buildings are pledged to a licensed bank for banking facility granted to the Company.

5. INVESTMENT IN SUBSIDIARIES

	COMPANY	
	2018	2017
	RM	RM
Unquoted shares, at cost	**62,466,000**	12,966,000

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

Name of Company	Effective Equity Interest		Principal Activities
	2018	2017	
Morrissey Technology Sdn. Bhd.	**100%**	100%	Design and manufacture of precision miniature engineering metal parts and components.
JH Morrissey Sdn. Bhd.	**100%**	100%	International procurement office.
Morrissey Assembly Solution Sdn. Bhd.	**100%**	100%	Manufacture and assembly of electronic components using surface-mount technology.
Morrissey Metallurgy Manufacturing Sdn. Bhd.	**100%**	100%	Dormant.
Morrissey Integrated Dynamics Sdn.Bhd.	**100%**	60%	Assembly of all kinds of tools, equipment and industrial machinery.
Mace Instrumentation Sdn. Bhd.	**100%**	-	Manufacture and assembly of testing measuring equipment.

2018

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

Impact of the acquisition of MISB

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

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

5. INVESTMENT IN SUBSIDIARIES (CONT'D)

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

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

<u>Fair value of MISB's assets and liabilities assumed at the date of acquisition on 9 April 2018</u>

	RM
Property, plant and equipment	**13,190,510**
Inventories	**8,333,391**
Receivables	**10,071,846**
Cash and cash equivalents	**88,056**
Payables	**(9,761,495)**
Borrowings	**(10,529,606)**
Tax recoverable	**63,088**
Deferred tax liabilities	**(667,324)**
Share of net identifiable assets	**10,788,466**

<u>Goodwill arising from acquisition:</u>

Consideration, satisfied by way of issuance of Company's shares	**48,000,000**
Fair value adjustment to the shares issued (Note 14)	**(15,680,000)**
	32,320,000
Less: Fair value of net identifiable assets	**(10,788,466)**
Goodwill on consideration	**21,531,534**

<u>Net cash outflow arising from acquisition of a subsidiary:</u>

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

5. INVESTMENT IN SUBSIDIARIES (CONT'D)

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

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

2017

(i) On 10 January 2017, the Company acquired 540,000 ordinary shares in MIDSB, representing 60% equity interest in MIDSB for a total cash consideration of RM900,000. Upon completion of the acquisition, MIDSB became a subsidiary of the Company.

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

<u>Impact of the acquisition of MID on profit or loss</u>

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

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

	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
Bargain purchase gain arising from acquisition:	900,000
Total cash consideration transferred	
Less: Fair value of net identifiable assets	(965,361)
Bargain purchase gain recognised in profit or 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

6. DEFERRED TAX ASSETS/LIABILITIES

	GROUP	
	2018	2017
	RM	RM
Deferred tax assets:		
Balance at beginning	**108,000**	-
Acquisition of a subsidiary	**-**	97,032
Transfer (to)/from profit or loss	**(120,000)**	10,968
	(12,000)	108,000
Under provision in prior year	**12,000**	-
Balance at end	**-**	108,000
Deferred tax liabilities:		
Balance at beginning	**(788,731)**	(1,213,144)
Acquisition of a subsidiary	**(667,324)**	-
Transfer from profit or loss	**(331,965)**	(101,587)
	(1,788,020)	(1,314,731)
Over provision in prior year	**192,324**	526,000
Balance at end	**(1,595,696)**	(788,731)

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

	GROUP	
	2018	2017
	RM	RM
Assets		
Property, plant and equipment	**-**	57,000
Unabsorbed tax losses	**-**	51,000
	-	108,000
Liabilities		
Property, plant and equipment	**(1,636,000)**	(838,000)
Inventories - tax effect on unrealised profit	**40,304**	49,269
	(1,595,696)	(788,731)

7. GOODWILL ON CONSOLIDATION

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

	GROUP	
	2018	2017
	RM	RM
Arising from acquisition of a subsidiary	**21,531,534**	-

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

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

(i) Cash flow projections and growth rate
The three-year cash flow projections are based on the most recent budget approved by the management and extrapolated using a steady growth rate for the subsequent years.

(ii) Pre-tax discount rate
The pre-tax discount rate of **7.48%** is applied to the cash flow projections, which is based on the weighted average cost of capital of the Group adjusted to reflect the specific risks relating to the relevant business segments.

The management believes that any reasonably possible change in the key assumptions would not cause the carrying amount of the goodwill to exceed the recoverable amount of each unit. Based on the above review, there is no evidence of impairment on the Group's goodwill.

Sensitivity to changes in key assumptions

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

8. INVENTORIES

	GROUP	
	2018	2017
	RM	RM
Raw materials	**16,055,385**	14,793,600
Less: Allowance for slow moving inventories	**(1,405,235)**	-
	14,650,150	14,793,600
Work-in-progress	**4,838,106**	2,696,970
Finished goods	**7,393,725**	5,414,110
Consumables	**547,965**	643,578
	27,429,946	23,548,258
Cost of inventories recognised in profit or loss:		
Inventories recognised as cost of sales	**202,639,238**	189,111,376
Allowance for slow moving inventories	**1,405,235**	-

9. TRADE RECEIVABLES

The currency profile of trade receivables is as follows:

	GROUP	
	2018	2017
	RM	RM
Ringgit Malaysia	**21,604,591**	15,377,318
US Dollar	**74,534,386**	61,417,989
	96,138,977	76,795,307

The trade receivables are non-interest bearing and are generally on **30 to 150 days** (2017: 30 to 150 days) credit terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

10. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	GROUP		COMPANY	
	2018	2017	**2018**	2017
	RM	RM	**RM**	RM
Other receivables	**155,318**	289,567	**-**	-
Refundable deposits	**983,412**	649,014	**1,000**	1,000
Prepayments	**1,002,300**	371,849	**2,120**	-
GST receivable	**1,054,599**	1,308,862	**142**	-
	3,195,629	2,619,292	**3,262**	1,000

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

	GROUP		COMPANY	
	2018	2017	**2018**	2017
	RM	RM	**RM**	RM
Ringgit Malaysia	**3,193,547**	2,383,273	**3,262**	1,000
US Dollar	**2,082**	236,019	**-**	-
	3,195,629	2,619,292	**3,262**	1,000

11. AMOUNT DUE FROM SUBSIDIARIES

	COMPANY	
	2018	2017
	RM	RM
Interest bearing at **4%** (2017: 4%) per annum	**25,511,200**	21,320,000
Non-interest bearing	**62,708**	5,142
	25,573,908	21,325,142

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

12. CASH AND BANK BALANCES

	GROUP		COMPANY	
	2018	2017	**2018**	2017
	RM	RM	**RM**	RM
Unencumbered:				
Repo	**603,000**	1,086,000	**-**	-
Short term placements with a licensed financial institution	**29,066,112**	25,849,200	**29,066,112**	25,344,382
Cash and bank balances	**19,447,218**	15,704,413	**183,388**	9,513,868
	49,116,330	42,639,613	**29,249,500**	34,858,250
Encumbered:				
Fixed deposits with licensed banks	**4,848,095**	4,690,409	**-**	-
	53,964,425	47,330,022	**29,249,500**	34,858,250

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

	GROUP		COMPANY	
	2018	2017	**2018**	2017
	RM	RM	**RM**	RM
Ringgit Malaysia	**50,571,684**	46,209,870	**29,249,500**	34,858,250
US Dollar	**3,392,506**	1,120,152	**-**	-
Others	**235**	-	**-**	-
	53,964,425	47,330,022	**29,249,500**	34,858,250

The encumbered fixed deposits are pledged to licensed banks for banking facilities granted to certain 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	
	2018	2017	**2018**	2017
	%	%	**%**	%
Repo	**2.70**	2.45	**-**	-
Short term placements with a licensed financial institution	**3.73**	3.61	**3.73**	3.61
Fixed deposits with licensed banks	**3.10 to 3.35**	2.45 to 3.60	**-**	-

13. SHARE CAPITAL

	Number of ordinary shares		Amount	
	2018	2017	**2018**	2017
			RM	RM
Issued and fully paid:				
Balance at beginning	**262,800,000**	123,732,500	**65,230,900**	12,373,250
Allotment pursuant to:				
- Bonus issue	**-**	123,732,500	**-**	12,373,250
- Private placement	**-**	15,335,000	**-**	40,484,400
- [1] Share split	**262,800,000**	-	**-**	-
- [2] Issuance	**32,000,000**	-	**48,000,000**	-
Balance at end	**557,600,000**	262,800,000	**113,230,900**	65,230,900

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

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

14. CAPITAL RESERVE

	GROUP	
	2018	2017
	RM	RM
Balance at beginning	**276,976**	276,976
Addition	**15,680,000**	-
Balance at end	**15,956,976**	276,976
Represented by:		
Premium paid on acquisition of		
- additional equity interest in an existing subsidiary from non-controlling interests	**276,976**	276,976
- a subsidiary	**15,680,000**	-
	15,956,976	276,976

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	
	2018	2017
	RM	RM
Non-current liabilities		
Secured:		
Finance lease liabilities		
Minimum payments:		
Within 1 year	**6,801,494**	3,192,019
Later than 1 year but not later than 2 years	**5,392,215**	2,678,159
Later than 2 years but not later than 5 years	**10,169,182**	2,123,617
	22,362,891	7,993,795
Future finance charges	**(2,299,281)**	(617,374)
	20,063,610	7,376,421
Amount due within 1 year under current liabilities	**(5,835,439)**	(2,849,485)
	14,228,171	4,526,936
Term loans		
Total amount repayable	**12,822,573**	2,194,678
Amount due within 1 year under current liabilities	**(1,228,306)**	(314,865)
	11,594,267	1,879,813
	25,822,438	6,406,749
Current liabilities		
Secured:		
Bank overdraft	**3,880,510**	49,950
Bankers acceptance	**7,597,716**	3,118,600
Finance lease liabilities	**5,835,439**	2,849,485
Term loans	**1,228,306**	314,865
	18,541,971	6,332,900
Total borrowings	**44,364,409**	12,739,649

The currency profile of borrowings is as follows:

	GROUP	
	2018	2017
	RM	RM
Ringgit Malaysia	**44,364,409**	11,521,049
US Dollar	**-**	1,218,600
	44,364,409	12,739,649

16. BORROWINGS (CONT'D)

	COMPANY	
	2018	2017
	RM	RM
Non-current liabilities		
Secured:		
Term loans		
Total amount repayable	**11,016,157**	-
Amount due within 1 year under current liabilities	**(926,947)**	-
	10,089,210	-
Current liabilities		
Secured:		
Term loans	**926,947**	-
Total borrowings	**11,016,157**	-

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 certain subsidiaries;
(iii) A first party legal charge over the freehold land and building of the Company;
(iv) A third party first fixed charge over the properties of a company in which a director of the Company has substantial financial interest; and
(v) 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.

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
GROUP						
2018						
Bank overdraft	**6.95**	**3,880,510**	**3,880,510**	**-**	**-**	**-**
Bankers acceptance	**4.87 to 5.05**	**7,597,716**	**7,597,716**	**-**	**-**	**-**
Finance lease liabilities	**2.26 to 3.33**	**20,063,610**	**5,835,439**	**4,788,397**	**9,439,774**	**-**
Term loans	**4.55 to 7.00**	**12,822,573**	**1,228,306**	**1,205,397**	**4,225,446**	**6,163,424**
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

16. BORROWINGS (CONT'D)

	Average effective interest rate per annum	Total	Within 1 year	More than 1 year and less than 2 years	More than 2 years and less than 5 years	More than 5 years
	(%)	RM	RM	RM	RM	RM
COMPANY						
2018						
Term loans	**4.55**	**11,016,157**	**926,947**	**969,412**	**3,182,926**	**5,936,872**

17. TRADE PAYABLES

The currency profile of trade payables is as follows:

	GROUP	
	2018	2017
	RM	RM
Ringgit Malaysia	**11,137,679**	8,428,137
US Dollar	**16,344,463**	25,457,694
Singapore Dollar	**136,197**	14,305
Taiwan Dollar	**35,583**	5,098
Others	**13,506**	-
	27,667,428	33,905,234

The trade payables are non-interest bearing and are normally settled within **30 to 120 days** (2017: 30 to 120 days) credit terms.

18. OTHER PAYABLES AND ACCRUALS

	GROUP		COMPANY	
	2018	2017	**2018**	2017
	RM	RM	**RM**	RM
Other payables	**7,471,902**	1,575,087	**57,572**	113,413
Accruals	**8,234,930**	5,632,919	**55,000**	59,929
GST payable	**-**	227,654	**-**	-
	15,706,832	7,435,660	**112,572**	173,342

18. OTHER PAYABLES AND ACCRUALS (CONT'D)

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

	GROUP		COMPANY	
	2018	2017	**2018**	2017
	RM	RM	**RM**	RM
Ringgit Malaysia	**14,955,464**	7,147,474	**112,572**	173,342
US Dollar	**607,153**	148,455	-	-
Thai Baht	**63,503**	105,655	-	-
Singapore Dollar	**35,110**	32,544	-	-
Japanese Yen	**-**	1,532	-	-
Others	**45,602**	-	-	-
	15,706,832	7,435,660	**112,572**	173,342

GROUP

Included in other payables is an amount of **RM662,090** (2017: RM Nil) due to a director of a subsidiary.

19. REVENUE

	GROUP		COMPANY	
	2018	2017	**2018**	2017
	RM	RM	**RM**	RM
19.1 Disaggregated revenue information				
Gross dividend income from subsidiaries	**-**	-	**10,000,000**	7,000,000
Invoiced value of goods sold less returns and discounts	**263,718,361**	245,617,890	**-**	-
Interest income	**996,220**	474,086	**1,977,420**	1,294,086
Rental income	-	-	**128,700**	-
	264,714,581	246,091,976	**12,106,120**	8,294,086
Geographical markets				
Malaysia	**117,647,163**	185,337,876	**12,106,120**	8,294,086
People's Republic of China	**232,869**	259,973	**-**	-
United States of America	**115,468,887**	30,718,806	**-**	-
United Kingdom	**1,417,357**	1,123,830	**-**	-
Singapore	**29,817,350**	28,651,491	**-**	-
Japan	**37,560**	-	**-**	-
Thailand	**61,575**	-	**-**	-
Australia	**31,820**	-	**-**	-
Total revenue	**264,714,581**	246,091,976	**12,106,120**	8,294,086

19. REVENUE (CONT'D)

Timing of revenue recognition

Sales of goods is recognised at a point in time upon the satisfaction of performance obligations which is upon the delivery of goods to customers.

19.2 Contract balances

Contract balances derived from revenue from contracts with customers of the Group and of the Company are the trade receivables balance amounting to RM96,138,977 as disclosed in Note 9 to the financial statements.

19.3 Performance obligations

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

20. PROFIT BEFORE TAX

	GROUP		COMPANY	
	2018	2017	**2018**	2017
	RM	RM	**RM**	RM
After charging:				
Allowance for slow moving inventories	**1,405,235**	-	**-**	-
Property, plant and equipment written off	**19,682**	202,463	**-**	-
Auditors' remuneration				
- statutory audit				
- current year	**104,000**	71,000	**25,000**	20,000
- under/(over) provision in prior year	**3,000**	(500)	**-**	-
- other services	**5,600**	123,547	**5,600**	110,347
Depreciation	**7,167,234**	5,382,060	**29,579**	175
Interest expense on:				
- Bank overdraft	**140,185**	55,836	**-**	-
- Bankers acceptance	**241,521**	518,391	**-**	-
- Invoice financing	**-**	31,582	**-**	-
- Finance lease	**672,340**	504,501	**-**	-
- Term loans	**218,642**	104,365	**116,758**	-
- Others	**476**	9,429	**-**	-
Realised loss on foreign exchange	**54,192**	-	**-**	-
Rental of equipment	**23,790**	10,695	**-**	-
Rental of machinery	**-**	51,215	**-**	-
Rental of premises	**1,572,337**	1,112,196	**-**	-
* Staff costs	**42,995,555**	31,779,057	**163,000**	106,620
Unrealised loss on foreign exchange	**-**	2,770,329	**-**	-

20. PROFIT BEFORE TAX (CONT'D)

	GROUP		COMPANY	
	2018	2017	**2018**	2017
	RM	RM	**RM**	RM
And crediting:				
Gain on bargain purchase of a subsidiary	**-**	65,361	**-**	-
Gain on disposal of property, plant and equipment	**37,793**	47,064	**-**	-
Interest income	**1,260,994**	671,623	**1,977,420**	1,294,086
Rental income	-	-	**128,700**	-
Realised gain on foreign exchange	**1,959,217**	2,518,234	**-**	-
Unrealised gain on foreign exchange	**2,216,072**	-	**-**	-
* **Staff costs**				
- Salaries, allowances, bonus and wages	**38,615,656**	28,771,887	**11,000**	31,500
- Fee	**152,000**	72,000	**152,000**	72,000
- EPF	**3,750,692**	2,610,740	**-**	3,120
- SOCSO	**429,043**	324,430	**-**	-
- EIS	**48,664**	-	**-**	-
	42,995,555	31,779,057	**163,000**	106,620

Directors' remuneration

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

	GROUP		COMPANY	
	2018	2017	**2018**	2017
	RM	RM	**RM**	RM
Executive directors of the Company:				
- Salary, allowances and bonus	**1,897,077**	1,855,791	**-**	-
- EPF	**322,883**	299,136	**-**	-
	2,219,960	2,154,927	**-**	-
Benefits-in-kind	**59,981**	50,760	**-**	-
	2,279,941	2,205,687	**-**	-
Non-executive directors of the Company:				
- Allowance	**11,000**	7,500	**11,000**	7,500
- Fee	**152,000**	72,000	**164,000**	72,000
	163,000	79,500	**163,000**	79,500
Total directors' remuneration carried forward	**2,442,941**	2,285,187	**163,000**	79,500

20. PROFIT BEFORE TAX (CONT'D)

Directors' remuneration (cont'd)

	GROUP		COMPANY	
	2018	2017	**2018**	2017
	RM	RM	**RM**	RM
Total directors' remuneration brought forward	**2,442,941**	2,285,187	**163,000**	79,500
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	**2,442,941**	2,446,474	**163,000**	79,500

21. TAX EXPENSE

	GROUP		COMPANY	
	2018	2017	**2018**	2017
	RM	RM	**RM**	RM
Malaysian income tax:				
Based on results for the financial year				
- Current tax	**(7,211,600)**	(8,544,400)	**(236,000)**	(193,000)
- Deferred tax relating to the origination and reversal of temporary differences	**(451,965)**	(90,619)	**-**	-
	(7,663,565)	(8,635,019)	**(236,000)**	(193,000)
Over/(Under) provision in prior year				
- Current tax	**967,774**	134,197	**(6,629)**	(1,054)
- Deferred tax	**204,324**	526,000	**-**	-
	1,172,098	660,197	**(6,629)**	(1,054)
	(6,491,467)	(7,974,822)	**(242,629)**	(194,054)

21. TAX EXPENSE (CONT'D)

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

	GROUP		COMPANY	
	2018 RM	2017 RM	**2018 RM**	2017 RM
Profit before tax	**41,888,999**	37,570,302	**10,806,188**	6,425,828
Income tax at Malaysian statutory tax rate of 24%	**(10,053,360)**	(9,016,872)	**(2,593,485)**	(1,542,199)
Income not subject to tax	**4,685,299**	2,424,970	**2,664,103**	1,793,781
Expenses not deductible for tax purposes	**(1,957,159)**	(2,920,611)	**(306,618)**	(444,582)
Utilisation of unabsorbed tax losses and capital allowances	**-**	377,733	**-**	-
Utilisation of unabsorbed export allowance	**-**	682,000	**-**	-
Deferred tax movements not recognised	**(338,345)**	(182,239)	**-**	-
	(7,663,564)	(8,635,019)	**(236,000)**	(193,000)
Over/(Under) provision in prior year	**1,172,098**	660,197	**(6,629)**	(1,054)
	(6,491,467)	(7,974,822)	**(242,629)**	(194,054)

GROUP

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

	2018 RM	2017 RM
Property, plant and equipment	**(82,000)**	-
Unabsorbed tax losses	**(64,000)**	-
Unabsorbed capital allowances	**(192,000)**	-
	(338,000)	-

The amount and future availability of unabsorbed tax losses and unabsorbed capital allowance for which the related tax effects have not been accounted for at the end of the reporting period are estimated at **RM266,000** (2017: RM Nil) and **RM802,000** (2017: RM Nil) 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:

	2018	2017
Profit attributable to owners of the Company (RM)	**35,506,837**	29,646,942
Weighted average number of ordinary shares in issue	**518,730,959**	201,607,007
Basic earnings per share (sen)	**6.84**	14.71

22. EARNINGS PER SHARE (CONT'D)

(b) Diluted earnings per share

	2018	2017
Diluted earnings per share (sen)	**6.84**	14.71

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

23. DIVIDENDS

	2018 RM	2017 RM
In respect of financial year ended 31 December 2018:		
- First interim single tier dividend of 0.5 sen per share	**2,788,000**	-
- Second interim single tier dividend of 0.5 sen per share	**2,788,000**	-
- Third interim single tier dividend of 0.5 sen per share	**2,788,000**	-
In respect of financial year ended 31 December 2017:		
- First interim single tier dividend of 1.5 sen per share	**-**	3,942,000
	8,364,000	3,942,000

24. CAPITAL COMMITMENTS

	GROUP		COMPANY	
	2018 RM	2017 RM	**2018 RM**	2017 RM
Approved but not contracted for:				
- Property, plant and equipment	**364,000**	878,995	**-**	-

25. CONTINGENT LIABILITIES (SECURED)

	COMPANY	
	2018 RM	2017 RM
Corporate guarantees extended to financial institutions for credit facilities granted to certain subsidiaries		
- Limit	**65,757,905**	45,344,124
- Utilised	**24,551,417**	9,887,610

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

26. 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	
	2018	2017
	RM	RM
Gross dividend from subsidiaries	**10,000,000**	7,000,000
Interest charged to a subsidiary	**921,200**	820,000
Rental income from subsidiaries	**128,700**	-

(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	
	2018	2017	**2018**	2017
	RM	RM	**RM**	RM
Salaries and other short-term employee benefits	**4,015,499**	3,042,814	**163,000**	103,500
Defined contribution plan	**550,498**	476,650	**-**	3,120
Benefits-in-kind	**109,150**	73,536	**-**	-
	4,675,941	3,593,000	**163,000**	106,620
Analysed as:				
Directors	**2,442,941**	2,446,474	**163,000**	79,500
Other key management personnel	**2,232,206**	1,146,526	**-**	27,120
	4,675,147	3,593,000	**163,000**	106,620

27. OPERATING SEGMENT

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

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

Business Segments

The Group comprises the following main business segments:

(i) Electronic products — Manufacturing and assembling of 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.

27. OPERATING SEGMENT (CONT'D)

By business segments

2018

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

27. 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	5,381,885	175	-		5,382,060
Non-cash expenses/(income) other than depreciation	2,925,728	(65,361)	-	C	2,860,367

27. OPERATING SEGMENT (CONT'D)

Notes to segment information:

A. Inter-segment revenue are eliminated on consolidation.

B. Additions to non-current assets consist of:

	2018 RM	2017 RM
Property, plant and equipment	**32,304,787**	4,259,158
Goodwill on consolidation	**21,531,534**	-
	53,836,321	4,259,158

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

	2018 RM	2017 RM
Allowance for slow moving inventories	**1,405,235**	-
Gain on bargain purchase of a subsidiary	**-**	(65,361)
Gain on disposal of property, plant and equipment	**(37,793)**	(47,064)
Property, plant and equipment written off	**19,682**	202,463
Unrealised (gain)/loss on foreign exchange	**(2,216,072)**	2,770,329
	(828,948)	2,860,367

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	
	2018 RM	2017 RM	**2018 RM**	2017 RM
Malaysia	**117,647,163**	185,337,876	**90,726,350**	30,980,419
People's Republic of China	**232,869**	259,973	**-**	-
United States of America	**115,468,887**	30,718,806	**-**	-
United Kingdom	**1,417,357**	1,123,830	**-**	-
Singapore	**29,817,350**	28,651,491	**-**	-
Japan	**37,560**	-	**-**	-
Thailand	**61,575**	-	**-**	-
Australia	**31,820**	-	**-**	-
	264,714,581	246,091,976	**90,726,350**	30,980,419

Information about major customers

Total revenue from major customers which individually contributed to more than 10% of the Group revenue amounted to **RM89,497,578** (2017: RM222,970,111).

28. FINANCIAL INSTRUMENTS

28.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:

(i) Financial assets at amortised cost ("AC");
(ii) Financial liabilities at amortised cost ("AC").

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

28. FINANCIAL INSTRUMENTS (CONT'D)

28.1 Categories of financial instruments (cont'd)

The table below provides an analysis of financial instruments as at 31 December 2017 categorised as loans and receivables ("L&R") and financial liabilities at amortised cost ("FL").

	Carrying amount	L&R	FL
	RM	RM	RM
2017			
GROUP			
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
COMPANY			
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			
Other payables and accruals	173,342	-	173,342

28.2 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.

28. FINANCIAL INSTRUMENTS (CONT'D)

28.3 Credit risk

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

28.3.1 Trade receivables

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

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

The Group applies simplified approach to recognise lifetime expected credit losses for all trade receivables. The Group's ECL calculated under MFRS 9 are not material as at 31 December 2018 and hence, it is not provided for.

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

	2018 RM	2017 RM
Not past due	**85,692,316**	71,184,384
1 to 30 days past due	**5,392,676**	4,723,035
31 to 60 days past due	**4,562,857**	355,268
61 to 90 days past due	**194,281**	258,331
Past due more than 90 days	**296,847**	274,289
	10,446,661	5,610,923
	96,138,977	76,795,307

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 **RM10,446,661** (2017: RM5,610,923) 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** (2017: 3 customers), representing **93%** (2017: 86%) of the total trade receivables.

28. FINANCIAL INSTRUMENTS (CONT'D)

28.3 Credit risk (cont'd)

28.3.2 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.

28.3.3 Financial guarantees

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

The maximum exposure to credit risk and the outstanding borrowings are as disclosed in Note 25.

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.

28.4 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						
2018						
Non-derivative financial liabilities						
Borrowings	**44,364,409**	**46,529,010**	**15,917,573**	**7,776,258**	**16,189,330**	**6,645,849**
Trade and other payables	**43,374,260**	**43,374,260**	**43,374,260**	**-**	**-**	**-**
	87,738,669	**89,903,270**	**59,291,833**	**7,776,258**	**16,189,330**	**6,645,849**
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

28. FINANCIAL INSTRUMENTS (CONT'D)

28.4 Liquidity risk

	Carrying amount RM	Contractual cash flows RM	Within 1 year RM	More than 1 year and less than 2 years RM	More than 2 years and less than 5 years RM	More than 5 years RM
COMPANY						
2018						
Non-derivative financial liabilities						
Borrowings	**11,016,157**	**13,608,632**	**1,402,404**	**1,402,404**	**4,207,212**	**6,596,612**
Other payables	**112,572**	**112,572**	**112,572**	**-**	**-**	**-**
* Financial guarantees	**-**	**24,551,417**	**24,551,417**	**-**	**-**	**-**
	11,128,729	**38,272,621**	**26,066,393**	**1,402,404**	**4,207,212**	**6,596,612**
2017						
Non-derivative financial liabilities						
Other payables	173,342	173,342	173,342	-	-	-
* Financial guarantees	-	9,887,610	9,887,610	-	-	-
	173,342	10,060,952	10,060,952	-	-	-

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

28.5 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:

	2018 RM	2017 RM
GROUP		
Fixed rate instruments		
Financial assets	**34,517,207**	31,625,609
Financial liabilities	**20,063,610**	7,376,421
Floating rate instruments		
Financial liabilities	**24,300,799**	5,363,228
COMPANY		
Fixed rate instruments		
Financial assets	**54,577,312**	46,664,382
Floating rate instruments		
Financial liabilities	**11,016,157**	-

28. FINANCIAL INSTRUMENTS (CONT'D)

28.5 Interest rate risk (cont'd)

Sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

An increase of 25 basis point at the end of the reporting period would have decreased the profit before tax of the Group and of the Company by **RM36,057** (2017: RM43,504) and **RM6,415** (2017: RM Nil) respectively and a corresponding decrease would have an equal but opposite effect. These changes are considered to be reasonably possible based on observation of current market conditions. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

28.6 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").

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.

	2018 **RM**	2017 RM
USD	**(6,097,736)**	(3,594,941)
THB	**6,350**	10,566
Others	**26,576**	5,348
Reduction in profit before tax	**(6,064,810)**	(3,579,027)

28. FINANCIAL INSTRUMENTS (CONT'D)

28.7 Reconciliation of liabilities arising from financing activities

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

GROUP

						Non-cash changes	
	Balance at beginning	**Acquisition of a subsidiary**	**Interest charge**	**Interest paid**	**Net cash inflows/ (outflows)**	**Foreign exchange**	**Balance at end**
	RM	**RM**	**RM**	**RM**	**RM**	**RM**	**RM**
2018							
Bank overdraft	**49,950**	**4,020,965**	**140,185**	**(140,185)**	**(190,405)**	**-**	**3,880,510**
Bankers acceptance	**3,118,600**	**-**	**241,521**	**(241,521)**	**4,474,285**	**4,831**	**7,597,716**
Finance lease liabilities	**7,376,421**	**4,643,674**	**672,816**	**(672,816)**	**8,043,515**	**-**	**20,063,610**
Term loans	**2,194,678**	**1,864,967**	**218,642**	**(218,642)**	**8,762,928**	**-**	**12,822,573**
Total liabilities from financing activities	**12,739,649**	**10,529,606**	**1,273,164**	**(1,273,164)**	**21,090,323**	**4,831**	**44,364,409**
2017							
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

COMPANY

	Balance at beginning	**Interest charge**	**Interest paid**	**Net cash inflows**	**Balance at end**
	RM	**RM**	**RM**	**RM**	**RM**
2018					
Term loans	**-**	**116,758**	**(116,758)**	**11,016,157**	**11,016,157**

There was no movement of financial liabilities arising from financing activities in the previous financial year.

29. 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.

30. CAPITAL MANAGEMENT

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

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

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

31. DEVELOPMENT COSTS

	GROUP	
	2018	2017
	RM	RM
Development costs	**280,149**	280,149
Accumulated amortisation	**280,149**	280,149
Carrying amount	-	-

32. SHARE PREMIUM

	GROUP AND COMPANY	
	2018	2017
	RM	RM
Balance at beginning	**-**	3,537,844
Bonus issue	**-**	(3,537,844)
Balance at end	**-**	-

33. EMPLOYEE SHARE OPTION SCHEME ("ESOS")

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

There were options granted during the financial year.

The salient features of the ESOS are as follows :

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

(ii) an employee (including executive and non-executive directors) shall be eligible to participate in the ESOS if the employee is at least eighteen (18) years of age on the date of offer; employed for a continuous period of at least six (6) months in the Group and has not served a notice to resign or received a notice of termination prior to the offer date;

(iii) not more than fifty percent (50%) of the new shares available under the ESOS shall be allocated, in aggregate, to directors and senior management of the Group. In addition, not more than ten percent (10%) of the new shares available under the ESOS shall be allocated to any individual director or employee who, either singly or collectively through person connected with the director or employee, holds twenty percent (20%) or more in the issued and paid-up share capital of the Company, or such adjustment which may be made under the By-Law, the maximum number of new shares that may be offered and allotted to any employee shall be determined at the discretion of the ESOS Committee, subject to always to the provisions of the Listing Requirements relating to allocation to directors and employees;

(iv) the option price shall be the higher of a price which is at a discount of not more than ten percent (10%) from the weighted average market price of the shares as shown in the daily official list issued by the Bursa Malaysia Securities Berhad for the five (5) market days immediately preceding the date of offer, or such other percentage of discount as may be permitted by the Bursa Securities or any other relevant authorities from time to time during the duration of the ESOS;

(v) the new shares to be allotted upon any exercise of the options shall upon allotment and issuance rank pari passu in all respects with the existing issued and paid-up shares of the Company except that the new shares so issued will not be entitled for any dividend, rights, allotments and/or other distribution where the entitlement date (namely the date as at the close of business on which shareholders must be entered in the Record of Depositors with the Bursa Depository in order to be entitled to any dividends, rights, allotments and/or other distributions) precedes the date of allotment of the ESOS;

(vi) the ESOS shall come into force for a period of five (5) years from the effective date. The Company may, if the Board of Directors deem fit, extend the ESOS for another five (5) years; and

(vii) the new shares to be issued and allotted to a director or employee pursuant to the exercise of option will not be subject to any retention period or restriction except for non-executive director, who must not sell, transfer or assign any new shares obtained through the exercise of option offered to him under the ESOS within one (1) year from the date of offer.

34. SIGNIFICANT EVENTS AFTER REPORTING PERIOD

(a) On 26 March 2019, the Company has entered into a Memorandum of Understanding ("MOU") with Universal Alloy Corporation Europe ("UACE"), whereby UACE and the Company will collaborate to create an efficient and affective supply chain for machined and sub-assembled aerospace components and products.

(b) On 2 April 2019, the Company had entered into a Sale and Purchase Agreement with a third party for the acquisition of a leasehold industrial land together with two single storey factory buildings and a double storey office building for a total consideration of RM16,600,000.

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 31/12/2018 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	20 years	330,958
15-1-22, Bayan Point, Medan Kampung Relau, 11900 Penang	10.10.2012	Office Lot	1,066 sq. ft.	Sales and administration office	Freehold	20 years	220,000
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	2,637,388
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	2,808,331
HS(D) 87019 PT 19554 Bandar Sungai Petani Daerah Kuala Muda, Kedah Darul Aman	23.05.2018	Industrial Land	45,317 sq. ft.	Factory building	Freehold	23 years	3,228,259
HS(D) 87781 PT 19560 Bandar Sungai Petani Daerah Kuala Muda, Kedah Darul Aman	23.05.2018	Industrial Land	71,318 sq. ft.	Factory building	Freehold	22 years	4,864,183
HS(D) 87778 PT 19559 Bandar Sungai Petani Daerah Kuala Muda, Kedah Darul Aman	23.05.2018	Industrial Land	81,358 sq. ft.	Factory building	Freehold	22 years	4,867,150
HS(D) 10078 PT 6692 Bandar Kulim Daerah Kulim, Kedah Darul Aman	05.08.2013	Industrial Land & Building	82,215 sq ft	Factory building	Leasehold for 60 years expiring on 22/8/2046	18 years	3,834,239

ANALYSIS OF SHAREHOLDINGS

AS AT 8 APRIL 2019

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	192,202,000	34.470	14,924,380*	2.677
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	192,202,000	34.470	14,924,380*	2.677
CHEAH CHOON GHEE	5,830,000	1.046	82,976,652#	14.881
KHOR THEAN LEE	119,000	0.021	-	-
KOH YEW WAH	500,000	0.090	-	-
LAI FAH HIN	23,000	0.004	14,000^	0.003
LOH CHYE TEIK	-	-	-	-
DATO' DR. LOH HOCK HUN	-	-	-	-
WONG CHI YENG	30,000	0.005	-	-
LIM CHUN THANG	-	-	-	-

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	9	0.235	222	0.000
100 to 1,000 shares	708	18.500	387,652	0.069
1,001 to 10,000 shares	1,719	44.918	8,993,660	1.613
10,001 to 100,000 shares	1,092	28.534	36,989,600	6.634
100,001 to less than 5% of issued shares	297	7.761	236,050,214	42.333
5% and above of issued shares	2	0.052	275,178,652	49.351
Total	**3,827**	**100.000**	**557,600,000**	**100.00**

LIST OF THIRTY LARGEST SHAREHOLDERS

	NAME	NO. OF SHARES HELD	%
1	TAN KING SENG	55,840,000	10.014
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	35,930,000	6.444
7	DB (MALAYSIA) NOMINEE (TEMPATAN) SENDIRIAN BERHAD DEUTSCHE TRUSTEES MALAYSIA BERHAD FOR HONG LEONG PENNY STOCKFUND	11,900,000	2.134
8	CITIGROUP NOMINEES (ASING) SDN BHD EXEMPT AN FOR CITIBANK NEW YORK (NORGES BANK 1)	10,726,100	1.924
9	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD	10,335,000	1.854
10	FIRST SHARE SDN BHD	8,990,800	1.612
11	CITIGROUP NOMINEES (TEMPATAN) SDN BHD UNIVERSAL TRUSTEE (MALAYSIA) BERHAD FOR CIMB ISLAMIC DALI EQUITY FUND	7,923,600	1.421
12	ONG HOCK SEONG	7,066,200	1.267
13	TAN CHIN HONG	6,996,784	1.255
14	FIRST SHARE SDN BHD	5,933,580	1.064
15	CHEAH CHOON GHEE	5,830,000	1.046
16	DB (MALAYSIA) NOMINEE (TEMPATAN) SENDIRIAN BERHAD EXEMPT AN FOR KUMPULAN SENTIASA CEMERLANG SDN BHD (TSTAC/CLNT)	5,681,700	1.019
17	ONG HOCK SEONG	5,474,000	0.982
18	TAN LAND GHEE	5,460,000	0.979
19	MAYBANK NOMINEES (TEMPATAN) SDN BHD SAW KONG BENG	5,085,300	0.912
20	AMANAHRAYA TRUSTEES BERHAD FOR CIMB ISLAMIC DALI ASIA PACIFIC EQUITY GROWTH FUND	4,632,900	0.831
21	LIM LENG NA	4,508,300	0.809
22	MALACCA EQUITY NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR PHILLIP CAPITAL MANAGEMENT SDN BHD (EPF)	4,506,000	0.808
23	CITIGROUP NOMINEES (TEMPATAN) SDN BHD UNIVERSAL TRUSTEE (MALAYSIA) BERHAD FOR CIMB ISLAMIC SMALL CAP FUND	4,358,300	0.782
24	MAYBANK NOMINEES (TEMPATAN) SDN BHD MAYBANK TRUSTEES BERHAD FOR CIMB-PRINCIPAL SMALL CAP FUND (240218)	3,693,200	0.662
25	MAYBANK NOMINEES (TEMPATAN) SDN BHD TEY TIAN FOO	3,500,000	0.628
26	CHAN HUAI LENG	3,066,000	0.550
27	DB (MALAYSIA) NOMINEE (TEMPATAN) SENDIRIAN BERHAD DEUTSCHE TRUSTEES MALAYSIA BERHAD FOR HONG LEONG GROWTH FUND	2,650,000	0.475
28	MAYBANK NOMINEES (TEMPATAN) SDN BHD MAYBANK TRUSTEES BERHAD FOR MANULIFE INVESTMENT CM SHARIAH FLEXI FD (270785)	2,648,800	0.475
29	LOO SOK CHING	2,576,000	0.462
30	TEY THIAN SING @ TEE THIAN KERN	2,540,000	0.456
	Total	**411,261,216**	**73.757**

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Fourteenth Annual General Meeting of the Company will be held at Grand Ballroom III, LG Level – Main Wing, Hotel Equatorial Penang, 1, Jalan Bukit Jambul, Bayan Lepas, 11900 Penang on Friday, 31 May 2019 at 2.30 p.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 2018 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 Director's benefits of RM12,500 for financial year ended 31 December 2018.	**Ordinary Resolution 1**
3.	To approve the payment of Directors' fees and Directors' benefits of RM182,000 for the financial year ending 31 December 2019.	**Ordinary Resolution 2**
4.	To re-elect Mr. Cheah Choon Ghee 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).	**Ordinary Resolution 3**
5.	To re-elect Mr. Lim Chun Thang 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).	**Ordinary Resolution 4**
6.	To re-appoint Messrs. Grant Thornton as Auditors of the Company until the conclusion of the next Annual General Meeting and to authorise the Directors to fix their remuneration.	**Ordinary Resolution 5**

As Special Business :

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

7. **ORDINARY RESOLUTION**

AUTHORITY TO ISSUE SHARES

"THAT pursuant to Sections 75 and 76 of the Companies Act 2016, and subject to the approvals of the relevant Governmental and/or regulatory authorities, the Directors be and are hereby empowered to issue shares in the Company, at such time and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion deem fit, provided that the aggregate number of shares issued pursuant to this resolution in any one financial year does not exceed 10% of the total number of issued shares (excluding treasury shares) of the Company for the time being and that the Directors be and are also empowered to obtain the approval from Bursa Malaysia Securities Berhad for the listing of and quotation for the additional shares so issued and that such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company." **Ordinary Resolution 6**

As Special Business : (Cont'd)

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

"THAT subject to Sections 112, 113 and 127 of the Companies Act 2016 ("the Act"), the provisions of the ACE Market 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

As Special Business : (Cont'd)

(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.

AND THAT the Directors of the Company be and are authorised to take all such steps to implement, finalise and give full effect to the Proposed Share Buy-Back Authority with full power to assent to any conditions, modifications, revaluations and/or amendments as may be imposed by the relevant authorities and with full power to do all such acts and things thereafter in accordance with the Act, the Listing Requirements and other relevant guidelines issued by Bursa Securities and any other relevant authorities." **Ordinary Resolution 7**

9. **SPECIAL RESOLUTION**
PROPOSED ADOPTION OF THE NEW CONSTITUTION OF THE COMPANY
"THAT approval be and is hereby given for the Company to revoke the existing Memorandum and Articles of Association of the Company with immediate effect and in place thereof, the proposed new Constitution of the Company as set out in the Circular to Shareholders dated 30 April 2019 be and is hereby adopted as the Constitution of the Company AND THAT the Directors of the Company be and are hereby authorised to assent to any modifications, variations and/or amendments as may be required by the relevant authorities and to do all acts and things and take all such steps as may be considered necessary to give full effect to the foregoing." **Special Resolution**

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)
TAN SHE CHIA (MAICSA 7055087)
Company Secretaries

Penang

Date : 30 April 2019

Notes :

1. A proxy may but need not be a member of the Company. There shall be no restriction as to the qualification of the proxy.

2. The proxy form must be duly completed and deposited at the Registered Office of the Company, 51-13-A, Menara BHL Bank, Jalan Sultan Ahmad Shah, 10050 Penang not less than 48 hours before the time appointed for holding the meeting.

3. A member shall be entitled to appoint more than 2 proxies to attend and vote at the same meeting.

4. Where a member appoints 2 proxies or more, the appointments shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.

5. If the appointor is a corporation, this form must be executed under its Common Seal or under the hand of its attorney.

6. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 ("**Central Depositories Act**"), it may appoint at least one proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.

7. Where a member of the Company is an exempt authorised nominee as defined under the Central Depositories Act which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("**Omnibus Account**"), there shall be no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each Omnibus Account it holds.

8. For purpose of determining who shall be entitled to attend this meeting, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to make available to the Company pursuant to the 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 24 May 2019 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. Dato' Dr. Loh Hock Hun who is due for retirement by rotation has informed the Board he will not seek for re-election and will retire at the conclusion of the Fourteenth Annual General Meeting.

10. Mr. Loh Chye Teik who is due for retirement by rotation has informed the Board he will not seek for re-election and will retire at the conclusion of Fourteenth Annual General Meeting.

11. All resolutions as set out in this notice of Fourteenth 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 2018 together with the Reports of the Directors and Auditors thereon.
This item is meant for discussion only as the provision of Section 340(1)(a) of the Companies Act 2016 does not require shareholders' approval for the audited financial statements. Therefore, this item will not be put forward for voting.

Ordinary Resolution 1 – Payment of additional Director's fees and Director's 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 is for the payment of Director's fees and Director's benefits to Mr Lim Chun Thang for the financial year ended 31 December 2018 in conjunction with his appointment as Independent and Non-Executive Chairman with effect from 23 August 2018.

The proposed Ordinary Resolution 1 is to seek shareholders' approval for the additional payment of Director's benefits and additional Director's fees of RM12,500 for the financial year ended 31 December 2018.

Ordinary 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 2019 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

Ordinary Resolution 6 – Authority to issue shares

Renewal of authority to allot and issue shares pursuant to Section 75 and Section 76 of the Companies Act 2016
The proposed Ordinary Resolution 6, if passed, primarily to renew the mandate to give authority to the Board of Directors of the Company to issue and allot shares in the Company up to an amount not exceeding 10% of the total number of issued shares (excluding treasury shares) of the Company for the time being for such purposes as the Directors consider would be in the best interest of the Company without convening a general meeting. This would avoid any delay and costs in convening a general meeting to specifically approve such an issue of shares. This authority, unless revoked or varied by the shareholders of the Company in general meeting, will expire at the conclusion of the next Annual General Meeting.

As at the date of this Notice, the Company has not issued any new shares pursuant to the general authority granted to the Directors at the Thirteenth Annual General Meeting held on 22 May 2018 and which will lapse at the conclusion of the Fourteenth Annual General Meeting to be held on 31 May 2019.

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

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

Ordinary Resolution 7 - Proposed Share Buy-Back Authority
The proposed Resolution 7, if passed, will allow the Directors of the Company to exercise the power of the Company to purchase up to 10% of the total number of issued shares of the Company at any time within the time period stipulated in the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad.

The details of the proposal are set out in the statement to shareholders dated 30 April 2019.

Special Resolution – Proposed adoption of the new Constitution of the Company
The Special Resolution proposed under Agenda 9, if passed, will bring the Company's Constitution in line with the enforcement of the Companies Act 2016 and ACE Market Listing Requirements issued by Bursa Malaysia Securities Berhad and to enhance administrative efficiency. The proposed new Constitution is set out in the Circular to Shareholders dated 30 April 2019.

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 Ordinary Resolution 6 as stated in the Notice of Annual General Meeting of the Company for the details.

PROXY FORM

JHM CONSOLIDATION BERHAD
(Company No.: 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 Fourteenth Annual General Meeting of the Company to be held at Grand Ballroom III, LG Level – Main Wing, Hotel Equatorial Penang, 1, Jalan Bukit Jambul, Bayan Lepas, 11900 Penang on Friday, 31 May 2019 at 2.30 p.m. and at every adjournment thereof to vote as indicated below :

AGENDA

To receive the Audited Financial Statements for the year ended 31 December 2018 together with the Reports of the Directors and Auditors thereon			
Resolutions		**For**	**Against**
Ordinary Resolution 1	Approval of payment of additional Director's fees and Director's benefits for the financial year ended 31 December 2018		
Ordinary Resolution 2	Approval of payment of Directors' fees and Directors' benefits for the financial year ending 31 December 2019		
Ordinary Resolution 3	Re-election of Mr. Cheah Choon Ghee as Director		
Ordinary Resolution 4	Re-election of Mr. Lim Chun Thang as Director		
Ordinary Resolution 5	Re-appointment of Messrs. Grant Thornton as Auditors and to authorise the Directors to fix the Auditors' remuneration		
Ordinary Resolution 6	Authority under Section 75 and Section 76 of the Companies Act 2016 for the Directors to issue shares		
Ordinary Resolution 7	Proposed Share Buy Back Authority		
Special Resolution	Proposed Adoption of the New Constitution of the Company		

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

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

First named Proxy	%
Second named Proxy	%
	100%

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

No. of shares held

As witness my hand this .... day of .... , 2019.

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

** Strike out whichever is not desired*

Notes :
1. A proxy may but need not be a member of the Company. There shall be no restriction as to the qualification of the proxy.
2. The proxy form must be duly completed and deposited at the Registered Office of the Company, 51-13-A, Menara BHL Bank, Jalan Sultan Ahmad Shah, 10050 Penang not less than 48 hours before the time appointed for holding the meeting.
3. A member shall be entitled to appoint more than 2 proxies to attend and vote at the same meeting.
4. Where a member appoints 2 proxies or more, the appointments shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
5. If the appointor is a corporation, this form must be executed under its Common Seal or under the hand of its attorney.
6. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 ("**Central Depositories Act**"), it may appoint at least one proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
7. Where a member of the Company is an exempt authorised nominee as defined under the Central Depositories Act which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("**Omnibus Account**"), there shall be no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each Omnibus Account it holds.
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9. Dato' Dr. Loh Hock Hun who is due for retirement by rotation has informed the Board he will not seek for re-election and will retire at the conclusion of the Fourteenth Annual General Meeting.
10 Mr. Loh Chye Teik who is due for retirement by rotation has informed the Board he will not seek for re-election and will retire at the conclusion of Fourteenth Annual General Meeting.
11. All resolutions as set out in this notice of Fourteenth Annual General Meeting are to be voted by poll.

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