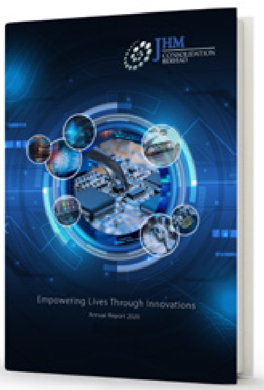
JHM CONSOLIDATION BERHAD

Empowering Lives Through Innovations

Annual Report 2020

CONTENTS



Cover Rationale:

Showcasing the diverse spectrum of JHM Consolidation's innovations, circular elements highlighting solutions such as machining parts, PCBA, automotive LED lighting and 5G technology are shown revolving around one another, which manifests JHM as a dynamic, one-stop engineering solutions provider for all of customers' needs.

Emerging from the dynamic cluster of specialised solutions, sleek arrows signify JHM Consolidation's steadfast progression and relentless drive into future territories along with market trends and developments. Inspired by its corporate emblem, a cool-toned background complements the company's forward-looking vision as it seeks to deliver continuous and innovative advancements that add value and empower lives.

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)

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)

Low Soo Kim
(Executive Director) (Appointed on 26 February 2021)

Wong Chi Yeng
(Independent Non-Executive Director)

Lai Fah Hin
(Independent Non-Executive Director)

Khor Cheng Kwang
(Independent Non-Executive Director)

AUDIT COMMITTEE AND RISK MANAGEMENT COMMITTEE

Wong Chi Yeng *(Chairman, Independent Non-Executive Director)*

Lim Chun Thang *(Member, Independent Non-Executive Director)*

Lai Fah Hin *(Member, Independent Non-Executive Director)*

NOMINATION COMMITTEE

Lim Chun Thang *(Chairman, Independent Non-Executive Director)*

Wong Chi Yeng *(Member, Independent Non-Executive Director)*

REMUNERATION COMMITTEE

Lim Chun Thang *(Chairman, Independent Non-Executive Director)*

Wong Chi Yeng *(Member, Independent Non-Executive Director)*

Lai Fah Hin *(Member, Independent Non-Executive Director)*

COMPANY SECRETARIES

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

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

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

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

SOLICITORS

Allen Chee Ram
Wong Beh & Toh
Wong Chooi & Mohd Nor
Zaid Ibrahim & Co.

REGISTERED OFFICE

48, Jalan Chow Thye
10050 Georgetown
Pulau Pinang
Tel: 04-226 2188

AUDITORS

Grant Thornton Malaysia PLT
Chartered Accountants
Level 5, Menara BHL
51, Jalan Sultan Ahmad Shah
10050 Pulau Pinang
Tel: 04-228 7828
Fax: 04-227 9828

PRINCIPAL BANKERS

AmBank (M) Berhad
AmBank Islamic Berhad
Hong Leong Bank Berhad
Hong Leong Islamic Bank Berhad
OCBC Al-Amin Bank Berhad
RHB Bank Berhad

STOCK EXCHANGE LISTING

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

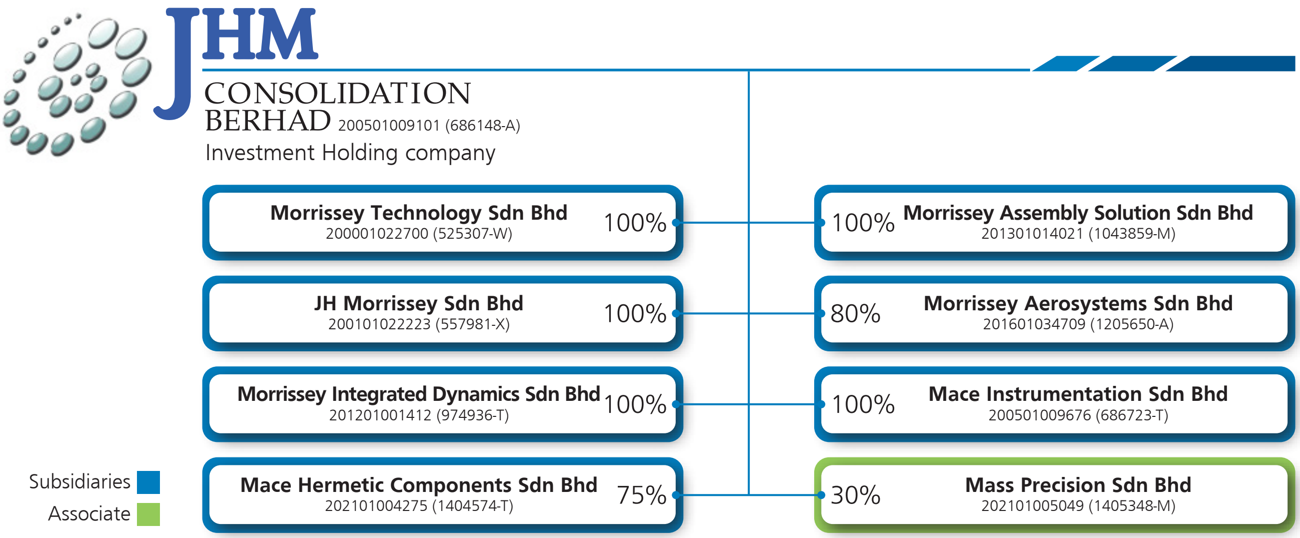
GROUP STRUCTURE OF JHM GROUP

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. The Company has on 12 November 2020 transferred the listing of and quotation for the entire share capital of the Company from ACE Market to the Main Market of Bursa Malaysia Securities Berhad.

JHM is principally an investment holding company with seven (7) subsidiaries, namely Morrissey Technology Sdn. Bhd. ("MTSB"), Morrissey Assembly Solution Sdn. Bhd. ("MASSB"), JH Morrissey Sdn. Bhd. ("JMSB"), Morrissey Aerosystems Sdn. Bhd. ("MASB"), Morrissey Integrated Dynamics Sdn. Bhd. ("MIDSB"), Mace Instrumentation Sdn. Bhd. ("MISB") and Mace Hermetic Components Sdn. Bhd. ("MHCSB").

Further to the Memorandum of Understanding signed with Mass Precision Inc. on 15 October 2020, a joint venture company by the name of Mass Precision Sdn. Bhd. ("MPSB") has been incorporated on 10 February 2021. MPSB is an associate company of JHM with an equity shareholding of 30%.

The current group structure as at 28 April 2021 is as follows:-



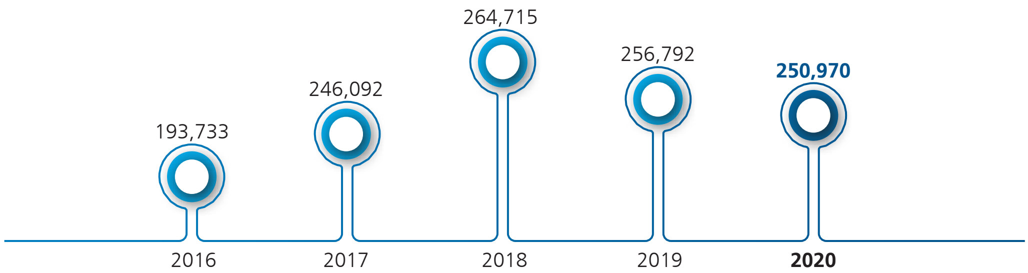
The principal activities of its subsidiaries and associate are as follow:-

Companies	Date of Incorporation	Total Issued Shares	Principal activities
Subsidiaries:			
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	Manufacturing and assembling of electronic components.
JH Morrissey Sdn. Bhd.	5 September 2001	200,000	International Procurement Office and Research and Development Center.
Morrissey Aerosystems Sdn. Bhd.	18 October 2016	2,500,000	Manufacturing of machined metal parts, secondary processes, sub-assemblies and assembly of LED lighting for aerospace industry. Currently, the company has not commenced operations.
Morrissey Integrated Dynamics Sdn. Bhd.	12 January 2012	2,500,000	Manufacturing of precision mechanical parts, die casting, moulding of precision plastic lens and modular assembly.
Mace Instrumentation Sdn. Bhd.	31 March 2005	5,000,000	Manufacturing, assembling and dealing of testing measuring equipment.
Mace Hermetic Components Sdn. Bhd.	4 February 2021	100	Design, manufacture, and testing for enclosures, connectors and terminals with hermetic joints of metal-to-metal, glass-to-metal and ceramic-to-metal. Currently, the company has not commenced operations.
Associate:			
Mass Precision Sdn. Bhd.	10 February 2021	10	Design and engineering, fabrication, precision machining, assembly, painting, stamping and metal finishing. Currently, the company has not commenced operations.

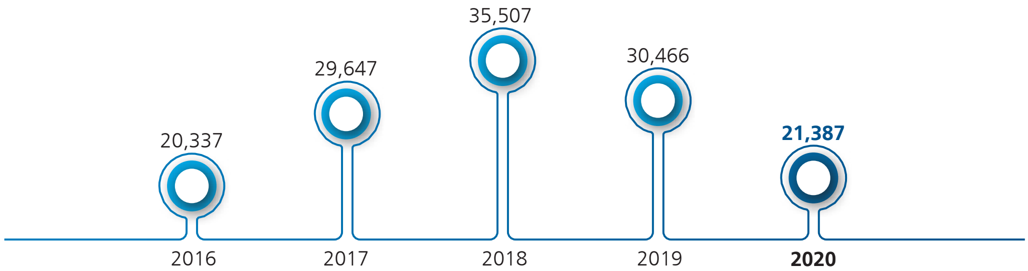
Year Ended 31 December	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000	**2020 RM'000**
	Audited				
Revenue (RM'000)	193,733	246,092	264,715	256,792	**250,970**
Profit Attributable to Owners of the Company (RM'000)	20,337	29,647	35,507	30,466	**21,387**
Net Earnings per share (sen) *	4.34	6.00	6.45	5.46	**3.84**
Net Assets per share (RM) *	0.12	0.25	0.32	0.36	**0.39**

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

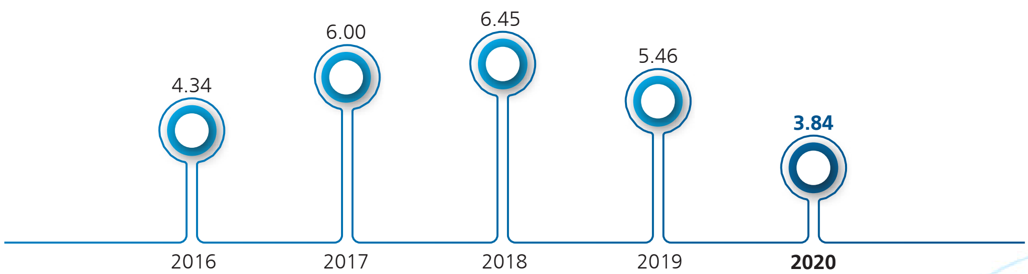
REVENUE
(RM'000)



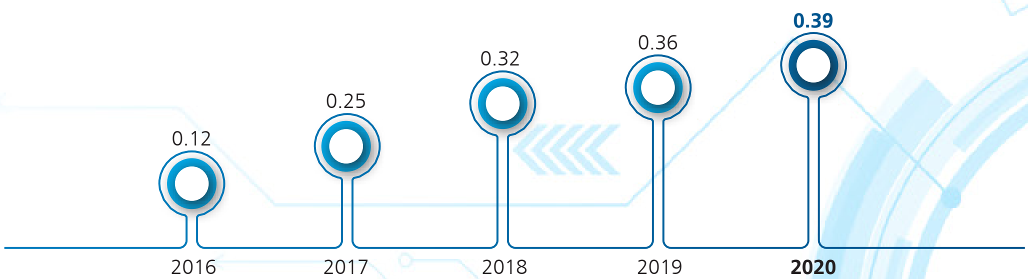
PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY
(RM'000)



NET EARNINGS PER SHARE
(sen)



NET ASSETS PER SHARE
(RM)



GROUP CHIEF EXECUTIVE OFFICER'S MESSAGE

REVENUE

RM250.97 million

2019: RM256.79 million

PROFIT AFTER TAX

RM21.39 million

2019: RM30.47 million

On behalf of the Board of Directors and Management team of JHM Consolidation Berhad ("JHM"), I am truly delighted and pleased to present to you the Annual Report and Financial Statements of JHM Consolidation Berhad for the financial year ended 31 December 2020.

Without any doubt, the year 2020 with the Covid-19 pandemic crisis has been truly an intense disruptive force in recent times, throwing into major disarray global manufacturing activities and trade fundamentals across most industries as well as creating socio-economic upheaval and uncertainties. JHM's strategic and key business initiatives within the Group's operations were not spared either and has affected certain business platforms in terms of its relative financial performance. We have however, during these trying times, reassessed and redefined our key priorities and continue to thrive with vigorous traction and resolve to pivot our strengths and remain responsive with net positive value to our customers and shareholders.

Our resilience to any challenging environment has enabled us to remain astute and maintain our momentum in delivering a fairly creditable performance despite facing an ongoing volatile and challenging business environment, culminating with an admirable business result for the financial year ended 31 December 2020, recording a revenue of RM250.97 million [2019:RM256.79 million], which represents a slight decrease of 2.27% and a profit after tax of RM21.39 million, a decrease of 29.80% from RM30.47 million in the previous financial year which was mainly attributable to lower revenue and unabsorbed overheads especially during the Movement Control Order("MCO") period and subsequent intermittent SOP restrictions from mid-March 2020 onwards.

The Group has been back in operation since and the subsequent declaration of various forms of movement control order and state of emergency by both our Government and the Yang di-Pertuan Agong did not have any material impact on the Group's operations and financial performance.

Nevertheless, given the volatile nature of Covid-19, the Group will continue to monitor the situation surrounding the pandemic closely so as to enable the Group to formulate measures in a swift and decisive manner to any potential adverse impact arising from the pandemic.

It is within this adverse economic setting that I pursue with great sincerity, the opportunity to thank the JHM Management team for their perseverance and diligence in driving relentlessly towards excellence in earnings achievement, despite enduring unprecedented challenging socio-economic conditions during the past financial year.

Industry Trend, Development and Business Outlook

Last year's pandemic environment and acute health consciousness spurred automotive ownership and demand with greater interests, especially with the heightened awareness of safer independent travel and transportation. This has augured well for the automotive lighting business, coupled with broad adoption and acceptance of ongoing progressive improved lightings as an essential feature for cars within the automotive LED lighting industry.

As with previous years, the demand growth for advanced external lighting applications with newly added intelligent technological features and state-of-the-art optics design will continue to provide a strong base for sustaining the Group's strategic expansion in the automotive LED lighting business.

New technological and lighting design developments to support the automotive demand wave of the future in Electric Vehicles ("EVs") and the imminent on-set of Autonomous, Self-Driving vehicles globally, especially in advanced economies, will also provide a crucial catalyst to spearhead the sustainability of the Group's business growth in this sector.

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

Group's Prospects

JHM is primarily engaged in the manufacture and assembly of Automotive Surface Mount Technology ("SMT") / Printed Circuit Board Assembly ("PCBA") and Automotive Level 2 LED Lighting modules and is one of the main Electronics Manufacturing Services ("EMS") in providing one-stop solutions from fabrication of tooling, design to final assembly and test of LED Lighting modules/ applications. The Automotive segment is the largest revenue contributor to the Group, contributing approximately 62% of the Group's total revenue for financial year ended 31 December 2020 ("FY2020").

On the non-Automotive portfolio of the business, the Industrial segment is the second largest revenue contributor to the Group, contributing approximately 37%. The Group intends to continue to capture growth opportunities in the Industrial segment by further enhancing its mechanical manufacturing capabilities in Die-casting and CNC machining to mitigate the risk of dependence on Automotive segment.

The outlook for JHM is very positive and encouraging, with many potential opportunities lined up for an exciting year ahead. We remain focused on ensuring our core competencies and resources are channeled effectively towards our targeted objectives and driving our business with long term goals in mind so as to delight the expectations of our customers and shareholders.

Corporate Developments

On 12 November 2020, the Company had announced that the listing and quotation for its entire issued share capital has been transferred from the ACE Market to the Main Market of Bursa Securities Berhad on the same day, marking the completion of the transfer. With the Main Board status, the Group has now entered into the big league and is able to reach out to a larger pool of local and international investors. At the same time, the Main Board listing would greatly enhance the Group's profile in the local and regional arena.

Apart from the key business events as highlighted for during last year 2020's foreword, JHM has further initiated strategic business alliance with new customers as well as set up a new component manufacturing activities as below:

- Manufacture of die casting, moulding of precision plastic lens and modular assembly;
- Manufacture and testing for enclosures, connectors and terminals with hermetic joints of metal-to-metal, glass-to-metal and ceramic-to-metal variants; and
- Design and engineering, fabrication, precision machining, assembly, painting, stamping and metal finishing to support the semiconductor industry.

Board Changes and Appreciation

The month of February 2021 saw a minor change in the Board Room composition with the appointment of Ms. Low Soo Kim as an Executive Director of the Company. Ms. Low brings with her almost 19 years of valuable working experience in taxation, finance, accounting, treasury, investor relations and corporate exercises. With the appointment of Ms. Low to the Board, the Board is currently having two (2) women members out of nine (9) members and we are close to achieving our national target of 30% women in decision-making positions.

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

Our highest gratitude also goes to all our staff and employees for their tenacity and determination as well as the excellent team spirit they have exhibited. These very noble traits and personal attributes will definitely help to secure the Group's continuous success and advancement in all future opportunities amidst the expected volatile business environment in the year ahead.

Last but not least, my deepest appreciation and thanks to all Board Members for your perseverance, valuable advice and contributions. As always, I eagerly look forward to your relentless participation and support in our exciting journey 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 three (3) business segments as below:
a) Electronics business unit;
b) Mechanical business unit; and
c) Others

The above was disclosed in Note 30 (Operating Segment) of the notes to the financial statements.

The key performance for the Group is mainly contributed from electronic and mechanical business units which is serving automotive and industrial industry respectively. Details as below:

(a) Electronic Business Unit

- Design, Surface Mount Technology ("SMT") production and assembly of automotive rear, interior and front headlamp lighting, inclusive of shifter control and turn signal indicator (Automotive industry);
- SMT production and assembly for Industrial products, i.e. motor controller (Industrial industry).

(b) Mechanical Business Unit

- One stop solution provider for high precision, high speed tooling design, fabrication and production for Micro Electronic Components (Industrial industry);
- Production on LEDs application to support 3D effects as well as signature lighting effect substrate (Automotive industry);
- 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 (Industrial industry);
- manufacturing of precision mechanical parts, die casting, moulding of precision plastic lenses and modular assembly (Industrial industry).

The resource allocation and assessment of performance are mainly based on the nature of business for each of the subsidiaries of JHM. Morrissey Technology Sdn Bhd (”MTSB”), Morrissey Integrated Dynamics Sdn Bhd (”MIDSB”), Mace Instrumentation Sdn Bhd (”MISB”) are operating under the Mechanical Business Unit and Morrissey Assembly Solution Sdn Bhd (”MASSB”) and JH Morrissey Sdn Bhd (”JMSB”) are operating under the Electronics Business Unit.

For additional segmental information, please refer to Note 30 (Operating Segment) under the notes to the financial statements.

2. FINANCIAL RESULTS AND FINANCIAL CONDITION

Financial performance

The Group achieved revenue of RM250.97 million in the financial year ended 31 December 2020 (“FY2020”), a slight decline of 2.27% against RM256.79 million recorded in the financial year ended 31 December 2019 (“FY2019”). The Group recorded a net profit of RM21.39 million in FY2020, a decrease of 29.80% compared to RM30.47 million in FY2019.

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

(i) Lower revenue in first half of FY2020 mainly due to Movement Control Order (“MCO”) issued by our government which resulted in the temporary closure of the Group’s business from 18 March 2020 to mid of April 2020;
(ii) Lower in interest income from RM1.34 million to RM0.69 million mainly attributable from the lower placement in short term placement resulted from the additional capital expenditure in FY2020 as well as reduction of Overnight Policy Rate (“OPR’) from 3% to 1.75% in FY2020;
(iii) Increased in unrealised foreign exchange loss from RM2.56 million to RM3.22 million;
(iv) Depreciation and amortisation cost have increased from RM9.26 million to RM10.93 million with additional capital expenditure of RM28.85 million in FY2020;

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

Liquidity and capital resources

As at 31 December 2020, the Group ended with healthy cash and bank balances of RM30.75 million [FY2019: RM54.45 million] after payment of dividend of RM5.58 million [FY2019: RM11.15 million] and capital expenditure ("CAPEX") investment of RM21.38 million in FY2020 [FY2019: RM24.74 million]. Lower bank balances was mainly attributable from longer collection period from trade receivables and higher income tax payment resulted from lower tax incentive.

3. REVIEW OF OPERATING ACTIVITIES BY INDUSTRY

Automotive Industry

The automotive segment is the largest revenue contributor to the Group, contributing approximately 62% [FY2019: 66%] of the Group's total revenue for FY2020.

During the financial year under review, the revenue from the automotive segment was mainly attributable to the export of automotive LED lighting modules to the Group's customers who in turn supply to tier 1 automotive manufacturers in USA.

JHM has been actively working towards growing its automotive segment and it is expecting more automotive customers to be on board in this financial year ending 2021.

Industrial Industry

The industrial segment is the second largest revenue contributor to the Group, contributing approximately 37% [FY2019: 33%] of the Group's total revenue for FYE 2020.

During the financial year under review, the revenue from the industrial segment was mainly attributable to the sales of, amongst others, Printed Circuit Board Assembly ("PCBA") for fan speed controllers, fine pitch connector pins and sheet metal enclosures. These sales were mainly generated from customers based in Singapore and Malaysia. The revenue contribution from the industrial segment to the Group has been increasing since the acquisition of MISB in FYE 2018.

Moving forward, the Group intends to continue to capture growth opportunities in the industrial segment by further enhancing its mechanical manufacturing capabilities in die casting and Computer Numerical Control ("CNC") machining.

The Group intends to broaden its business into product assembly and test for telecommunication equipment/devices and others electronics related segment which include (but not limited to) Optical Fibre related products, telco backbone switches products, wireless backbone equipment/device, Terabit Ethernet equipment/device, other high-value electronics products for industries control applications, automotive, electronics equipment and Automated Test Equipment.

4. OPERATIONAL AND FINANCIAL RISKS

Operational Risks - Dependence on Automotive industry

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 by industrial industry. Details as below:

Segmental industry	FYE 2018	FYE 2019	FYE 2020
Automotive	71%	66%	62%
Industrial products	28%	33%	37%
Others	1%	1%	1%
	100%	100%	100%

4. OPERATIONAL AND FINANCIAL RISKS (CONT'D)

Financial Risks Management

The Group's financial risks are set out in Note 31.2 under the notes to the financial statements.

5. FORWARD-LOOKING

Outlook

The Covid-19 pandemic has caused some disruptions to the Group's business operations and raw materials supply chain which in turn affected the Group's financial performance for FYE 2020. Market conditions are expected to be volatile due to concerns over uncertainties in global economic recovery from the impact of Covid-19 pandemic.

Despite uncertain outlook for year 2021, the Group believes that with our continuing pursuit of excellence and steadfast execution of our strategies, we are well positioned to navigate through these challenging times and remain resilient.

6. Dividend policy

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

Dividend payouts to shareholders totalled at RM5.58 million for FY2020 which translates into approximately 26.07% payout ratio of the 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 31 December 2020 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 31 March 2021 amounting to RM2,788,000.

65
MALE
A MALAYSIAN

DATO' TAN KING SENG

Dato' Tan King Seng, aged 65, 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 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.

56
MALE
A MALAYSIAN

KOH YEW WAH

Koh Yew Wah, aged 56, 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 ("EMS") 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.

58
MALE
A MALAYSIAN

CHEAH CHOON GHEE

Cheah Choon Ghee, aged 58, 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.

62
MALE
A MALAYSIAN

KHOR THEAN LEE

Khor Thean Lee, aged 62, 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. Prior to joining Morrissey Technology Sdn Bhd in May 2011, Mr. Khor served in the capacity of General Manager/Director of Eko Metal Industries Sdn. Bhd., a precision aluminium die-casting and sheet metal manufacturing company in Penang for 4 years. He was appointed as an Executive Director of JHM Consolidation Berhad on 8 June 2012 and resigned on 23 April 2014. He is currently the Vice President of Manufacturing overseeing the overall business and operations functions in the subsidiaries located at Sungai Petani, Kedah of JHM.

43
FEMALE
A MALAYSIAN

LOW SOO KIM

Low Soo Kim, aged 43, female, a Malaysian, was appointed to the Board on 26 February 2021 and is presently Executive Director of the Company. Ms. Low 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 ("EY") and left EY 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 joined the Company as Finance Manager on 30 November 2015 and she currently holds a position as Finance Director in the Company. Ms. Low is in charge of the Group's financial reporting, investor relations and corporate planning.

59
FEMALE
A MALAYSIAN

WONG CHI YENG

Wong Chi Yeng, aged 59, female, a Malaysian, was appointed to the Board on 4 January 2017 and is presently Independent Non-Executive Director. She serves as member of Nomination Committee and Remuneration Committee and as Chairman of the Audit Committee and Risk Management 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 currently a Director of Interesources Tax Advisory Sdn Bhd. She is a member of both Malaysian Institute of Accountants and Chartered Tax Institute of Malaysia. She is also an Audit Committee member of The Institute of Internal Auditors Malaysia (CACD).

65
MALE
A MALAYSIAN

LAI FAH HIN

Lai Fah Hin, aged 65, 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 and Remuneration Committee. He graduated with Malaysian Certificate of Education in year 1975.

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

56
MALE
A MALAYSIAN

LIM CHUN THANG

Lim Chun Thang, aged 56, male, a Malaysian, was appointed as the Non-Executive Chairman/ Independent Non-Executive Director of the Company on 23 August 2018. He was appointed as Chairman of Nomination Committee and Remuneration Committee and a member of Audit Committee and Risk Management Committee on 31 May 2019.

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

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

49
MALE
A MALAYSIAN

KHOR CHENG KWANG

Khor Cheng Kwang, aged 49, male, a Malaysian, was appointed as the Independent Non-Executive Director of the Company on 3 March 2020. He graduated with Diploma in Mechanical & Manufacturing Engineering from Tunku Abdul Rahman College (TARC) in 1996 and subsequently further his studies with Master of Science (Msc) in Manufacturing Systems Engineering from The Queen's University of Belfast, United Kingdom in 1997.

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

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

Notes:

1. None of the Directors of the Company have any family relationship with any Director and/or major shareholder of the Company.

2. All the Directors do not have any conflict of interest with the Company.

3. Other than traffic offences, none of the Directors of the Company have any convictions for offences within the past 5 years or any public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

4. The Directors' shareholdings are as disclosed in page 111 of this Annual Report.

Directors' Directorships and Substantial Shareholdings in Other Public Companies

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

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

PROFILE OF KEY SENIOR MANAGEMENT

Dato' Tan King Seng, aged 65, male, a Malaysian,
Executive Director/Group Chief Executive Officer.

Dato' Tan's profile is set out on page 11 of this Annual Report.

Koh Yew Wah, aged 56, male, a Malaysian,
Executive Director/Chief Operating Officer.

Mr. Koh's profile is set out on page 11 of this Annual Report.

Cheah Choon Ghee, aged 58, male, a Malaysian,
Executive Director/Chief Operating Officer of MISB

Mr. Cheah's profile is set out on page 11 of this Annual Report.

Khor Thean Lee, aged 62, male, a Malaysian,
Executive Director/Vice President of Manufacturing of Morrissey Group of Companies

Mr. Khor's profile is set out on page 11 of this Annual Report.

Low Soo Kim, aged 43, female, a Malaysian,
Executive Director/Finance Director

Ms. Low's profile is set out on page 12 of this Annual Report

53
MALE
A MALAYSIAN

AZHAR BIN JAAFAR

Azhar bin Jaafar, aged 53, male, a Malaysian, was appointed as Director of Operations in Morrissey Assembly Solution Sdn Bhd on 15 July 2018. En. Azhar completed high school in 1984 and graduated with Bachelor of Business Administration from Greenwich University in 2002. He started his career in 1985 as a production Supervisor in Statsym Sdn Bhd, Selangor, responsible for in-circuit testing and temperature cycle burn-in.

In 1993, he started joining a multinational EMS companies at various function such as Production Manager, Focus Factory Manager, Operation Director and Assistant General Manager responsible for end-to-end Surface Mount Technology operations.

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.
3. None of our Key Senior Management hold or have held any directorships in other public companies and listed companies.

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 of the Main Market Listing Requirements ("MMLR") 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 2020 ("FY 2020") 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 2021. Shareholders may obtain this CG Report by accessing this link, www.jhm.net.my for further details.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

(I) Board Responsibilities

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

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

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

Clear functions of the Board and Management

To ensure the effective discharge 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 Group Chief Executive Officer.

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

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

Appointment to the Board

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

Further details on the Nomination Committee are set out on pages 19 and 20 of this Annual Report.

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

(I) Board Responsibilities (cont'd)

Retirement and Re-election of Directors

In accordance with the Company's Constitution, one-third (1/3) of the Directors including the 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 Sixteenth AGM of the Company to be held on 31 May 2021 are as per detailed set out in the Notice of the Sixteenth AGM.

Board Meetings and Time Commitment

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

During the financial year, the Board met four (4) times. The Board is satisfied with the time commitment given by the Directors of the Company in discharging their duties for FY2020 as evidenced by the attendance record of the Directors at the Board Meeting. The details of attendance of the Directors during FY2020 are as follows: -

Name of Directors	Number of Meetings Attended	Percentage of Attendance
Lim Chun Thang	4/4	100%
Dato' Tan King Seng	4/4	100%
Koh Yew Wah	4/4	100%
Cheah Choon Ghee	4/4	100%
Khor Thean Lee	4/4	100%
Wong Chi Yeng	4/4	100%
Lai Fah Hin	4/4	100%
Khor Cheng Kwang (Appointed on 3 March 2020)	3/3	100%

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

Company Secretaries

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

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

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

(I) Board Responsibilities (cont'd)

Code of Ethics

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

Code of Conduct

In order to enhance the standard of corporate governance and behaviours, the Board observed the Company's Code of Conduct which set out standards of business and ethical conduct based on general principles including, amongst others, 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 Group Chief Executive Officer. The Charter, which serve as referencing point for Board's activities to enable Directors to carry out their stewardship role and discharge their fiduciary duties to the Group, also contains a formal schedule of matters reserved to the Board for deliberation and decision so that control and direction of the Group's business are in its hands.

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

Sustainability

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

The Group is committed to providing a safe workplace for its employees and conducting its business in a way that is environmentally safe and sound. The sustainability activities are set out in the Sustainability Statement on pages 24 to 29 of this Annual Report.

Gender, Ethnicity and Age Diversity Policy

The Board has adopted gender diversity policy which can be found on the Company's website at www.jhm.net.my. In considering Board member appointment, the Board provides equal opportunity to candidates who have the necessary skills, experience, competencies and other attributes regardless of gender, ethnicity and age. The Board is taking steps to identify women candidates for appointment to the Board. With the appointment of Ms. Low Soo Kim as Executive Director on 26 February 2021, the Board is currently having two (2) women members out of nine (9) members.

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

Internal Corporate Disclosure Policies and Procedures

Along with good corporate governance practices, the Company is committed to provide the 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 on a timely and accurate manner.

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

(I) Board Responsibilities (cont'd)

Directors' Training

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

Save for Ms. Low Soo Kim who was appointed on 26 February 2021, all members of the Board have attended and successfully completed the Mandatory Accreditation Programme ("MAP") as required by the Bursa Securities. Ms. Low Soo Kim will attend the MAP within the stipulated timeframe according to MMLR.

During the financial year ended 31 December 2020, the Directors of the Company had attended seminar or conference organised externally. The programmes attended by the Directors during the financial year, include the following:

Name	No. of days	Mode of Training	Title
Lim Chun Thang Dato' Tan King Seng Koh Yew Wah Khor Thean Lee Cheah Choon Ghee	Half day	Webinar	Malaysia Budget 2021 by Ernst & Young
Wong Chi Yeng	1 day 1 day 1 day 2 days 1 day 1 hour	Seminar Webinar Seminar Conference Webinar Webinar	Tax Implications Related to the Implementation of MFRS 15 & MFRS 16 The New Companies (Amendment) Act 2019 New Public Rulings in 2019 and 2020 National Tax Conference 2020 Seminar Percukaian Kebangsaan 2020 Sustainability Accelerator Programme by MIRA
Lai Fah Hin	1 hour 2 hours 2 hours	Webinar Webinar Webinar	Sustainability Accelerator Programme by MIRA The Investing Path to Asia Markets by Affin Hwang Capital Malaysia Post Budget Talk 2021 by AmBank Group
Khor Cheng Kwang	3 days 2 hours 2 hours	Webinar Webinar Webinar	The Mandatory Accreditation Program (MAP) Market Outlook Shape of the Covid-19 Recovery Malaysia Post Budget Talk 2021 by AmBank Group

In addition to the above training attended, the Directors also received updates from time to time from Company Secretaries on the amendments or any updates on 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.

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

(I) Board Responsibilities (cont'd)

Committees of the Board

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

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

Audit Committee and Risk Management Committee

The summary of the activities of the Company's Audit Committee and Risk Management Committee during the financial year are set out under the Audit Committee Report on pages 32 to 34 of this Annual Report.

Nomination Committee

The Nomination Committee currently comprises of the following members:-

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

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

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

- Nominate the right candidates with the required skills, experience and attributes for recommendation to and appointment by the Board.
- Regularly review the structure, size and composition (including the skills, knowledge and experience) required by the Board compared to its current position and make recommendations to the Board with regard to any changes.
- Review and recommend the membership of the Audit Committee and Risk Management Committee and Remuneration Committee, in consultation with the Chairman of those committees.
- Assess the effectiveness of the Board and the contribution of individual directors and his/her 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 MMLR, 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.

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

(I) Board Responsibilities (cont'd)

Nomination Committee (cont'd)

When considering new appointment, the Nomination Committee shall evaluate the balance of skills, knowledge and experience on the board, and, in 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.

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 two (2) times during FY2020 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 Fifteenth AGM.
(c) Reviewed and assessed the independence of the Independent Non-Executive Directors.
(d) Reviewed and recommended the appointment of Mr. Khor Cheng Kwang as Independent Non-Executive Director.
(e) Reviewed the terms of office and performance of an Audit Committee and its members.
(f) Reviewed the Composition of Nomination Committee.

Remuneration Committee

The Remuneration Committee currently comprises the following members:

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

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

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

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

(II) Board Composition

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

With the appointment of Ms. Low Soo Kim as Executive Director on 26 February 2021, the Board is currently made up of Nine (9) members as follows:-

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

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

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

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

Separation of Roles of Chairman and Group Chief Executive Officer

The role of the Independent Non-Executive Chairman and Group Chief Executive Officer 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.

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

(III) Remuneration

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

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

The aggregate remuneration paid or payable to all Directors of the Company during the financial year ended 31 December 2020 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.

PRINCIPLE 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 pages 32 to 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 attends Audit Committee meetings when necessary and have direct access to the Audit Committee and Internal Auditors for independent discussion.

The external auditors met with the Audit Committee twice in the financial year ended 31 December 2020 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 30 and 31 of this Annual Report provides an overview of the state of internal control within the Group.

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

(I) **Communication with Stakeholders**

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

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

(II) **Conduct of General Meetings**

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

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

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

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 FY2020.

This statement is made in accordance with the resolution of the Board dated 28 April 2021.

CORPORATE SUSTAINABILITY STATEMENT

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

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

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

A. GOVERNANCE STRUCTURE

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 approximately 76% of Group's revenue:

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

In order to enable the Group to achieve sustainable growth and enhance long-term value for its shareholders, the Group applies a good corporate governance framework, environmentally responsible practices and sound social policies. In 2020, 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

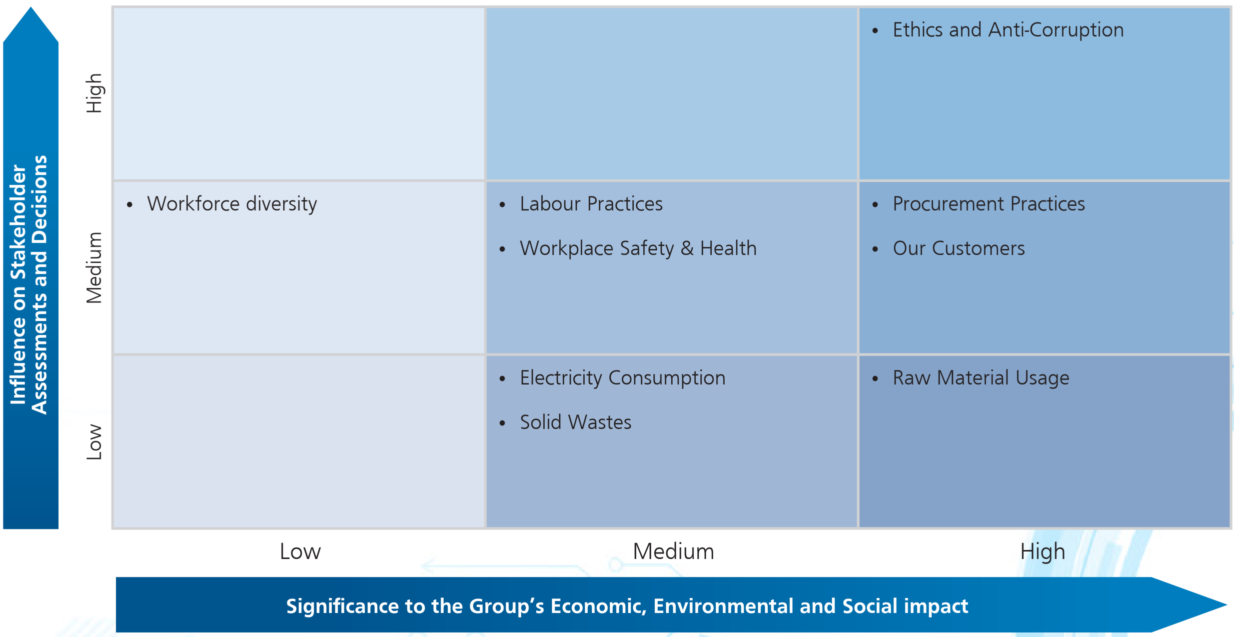
D. MATERIAL SUSTAINABILITY MATTERS

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 discharge 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 manufacturing of precision metal parts and components are fully recyclable.

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 ISO 9001:2015, ISO 14001: 2015 and IATF 16949: 2016 certifications in the financial year 2020. Consistency in delivering high and acceptable quality products ensured 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 customers' satisfaction. In the financial year 2020 ("FY2020"), the average defective return rate received from customers was below 6 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 FY2020, the number of local vendors accounted for 62% [2019: 68%] of the total vendors of the Group.

(3) Business Strategy

JHM entered into a memorandum of understanding ("MOU") with a company based in the United States, MASS Precision, Inc. ("MASS") on 15 October 2020. The MOU set forth the agreement between JHM and MASS to create an efficient and effective supply chain by setting up a joint venture company at a later date ("JV Company") to support the semiconductor industry in Malaysia and Asia Pacific region.

On 10 February 2021, a JV Company by the name of Mass Precision Sdn Bhd ("MPSB") has been incorporated on 10 February 2021. MPSB is an associate company of JHM with the equity shareholding of 30%.

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 are fully recyclable. The Group's operations do not release harmful emissions into the air or discharge hazardous effluent into the drainage system. By their nature, there are minimal industrial wastes generated from operations which go to the landfill. The Group comply with the sustainability conditions set by our customers, which include not using environmentally harmful raw materials in its products. These environmental-friendly measures have significantly reduced wastage on materials and electricity consumption to a minimum level. We also ensure that our manufacturing factories are certified as an ISO 14001 organisation holder by an international body. We also ensure compliance with the Environmental Quality Act 1994 ("EQA") at all times. In FY2020, none of the Group's subsidiaries were 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 68%. [2019: 59%]

(2) Electricity Consumption

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

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

For the financial year 2020, the electricity consumption was 4.97 million kw/mt [2019: 5.04 million kw/mt].

Social

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

(1) Employees

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

i. Training and Learning

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

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

D. MATERIAL SUSTAINABILITY MATTERS (CONT'D)

Sustainability Management (cont'd)

Social (cont'd)

(1) Employees (cont'd)

ii. *Workforce Diversity*

The Group provides equal opportunities 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	47.92%	52.08%	100%
Other positions	60.86%	39.14%	100%

iii. *Employee welfare and motivational activities*

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

Due to Covid-19 pandemic in the year of 2020, we have to postpone our activities such as our annual dinner, team building and other recreational activities.

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 Occupational Safety and Health 1994 ("OSHA") are complied with as well as observing good safety and health practices. In FY2020, none of the Group's subsidiaries were subjected 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 FY2020 include:

- Forklift operation
- Chemical and scheduled waste management
- Fire safety workshop

D. MATERIAL SUSTAINABILITY MATTERS (CONT'D)

Sustainability Management (cont'd)

Social (cont'd)

(1) Employees (cont'd)

iv. Safety at Workplace (cont'd)

(d) In year 2020, due to the outbreak of COVID-19, the Malaysian Government introduced various containment measures, including the requirement for businesses to implement Standard Operating Procedures ("SOP") with the aim of limiting the risk of transmission. In this respect, the subsidiaries in the Group have accordingly implemented the relevant SOPs in their operations and premises. The implementation of these SOP has not significantly impacted the operations of the subsidiaries.

(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 in and donations to fund raising activities and local charitable organisations respectively. We contribute by sponsoring RM1,000,000 to the Penang Rotary Club Dialysis Centre for a five-year period from 2017-2021.

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 2020, the Group offered internships for students of universities, colleges and polytechnics from different states of Malaysia, which have benefited a total of 5 students.

(3) Ethics and Anti-Corruption

We have laid out a Code of Conduct that outlines the behaviour we expect of our employees. The Group is committed to upholding the highest standard of integrity and transparency in our conduct of business and will continue to take measures towards a corruption-free environment.

The Group does not tolerate any cases of corruption and any appearance of cases of ethical transgressions. To support this, the Anti-Bribery and Corruption Policy is being finalised to support the Group's Code of Conduct.

Employees are encouraged to report any violations of the Group's policies as outlined in our Whistleblowing Policy.

(A) INTRODUCTION

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

(B) BOARD RESPONSIBILITY

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

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

(C) RISK MANAGEMENT FRAMEWORK

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- Systematic and regular audit on the compliance of ISO14001, ISO9001, IATF16949, AS9100 Rev C and ISO13485 by external quality assurance auditors.

(E) INTERNAL AUDIT FUNCTION

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

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

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

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

The internal auditors noted some weaknesses in the controls, and these together with improvement recommendations have been reported to the Audit Committee and Risk Management Committee. However, none of these 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 function of the Group for the financial year 2020 amounted to RM41,194.

(F) CONCLUSION

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

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

This statement is made in accordance with the resolution of the Board dated 28 April 2021 and has been reviewed by the External Auditors.

FORMATION

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

MEMBERS

The AC currently consists of the following members: -

1. Wong Chi Yeng - Chairman
   (Independent Non-Executive Director)

2. Lim Chun Thang - Member
   (Independent Non-Executive Director)

3. Lai Fah Hin - Member
   (Independent Non-Executive Director)

MEETINGS AND ATTENDANCE

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

Name of AC Members	Number of Meetings Attended	Percentage of Attendance
Wong Chi Yeng	4/4	100%
Lim Chun Thang	4/4	100%
Lai Fah Hin	4/4	100%

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

SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE

In line with the terms and reference of the AC, the following activities were carried out by AC during the financial year ended 31 December 2020 ("FY2020") in discharging its functions and duties:-

i. Financial Reporting Oversight

   a) Reviewed the quarterly unaudited financial results with the finance team and thereafter recommended to the Board for approval, for announcement to Bursa Malaysia Securities Berhad ("Bursa Securities").

ii. Oversee Activities of External Auditors in dealing with the Group
   a) Discussed and reviewed the external auditors' audit planning report for the FY2020 outlining their audit team, Covid-19 and adopting the new normal, audit timeline, recent development of the Group, identified risks and audit approach, key areas of audit focus, communication of other significant audit matters, updates on accounting standards, introduction of Section 17A of the Malaysian Anti-Corruption Commission Act 2009 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 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.
   e) The AC reviewed the external auditors' audit completion for the financial year ended 31 December 2019.
   f) 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.
   g) The AC reviewed the audit fees of the external auditors for the ensuing year prior to the Board of Directors for approval.
   h) The AC reviewed the change of auditors form Grant Thornton to Grant Thornton Malaysia PLT.

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 2021 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.
   c) Reviewed the Risk Management Report in respect of risk management working group of Mace Instrumentation Sdn. Bhd. ("**MISB**"), Morrissey Technology Sdn. Bhd. ("**MTSB**") and Morrissey Assembly Solution Sdn. Bhd. ("**MASSB**").

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

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

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

a) Financial Reporting

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

Date of meetings	Financial Statements
26 February 2020	Unaudited Fourth Quarter Interim Financial Report for the quarter ended 31 December 2019
19 June 2020	Unaudited First Quarter Interim Financial Report for the quarter ended 31 March 2020
26 August 2020	Unaudited Second Quarter Interim Financial Report for the quarter ended 30 June 2020
26 November 2020	Unaudited Third Quarter Interim Financial Report for the quarter ended 30 September 2020

b) External Auditors

   i) The AC met twice with the External Auditors on 26 February 2020 and 26 November 2020 respectively without the presence of any Executive Director or Management of the Company to review on the issues relating to financial controls and operational efficiencies of the Company and its subsidiaries arising from the audit.

   ii) On 26 February 2020, the AC reviewed the External Auditors' Audit Finding Report for the financial year ended 31 December 2019.

   iii) On 26 February 2020, the AC also evaluated the performance and independence of the External Auditors covering areas such calibre, quality process / performance, audit team, independence and objectively, audit scope and planning, audit fees as well as the audit communications of the External Auditors. The Audit Committee having been satisfied with the independence and performance of Messrs Grant Thornton ("GT"), had recommended the re-appointment of GT as External Auditors to the Board for consideration and tabled to the shareholders for approval at the Fifteenth Annual General Meeting.

   iv) On 26 November 2020, the AC change its auditors from GT to Grant Thornton Malaysia PLT due to the merger of their practice.

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

b) External Auditors (cont'd)

v) On 26 November 2020, the AC reviewed and evaluated the audit planning memorandum prepared by Grant Thornton Malaysia PLT for the financial year ending 31 December 2020 which covered the following subject matters:

- audit team;
- covid-19 and adopting the new normal;
- audit timeline;
- objective and scope of audit;
- identified risks and audit approach including area of significant risks;
- recent developments of the Group;
- key areas of audit focus;
- communication of other significant audit matters;
- latest procurements of Malaysian Financial Reporting Standards and Section 17A of the Malaysian Anti-Corruption Commission Act 2009;
- proposed audit fees.

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

c) Internal audit

i) On 26 February 2020, the AC evaluated the performance of the internal audit function of the Company covering the adequacy of scope, competency and resources of the internal audit function and that it has the necessary authority to carry out its work.

ii) On 26 February 2020, the AC reviewed the internal audit report (“IAR”) which covering the following scope for MTSB and MASSB:

➢ Sales and receivables

iii) On 26 February 2020, the AC reviewed the risk management report in respect of risk management working group of MISB, MTSB and MASSB on the areas of strategic, operations and financial.

iv) On 26 August 2020, the AC reviewed the internal audit report in respect of internal audit on MISB on the area of sales and receivables.

v) On 26 November 2020, the AC reviewed the internal audit report which covering the following scope for MISB:

➢ Control environment in the purchasing cycle;
➢ Financial reporting;
➢ Purchases and account payables; and
➢ Payments.

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

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

EXECUTIVE SHARE OPTION SCHEME

Executive Share Option Scheme ("ESOS") which had been approved by the shareholders of the Company at an Extraordinary General Meeting held on 24 January 2018 and shall be in force for a duration of five 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 pages 30 to 31 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 2020.

STATEMENT OF DIRECTORS' RESPONSIBILITY
IN RELATION TO THE AUDITED FINANCIAL STATEMENTS

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

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

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

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

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

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

This statement is made in accordance with the resolution passed by the Board Of Directors dated 28 April 2021.

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:-

Morrissey Integrated Dynamics Sdn. Bhd., a wholly-owned subsidiary of the Company, had on 29 December 2020 acquired fixed assets relating to Die Casting machines and Computer Numerical Control machines of E2E Technology Sdn. Bhd. ("E2E") for a total cash consideration of Ringgit Malaysia Two Million Seven Hundred Ninety-Three Thousand Two Hundred Sixty-Five and Sen Sixty-Eight (RM2,793,265.68) only ("Acquisition").

Dato' Tan King Seng and Mr. Cheah Choon Ghee are interested in the Acquisition by virtue of Dato' Tan King Seng and Mr. Cheah Choon Ghee are the Directors and major shareholders of E2E and JHM Consolidation Berhad ("JHM").

Noble Matters Sdn. Bhd. is a major shareholder of JHM and a person connected with Mr. Cheah Choon Ghee by virtue of his shareholdings of not less than 20% in Noble Matters Sdn. Bhd. As such, Noble Matters Sdn. Bhd. is also deemed interested in the Acquisition.

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

There was no recurrent related party transactions of a revenue or trading nature during the financial year ended 31 December 2020.

3. UTILISATION OF PROCEEDS

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

4. AUDIT FEES

During the financial year ended 31 December 2020, the amount of audit fees payable to external auditors by the Company and the Group respectively were as follow:-

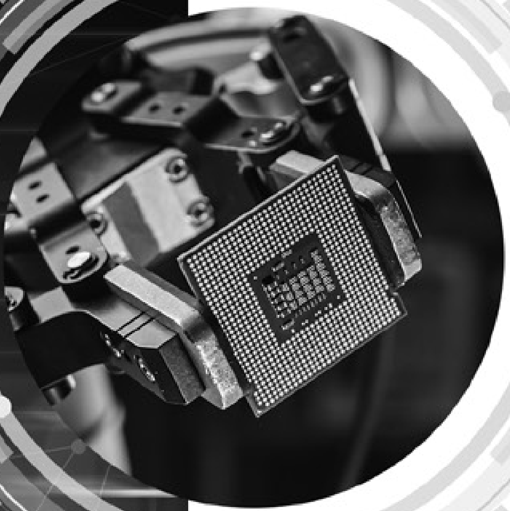
	Audit Fee (RM)
Company	**25,000**
Group	**108,000**

5. NON-AUDIT FEES

During the financial year ended 31 December 2020, the amount of non-audit fees payable to external auditors and its affiliates by the Company and the Group respectively were as follow:-

	Non-Audit Fee * (RM)
Company	**9,500**
Group	**37,500**

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



FINANCIAL STATEMENTS

The directors have pleasure in submitting their report together with the audited financial statements of the Group and of the Company for the financial year ended **31 December 2020**.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding.

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

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

FINANCIAL RESULTS

	GROUP RM	COMPANY RM
Profit for the financial year	**21,385,661**	**9,784,290**
Attributable to:		
Owners of the Company	**21,386,821**	**9,784,290**
Non-controlling interests	**(1,160)**	**-**
	21,385,661	**9,784,290**

In the opinion of the directors, the results of the operations of the Group and of the Company for the financial year ended **31 December 2020** have not been substantially affected by any item, transaction or event of a material and unusual nature.

DIVIDENDS

Since the end of the previous financial year, the Company has paid the following dividends:
(i) Fourth interim single tier dividend of 0.5 sen per share amounting to RM2,788,000 in respect of the financial year ended 31 December 2019; and
(ii) First interim single tier dividend of 0.5 sen per share amounting to RM2,788,000 in respect of the financial year ended 31 December 2020.

On 26 February 2021, the Company has declared a second interim single tier dividend of 0.5 sen per share amounting to RM2,788,000 in respect of the financial year ended 31 December 2020 which was paid on 31 March 2021.

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

RESERVES AND PROVISIONS

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

SHARE CAPITAL AND DEBENTURE

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

TREASURY SHARES

During the financial year, the Company repurchased 966,900 of its ordinary shares from the open market at the average price paid of RM0.79 per share. The total consideration paid for the repurchase including transaction costs was RM768,315. The repurchase transactions were financed by internally generated funds.

The shares repurchased were held as treasury shares and treated in accordance with the requirements of Section 127(6) of the Companies Act 2016.

Subsequently, the Company sold all of its treasury shares in the open market at an average price paid of RM1.53 per share.

As at the end of the reporting period, the Company did not hold any treasury shares.

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 the Main Market Listing Requirements of Bursa Securities Malaysia Berhad. The ESOS shall be in force for a period of five (5) years from 3 April 2018 and will expire on 2 April 2023.

There were no options granted during the financial year.

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

DIRECTORS

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

Directors of the Company:

Dato' Tan King Seng
Cheah Choon Ghee
Khor Thean Lee
Koh Yew Wah
Wong Chi Yeng
Lai Fah Hin
Lim Chun Thang
Khor Cheng Kwang (appointed on 3.3.20)
Low Soo Kim (appointed on 26.2.21)

Director of a subsidiary:

Ong Hock Seong

DIRECTORS' INTERESTS IN SHARES

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

	Number of ordinary shares			
	Balance at 1.1.20	Bought	Sold	Balance at 31.12.20
Direct Interest:				
Dato' Tan King Seng	192,202,000	-	(5,200,000)	187,002,000
Cheah Choon Ghee	5,830,000	-	-	5,830,000
Khor Thean Lee	119,000	-	(119,000)	-
Koh Yew Wah	500,000	-	(165,400)	334,600
Wong Chi Yeng	30,000	-	-	30,000
Lai Fah Hin	23,000	29,600	(23,000)	29,600
Deemed Interest:				
[1] Dato' Tan King Seng	14,924,380	-	(14,924,380)	-
[2] Cheah Choon Ghee	75,441,452	-	-	75,441,452
[3] Lai Fah Hin	14,000	20,000	(14,000)	20,000

[1] Deemed interested pursuant to Section 8 of the Companies Act 2016 by virtue of his substantial shareholdings in First Share Sdn. Bhd.
[2] Deemed interested pursuant to Section 8 of the Companies Act 2016 by virtue of his substantial shareholdings in Noble Matters Sdn. Bhd.
[3] Deemed interested pursuant to Section 59(11)(c) of the Companies Act 2016 by virtue of shares held by spouse.

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

DIRECTORS' 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	**11,500**	**1,666,215**	**1,677,715**
Defined contribution plan	**-**	**247,898**	**247,898**
Fees	**138,000**	**-**	**138,000**
Benefits-in-kind	**-**	**60,542**	**60,542**
	149,500	**1,974,655**	**2,124,155**

Since the end of the previous financial year, no director of the Company has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by the directors shown 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.

DIRECTORS' REMUNERATION AND BENEFITS (cont'd)

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.

INDEMNITY AND INSURANCE FOR DIRECTORS AND OFFICERS

No indemnity has been given to or insurance effected for any of the directors and officers 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 there were no bad debts to be written off and no provision for doubtful debts was required; and

(ii) to ensure that any current assets which were unlikely to be realised in the ordinary course of business including their values as shown in the accounting records of the Group and of the Company have been written down to an amount which they might be expected so to realise.

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

(i) that would render it necessary to write off any bad debts or to make any provision for doubtful debts in the financial statements of the Group and of the Company; or

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

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

(iv) not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements misleading.

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

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

(ii) any contingent liability in respect of the Group and of the Company which 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 DURING THE FINANCIAL YEAR AND SUBSEQUENT TO THE REPORTING PERIOD

The significant events during the financial year and subsequent to the reporting period are disclosed in Note 35 to the financial statements.

AUDITORS

The total amount of fees paid to or receivable by the auditors, **Grant Thornton Malaysia PLT**, as remuneration for their services as auditors of the Group and of the Company for the financial year ended 31 December 2020 are RM105,000 and RM25,000 respectively.

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

The auditors, **Grant Thornton Malaysia PLT**, 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: 28 April 2021

DIRECTORS' STATEMENT

In the opinion of the directors, the financial statements set out on pages 50 to 109 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 2020** and of their financial performance and cash flows for the financial year then ended.

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

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

Date: 28 April 2021

STATUTORY DECLARATION

I, **Low Soo Kim**, the director primarily responsible for the financial management of **JHM Consolidation Berhad** do solemnly and sincerely declare that the financial statements set out on pages 50 to 109 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 **28th**)
day of **April 2021**.)

....
Low Soo Kim
MIA No. 28242

Before me,

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

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 2020** 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 a summary of the accounting policies, as set out on pages 50 to 109.

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 2020** 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' *International Code of Ethics for Professional Accountants* (including International Independence Standards) ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key Audit Matters

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

Key Audit Matters	How our audit addressed the Key Audit Matters
Revenue recognition *(Note 23 to the financial statements)* The revenue recognition from the design, manufacture and assembly of automotive lightning modules, precision miniature engineering metal parts and metal casing depends on the nature of the contractual arrangement with the customer and this could impact the point at which the control is transferred to the customer. The revenue from these activities amounted to RM251 million. We have identified revenue recognition as a key audit matter as there is a risk that revenue maybe incorrectly recognised as different contractual arrangements with customers will result in different timing in which revenue can be recognised.	Our audit procedures in relation to revenue recognition included: • Evaluating the assessment performed by management on compliance with revenue recognition policies. • Obtaining an understanding of the Group's revenue recognition process and their application and thereafter testing controls on the occurrence of revenue. • Performed analytical procedures on the trend of revenue recognised to identify for any abnormalities. • On sampling basis, we have performed substantive testing to verify that revenue recognition criteria are being properly applied. • Assessing the correct period for the revenue recognised by testing cut-off through assessing sales transactions taking place at either side of the end of reporting period as well as checking credit notes and sales return issued after the reporting date.

Key Audit Matters (cont'd)

<table>
<tr><th>Key Audit Matters</th><th>How our audit addressed the Key Audit Matters</th></tr>
<tr><td>Allowance for expected credit losses of trade receivables
(Refer to Note 10 to the financial statements)

The Group has significant trade receivables as at the reporting date and it is subject to credit risk exposure.

We focus on this area as deriving the expected credit losses of receivables involves management's judgement and estimates in determining the probability of default occurring by considering the ageing of receivables, historical loss experience and forward-looking information.</td><td>Our audit procedures in relation to management's expected credit losses assessment included, amongst others:
• Obtaining an understanding of:
- the Group's control over the trade receivables' collection process;
- how the Group identifies and assesses the loss allowance of trade receivables; and
- how the Group makes the accounting estimates for loss allowance.
• Reviewing the application of the Group's policy for calculating the expected credit loss against the requirements of MFRS 9.
• Reviewing the aging of trade receivables and testing the reliability thereof.
• Reviewing subsequent collections for major customers and overdue amounts.
• Assessing the estimated future cash flows by examining the historical repayment records, historical loss rate of receivables, information regarding the current creditworthiness and any significant changes in credit quality of the debtors, evidence of subsequent settlements and other relevant information.</td></tr>
<tr><td>Valuation of inventories
(Refer to Note 9 to the financial statements)

The Group has significant balance of inventories as at 31 December 2020 which exposed the Group to a risk that the inventories may become slow moving or obsolete and eventually non-saleable or selling below their carrying values.

Management's judgement and estimation were involved in identifying inventories with net realisable values that are lower than their costs, and obsolescence, with reference to the condition of the inventories, historical and current sales information, as well as the ageing of inventories to identify slow-moving items to ascertain the amount of allowance for inventories.</td><td>Our audit procedures in relation to 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-downs.
• Attending physical inventory counts and reconciling the count results to inventory listings for completeness.
• Reviewing and testing the accuracy of the cost absorption against the underlying documents on a sampling basis.
• Reviewing and testing the net realisable value of inventories on a sampling basis.
• Examining the perpetual records for inventory movements to identify slow moving items.
• Evaluating the consistency of the application of management's methodology for calculating the allowance for inventory write-downs from year to year and assessing the adequacy of the allowance estimated and provided in the financial statements.</td></tr>
</table>

Key Audit Matters (cont'd)

Key Audit Matters	How our audit addressed the Key Audit Matters
Goodwill impairment assessment *(Refer to Note 7 to the financial statements)* As at the reporting date, the Group has goodwill which has been allocated to its manufacturing segment as the cash generating unit ("CGU"). The management is required to perform annual impairment assessment for its goodwill. We focus on this area as management's assessment of the 'value in use' of the CGU involves estimation uncertainty and judgements about the future results of the business and key assumptions applied to future cash flows projection.	Our audit procedures in relation to the goodwill impairment assessment included amongst others: • Evaluating the model used in determining the value in use of the CGU. • Challenging the reasonableness of key assumptions such as revenue growth and discount rate applied based on our knowledge of the business and industry. We have requested assistance of our valuation experts in this regard. • 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 so as to 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 from one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

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

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

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

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

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

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

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

Other Matters

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

The financial statements for the preceding year ended 31 December 2019 were audited by **Grant Thornton** whose report dated 18 May 2020, expressed an unqualified opinion on those financial statements. The practice of **Grant Thornton** has merged with **Grant Thornton Malaysia PLT** effective from 1 January 2021.

Grant Thornton Malaysia PLT
AF: 0737
201906003682 (LLP0022494 - LCA)
Chartered Accountants

Terence Lau Han Wen
No. 03298/04/2023 J
Chartered Accountant

Penang

Date: 28 April 2021

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020

		GROUP		COMPANY	
		2020	2019	**2020**	2019
	NOTE	**RM**	RM	**RM**	RM
ASSETS					
Non-current assets					
Property, plant and equipment	**4**	**101,104,742**	88,440,957	**30,283,519**	30,778,221
Right-of-use assets	**5**	**3,416,609**	2,819,296	**-**	-
Investment in subsidiaries	**6**	**-**	-	**64,465,998**	62,466,000
Goodwill on consolidation	**7**	**21,531,534**	21,531,534	**-**	-
Amount due from subsidiaries	**8**	**-**	-	**14,059,287**	8,047,432
		126,052,885	112,791,787	**108,808,804**	101,291,653
Current assets					
Inventories	**9**	**34,577,575**	31,239,260	**-**	-
Trade receivables	**10**	**130,974,653**	103,401,082	**-**	-
Other receivables, deposits and prepayments	**11**	**5,791,268**	3,774,016	**2,723,607**	115,934
Amount due from subsidiaries	**8**	**-**	-	**25,861,526**	16,016,000
Tax recoverable		**2,012,128**	158,032	**13,980**	45,500
Cash and cash equivalents	**12**	**30,745,532**	54,445,821	**10,252,184**	27,376,140
		204,101,156	193,018,211	**38,851,297**	43,553,574
Non-current assets held for sale	**13**	**5,096,266**	-	**-**	-
		209,197,422	193,018,211	**38,851,297**	43,553,574
TOTAL ASSETS		**335,250,307**	305,809,998	**147,660,101**	144,845,227
EQUITY AND LIABILITIES					
Equity attributable to owners of the company					
Share capital	**14**	**113,230,900**	113,230,900	**113,230,900**	113,230,900
Capital reserve	**15**	**(15,956,976)**	(15,956,976)	**-**	-
Retained profits	**16**	**120,665,926**	104,147,548	**14,456,242**	9,540,395
		217,939,850	201,421,472	**127,687,142**	122,771,295
Non-controlling interests		**498,840**	-	**-**	-
Total equity		**218,438,690**	201,421,472	**127,687,142**	122,771,295
Non-current liabilities					
Lease liabilities	**5**	**2,515,428**	1,814,213	**-**	-
Borrowings	**17**	**32,737,956**	33,678,873	**17,494,532**	19,824,123
Deferred tax liabilities	**18**	**2,013,770**	1,140,973	**-**	-
		37,267,154	36,634,059	**17,494,532**	19,824,123
Current liabilities					
Trade payables	**19**	**32,211,027**	25,393,922	**-**	-
Other payables and accruals	**20**	**22,881,628**	14,655,831	**205,364**	58,704
Contract liabilities	**21**	**-**	251,561	**-**	-
Refund liabilities	**22**	**196,058**	83,627	**-**	-
Lease liabilities	**5**	**687,077**	672,001	**-**	-
Borrowings	**17**	**21,999,758**	24,549,992	**2,273,063**	2,191,105
Tax payable		**1,568,915**	2,147,533	**-**	-
		79,544,463	67,754,467	**2,478,427**	2,249,809
Total liabilities		**116,811,617**	104,388,526	**19,972,959**	22,073,932
TOTAL EQUITY AND LIABILITIES		**335,250,307**	305,809,998	**147,660,101**	144,845,227

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

		GROUP		COMPANY	
		2020	2019	**2020**	2019
	NOTE	**RM**	RM	**RM**	RM
Revenue	**23**	**250,970,298**	256,791,830	**12,531,809**	16,704,184
Cost of sales		**(198,145,435)**	(195,287,444)	**-**	-
Gross profit		**52,824,863**	61,504,386	**12,531,809**	16,704,184
Other income		**3,512,051**	2,949,013	**-**	-
Administrative expenses		**(24,749,896)**	(22,666,897)	**(1,783,747)**	(1,054,387)
Operating profit		**31,587,018**	41,786,502	**10,748,062**	15,649,797
Finance costs		**(2,045,321)**	(2,137,331)	**(728,502)**	(644,919)
Profit before tax	**24**	**29,541,697**	39,649,171	**10,019,560**	15,004,878
Tax expense	**25**	**(8,156,036)**	(9,183,513)	**(235,270)**	(222,566)
Profit for the financial year, representing total comprehensive income for the financial year		**21,385,661**	30,465,658	**9,784,290**	14,782,312
Profit for the financial year, representing total comprehensive income attributable to:					
Owners of the Company		**21,386,821**	30,465,658	**9,784,290**	14,782,312
Non-controlling interests		**(1,160)**	-	**-**	-
		21,385,661	30,465,658	**9,784,290**	14,782,312
Earnings per share attributable to owners of the Company (sen)					
- Basic/Diluted	**26**	**3.84**	5.46		

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	NOTE	Attributable to owners of the Company						
				Non-distributable	Distributable			
		Share Capital	Treasury Shares	Capital Reserve	Retained Profits	Total	Non-controlling Interests	Total Equity
		RM	RM	RM	RM	RM	RM	RM
2020								
Balance at beginning		**113,230,900**	**-**	**(15,956,976)**	**104,147,548**	**201,421,472**	**-**	**201,421,472**
Total comprehensive income for the financial year		**-**	**-**	**-**	**21,386,821**	**21,386,821**	**(1,160)**	**21,385,661**
Transactions with owners:								
Purchase of treasury shares		**-**	**(768,315)**	**-**	**-**	**(768,315)**	**-**	**(768,315)**
Sale of treasury shares		**-**	**768,315**	**-**	**707,557**	**1,475,872**	**-**	**1,475,872**
Issuance of shares to non-controlling interests		**-**	**-**	**-**	**-**	**-**	**500,000**	**500,000**
Dividends	**27**	**-**	**-**	**-**	**(5,576,000)**	**(5,576,000)**	**-**	**(5,576,000)**
Total transactions with owners		**-**	**-**	**-**	**(4,868,443)**	**(4,868,443)**	**500,000**	**(4,368,443)**
Balance at end		**113,230,900**	**-**	**(15,956,976)**	**120,665,926**	**217,939,850**	**498,840**	**218,438,690**
2019								
Balance at beginning		113,230,900	-	(15,956,976)	84,833,890	182,107,814	-	182,107,814
Total comprehensive income for the financial year		-	-	-	30,465,658	30,465,658	-	30,465,658
Transactions with owners:								
Dividends	27	-	-	-	(11,152,000)	(11,152,000)	-	(11,152,000)
Balance at end		113,230,900	-	(15,956,976)	104,147,548	201,421,472	-	201,421,472

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

	NOTE	Share Capital RM	Treasury Shares RM	Distributable Retained Profits RM	Total Equity RM
2020					
Balance at beginning		**113,230,900**	**-**	**9,540,395**	**122,771,295**
Total comprehensive income for the financial year		**-**	**-**	**9,784,290**	**9,784,290**
Transactions with owners:					
Purchase of treasury shares		**-**	**(768,315)**	**-**	**(768,315)**
Sale of treasury shares		**-**	**768,315**	**707,557**	**1,475,872**
Dividends	**27**	**-**	**-**	**(5,576,000)**	**(5,576,000)**
Total transactions with owners		**-**	**-**	**(4,868,443)**	**(4,868,443)**
Balance at end		**113,230,900**	**-**	**14,456,242**	**127,687,142**
2019					
Balance at beginning		113,230,900	-	5,910,083	119,140,983
Total comprehensive income for the financial year		-	-	14,782,312	14,782,312
Transactions with owners:					
Dividends	27	-	-	(11,152,000)	(11,152,000)
Balance at end		113,230,900	-	9,540,395	122,771,295

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

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

		GROUP		COMPANY	
		2020	2019	**2020**	2019
	NOTE	**RM**	RM	**RM**	RM
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before tax		**29,541,697**	39,649,171	**10,019,560**	15,004,878
Adjustments for:					
Accretion of interest		**139,635**	100,282	**-**	-
Allowance for slow moving inventories - addition/(reversal)		**185,697**	(645,367)	**-**	-
Depreciation of property, plant and equipment		**10,932,721**	9,257,682	**494,702**	116,188
Depreciation of right-of-use assets		**783,943**	651,034	**-**	-
Interest expense		**1,905,686**	2,037,049	**728,502**	644,919
Interest income		**(686,561)**	(1,336,269)	**(1,199,509)**	(1,972,634)
Gain on disposal of property, plant and equipment		**(14,844)**	(175,043)	**-**	-
Property, plant and equipment written off		**94,124**	9,392	**-**	-
Rent concession		**(5,300)**	-	**-**	-
Unrealised loss on foreign exchange		**3,220,866**	2,564,997	**-**	-
Operating profit before working capital changes		**46,097,664**	52,112,928	**10,043,255**	13,793,351
Changes in:					
Inventories		**(3,524,012)**	(3,163,947)	**-**	-
Receivables		**(33,420,351)**	(10,394,001)	**(2,607,673)**	(112,672)
Payables		**15,688,107**	(3,292,312)	**146,660**	(53,868)
Refund liabilities		**112,431**	83,627	**-**	-
Contract liabilities		**(251,561)**	251,561	**-**	-
Cash generated from operations		**24,702,278**	35,597,856	**7,582,242**	13,626,811
Income tax paid		**(9,715,953)**	(8,365,422)	**(203,750)**	(314,168)
Income tax refunded		**-**	703,539	**-**	63,434
Interest paid		**(1,905,686)**	(2,037,049)	**(728,502)**	(644,919)
Net cash from operating activities		**13,080,639**	25,898,924	**6,649,990**	12,731,158
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest received		**555,557**	1,179,092	**1,199,509**	1,972,634
Purchase of investment in a subsidiary		**-**	-	**(1,999,998)**	-
Placement of fixed deposits		**(2,000,000)**	-	**-**	-
Proceeds from disposals of property, plant and equipment		**82,531**	429,642	**-**	-
Purchase of property, plant and equipment	**A**	**(21,381,145)**	(24,743,470)	**-**	(17,934,699)
Net cash used in investing activities		**(22,743,057)**	(23,134,736)	**(800,489)**	(15,962,065)
BALANCE CARRIED FORWARD		**(9,662,418)**	2,764,188	**5,849,501**	(3,230,907)

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

		GROUP		COMPANY	
		2020	2019	**2020**	2019
	NOTE	**RM**	RM	**RM**	RM
BALANCE BROUGHT FORWARD		**(9,662,418)**	2,764,188	**5,849,501**	(3,230,907)
CASH FLOWS FROM FINANCING ACTIVITIES					
Dividends paid		**(5,576,000)**	(11,152,000)	**(5,576,000)**	(11,152,000)
Net (repayment)/drawdown of bankers acceptance	B	**(1,609,343)**	5,194,820	**-**	-
Net change in subsidiaries' balances		**-**	-	**(15,857,381)**	1,510,476
Net (repayment)/drawdown of term loans	B	**(1,489,596)**	10,696,372	**(2,247,633)**	10,999,071
Payment of hire purchase loans	B	**(5,708,603)**	(6,131,553)	**-**	-
Payment of lease liabilities	B	**(799,300)**	(1,084,398)	**-**	-
Proceeds from issuance of shares to non-controlling interest of a subsidiary		**500,000**	-	**-**	-
Purchase of treasury shares		**(768,315)**	-	**(768,315)**	-
Proceeds from disposal of treasury shares		**1,475,872**	-	**1,475,872**	-
Net cash (used in)/from financing activities		**(13,975,285)**	(2,476,759)	**(22,973,457)**	1,357,547
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(23,637,703)**	287,429	**(17,123,956)**	(1,873,360)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**(36,543)**	(43,683)	**-**	-
CASH AND CASH EQUIVALENTS AT BEGINNING		**45,479,566**	45,235,820	**27,376,140**	29,249,500
CASH AND CASH EQUIVALENTS AT END		**21,805,320**	45,479,566	**10,252,184**	27,376,140
The cash and cash equivalents are represented by:					
Cash and bank balances		**30,745,532**	54,445,821	**10,252,184**	27,376,140
Less: Fixed deposits pledged to licensed banks		**(7,136,276)**	(5,005,272)	**-**	-
		23,609,256	49,440,549	**10,252,184**	27,376,140
Bank overdrafts		**(1,803,936)**	(3,960,983)	**-**	-
		21,805,320	45,479,566	**10,252,184**	27,376,140
A. Purchase of property, plant and equipment					
Total acquisition cost		**28,854,583**	28,767,814	**-**	17,934,699
Acquired under hire purchase loans	**B**	**(7,473,438)**	(4,024,344)	**-**	-
Total cash acquisition		**21,381,145**	24,743,470	**-**	17,934,699

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

B. Liabilities arising from financing activities

Reconciliation between the opening and closing balances in the statements of financial position for liabilities arising from financing activities of the Group is as follows:

	Balance at beginning RM	Cash flows RM	Others RM	Balance at end RM
GROUP				
2020				
Bankers acceptance	**12,792,536**	**(1,609,343)**	**-**	**11,183,193**
Hire purchase loans	**17,956,401**	**(5,708,603)**	**7,473,438**	**19,721,236**
Term loans	**23,518,945**	**(1,489,596)**	**-**	**22,029,349**
Lease liabilities	**2,486,214**	**(799,300)**	**1,515,591[1]**	**3,202,505**
	56,754,096	**(9,606,842)**	**8,989,029**	**56,136,283**
2019				
Bankers acceptance	7,597,716	5,194,820	-	12,792,536
Hire purchase loans	20,063,610	(6,131,553)	4,024,344	17,956,401
Term loans	12,822,573	10,696,372	-	23,518,945
Lease liabilities	1,878,857	(1,084,398)	1,691,755[1]	2,486,214
	42,362,756	8,675,241	5,716,099	56,754,096

Reconciliation between the opening and closing balances in the statements of financial position for liabilities arising from financing activities of the Company is as follows:

	Balance at beginning RM	Cash flows RM	Balance at end RM
COMPANY			
2020			
Term loans	**22,015,228**	**(2,247,633)**	**19,767,595**
2019			
Term loans	11,016,157	10,999,071	22,015,228

[1] Others consist of non-cash movement in lease liabilities as follows:

	2020 RM	2019 RM
Accretion of interest	**139,635**	100,282
Addition of lease liabilities	**1,381,256**	1,591,473
Rent concession	**(5,300)**	-
	1,515,591	1,691,755

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

1. **GENERAL INFORMATION**

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

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

The registered office of the Company is located at 48, Jalan Chow Thye, 10050 Georgetown, Pulau Pinang, Malaysia.

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

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 28 April 2021.

2. **BASIS OF PREPARATION**

2.1 **Statement of Compliance**

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

2.2 **Basis of Measurement**

The financial statements of the Group and of the Company are prepared under the historical cost convention unless otherwise indicated in the summary of accounting policies as set out in Note 3 to the financial statements.

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

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

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

2.3 **Functional and Presentation Currency**

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

2.4 **Adoption of Amendments/Improvements to MFRS and Amendments to IC Interpretations ("IC Int")**

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

Effective for annual periods beginning on or after 1 January 2020
Amendments to References to the Conceptual Framework in MFRS Standards
Amendments to MFRS 3 Business Combinations: Definition of a Business
Amendments to MFRS 101 Presentation of Financial Statements and MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Material
Amendments to MFRS 9 Financial Instruments, MFRS 139 Financial Instruments: Recognition and Measurement and MFRS 7 Financial Instruments: Disclosures: Interest Rate Benchmark Reform

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

2. **BASIS OF PREPARATION (cont'd)**

2.4 **Adoption of Amendments/Improvements to MFRS and Amendments to IC Interpretations ("IC Int")** (cont'd)

In addition to the above, the Group and the Company elected to early adopt the Amendments to MFRS 16 Leases: COVID19 - Related Rent Concessions which is effective for annual period beginning on or after 1 June 2020. The amendments provide relief for lessees from applying MFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor as a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under MFRS 16, if the change were not a lease modification.

The Group applied the practical expedient as it meets the conditions set forth in the amendments. The amount recognised as rent payment forgiven amounted to RM5,300 and is reflected in other income of the consolidated statement of comprehensive income.

2.5 **Standards Issued But Not Yet Effective**

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

Effective for annual periods beginning on or after 1 January 2021
Amendments to MFRS 9 Financial Instruments, MFRS 139 Financial Instruments: Recognition and Measurement, MFRS 7 Financial Instruments: Disclosures, MFRS 4 Insurance Contracts and MFRS 16 Leases: Interest Rate Benchmark Reform – Phase 2

Effective for annual periods beginning on or after 1 January 2022
Amendments to MFRS 3 Business Combination: Reference to the Conceptual Framework
Amendments to MFRS 116 Property, Plant and Equipment: Property, Plant and Equipment - Proceeds before Intended Use
Amendments to MFRS 137 Provisions, Contingent Liabilities and Contingent Assets: Onerous Contracts - Cost of Fulfilling a Contract
Annual Improvements to MFRS Standards 2018 - 2020

Effective for annual periods beginning on or after 1 January 2023
MFRS 17 Insurance Contracts
Amendments to MFRS 4 Insurance Contracts – Extension of the Temporary Exemption from Applying MFRS 9
Amendments to MFRS 101 Presentation of Financial Statements: Classification of Liabilities as Current or Non-Current
Amendments to MFRS 101 Presentation of Financial Statements – Disclosure of Accounting Policies
Amendments to MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates

Effective date yet to be confirmed
Amendments to MFRS 10 Consolidated Financial Statements and MFRS 128 Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

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

2.6 **Significant Accounting Estimates and Judgements**

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

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

2. **BASIS OF PREPARATION (cont'd)**

2.6 **Significant Accounting Estimates and Judgements** (cont'd)

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 other than the following:

Determining the lease term of contracts with renewal and termination options – Group as lessee

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation to the leased asset).

2.6.2 **Key sources of estimation uncertainty**

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

(i) **Useful lives of depreciable assets**

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

(ii) **Impairment of property, plant and equipment**

The Group performs an impairment review as and when there are impairment indicators to ensure that the carrying value of the property, 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.

2. **BASIS OF PREPARATION (cont'd)**

2.6 **Significant Accounting Estimates and Judgements** (cont'd)

2.6.2 **Key sources of estimation uncertainty (cont'd)**

(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 the goodwill is allocated. Estimating the value-in-use requires management to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Further details of the carrying value, the key assumptions applied in the impairment assessment of goodwill and sensitivity analysis to changes in assumptions are disclosed in Note 7 to the financial statements.

(iv) **Inventories**

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

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

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

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

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECL is a significant estimate. The amount of ECL is sensitive to changes in circumstances and of forecasted 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.

(vi) **Leases – Estimating the incremental borrowing rate**

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use assets in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

3. **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 subsidiaries 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) **Basis of consolidation**

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

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities of the Group (profits or losses resulting from intragroup transactions that are recognised in asset, such as inventory and property, plant and equipment) are eliminated in full in preparing the consolidated financial statements. Intragroup losses may indicate an impairment that requires recognition in the consolidated financial statements. Temporary differences arising from the elimination of profits and losses resulting from intragroup transactions will be treated in accordance to Note 3.14 to the financial statements.

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

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

(iii) **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.

3. **ACCOUNTING POLICIES (cont'd)**

3.1 **Basis of Consolidation (cont'd)**

(iii) **Business combination (cont'd)**

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.

(iv) **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 the Group's reserve.

(v) **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.

(vi) **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.

(vii) **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. **ACCOUNTING POLICIES (cont'd)**

3.2 **Property, Plant and Equipment**

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

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

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

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

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

The residual value, useful life and depreciation method are reviewed at the end of each reporting period to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

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

3.3 **Goodwill**

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

3.4 **Leases**

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

As a lessee

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

3. **ACCOUNTING POLICIES (cont'd)**

3.4 **Leases (cont'd)**

(i) **Right-of-use assets**

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

Right-of-use assets of factory buildings are depreciated on a straight-line basis over their lease term of 2 to 6 years.

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

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

(ii) **Lease liabilities**

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

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

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

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

As a lessor

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

3. **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.

Goodwill is tested for impairment annually as at the end of each reporting period, and when circumstances indicate that the carrying amount maybe impaired.

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 **Recognition**

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

3.6.2 **Classification and subsequent measurement of financial assets**

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

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

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

3. **ACCOUNTING POLICIES (cont'd)**

3.6 **Financial Instruments (cont'd)**

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

In the periods presented, the Group and the Company do not have any financial assets categorised as FVTPL and FVOCI.

The classification is determined by both:
- the entity's business model for managing the financial asset
- the contractual cash flow characteristics of the financial asset

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

Financial assets at AC

Financial assets are measured at AC 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 AC using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Group's and the Company's cash and cash equivalents, trade and other receivables fall into this category of financial instruments.

3.6.3 **Impairment of financial assets**

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 AC.

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

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

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

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

'12-month ECLs' are recognised for the Stage 1 category while 'lifetime ECLs' are recognised for the Stage 2 category.

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

3. **ACCOUNTING POLICIES (cont'd)**

3.6 **Financial Instruments (cont'd)**

3.6.3 **Impairment of financial assets (cont'd)**

Trade and other receivables

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

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

For other receivables, the Group and the Company measure the loss allowance for other receivables equal to 12-month ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group and the Company recognise lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increase in the likelihood or risk of default occurring since initial recognition.

3.6.4 **Classification and measurement of financial liabilities**

The Group's and the Company'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 and the Company designated a financial liability at fair value through profit or loss.

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

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

3.6.5 **Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount is reported in the statements 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, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised when:

- The rights to receive cash flows from the asset have expired; or

- The Group and the Company have transferred their rights to receive cash flows from the asset or have assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement and either (a) the Group and the Company have transferred substantially all the risks and rewards of the asset, or (b) the Group and the Company have neither transferred nor retained substantially all the risks and rewards of the asset, or (c) the Group and the Company have neither transferred nor retained substantially all the risks and rewards of the asset, but have transferred control of the asset.

When the Group and the Company have transferred its rights to receive cash flows from an asset or have entered into a pass-through arrangement, it evaluates if, and to what extent, they have retained the risks and rewards of ownership. When they have neither nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group and the Company continue to recognise the transferred asset to the extent of their continuing involvement. In that case, the Group and the Company also recognise an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group and the Company have retained.

3. **ACCOUNTING POLICIES (cont'd)**

3.6 **Financial Instruments (cont'd)**

3.6.6 **Derecognition (cont'd)**

On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received together with any cumulative gain or loss that has been recognised in other comprehensive income is recognised in the statements of comprehensive income.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statements of comprehensive income.

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 if incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantee contracts are recognised initially as a liability at fair value, net of transaction costs. Subsequent to initial recognition, financial guarantee contracts are recognised as income in statements of comprehensive income over the period of the guarantee. If the debtor fails to make payment relating to financial guarantee contract when it is due and the Company, as the issuer, is required to reimburse the holder for the associated loss, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount initially recognised less cumulative amortisation.

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 and net of fixed deposit pledged.

3.9 **Non-current Asset Held for Sale**

Non-current assets that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale.

Classification of the asset as held for sale occurs only when the asset is available for immediate sale in its present condition subject only to terms that are usual and customary and the sale must be highly probable. Management must be committed to a plan to sell the assets which are expected to qualify for recognition as a completed sale within one year from the date of classification. Action required to complete the plan should indicate that it is unlikely that significant changes to the plan will be made or the plan will be withdrawn.

3. **ACCOUNTING POLICIES (cont'd)**

3.9 **Non-current Asset Held for Sale (cont'd)**

Immediately before classification as held for sale, the assets are remeasured in accordance with the Group's accounting policies. Thereafter, the assets are measured at the lower of their carrying amount and fair value less costs to sell.

3.10 **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.

3.11 **Borrowing Costs**

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

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

3.12 **Revenue Recognition**

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

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

3.12.1 **Sales of electronic components**

Revenue from sale of electronic components encompasses printed circuit board assemblies ("PCBA") and electronic modules assemblies and is recognised at the point in time when control of the goods is transferred to the customer, generally on delivery of the shipment to the customers.

3.12.2 **Sales of mechanical components**

Revenue from sale of mechanical components encompasses the manufacturing of precision miniature engineering metal parts, machined metal parts, fabrication of tools and equipment and metal enclosures and is recognised at the point in time when control of the goods is transferred to the customer, generally on delivery of the shipment to the customers.

Variable consideration

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

3. **ACCOUNTING POLICIES (cont'd)**

3.12 **Revenue Recognition (cont'd)**

3.12.2 **Sales of mechanical components (cont'd)**

Volume rebates

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

3.12.3 **Interest income**

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

3.12.4 **Dividend income**

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

3.12.5 **Rental income**

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

3.12.6 **Contract balances**

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

Trade receivables

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

Contract liabilities

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

Refund liabilities

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

3.13 **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.

3. **ACCOUNTING POLICIES (cont'd)**

3.13 **Employee Benefits (cont'd)**

Defined contribution plans

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

3.14 **Income Tax**

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

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

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

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

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

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

3.15 **Sales and Service Tax ("SST")**

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

- when the SST incurred in a purchase of asset or service is not recoverable from the authority, in which case the SST 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 stated at the amount inclusive of SST.

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

3.16 **Foreign Currency Translations**

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

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

3. **ACCOUNTING POLICIES (cont'd)**

3.16 **Foreign Currency Translations (cont'd)**

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

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

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

3.17 **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

Incremental external costs directly attributable to the issuance of new shares are deducted against equity.

Dividends

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

3.18 **Treasury Shares**

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchase shares that are not subsequently cancelled are classified as treasury shares in the statements of changes in equity.

When treasury shares are sold or reissued subsequently, the difference between the sales consideration net of directly attributable costs and the carrying amount of the treasury shares is recognised in equity.

3.19 **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.

3.20 **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. **ACCOUNTING POLICIES (cont'd)**

3.21 **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

	Freehold land	Leasehold land	Freehold office lot	Buildings	Plant and machinery	Office equipment, furniture and fittings	Electrical installation	Renovation	Motor vehicles	Capital work- in-progress	Total
	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM
2020											
At cost											
Balance at beginning	8,576,720	15,350,250	687,389	8,552,029	86,084,373	9,600,720	2,334,572	9,249,956	5,198,798	10,795,532	156,430,339
Additions	-	-	-	-	11,189,248	1,574,064	473,189	2,059,842	399,409	13,158,831	28,854,583
Disposals	-	-	-	-	(244,615)	(48,592)	-	-	(67,350)	-	(360,557)
Write offs	-	-	-	-	-	(5,600)	-	-	(118,655)	-	(124,255)
Reclassification	-	(6,315,010) *	-	8,279,506	8,532,568	2,134,641	527,720	4,147,700	-	(23,622,135)	(6,315,010)
Balance at end	8,576,720	9,035,240	687,389	16,831,535	105,561,574	13,255,233	3,335,481	15,457,498	5,412,202	332,228	178,485,100
Accumulated depreciation											
Balance at beginning	-	1,598,367	150,179	145,259	50,813,369	5,507,422	1,530,604	5,209,976	3,034,206	-	67,989,382
Current charge	-	517,343	13,748	253,836	7,213,613	1,136,502	169,252	825,057	803,370	-	10,932,721
Disposals	-	-	-	-	(188,326)	(37,195)	-	-	(67,349)	-	(292,870)
Write offs	-	-	-	-	-	(467)	-	-	(29,664)	-	(30,131)
Reclassification	-	(1,218,744) *	-	-	-	-	-	-	-	-	(1,218,744)
Balance at end	-	896,966	163,927	399,095	57,838,656	6,606,262	1,699,856	6,035,033	3,740,563	-	77,380,358
Carrying amount	8,576,720	8,138,274	523,462	16,432,440	47,722,918	6,648,971	1,635,625	9,422,465	1,671,639	332,228	101,104,742

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

GROUP

	Freehold land	Leasehold land	Freehold office lot	Buildings	Plant and machinery	Office equipment, furniture and fittings	Electrical installation	Renovation	Motor vehicles	Capital work- in-progress	Total
	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM
2019											
At cost											
Balance at beginning	8,576,720	10,565,010	687,389	4,412,276	81,081,446	7,679,168	2,119,744	7,853,039	5,389,227	1,268,793	129,632,812
Additions	-	4,785,240	-	4,139,753	6,213,748	1,484,561	214,828	468,241	797,107	10,664,336	28,767,814
Disposals	-	-	-	-	(81,655)	(106,985)	-	-	(987,536)	-	(1,176,176)
Write offs	-	-	-	-	(787,771)	(6,340)	-	-	-	-	(794,111)
Reclassification	-	-	-	-	(341,395)	550,316	-	928,676	-	(1,137,597)	-
Balance at end	8,576,720	15,350,250	687,389	8,552,029	86,084,373	9,600,720	2,334,572	9,249,956	5,198,798	10,795,532	156,430,339
Accumulated depreciation											
Balance at beginning	-	1,285,053	136,431	29,404	45,206,835	4,663,026	1,401,023	4,614,428	3,101,796	-	60,437,996
Current charge	-	313,314	13,748	115,855	6,385,774	852,325	129,581	595,548	851,537	-	9,257,682
Disposals	-	-	-	-	(680)	(1,770)	-	-	(919,127)	-	(921,577)
Write offs	-	-	-	-	(778,560)	(6,159)	-	-	-	-	(784,719)
Balance at end	-	1,598,367	150,179	145,259	50,813,369	5,507,422	1,530,604	5,209,976	3,034,206	-	67,989,382
Carrying amount	8,576,720	13,751,883	537,210	8,406,770	35,271,004	4,093,298	803,968	4,039,980	2,164,592	10,795,532	88,440,957

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

COMPANY

	Freehold land RM	Leasehold land RM	Buildings RM	Office equipment, furniture and fittings RM	Renovation RM	Capital work-in-progress RM	Total RM
2020							
At cost							
Balance at beginning	**8,576,720**	**4,785,240**	**8,552,029**	**8,250**	**-**	**9,003,206**	**30,925,445**
Reclassification	**-**	**-**	**8,279,506**	**-**	**723,700**	**(9,003,206)**	**-**
Balance at end	**8,576,720**	**4,785,240**	**16,831,535**	**8,250**	**723,700**	**-**	**30,925,445**
Accumulated depreciation							
Balance at beginning	**-**	**-**	**145,259**	**1,965**	**-**	**-**	**147,224**
Current charge	**-**	**204,031**	**253,836**	**650**	**36,185**	**-**	**494,702**
Balance at end	**-**	**204,031**	**399,095**	**2,615**	**36,185**	**-**	**641,926**
Carrying amount	**8,576,720**	**4,581,209**	**16,432,440**	**5,635**	**687,515**	**-**	**30,283,519**
2019							
At cost							
Balance at beginning	8,576,720	-	4,412,276	1,750	-	-	12,990,746
Additions	-	4,785,240	4,139,753	6,500	-	9,003,206	17,934,699
Balance at end	8,576,720	4,785,240	8,552,029	8,250	-	9,003,206	30,925,445
Accumulated depreciation							
Balance at beginning	-	-	29,404	1,632	-	-	31,036
Current charge	-	-	115,855	333	-	-	116,188
Balance at end	-	-	145,259	1,965	-	-	147,224
Carrying amount	8,576,720	4,785,240	8,406,770	6,285	-	9,003,206	30,778,221

(i) The Group's and the Company's freehold land, leasehold land, office lot and buildings are pledged to licensed banks for banking facilities granted to the Company and certain subsidiaries as disclosed in Note 17 to the financial statements.

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

COMPANY

(ii) The carrying amount of property, plant and equipment acquired and collaterised under hire purchase loans are as follows:

	GROUP	
	2020	2019
	RM	RM
Plant and machinery	**25,007,290**	21,811,904
Motor vehicles	**1,377,817**	1,791,139
	26,385,107	23,603,043

(iii) The information of right-of-use assets which are included in the property, plant and equipment is as follows:

	GROUP		COMPANY	
	2020	2019	**2020**	2019
	RM	RM	**RM**	RM
Leasehold land	**8,138,274**	13,751,883	**4,581,209**	4,785,240
Plant and machinery	**25,007,290**	21,811,904	**-**	-
Motor vehicles	**1,377,817**	1,791,139	**-**	-

* Reclassification represents leasehold lands being reclassified to non-current assets held for sale as disclosed in Note 13 to the financial statements.

5. **RIGHT-OF-USE ASSETS AND LEASE LIABILITIES**

Group as a lessee

The Group has lease contracts for the rental of factory buildings used in its operations. Leases of factory buildings are between 2 to 3 years, with an option to renew the lease for another 1 to 3 years. The Group expects that it is reasonably certain that it will exercise the options to extend the lease for the factory buildings and has factored the renewal option as part of the lease term for lease of premises.

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

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

Group as a lessee (cont'd)

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

	Factory buildings	
	2020	2019
	RM	RM
Right-of-use assets		
Balance at beginning	**2,819,296**	1,878,857
Additions	**1,381,256**	1,591,473
Depreciation	**(783,943)**	(651,034)
Balance at end	**3,416,609**	2,819,296
Lease liabilities		
Balance at beginning	**2,486,214**	1,878,857
Additions	**1,381,256**	1,591,473
Accretion of interest	**139,635**	100,282
Payments	**(799,300)**	(1,084,398)
* Rent concession	**(5,300)**	-
Balance at end	**3,202,505**	2,486,214
Represented by:		
Non-current liabilities	**2,515,428**	1,814,213
Current liabilities	**687,077**	672,001

The maturity analysis of lease liabilities is disclosed in Note 31.4 to the financial statements.

The followings are the amounts recognised in profit or loss:

	2020	2019
	RM	RM
Depreciation expense of right-of-use assets	**783,943**	651,034
Interest expense on lease liabilities	**139,635**	100,282
* Rent concession	**(5,300)**	-
Lease rentals of low-value assets	**20,594**	21,930
Lease rentals of short leases	**920,284**	1,115,889
Total amount recognised in profit or loss	**1,859,156**	1,889,135

* Rent concession is in relation to the rental expenses waived by the landlord during the financial year.

Group as a lessor

The Group has leased part of its factory building to a third party for a period of 1 year. Rental income recognised by the Group for the year is **RM433,500** (2019: RM 216,750).

6. INVESTMENT IN SUBSIDIARIES

	COMPANY	
	2020	2019
	RM	RM
Unquoted shares, at cost	**64,465,998**	62,466,000

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

Name of Company	Effective Equity Interest		Principal Activities
	2020	2019	
Morrissey Technology Sdn. Bhd.	**100%**	100%	Design and manufacturing of precision miniature engineering metal parts and components.
JH Morrissey Sdn. Bhd.	**100%**	100%	International procurement office. The Company had during the financial year undertook an additional activity in carrying out research and development projects.
Morrissey Assembly Solution Sdn. Bhd.	**100%**	100%	Manufacturing and assembling of electronic components.
Morrissey Aerosystems Sdn. Bhd. ("MASB")	**80%**	100%	Manufacturing of machined metal parts, secondary processes, sub-assemblies and assembly of LED lighting for aerospace industry. Currently, the Company had not commenced operations.
Morrissey Integrated Dynamics Sdn.Bhd.	**100%**	100%	Manufacturing of machine metal parts, assembly of electronic components, sub-assembling for aerospace industry and fabrication of tools, equipment and industrial machinery. However, the subsidiary had changed its principal activity to manufacturing of precision mechanical parts, die casting, moulding of precision plastic lenses and modular assembly.
Mace Instrumentation Sdn. Bhd.	**100%**	100%	Manufacturing, assembling and dealing of testing measuring equipment.

2020

On 10 January 2020, MASB, a wholly-owned subsidiary of the Company had increased its issued share capital from RM2 to RM2,500,000 by way of an allotment of 2,499,998 new ordinary shares at RM1 each. Out of which, the Company had subscribed for 1,999,998 ordinary shares for a total cash consideration of RM1,999,998. The remaining 500,000 shares allotted were subscribed by a third party individual. As a result, MASB ceased to be a wholly-owned subsidiary of the Company.

7. GOODWILL ON CONSOLIDATION

The goodwill is allocated to the Group's subsidiary, Mace Instrumentation Sdn. Bhd. as the cash-generating unit ("CGU").

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 CGU covering a period of 5 years and having considered the terminal value of the CGU.

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

(i) Cash flow projections and growth rate

The cash flow projections is based on a detailed budget covering 3 years approved by the management and extrapolated using a steady growth rate of **8%** (2019: 5.4%) for the remaining period.

(ii) Discount rate

The pre-tax discount rate of **13.10%** (2019: 13.10%) is applied to the cash flow projections, which is based on the weighted average cost of capital of the Group adjusted to reflect the specific risks relating to the relevant business segments.

Sensitivity to changes in key assumptions

With regards to the assessment of value-in-use of this CGU, management believes that no reasonably possible changes in any of the key assumptions would cause the carrying values of this CGU to differ materially from its recoverable amounts except for the changes in prevailing operating environment which is not ascertainable.

8. AMOUNT DUE FROM SUBSIDIARIES

	COMPANY	
	2020	2019
	RM	RM
Non-current:		
Interest bearing at **2.55%** (2019: 4%) per annum	**13,327,028**	7,528,875
Non-interest bearing	**732,259**	518,557
	14,059,287	8,047,432
Current:		
Interest bearing at **2.55%** (2019: 4%) per annum	**25,216,000**	15,400,000
Non-interest bearing	**645,526**	616,000
	25,861,526	16,016,000

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

9. INVENTORIES

	GROUP	
	2020	2019
	RM	RM
Raw materials	**15,335,171**	16,420,309
Work-in-progress	**7,280,612**	6,127,021
Finished goods	**9,833,203**	6,421,450
Consumables	**568,353**	647,231
Goods-in-transit	**1,560,236**	1,623,249
	34,577,575	31,239,260
Cost of inventories recognised in profit or loss:		
Inventories recognised as cost of sales	**197,959,738**	195,932,811
Allowance for slow moving inventories		
- Net addition/(reversal)	**185,697**	(645,367)

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

10. TRADE RECEIVABLES

The currency profile of trade receivables is as follows:

	GROUP	
	2020	2019
	RM	RM
Ringgit Malaysia	**15,961,896**	16,631,802
US Dollar	**115,012,757**	86,769,280
	130,974,653	103,401,082

The trade receivables are non-interest bearing and generally on **30 to 150 days** (2019: 30 to 150 days) credit terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

11. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	GROUP		COMPANY	
	2020	2019	**2020**	2019
	RM	RM	**RM**	RM
Other receivables	**384,420**	179,192	**-**	2,250
Refundable deposits	**3,901,311**	1,051,707	**2,707,063**	1,000
Deposits for purchase of machinery	**341,107**	636,004	**-**	-
Prepayment for purchase of raw materials	**-**	214,314	**-**	-
Other prepayments	**1,164,430**	1,500,347	**16,544**	112,542
GST claimable	**-**	192,452	**-**	142
	5,791,268	3,774,016	**2,723,607**	115,934

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

	GROUP		COMPANY	
	2020	2019	**2020**	2019
	RM	RM	**RM**	RM
Ringgit Malaysia	**5,603,936**	3,200,875	**2,723,607**	115,934
Euro	**46,497**	239,636	**-**	-
Japanese Yen	**-**	200,532	**-**	-
US Dollar	**139,913**	117,738	**-**	-
Singapore Dollar	**-**	15,235	**-**	-
Others	**922**	-	**-**	-
	5,791,268	3,774,016	**2,723,607**	115,934

12. CASH AND CASH EQUIVALENTS

	GROUP		COMPANY	
	2020	2019	**2020**	2019
	RM	RM	**RM**	RM
Unencumbered:				
Repo	**2,013,579**	3,802,529	**-**	-
Short term funds with licensed financial institutions	**8,533,862**	33,546,609	**5,794,052**	23,646,609
Cash and bank balances	**13,061,815**	12,091,411	**4,458,132**	3,729,531
	23,609,256	49,440,549	**10,252,184**	27,376,140
Encumbered:				
Fixed deposits with licensed banks	**7,136,276**	5,005,272	**-**	-
	30,745,532	54,445,821	**10,252,184**	27,376,140

12. CASH AND CASH EQUIVALENTS (cont'd)

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

	GROUP		COMPANY	
	2020	2019	**2020**	2019
	RM	RM	**RM**	RM
Ringgit Malaysia	**27,533,615**	47,768,527	**10,252,184**	27,376,140
US Dollar	**3,211,687**	6,677,065	**-**	-
Others	**230**	229	**-**	-
	30,745,532	54,445,821	**10,252,184**	27,376,140

The encumbered fixed deposits are pledged to licensed banks for banking facilities granted to certain subsidiaries as disclosed in Note 17 to the financial statements.

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

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

	GROUP		COMPANY	
	2020	2019	**2020**	2019
	%	%	**%**	%
Repo	**1.70 to 2.90**	2.90	**-**	-
Short term placements with licensed financial institutions	**1.85**	3.14 to 3.18	**1.85**	3.14
Fixed deposits with licensed banks	**1.55 to 2.50**	2.85 to 3.35	**-**	-

13. NON-CURRENT ASSETS HELD FOR SALE

GROUP

	Leasehold land	
	2020	2019
	RM	RM
Reclassified from property, plant and equipment (Note 4)	**5,096,266**	-

During the financial year, the Group had entered into two Sales and Purchase Agreements to dispose of two of its leasehold land for a cash consideration of RM3,959,827 and RM3,881,036 respectively. Consequently, these leasehold land are reclassified to non-current assets held for sale.

14. SHARE CAPITAL

	Number of ordinary shares		Amount	
	2020	2019	**2020**	2019
			RM	RM
Issued and fully paid with no par value	**557,600,000**	557,600,000	**113,230,900**	113,230,900

15. **CAPITAL RESERVE**

	GROUP	
	2020	2019
	RM	RM
Premium paid to non-controlling interests to acquire additional equity interest in an existing subsidiary	**276,976**	276,976
Fair value adjustment on shares issued for the acquisition of a subsidiary	**15,680,000**	15,680,000
	15,956,976	15,956,976

16. **RETAINED PROFITS**

COMPANY

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

17. **BORROWINGS**

	GROUP	
	2020	2019
	RM	RM
Non-current liabilities		
Secured:		
Hire purchase loans		
Minimum payments:		
Within one year	**7,214,588**	6,202,588
More than one year and less than two years	**6,158,195**	5,605,541
More than two years and less than five years	**8,210,159**	7,944,594
	21,582,942	19,752,723
Future finance charges	**(1,861,706)**	(1,796,322)
	19,721,236	17,956,401
Amount due within one year included under current liabilities	**(6,312,002)**	(5,365,733)
	13,409,234	12,590,668
Term loans		
Total amount repayable	**22,029,349**	23,518,945
Amount due within one year included under current liabilities	**(2,700,627)**	(2,430,740)
	19,328,722	21,088,205
	32,737,956	33,678,873

17. **BORROWINGS (cont'd)**

	GROUP	
	2020	2019
	RM	RM
Current liabilities		
Secured:		
Bank overdraft	**1,803,936**	3,960,983
Bankers acceptance	**11,183,193**	12,792,536
Hire purchase loans	**6,312,002**	5,365,733
Term loans	**2,700,627**	2,430,740
	21,999,758	24,549,992
Total borrowings	**54,737,714**	58,228,865

	COMPANY	
	2020	2019
	RM	RM
Non-current liabilities		
Secured:		
Term loans		
Total amount repayable	**19,767,595**	22,015,228
Amount due within one year included under current liabilities	**(2,273,063)**	(2,191,105)
	17,494,532	19,824,123
Current liabilities		
Secured:		
Term loans	**2,273,063**	2,191,105
Total borrowings	**19,767,595**	22,015,228

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

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

17. **BORROWINGS (cont'd)**

The hire purchase loans are secured over the corresponding assets acquired (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 one year RM**	**More than one year and less than two years RM**	**More than two years and less than five years RM**	**More than five years RM**
GROUP						
2020						
Bank overdraft	**6.70**	**1,803,936**	**1,803,936**	-	-	-
Bankers acceptance	**3.13 to 3.36**	**11,183,193**	**11,183,193**	-	-	-
Hire purchase loans	**1.88 to 6.15**	**19,721,236**	**6,312,002**	**5,591,952**	**7,817,282**	-
Term loans	**2.89 to 3.50**	**22,029,349**	**2,700,627**	**2,765,143**	**8,507,823**	**8,055,756**
2019						
Bank overdraft	6.70 to 6.75	3,960,983	3,960,983	-	-	-
Bankers acceptance	4.35 to 4.70	12,792,536	12,792,536	-	-	-
Hire purchase loans	2.34 to 6.15	17,956,401	5,365,733	5,036,512	7,554,156	-
Term loans	3.90 to 4.60	23,518,945	2,430,740	2,484,749	7,805,108	10,798,348
COMPANY						
2020						
Term loans	**2.89 to 3.15**	**19,767,595**	**2,273,063**	**2,306,714**	**7,132,877**	**8,054,941**
2019						
Term loans	3.90 to 4.30	22,015,228	2,191,105	2,233,840	6,979,425	10,610,858

18. DEFERRED TAX LIABILITIES

	GROUP	
	2020	2019
	RM	RM
Deferred tax liabilities:		
Balance at beginning	**1,140,973**	1,595,696
Recognised in profit or loss	**1,017,523**	649,649
	2,158,496	2,245,345
Over provision in prior year	**(144,726)**	(1,104,372)
Balance at end	**2,013,770**	1,140,973

The deferred tax liabilities of the Group are represented by temporary differences arising from:

	GROUP	
	2020	2019
	RM	RM
Property, plant and equipment	**2,268,483**	1,234,564
Inventories	**(239,518)**	(41,559)
Others	**(15,195)**	(52,032)
	2,013,770	1,140,973

19. TRADE PAYABLES

The currency profile of trade payables is as follows:

	GROUP	
	2020	2019
	RM	RM
Ringgit Malaysia	**12,386,430**	10,493,690
US Dollar	**19,771,880**	14,646,532
Singapore Dollar	**9,400**	178,339
Euro	**43,317**	69,922
Taiwan Dollar	**-**	5,439
	32,211,027	**25,393,922**

Included in trade payables is an amount of **RM595,750** (2019: RM359,718) due to a company in which certain directors of the Company have substantial financial interest.

The trade payables are non-interest bearing and are normally settled within **30 to 180 days** (2019: 30 to 180 days) credit terms.

20. OTHER PAYABLES AND ACCRUALS

	GROUP		COMPANY	
	2020	2019	**2020**	2019
	RM	RM	**RM**	RM
Other payables	**17,629,948**	8,575,110	**137,325**	15,704
Accruals	**5,251,680**	6,080,721	**68,039**	43,000
	22,881,628	14,655,831	**205,364**	58,704

GROUP

Included in other payables are the followings:

a) an amount of **RM Nil** (2019: RM662,090) due to a director of a subsidiary.

b) an amount of **RM22,815** (2019: RM Nil) due to a company in which certain directors of the Company has substantial financial interests.

20. **OTHER PAYABLES AND ACCRUALS (cont'd)**

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

	GROUP		COMPANY	
	2020	2019	**2020**	2019
	RM	RM	**RM**	RM
Ringgit Malaysia	**15,689,852**	14,403,372	**205,364**	58,704
US Dollar	**6,156,735**	140,499	**-**	-
Thai Baht	**1,022,508**	-	**-**	-
Singapore Dollar	**2,903**	57,301	**-**	-
Others	**9,630**	54,659	**-**	-
	22,881,628	14,655,831	**205,364**	58,704

21. **CONTRACT LIABILITIES**

	GROUP	
	2020	2019
	RM	RM
Deposits due from customers upon placing sales orders as at the reporting period	**-**	251,561

Contract liabilities comprised of deposits received and/or receivable from customers for manufacturing orders. When the Group received or has a right to a deposit before the production commenced, this gives rise to contract liabilities at the commencement of a contract. The deposit is reversed and recognised as revenue during the financial year upon satisfying the performance obligation within the contract.

22. **REFUND LIABILTIES**

	GROUP	
	2020	2019
	RM	RM
Volume rebates		
Balance at beginning	**83,627**	-
Current year expected rebates	**154,560**	83,627
Set-off against trade receivables	**(42,129)**	-
Balance at end	**196,058**	83,627

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

23. REVENUE

23.1 Disaggregated revenue information

	GROUP		COMPANY	
	2020	2019	**2020**	2019
	RM	RM	**RM**	RM
Types of goods or service				
Sales of goods	**250,320,136**	255,519,601	**-**	-
Interest income	**216,662**	1,055,479	**1,199,509**	1,972,634
Rental income	**433,500**	216,750	**1,332,300**	731,550
Gross dividend income from subsidiaries	**-**	-	**10,000,000**	14,000,000
Total revenue from contracts with customers	**250,970,298**	256,791,830	**12,531,809**	16,704,184
Geographical markets				
Malaysia	**92,804,276**	104,012,878	**12,531,809**	16,704,184
United States of America	**121,183,965**	121,498,788	**-**	-
Other Asian countries	**36,755,497**	31,011,732	**-**	-
Europe	**188,945**	252,000	**-**	-
Oceania	**37,615**	16,432	**-**	-
Total revenue from contracts with customers	**250,970,298**	256,791,830	**12,531,809**	16,704,184
Timing of revenue recognition				
Revenue recognised at a point in time, representing total revenue from contracts with customers	**250,970,298**	256,791,830	**12,531,809**	16,704,184

23.2 Contract balances

	GROUP	
	2020	2019
	RM	RM
Trade receivables (Note 10)	**130,974,653**	103,401,082
Contract liabilities (Note 21)	**-**	251,561

23.3 Performance obligations

Performance obligations of respective revenue is disclosed in Note 3.12 to the financial statements.

24. PROFIT BEFORE TAX

This is arrived at:

	GROUP		COMPANY	
	2020	2019	**2020**	2019
	RM	RM	**RM**	RM
After charging:				
Allowance for slow moving inventories				
- addition/(reversal)	**185,697**	(645,367)	**-**	-
Auditors' remuneration				
- statutory audit				
- current year	**105,000**	105,000	**25,000**	25,000
- over provision in prior year	**-**	(14,180)	**-**	-
- other services	**7,000**	3,000	**7,000**	3,000
Emoluments for non-executive directors (i)	**149,500**	162,000	**149,500**	162,000
Depreciation				
- property, plant and equipment	**10,932,721**	9,257,682	**494,702**	116,188
- right-of-use assets	**783,943**	651,034	**-**	-
Interest expense on:				
- bank overdraft	**32,489**	113,515	**-**	-
- bankers acceptance	**106,973**	170,807	**-**	-
- hire purchase loans	**983,388**	1,026,406	**-**	-
- lease liabilities	**139,635**	100,282	**-**	-
- term loans	**782,836**	726,100	**728,502**	644,919
- others	**-**	221	**-**	-
Property, plant and equipment written off	**94,124**	9,392	**-**	-
Realised loss on foreign exchange	**410,526**	58,031	**-**	-
Lease rental of low-value assets	**20,594**	21,930	**-**	-
Lease rental of short leases	**920,284**	1,115,889	**-**	-
Staff costs (ii)	**42,899,878**	38,669,185	**-**	-
Unrealised loss on foreign exchange	**3,220,866**	2,564,997	**-**	-
And crediting:				
Gain on disposal of property, plant and equipment	**14,844**	175,043	**-**	-
Interest income	**469,899**	280,790	**-**	-
Realised gain on foreign exchange	**1,178,569**	2,302,708	**-**	-
Rent concession	**5,300**	-	**-**	-

24. **PROFIT BEFORE TAX (cont'd)**

	GROUP		COMPANY	
	2020	2019	**2020**	2019
	RM	RM	**RM**	RM
(i) **Emoluments for non-executive directors**				
Present non-executive directors				
- Fee	**138,000**	120,000	**138,000**	120,000
- Allowance	**11,500**	9,000	**11,500**	9,000
	149,500	129,000	**149,500**	129,000
Past non-executive directors				
- Fee	**-**	30,000	**-**	30,000
- Allowance	**-**	3,000	**-**	3,000
	-	33,000	**-**	33,000
	149,500	162,000	**149,500**	162,000
(ii) **Staff costs**				
- Salaries, allowance, bonus and wages	**38,348,549**	34,479,801	**-**	-
- EPF	**4,014,792**	3,702,903	**-**	-
- SOCSO	**485,780**	439,201	**-**	-
- EIS	**50,757**	47,280	**-**	-
	42,899,878	38,669,285	**-**	--

Directors' remuneration

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

	GROUP		COMPANY	
	2020	2019	**2020**	2019
	RM	RM	**RM**	RM
Executive directors of the Company:				
- Salary, allowances and bonus	**1,666,215**	1,796,435	**-**	-
- EPF	**247,898**	280,169	**-**	-
	1,914,113	2,076,604	**-**	-
Benefits-in-kind	**60,542**	65,750	**-**	-
	1,974,655	2,142,354	**-**	-

25. TAX EXPENSE

	GROUP		COMPANY	
	2020	2019	**2020**	2019
	RM	RM	**RM**	RM
Malaysian income tax:				
Based on results for the financial year				
- Current tax	**(7,764,000)**	(10,699,000)	**(234,000)**	(222,000)
- Deferred tax relating to the origination and reversal of temporary differences	**(1,017,523)**	(649,649)	**-**	-
	(8,781,523)	(11,348,649)	**(234,000)**	(222,000)
Over/(Under) provision in prior year				
- Current tax	**480,761**	1,060,764	**(1,270)**	(566)
- Deferred tax	**144,726**	1,104,372	**-**	-
	625,487	2,165,136	**(1,270)**	(566)
	(8,156,036)	(9,183,513)	**(235,270)**	(222,566)

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

	GROUP		COMPANY	
	2020	2019	**2020**	2019
	RM	RM	**RM**	RM
Profit before tax	**29,541,697**	39,649,171	**10,019,560**	15,004,878
Income tax at Malaysian statutory tax rate of 24%	**(7,090,008)**	(9,515,801)	**(2,404,694)**	(3,601,171)
Income not subject to tax	**1,205,709**	422,008	**2,453,344**	3,607,319
Expenses not deductible for tax purposes	**(2,343,128)**	(1,699,240)	**(282,650)**	(228,148)
Utilisation of reinvestment allowance	**765,904**	513,918	**-**	-
Deferred tax movements not recognised	**(1,320,000)**	(1,069,534)	**-**	-
	(8,781,523)	(11,348,649)	**(234,000)**	(222,000)
Over/(Under) provision in prior year	**625,487**	2,165,136	**(1,270)**	(566)
	(8,156,036)	(9,183,513)	**(235,270)**	(222,566)

25. **TAX EXPENSE (cont'd)**

As at the end of the reporting period, the Group's deferred tax position are as follows:

	GROUP	
	2020	2019
	RM	RM
Deferred tax recognised:		
Property, plant and equipment	**616,000**	330,000
Unabsorbed capital allowances	**(616,000)**	(330,000)
	-	-
Deferred tax assets not recognised:		
Unabsorbed tax losses	**(1,558,000)**	(770,000)
Unabsorbed capital allowances	**(479,000)**	(313,000)
Unabsorbed reinvestment allowance	**(614,000)**	(299,000)
Others	**(1,952,000)**	(1,901,000)
	(4,603,000)	(3,283,000)

The unabsorbed allowances and tax losses available to be carried forward for set-off against future assessable income of a nature and amount for the tax credits to be utilised are as follows:

	GROUP	
	2020	2019
	RM	RM
Unabsorbed tax losses	**6,495,000**	3,208,000
Unabsorbed capital allowances	**4,562,000**	2,680,000
Unabsorbed reinvestment allowance	**2,556,000**	1,245,000

The unabsorbed tax losses can be carried forward for seven consecutive years of assessment immediately following that year of assessment of which tax losses were incurred and this is effective from year of assessment 2018. Unutilised reinvestment allowance at the end of the qualifying reinvestment allowance period of fifteen years can be carried forward for seven consecutive years of assessment while unabsorbed capital allowances can be carried forward indefinitely.

The expiry of the unabsorbed tax losses is as follows:

	GROUP	
	2020	2019
	RM	RM
Year of assessment 2025	**297,000**	297,000
Year of assessment 2026	**2,911,000**	2,911,000
Year of assessment 2027	**3,287,000**	-
	6,495,000	3,208,000

26. 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:

	2020	2019
Profit attributable to owners of the Company (RM)	**21,386,821**	30,465,658
Weighted average number of ordinary shares in issue	**557,600,000**	557,600,000
Basic earnings per share (sen)	**3.84**	5.46

(b) **Diluted earnings per share**

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

27. DIVIDENDS

	2020 **RM**	2019 RM
In respect of financial year ended 31 December 2020:		
- First interim single tier dividend of 0.5 sen per share	**2,788,000**	-
In respect of financial year ended 31 December 2019:		
- First interim single tier dividend of 0.5 sen per share	**-**	2,788,000
- Second interim single tier dividend of 0.5 sen per share	**-**	2,788,000
- Third interim single tier dividend of 0.5 sen per share	**-**	2,788,000
- Fourth interim single tier dividend of 0.5 sen per share	**2,788,000**	-
In respect of financial year ended 31 December 2018:		
- Fourth interim single tier dividend of 0.5 sen per share	**-**	2,788,000
	5,576,000	11,152,000

28. CAPITAL COMMITMENTS

	GROUP		COMPANY	
	2020	2019	**2020**	2019
	RM	RM	**RM**	RM
Contracted but not provided for:				
- Renovation of factory building	**818,437**	1,656,237	**-**	1,656,237
- Purchase of machineries	**4,478,678**	6,189,377	**-**	-
	5,297,115	7,845,614	**-**	1,656,237

29. RELATED PARTY DISCLOSURES

(i) Identity of related parties

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

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

(ii) Related party transactions

	GROUP	
	2020	2019
	RM	RM
Transactions with related party E2E:		
- Purchases of inventories	**(991,398)**	(906,826)
- Sub-contractor charges	**(218,038)**	(272,578)
* Proceeds from the disposal of a motor vehicle to a former director of a subsidiary	**-**	1

	COMPANY	
	2020	2019
	RM	RM
Transactions with subsidiaries		
- Dividend income received	**10,000,000**	14,000,000
- Intercompany loan interest income received	**982,847**	917,155
- Rental income received	**898,800**	514,800

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

29. **RELATED PARTY DISCLOSURES (cont'd)**

(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	
	2020	2019	**2020**	2019
	RM	RM	**RM**	RM
Salaries and other short-term employee benefits	**3,104,241**	3,369,165	**149,500**	162,000
Defined contribution plan	**401,264**	444,847	**-**	-
Benefits-in-kind	**86,442**	190,045	**-**	-
	3,591,947	4,004,057	**149,500**	162,000
Analysed as:				
Directors	**2,124,155**	2,304,354	**149,500**	162,000
Other key management personnel	**1,467,792**	1,699,703	**-**	-
	3,591,947	4,004,057	**149,500**	162,000

30. **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 business unit — Printed circuit board assemblies ("PCBA") and electronic modules assemblies.

(ii) Mechanical business unit — Manufacturing of precision miniature engineering metal parts, machined metal parts, fabrication of tools and equipment and metal enclosures.

(iii) Others — Investment holding.

30. **OPERATING SEGMENT (cont'd)**

By business segments

2020

	Electronic RM	Mechanical RM	Others RM	Elimination RM	Note	Total RM
Revenue						
External customers	138,916,432	111,403,704	650,162	-		250,970,298
Inter-segment revenue	16,625,128	1,335,430	11,881,647	(29,842,205)	A	-
Total revenue	155,541,560	112,739,134	12,531,809	(29,842,205)		250,970,298
Results						
Segment results	20,378,812	11,259,017	10,526,306	(11,263,678)		30,900,457
Interest income	149,102	700,992	1,199,524	(1,363,057)		686,561
Interest expense	(1,195,984)	(1,533,261)	(728,502)	1,412,426		(2,045,321)
Profit before tax	19,331,930	10,426,748	10,997,328	(11,214,309)		29,541,697
Tax expense	(4,364,459)	(3,555,514)	(235,989)	(74)		(8,156,036)
Net profit, representing total comprehensive income for the financial year	14,967,471	6,871,234	10,761,339	(11,214,383)		21,385,661
Assets						
Segment assets	152,598,914	98,811,029	33,007,126	18,075,578		302,492,647
Tax recoverable	1,985,355	12,360	14,413	-		2,012,128
Cash and cash equivalents	7,226,435	10,787,691	12,731,406	-		30,745,532
Total assets	161,810,704	109,611,080	45,752,945	18,075,578		335,250,307
Liabilities						
Segment liabilities	34,374,433	26,611,166	206,364	(2,700,745)		58,491,218
Borrowings	12,242,846	22,727,273	19,767,595	-		54,737,714
Deferred tax liabilities	1,906,000	107,086	-	684		2,013,770
Tax payable	-	1,568,915	-	-		1,568,915
Total liabilities	48,523,279	51,014,440	19,973,959	(2,700,061)		116,811,617
Other segment information						
Additions to non-current assets	18,128,100	10,726,483	-	-	B	28,854,583
Depreciation						
- property, plant and equipment	3,604,105	6,833,914	494,702	-		10,932,721
- right-of-use assets	-	1,140,943	-	(357,000)		783,943
Non-cash income other than depreciation	2,946,708	533,835	-	-	C	3,480,543

30. **OPERATING SEGMENT (cont'd)**

By business segments (cont'd)

2019

	Electronic RM	Mechanical RM	Others RM	Elimination RM	Note	Total RM
Revenue						
External customers	132,709,239	122,810,362	1,272,229	-		256,791,830
Inter-segment revenue	15,560,575	1,949,941	15,431,955	(32,942,471)	A	-
Total revenue	148,269,814	124,760,303	16,704,184	(32,942,471)		256,791,830
Results						
Segment results	26,310,862	14,485,884	13,670,099	(14,016,612)		40,450,233
Interest income	177,190	588,606	1,975,628	(1,405,155)		1,336,269
Interest expense	(1,401,077)	(1,496,490)	(644,919)	1,405,155		(2,137,331)
Profit before tax	25,086,975	13,578,000	15,000,808	(14,016,612)		39,649,171
Tax expense	(5,406,450)	(3,521,718)	(222,566)	(32,779)		(9,183,513)
Net profit, representing total comprehensive income for the financial year	19,680,525	10,056,282	14,778,242	(14,049,391)		30,465,658
Assets						
Segment assets	106,292,483	93,259,931	30,894,155	20,759,576		251,206,145
Tax recoverable	102,000	9,632	46,400	-		158,032
Cash and cash equivalents	10,050,330	16,533,651	27,861,840	-		54,445,821
Total assets	116,444,813	109,803,214	58,802,395	20,759,576		305,809,998
Liabilities						
Segment liabilities	15,100,421	27,458,093	560,849	(248,208)		42,871,155
Borrowings	14,438,385	21,775,252	22,015,228	-		58,228,865
Deferred tax liabilities	836,000	304,363	-	610		1,140,973
Tax payable	89,953	2,057,580	-	-		2,147,533
Total liabilities	30,464,759	51,595,288	22,576,077	(247,598)		104,388,526
Other segment information						
Additions to non-current assets	1,797,078	9,036,037	17,934,699		B	28,767,814
Depreciation						
- property, plant and equipment	3,013,460	6,128,034	116,188			9,257,682
- right-of-use assets	-	651,034	-			651,034
Non-cash income other than depreciation	1,506,760	247,219	-		C	1,753,979

30. **OPERATING SEGMENT (cont'd)**

By business segments (cont'd)

Notes to segment information:

A. Inter-segment revenue are eliminated on consolidation.

B. Additions to non-current assets consists of property, plant and equipment.

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

	2020	2019
	RM	RM
Allowance for slow moving inventories		
- addition/(reversal)	**185,697**	(645,367)
Gain on disposal of property, plant and equipment	**(14,844)**	(175,043)
Property, plant and equipment written off	**94,124**	9,392
Rent concession	**(5,300)**	-
Unrealised loss on foreign exchange	**3,220,866**	2,564,997
	3,480,543	1,753,979

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**	
	2020	2019	**2020**	2019
	RM	RM	**RM**	RM
Malaysia	**92,804,276**	104,012,878	**126,052,885**	112,791,787
United States of America	**121,183,965**	121,498,788	**-**	-
Other Asian countries	**36,755,497**	31,011,732	**-**	-
Europe	**188,945**	252,000	**-**	-
Oceania	**37,615**	16,432	**-**	-
	250,970,298	256,791,830	**126,052,885**	112,791,787

Information about major customers

The followings are major customers with revenue contribution equal or more than 10% of the Group's total revenue:

	Revenue		
	2020	2019	**Segment**
	RM	RM	
Customer A	**118,877,699**	118,522,852	Electronic
Customer B	**32,374,687**	49,916,714	Mechanical

31. FINANCIAL INSTRUMENTS

31.1 Categories of financial instruments

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

	Carrying amount	AC
	RM	RM
2020		
GROUP		
Financial assets		
Trade receivables	130,974,653	130,974,653
Other receivables and refundable deposits	4,285,731	4,285,731
Cash and cash equivalents	30,745,532	30,745,532
	166,005,916	166,005,916
Financial liabilities		
Trade payables	32,211,027	32,211,027
Other payables and accruals	22,881,628	22,881,628
Borrowings	54,737,714	54,737,714
	109,830,369	109,830,369
COMPANY		
Financial assets		
Refundable deposits	2,707,063	2,707,063
Amount due from subsidiaries	39,920,813	39,920,813
Cash and cash equivalents	10,252,184	10,252,184
	52,880,060	52,880,060
Financial liabilities		
Other payables and accruals	205,364	205,364
Borrowings	19,767,595	19,767,595
	19,972,959	19,972,959

31. **FINANCIAL INSTRUMENTS (cont'd)**

31.1 **Categories of financial instruments (cont'd)**

	Carrying amount RM	AC RM
2019		
GROUP		
Financial assets		
Trade receivables	103,401,082	103,401,082
Other receivables and refundable deposits	1,230,899	1,230,899
Cash and cash equivalents	54,445,821	54,445,821
	159,077,802	159,077,802
Financial liabilities		
Trade payables	25,393,922	25,393,922
Other payables and accruals	14,655,831	14,655,831
Borrowings	58,228,865	58,228,865
	98,278,618	98,278,618
COMPANY		
Financial assets		
Other receivables and refundable deposits	3,250	3,250
Amount due from subsidiaries	24,063,432	24,063,432
Cash and cash equivalents	27,376,140	27,376,140
	51,442,822	51,442,822
Financial liabilities		
Other payables and accruals	58,704	58,704
Borrowings	22,015,228	22,015,228
	22,073,932	22,073,932

31.2 **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.

31. **FINANCIAL INSTRUMENTS (cont'd)**

31.3 **Credit risk**

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group and to the Company. 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.

31.3.1 **Trade receivables**

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

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

In addition, as set out in Note 3.6, the Group assesses expected credit losses ("ECL") under MFRS 9 on trade receivables based on a 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 forward 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 the 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 2020 and hence, it was not provided for.

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

	2020	2019
	RM	RM
Not past due	**116,276,081**	95,181,069
1 to 30 days past due	**7,775,098**	4,970,800
31 to 60 days past due	**1,293,880**	1,409,307
61 to 90 days past due	**3,088,361**	425,837
Past due more than 90 days	**2,541,233**	1,414,069
	14,698,572	8,220,013
	130,974,653	103,401,082

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 **RM14,698,572** (2019: RM8,220,013) 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 **1 customer** (2019: 2 customers), representing **76%** (2019: 78%) of total trade receivables.

31. **FINANCIAL INSTRUMENTS (cont'd)**

31.3.2 **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.

31.3.3 **Financial guarantees**

The Company provides unsecured financial guarantees to banks in respect of borrowings granted to certain subsidiaries. The limit of the guarantee and the maximum exposure of the financial guarantee is **RM84,883,376** (2019: RM64,847,896) and **RM42,599,993** (2019: RM27,352,323) respectively.

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

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

31.4 **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 undiscounted contractual payments:

	Carrying amount	Contractual cash flows	Within one year	More than one year and less than two years	More than two years and less than five years	More than five years
	RM	RM	RM	RM	RM	RM
GROUP						
2020						
Non-derivative financial liabilities						
Trade and other payables	55,092,655	55,092,655	55,092,655	-	-	-
Borrowings	54,737,714	59,268,356	23,527,190	9,467,068	17,829,102	8,444,996
Lease liabilities	3,202,505	3,528,300	807,600	776,700	1,944,000	-
	113,032,874	117,889,311	79,427,445	10,243,768	19,773,102	8,444,996

31. **FINANCIAL INSTRUMENTS (cont'd)**

31.4 **Liquidity risk (cont'd)**

	Carrying amount RM	Contractual cash flows RM	Within one year RM	More than one year and less than two years RM	More than two years and less than five years RM	More than five years RM
GROUP						
2019						
Non-derivative financial liabilities						
Trade and other payables	40,049,753	40,049,753	40,049,753	-	-	-
Borrowings	58,228,865	64,721,007	26,347,817	8,945,163	17,653,331	11,774,696
Lease liabilities	2,486,214	2,727,900	770,700	678,000	1,171,200	108,000
	100,764,832	107,498,660	67,168,270	9,623,163	18,824,531	11,882,696
COMPANY						
2020						
Non-derivative financial liabilities						
Other payables	**205,364**	**205,364**	**205,364**	-	-	-
Borrowings	**19,767,595**	**22,240,556**	**2,829,405**	**2,794,292**	**8,172,732**	**8,444,127**
* Financial guarantees	-	**42,599,993**	**42,599,993**	-	-	-
	19,972,959	**65,045,913**	**45,634,762**	**2,794,292**	**8,172,732**	**8,444,127**
2019						
Non-derivative financial liabilities						
Other payables	58,704	58,704	58,704	-	-	-
Borrowings	22,015,228	26,505,311	3,087,930	3,035,842	8,797,397	11,584,142
* Financial guarantees	-	27,352,323	27,352,323	-	-	
	22,073,932	53,916,338	30,498,957	3,035,842	8,797,397	11,584,142

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

31. **FINANCIAL INSTRUMENTS (cont'd)**

31.5 **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:

	2020 RM	2019 RM
GROUP		
Fixed rate instruments		
Financial assets	**17,683,717**	42,354,410
Financial liabilities	**19,721,236**	17,956,401
Floating rate instruments		
Financial liabilities	**35,016,478**	40,272,464
COMPANY		
Fixed rate instruments		
Financial assets	**44,337,080**	46,575,484
Floating rate instruments		
Financial liabilities	**19,767,595**	22,015,228

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 **RM73,324** (2019: RM57,308) and **RM60,306** (2019: RM39,324) 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.

31. **FINANCIAL INSTRUMENTS (cont'd)**

31.6 **Foreign currency risk**

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

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity to a reasonably possible change in the foreign currencies exchange rates (against Ringgit Malaysia), with all other variables being held constant, of the Group's profit before tax. A 10% strengthening of the RM against the following currency 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.

	2020	2019
	RM	RM
USD	**(9,243,100)**	(7,877,705)
Others	**104,011**	(8,997)
Reduction in profit before tax	**(9,139,089)**	(7,886,702)

32. **FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS**

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

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

33. **CAPITAL MANAGEMENT**

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

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

A licensed bank with which a subsidiary of the Company obtained bankers acceptance facility had imposed a debt covenant that requires the Group to maintain a gearing ratio of not more than 1 time throughout the tenure of the facility.

The directors monitor and maintain an optimal gearing ratio that complies with the debt covenant and other regulatory requirements.

33. **CAPITAL MANAGEMENT (cont'd)**

As at the end of the reporting period, the gearing ratio of the Group is as follows:

	2020	2019
	RM	RM
Total borrowings	**54,737,714**	58,228,865
Total equity	**218,438,690**	201,421,472
Gearing ratio (times)	**0.25**	0.29

34. **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 Main Market Listing Requirements of Bursa Securities Malaysia Berhad. The ESOS shall be in force for a period of five (5) years from 3 April 2018 and will expire on 2 April 2023.

There were no options granted during the financial year.

The salient features of the ESOS are as follows :

(i) the total number of options offered under the ESOS shall not exceed ten per centum (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 per centum (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 per centum (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 per centum (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 per centum (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

34. **EMPLOYEE SHARE OPTION SCHEME ("ESOS") (cont'd)**

(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.

35. **SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR AND SUBSEQUENT TO THE REPORTING PERIOD**

(i) On 15 October 2020, the Company had entered into a Memorandum of Understanding ("MOU") with MASS Precision, Inc. ("MASS"), whereby MASS and the Company will collaborate to create an efficient and effective supply chain by setting up a joint venture company to support the semiconductor industry in Malaysia and the Asia Pacific region. On 10 February 2021, a company was incorporated by the name of Mass Precision Sdn. Bhd. ("MPSB") with the Company subscribing to 30% shareholding in MPSB whilst the remaining shareholding was subscribed by MASS.

(ii) On 12 November 2020, the Company had announced that the listing and quotation for its entire issued share capital has been transferred from the ACE Market to the Main Market of Bursa Malaysia Securities Berhad on the same day, marking the completion of the transfer.

(iii) The 2019 Novel Coronavirus outbreak ("COVID-19") which was declared by the World Health Organisation as a pandemic on 11 March 2020, had significantly disrupted many business operations and caused uncertainties around the world including the Group's operations. The Group's revenue in the current financial year has been slightly affected mainly because of the initial Movement Control Order ("MCO") issued by our government which resulted in the temporary closure of the Group's business from 18 March 2020 to mid of April 2020.

On 26 March 2020, the Group's operations in Kulim, Kedah had resumed operations at 20 per centum workforce capacity upon obtaining an approval from the Ministry of Trade and Industry ("MITI"). Subsequently, the Group's operation in Kulim and Sungai Petani, Kedah were allowed to operate at 50 per centum and 100 per centum workforce capacity from the mid of April and from the end of April 2020 respectively. Throughout this period, the Group had strictly adhered to the Standard Operating Procedures ("SOP") introduced by MITI.

The Group has been in operation since and the subsequent declaration of various forms movement control order and state of emergency by our government and the Yang di-Pertuan Agong did not have material impact on the Group's operations and financial performance.

Nevertheless, given the volatile nature of COVID-19, the Group will continue to monitor the situation surrounding the pandemic closely so as to enable the Group to formulate measures in a swift and decisive manner to any potential impact arising from the pandemic. The Group has sufficient working capital to sustain its operations and to continue its business as a going-concern.

(iv) On 4 February 2021, the Company had incorporated a new subsidiary by the name of Mace Hermetic Components Sdn. Bhd. The intended principal activity of the subsidiary is to design, manufacture and testing for enclosures, connectors and terminals with hermetic joints of metal-to-metal, glass-to-metal and ceramic-to-metal.

(v) On 25 March 2021, the Company had announced that the term of the MOU that was entered into between the Company and Universal Alloy Corporation Europe ("UACE") had expired and the Company had decided against further extending the term of the MOU. Previously on 26 March 2019, the Company had entered into a MOU with UACE and the term of the MOU is for a period of 2 years from the date of the MOU with an option to extend for a further 1 year upon a written mutual agreement.

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 31/12/2020 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	22 years	313,463
15-1-22, Bayan Point, Medan Kampung Relau, 11900 Penang	10.10.2012	Office Lot	1,066 sq. ft.	Sales and administration office	Freehold	22 years	210,000
HS(D) 87019 PT 19554 Bandar Sungai Petani Daerah Kuala Muda, Kedah Darul Aman	23.05.2018	Industrial Land & Building	45,317 sq. ft.	Factory building	Freehold	25 years	3,065,434
HS(D) 87781 PT 19560 Bandar Sungai Petani Daerah Kuala Muda, Kedah Darul Aman	23.05.2018	Industrial Land & Building	71,318 sq. ft.	Factory building	Freehold	24 years	4,613,840
HS(D) 87778 PT 19559 Bandar Sungai Petani Daerah Kuala Muda, Kedah Darul Aman	23.05.2018	Industrial Land & Building	81,358 sq. ft.	Factory building	Freehold	24 years	4,614,820
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	20 years	3,557,065
Lot 1341, Section 38 Bandar Kulim Daerah Kulim, Kedah Darul Aman	02.04.2019	Industrial Land & Building	227,119 sq ft	Factory building	Leasehold for 60 years expiring on 9/9/2043	23 years	16,850,780

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	187,002,000	33.537	-	-
NOBLE MATTERS SDN. BHD.	75,441,452	13.530	-	-
CHEAH CHOON GHEE	5,830,000	1.046	75,441,452#	13.530
ONG HOCK SEONG	5,542,600	0.994	75,441,452#	13.530

Note :

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

DIRECTORS' SHAREHOLDINGS IN THE COMPANY

Name	Number of Shares Held			
	Direct	%	Deemed	%
DATO' TAN KING SENG	187,002,000	33.537	-	-
CHEAH CHOON GHEE	5,830,000	1.046	75,441,452#	13.530
KHOR THEAN LEE	-	-	-	-
KOH YEW WAH	500,000	0.090	-	-
LAI FAH HIN	40,000	0.007	50,000^	0.009
WONG CHI YENG	30,000	0.005	-	-
LIM CHUN THANG	-	-	-	-
KHOR CHENG KWANG	-	-	-	-
LOW SOO KIM	-	-	-	-

Note :

Deemed interested by virtue of his shareholdings of not less than 20% in Noble Matters Sdn. Bhd. pursuant to Section 8 of the Companies Act 2016.
^ Other interest held through his spouse pursuant to Section 59(11)(c) of the Companies Act 2016.

ANALYSIS BY SIZE OF SHAREHOLDINGS

Size of shareholdings	Number of Shareholders	% of Shareholders	Number of Shares	% of Shares
Less than 100 shares	15	0.156	394	0.000
100 to 1,000 shares	2,161	22.510	1,483,130	0.266
1,001 to 10,000 shares	5,404	56.292	24,171,951	4.335
10,001 to 100,000 shares	1,752	18.250	53,259,864	9.552
100,001 to less than 5% of issued shares	266	2.771	216,241,209	38.781
5% and above of issued shares	2	0.021	262,443,452	47.067
Total	**9,600**	**100.000**	**557,600,000**	**100.00**

LIST OF THIRTY LARGEST SHAREHOLDERS

	NAME	NO. OF SHARESHELD	%
1	TAN KING SENG	55,432,000	9.941
2	TAN KING SENG	50,640,000	9.082
3	TAN KING SENG	45,000,000	8.070
4	NOBLE MATTERS SDN.BHD.	42,143,316	7.558
5	TAN KING SENG	35,930,000	6.444
6	NOBLE MATTERS SDN.BHD.	33,298,136	5.972
7	DB (MALAYSIA) NOMINEE (TEMPATAN) SENDIRIAN BERHAD DEUTSCHE TRUSTEES MALAYSIA BERHAD FOR HONG LEONG VALUE FUND	19,316,600	3.464
8	CITIGROUP NOMINEES (TEMPATAN) SDN BHD GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD (LEEF)	10,000,000	1.793
9	AMANAHRAYA TRUSTEES BERHAD PUBLIC SMALLCAP FUND	7,178,000	1.287
10	CITIGROUP NOMINEES (ASING) SDN BHD EXEMPT AN FOR CITIBANK NEW YORK (NORGES BANK 19)	6,474,300	1.161
11	MAYBANK NOMINEES (TEMPATAN) SDN BHD SAW KONG BENG	5,999,900	1.076
12	CHEAH CHOON GHEE	5,830,000	1.046
13	ONG HOCK SEONG	5,474,000	0.982
14	TAN LAND GHEE	5,460,000	0.979
15	CITIGROUP NOMINEES (TEMPATAN) SDN BHD GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD (LPF)	5,375,900	0.964
16	CITIGROUP NOMINEES (TEMPATAN) SDN BHD GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD (LBF)	5,182,800	0.930
17	DB (MALAYSIA) NOMINEE (TEMPATAN) SENDIRIAN BERHAD DEUTSCHE TRUSTEES MALAYSIA BERHAD FOR HONG LEONG BALANCED FUND	4,800,000	0.861
18	AMANAHRAYA TRUSTEES BERHAD ASN EQUITY 2	4,000,000	0.717
19	MAYBANK NOMINEES (TEMPATAN) SDN BHD MTRUSTEE BERHAD FOR PRINCIPAL DALI EQUITY GROWTH FUND (UT-CIMB-DALI) (419455)	3,712,700	0.666
20	CITIGROUP NOMINEES (TEMPATAN) SDN BHD GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD (LGF)	3,674,400	0.659
21	CHAN HUAI LENG	3,066,000	0.550
22	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD (CIMB PRIN)	3,050,200	0.547
23	CARTABAN NOMINEES (TEMPATAN) SDN BHD RHB TRUSTEES BERHAD FOR MANULIFE INVESTMENT SHARIAH PROGRESSFUND	3,042,600	0.546
24	CIMB GROUP NOMINEES (TEMPATAN) SDN BHD HONG LEONG ASSET MANAGEMENT BHD FOR HONG LEONG ASSURANCE BERHAD (LP FUND ED102)	2,930,000	0.526
25	CITIGROUP NOMINEES (TEMPATAN) SDN BHD UNIVERSAL TRUSTEE (MALAYSIA) BERHAD FOR PRINCIPAL DALI EQUITY FUND	2,842,900	0.510
26	DB (MALAYSIA) NOMINEE (TEMPATAN) SENDIRIAN BERHAD DEUTSCHE TRUSTEES MALAYSIA BERHAD FOR HONG LEONG GROWTH FUND	2,800,000	0.502
27	LIM LENG NA	2,740,000	0.491
28	AMANAHRAYA TRUSTEES BERHAD PUBLIC STRATEGIC SMALLCAP FUND	2,600,000	0.466
29	AMANAHRAYA TRUSTEES BERHAD PUBLIC SECTOR SELECT FUND	2,550,000	0.457
30	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD (ABERISLAMIC)	2,460,300	0.441
	Total	**383,004,052**	**68.688**

NOTICE IS HEREBY GIVEN THAT the Sixteenth Annual General Meeting of the Company will be held at Grand Ballroom, Level 2, G Hotel Gurney, 168A Persiaran Gurney, 10250 Penang on Monday, 31 May 2021 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 2020 together with the Reports of the Directors and Auditors thereon. **Please refer to the Explanatory Notes**

2. To approve the payment of Directors' fees and Directors' benefits of RM159,000.00 for the financial year ending 31 December 2021. **Ordinary Resolution 1**

3. To re-elect Mr Khor Thean Lee who retires in accordance with the Article 95 of the Company's Constitution. **Ordinary Resolution 2**

4. To re-elect Mr Lai Fah Hin who retires in accordance with the Article 95 of the Company's Constitution. **Ordinary Resolution 3**

5. To re-elect Mr Koh Yew Wah who retires in accordance with the Article 95 of the Company's Constitution. **Ordinary Resolution 4**

6. To re-elect Ms Low Soo Kim who retires in accordance with the Article 102 of the Company's Constitution. **Ordinary Resolution 5**

7. To re-appoint Messrs. Grant Thornton Malaysia PLT 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 6**

As Special Business :

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

8. **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 and allot 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 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 7**

As Special Business : (cont'd)

9. **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 Main Market Listing Requirements of the Bursa Malaysia Securities Berhad ("Bursa Securities") ("Listing Requirements") and all other applicable laws, rules, regulations and guidelines for the time being in force, the Directors of the Company be and are hereby authorised, to make purchase(s) of ordinary shares in the Company on Bursa Securities subject to the following:-

(a) The maximum number of shares which may be purchased and/or held by the Company shall not exceed 10% of the total number of issued shares of the Company for the time being;

(b) The maximum fund to be allocated by the Company for the purpose of purchasing its shares shall not exceed the retained profits of the Company; and

(c) Upon completion of the purchase by the Company of its own shares, the Directors of the Company are authorised to deal with the shares so bought-back in their absolute discretion in any of the following manner:-

(i) cancel the shares so purchased; or

(ii) retain the shares so purchased as treasury shares and held by the Company; or

(iii) retain part of the shares so purchased as treasury shares and cancel the remainder; or

(iv) distribute the treasury shares as dividends to shareholders and/or resell on Bursa Securities and/or cancel all or part of them; or

(v) transfer all or part of the treasury shares for purposes of an employees' share scheme, and/or as purchase consideration; or

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

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

(a) the conclusion of the next Annual General Meeting ("AGM") of the Company following the general meeting at which such resolution was passed at which time the said authority will lapse unless renewed by ordinary resolution passed at that meeting, the authority is renewed, either unconditionally or subject to conditions; or

(b) the expiration of the period within which the next AGM of the Company after that date is required to be held pursuant to Section 340(2) of the Act (but shall not extend to such extension as may be allowed under 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 8**

As Special Business : (cont'd)

10. **ORDINARY RESOLUTION**
PROPOSED GRANTING OF OPTIONS TO MR LIM CHUN THANG, THE INDEPENDENT NON-EXECUTIVE DIRECTOR OF THE COMPANY PURSUANT TO THE EXECUTIVE SHARE OPTION SCHEME ("ESOS")
"THAT, the Board or ESOS Committee be and is hereby authorised at any time and from time to time throughout the duration of the existing ESOS, to offer and grant to Mr Lim Chun Thang, the Independent Non-Executive Director of the Company, options to subscribe for up to 800,000 new ordinary shares of the Company ("JHM Shares" or "Shares") under the existing ESOS, provided that at the point the options are offered to Mr Lim Chun Thang, his allocation is not more than ten percentum (10%) (or such other percentage as may be permitted by Bursa Securities or any other relevant authorities from time to time) of the total JHM Shares made available under the ESOS if he either singly or collectively through persons connected with him, holds twenty percentum (20%) (or such other percentage as may be permitted by Bursa Securities or any other relevant authorities from time to time) or more of the total number of issued shares of the Company (excluding treasury shares, if any), and subject always to such terms and conditions of the ESOS as may, from time to time, be modified, varied and/or amended in accordance with the provisions of the By-Laws governing and constituting the ESOS and any prevailing guidelines issued by Bursa Securities, the Listing Requirements or any other relevant authorities as amended from time to time." **Ordinary Resolution 9**

11. **ORDINARY RESOLUTION**
PROPOSED GRANTING OF OPTIONS TO MR KHOR CHENG KWANG, THE INDEPENDENT NON-EXECUTIVE DIRECTOR OF THE COMPANY PURSUANT TO THE ESOS
"THAT, the Board or ESOS Committee be and is hereby authorised at any time and from time to time throughout the duration of the existing ESOS, to offer and grant to Mr Khor Cheng Kwang, the Independent Non-Executive Director of the Company, options to subscribe for up to 500,000 new JHM Shares under the existing ESOS, provided that at the point the options are offered to Mr Khor Cheng Kwang, his allocation is not more than ten percentum (10%) (or such other percentage as may be permitted by Bursa Securities or any other relevant authorities from time to time) of the total JHM Shares made available under the ESOS if he either singly or collectively through persons connected with him, holds twenty percentum (20%) (or such other percentage as may be permitted by Bursa Securities or any other relevant authorities from time to time) or more of the total number of issued shares of the Company (excluding treasury shares, if any), and subject always to such terms and conditions of the ESOS as may, from time to time, be modified, varied and/or amended in accordance with the provisions of the By-Laws governing and constituting the ESOS and any prevailing guidelines issued by Bursa Securities, the Listing Requirements or any other relevant authorities as amended from time to time." **Ordinary Resolution 10**

12. **ORDINARY RESOLUTION**
PROPOSED GRANTING OF OPTIONS TO MS LOW SOO KIM, THE EXECUTIVE DIRECTOR OF THE COMPANY PURSUANT TO THE ESOS
"THAT, the Board or ESOS Committee be and is hereby authorised at any time and from time to time throughout the duration of the existing ESOS, to offer and grant to Ms Low Soo Kim, the Executive Director of the Company, options to subscribe for up to 1,000,000 new JHM Shares under the existing ESOS, provided that at the point the options are offered to Ms Low Soo Kim, her allocation is not more than ten percentum (10%) (or such other percentage as may be permitted by Bursa Securities or any other relevant authorities from time to time) of the total JHM Shares made available under the ESOS if she either singly or collectively through persons connected with her, holds twenty percentum (20%) (or such other percentage as may be permitted by Bursa Securities or any other relevant authorities from time to time) or more of the total number of issued shares of the Company (excluding treasury shares, if any), and subject always to such terms and conditions of the ESOS as may, from time to time, be modified, varied and/or amended in accordance with the provisions of the By-Laws governing and constituting the ESOS and any prevailing guidelines issued by Bursa Securities, the Listing Requirements or any other relevant authorities as amended from time to time." **Ordinary Resolution 11**

As Special Business : (cont'd)

13. 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)
SSM PC No. 202008001804
TAN SHE CHIA (MAICSA 7055087)
SSM PC No. 202008001923

Company Secretaries

Penang

Date : 30 April 2021

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, 48, Jalan Chow Thye, 10050 George Town, Penang not less than 48 hours before the time appointed for holding the meeting.

3. A member shall be entitled to appoint not more than 2 proxies to attend and vote at the same meeting.

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

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

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

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

8. For purpose of determining who shall be entitled to attend this meeting, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to make available to the Company pursuant to the Article 69 of Company's Constitution and Paragraph 7.16(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, a Record of Depositors ("**ROD**") as at 24 May 2021 and only a Depositor whose name appears on such ROD shall be entitled to attend, speak and vote at this meeting or appoint proxy to attend and/or speak and/or vote in his/her behalf.

9. All resolutions as set out in this notice of Sixteenth 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 2020 together with the Reports of the Directors and Auditors thereon
This item is meant for discussion only as the provision of Section 340(1)(a) of the Companies Act 2016 does not require shareholders' approval for the audited financial statements. Therefore, this item will not be put forward for voting.

Ordinary Resolution 1 – Payment of Directors' fees and Directors' benefits
The proposed Ordinary Resolution 1 is to facilitate payment of Directors' fees and Directors' benefits on current financial year basis, calculated based on the number of scheduled Board and Committee meetings for 2021 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 7 – 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 7, 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 Fifteenth Annual General Meeting held on 26 August 2020 and which will lapse at the conclusion of the Sixteenth Annual General Meeting to be held on 31 May 2021.

A renewal of this authority is being sought at the Sixteenth Annual General Meeting under proposed Ordinary Resolution 7.

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 8 - Proposed Share Buy-Back Authority
The proposed Ordinary Resolution 8, 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 Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

The details of the proposal are set out in the statement to shareholders dated 30 April 2021.

Ordinary Resolution 9 - Proposed granting of options to Mr Lim Chun Thang, the Independent Non-Executive Director of the Company pursuant to the ESOS
The proposed Ordinary Resolution 9, if passed, will allow the Directors or ESOS Committee to offer and grant to Mr Lim Chun Thang, an Independent Non-Executive Director of the Company, options to subscribe for up to 800,000 new JHM Shares under the existing ESOS at any time and from time to time throughout the duration of the existing ESOS, subject always to such terms and conditions of the ESOS as may, from time to time, be modified, varied and/or amended in accordance with the provisions of the By-Laws governing and constituting the ESOS and any prevailing guidelines issued by Bursa Securities, the Listing Requirements or any other relevant authorities as amended from time to time.

Explanatory Note on Special Business (cont'd)

Ordinary Resolution 10 - Proposed granting of options to Mr Khor Cheng Kwang, the Independent Non-Executive Director of the Company pursuant to the ESOS
The proposed Ordinary Resolution 10, if passed, will allow the Directors or ESOS Committee to offer and grant to Mr Khor Cheng Kwang, an Independent Non-Executive Director of the Company, options to subscribe for up to 500,000 new JHM Shares under the existing ESOS at any time and from time to time throughout the duration of the existing ESOS, subject always to such terms and conditions of the ESOS as may, from time to time, be modified, varied and/or amended in accordance with the provisions of the By-Laws governing and constituting the ESOS and any prevailing guidelines issued by Bursa Securities, the Listing Requirements or any other relevant authorities as amended from time to time.

Ordinary Resolution 11 - Proposed granting of options to Ms Low Soo Kim, the Executive Director of the Company pursuant to the ESOS
The proposed Ordinary Resolution 11, if passed, will allow the Directors or ESOS Committee to offer and grant to Ms Low Soo Kim, an Executive Director of the Company, options to subscribe for up to 1,000,000 new JHM Shares under the existing ESOS at any time and from time to time throughout the duration of the existing ESOS, subject always to such terms and conditions of the ESOS as may, from time to time, be modified, varied and/or amended in accordance with the provisions of the By-Laws governing and constituting the ESOS and any prevailing guidelines issued by Bursa Securities, the Listing Requirements or any other relevant authorities as amended from time to time.

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.

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 Paragraph 6.03(3) of the Listing Requirements of Bursa Malaysia Securities Berhad. Please refer to the proposed Ordinary Resolution 7 as stated in the Notice of Annual General Meeting of the Company for the details.

This page is intentionally left blank.

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

PROXY FORM

*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 Sixteenth Annual General Meeting of the Company to be held at Grand Ballroom, Level 2, G Hotel Gurney, 168A Persiaran Gurney, 10250 Penang on Monday, 31 May 2021 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 2020 together with the Reports of the Directors and Auditors thereon

Resolutions		For	Against
Ordinary Resolution 1	Approval of payment of Directors' fees and Directors' benefits for the financial year ending 31 December 2021		
Ordinary Resolution 2	Re-election of Mr Khor Thean Lee as Director		
Ordinary Resolution 3	Re-election of Mr Lai Fah Hin as Director		
Ordinary Resolution 4	Re-election of Mr Koh Yew Wah as Director		
Ordinary Resolution 5	Re-election of Ms Low Soo Kim as Director		
Ordinary Resolution 6	Re-appointment of Messrs. Grant Thornton Malaysia PLT as Auditors and to authorise the Directors to fix the Auditors' remuneration		
Ordinary Resolution 7	Authority under Section 75 and Section 76 of the Companies Act 2016 for the Directors to issue shares		
Ordinary Resolution 8	Proposed Share Buy Back Authority		
Ordinary Resolution 9	Proposed granting of options to Mr Lim Chun Thang, the Independent Non-Executive Director of the Company pursuant to the Executive Share Option Scheme ("ESOS")		
Ordinary Resolution 10	Proposed granting of options to Mr Khor Cheng Kwang, the Independent Non-Executive Director of the Company pursuant to the ESOS		
Ordinary Resolution 11	Proposed granting of options to Ms Low Soo Kim, the Executive Director of the Company pursuant to the ESOS		

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 .... , 2021.

....
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, 48, Jalan Chow Thye, 10050 George Town, Penang not less than 48 hours before the time appointed for holding the meeting.
3. A member shall be entitled to appoint not more than 2 proxies to attend and vote at the same meeting.
4. Where a member appoints 2 proxies, the appointments shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
5. If the appointor is a corporation, this form must be executed under its Common Seal or under the hand of its attorney.
6. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 ("**Central Depositories Act**"), it may appoint at least one proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
7. Where a member of the Company is an exempt authorised nominee as defined under the Central Depositories Act which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("**Omnibus Account**"), there shall be no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each Omnibus Account it holds.
8. For purpose of determining who shall be entitled to attend this meeting, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to make available to the Company pursuant to the Article 69 of the Company's Constitution and Paragraph 7.16(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, a Record of Depositors ("**ROD**") as at 24 May 2021 and only a Depositor whose name appears on such ROD shall be entitled to attend, speak and vote at this meeting or appoint proxy to attend and/or speak and/or vote in his/her behalf.
9. All resolutions as set out in this notice of Sixteenth Annual General Meeting are to be voted by poll.

Please fold here to seal

Stamp

THE COMPANY SECRETARIES
JHM CONSOLIDATION BERHAD
Company No. 200501009101 (686148-A)

48, Jalan Chow Thye,
10050 Georgetown, Pulau Pinang

Please fold here to seal

This page is intentionally left blank.

This page is intentionally left blank.

JHM Consolidation Berhad
200501009101 (686148-A)

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

Tel : 604 646 5121
Fax : 604 645 7326

www.jhm.net.my