DUFU TECHNOLOGY CORP. BERHAD
(581612-A)

Advancing our GROWTH

Annual Report 2018

CONTENTS

HIGHLIGHTS FOR YEAR 2018

Financial Performance

BREAKTHROUGH RECORD

REVENUE

RM241.5 MILLION

33% GROWTH
from the previous financial year

PROFIT AFTER TAXATION

RM51.8 MILLION

99% SURGE
from the previous financial year

Corporate News

SEPTEMBER 20

THE BOARD ANNOUNCE THE PROPOSAL OF

1 BONUS SHARE

FOR EVERY

2 EXISTING SHARES HELD

Corporate News

NOVEMBER 30

LISTING OF

87,734,997

Bonus Shares issued pursuant to the Bonus Issue on the Main Market of Bursa Securities

Shareholders

RM11.4 MILLION

the amount of DIVIDEND paid to shareholders

INCREASE 24%
from the previous financial year

Capital Expansion

RM12.9 MILLION

Purchase of plant & machinery, mostly high precision machining to boost the Group's capacity



HIGHLIGHTS FOR YEAR 2018 (CONT'D)

"2018 was a particularly memorable year for Dufu. Financially, we broke record for highest revenue and posted best earnings ever. Shareholders were rewarded with dividends and bonus issue. With ample liquidity, we are building our future with our investment expansion projects moving on schedule."

Investing for the Future

RM11.4 MILLION

Purchase of factory and office building with land area of 0.8094 hectare located in Taman Perindustrian Bukit Minyak on October 19 with the intention of driving capacity and spurring diversification for metal fabrication.

Investing for the Future

RM7.4 MILLION

Paid for the acquisition of 20,102.8 sq. metres of "land use rights" located in Conghua Industrial Park, Guangzhou in People's Republic of China earmarks for overseas expansion.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Lee, Hui-Ta also known as Li Hui Ta
Executive Chairman

Wu, Mao-Yuan
Executive Director

Sung, Cheng-Hsi
Independent Non-Executive Director

Joyce Wong Ai May
Independent Non-Executive Director

Yin, Chih-Chu also known as Laurence Yin
Independent Non-Executive Director

Lee Yoke Khay
Independent Non-Executive Director

AUDIT COMMITTEE

Chairman
Joyce Wong Ai May

Members
Sung, Cheng-Hsi
Yin, Chih-Chu also known as Laurence Yin
Lee Yoke Khay

NOMINATING COMMITTEE

Chairman
Lee Yoke Khay

Members
Sung, Cheng-Hsi
Joyce Wong Ai May
Yin, Chih-Chu also known as Laurence Yin

REMUNERATION COMMITTEE

Chairman
Lee Yoke Khay

Members
Joyce Wong Ai May
Sung, Cheng-Hsi
Yin, Chih-Chu also known as Laurence Yin

INVESTMENT COMMITTEE

Chairman
Yin, Chih-Chu also known as Laurence Yin

Members
Joyce Wong Ai May
Wu, Mao-Yuan
Lee Yoke Khay

COMPANY SECRETARIES

How Wee Ling (MAICSA 7033850)
Ooi Ean Hoon (MAICSA 7057078)

AUDITORS

Baker Tilly Monteiro Heng PLT
Chartered Accountants
(LLP0019411-LCA) (AF0117)
Baker Tilly MH Tower
Level 10, Tower 1, Avenue 5,
Bangsar South City
59200 Kuala Lumpur, Malaysia
Tel : 603-22971000
Fax : 603-22829980

REGISTERED OFFICE

57-G Persiaran Bayan Indah
Bayan Bay, Sungai Nibong
11900 Penang
Tel : 604-6408932
Fax : 604-6438911

HEAD OFFICE

19, Hilir Sungai Keluang 2
Taman Perindustrian Bayan Lepas
Phase IV, 11900 Penang, Malaysia
Tel : 604-6161300
Fax : 604-6161372
Website : www.dufutechnology.com

REGISTRAR

Securities Services (Holdings) Sdn. Bhd.
(Company No. 36869-T)
Level 7, Menara Milenium
Jalan Damanlela,
Pusat Bandar Damansara
Damansara Heights
50490 Kuala Lumpur
Tel : 603-20849000
Fax : 603-20949940

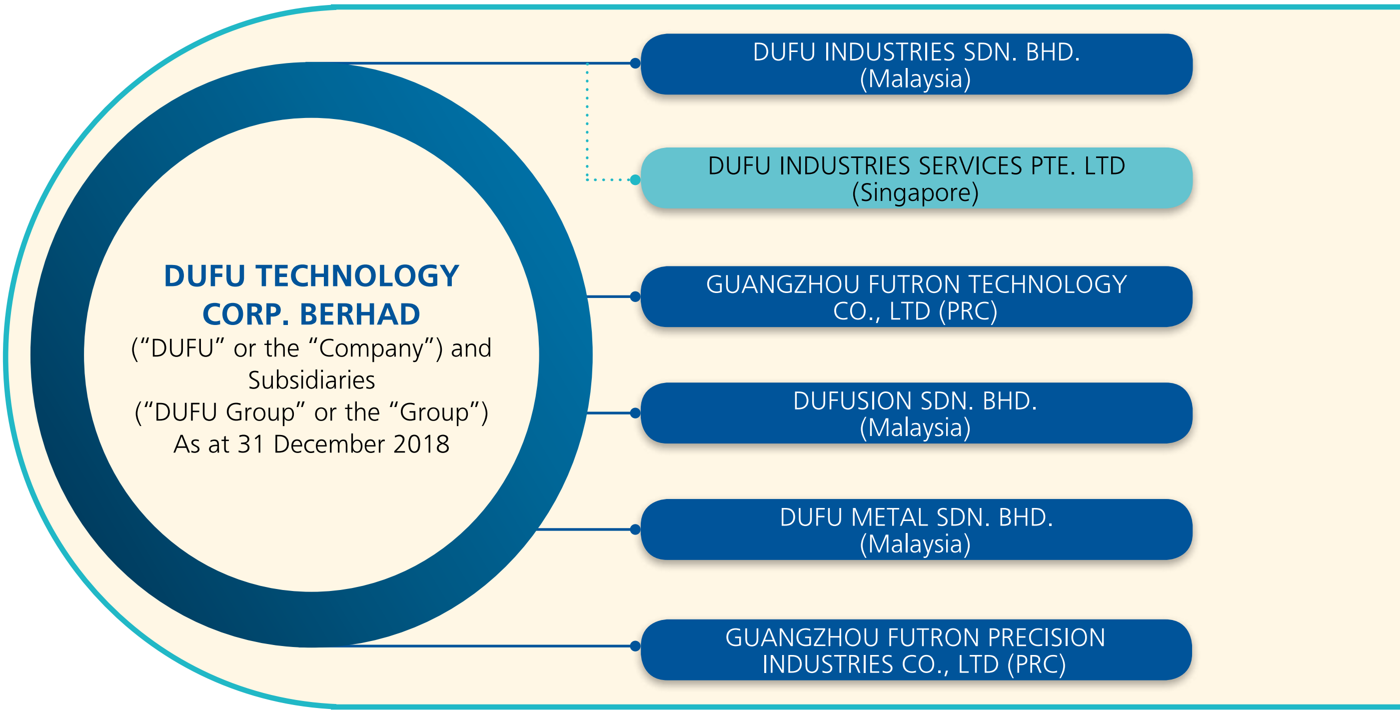
PRINCIPAL BANKERS

Public Bank Berhad
Standard Chartered Bank Berhad
United Overseas Bank (Malaysia) Bhd
Citibank Berhad

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia Securities Berhad
Sector : Industrial Products & Services
Sub-Sector : Industrial Materials, Components & Equipment
Stock Name : DUFU
Stock Code : 7233

GROUP STRUCTURE



PRINCIPAL ACTIVITIES

Dufu Technology Corp. Berhad (581612-A)("DUFU") is principally involved in investment holding. The subsidiaries of DUFU as at 31 December 2018 are as follows: -

Subsidiary	Country of Incorporation	Ownership Interest	Principal Activity
Dufu Industries Sdn. Bhd. (165467-T)	Malaysia	100%	Design, development, manufacture, assembly and trading of die components and precision machining of vice, computer peripherals and parts for hard disk drive.
Guangzhou Futron Technology Co., Ltd (914401017371887143)	People's Republic of China (PRC)	100%	Manufacturing and trading of optics and magnetism driver and parts.
Guangzhou Futron Precision Industries Co., Ltd (91440101MA5CC6TT0A)	People's Republic of China (PRC)	100%	Engaging in metal precision manufacturing and processing parts such as metal components for special equipment for electronics industry, air conditioning compressor accessories, auto parts, etc.
Dufusion Sdn. Bhd. (948150-U)	Malaysia	100%	Design, research and development, manufacture, assembly and trading of medical components for orthopaedics.
Dufu Metal Sdn Bhd (1283958-A)	Malaysia	75%	Manufacturing of high precision engineering parts, module assembly and metal fabrication parts for semiconductor, electronics, industrial automation industries, etc.
*Dufu Industries Services Pte. Ltd (200204589D)	Singapore	100%	Processing and trading of high quality computer disk-drive related components.

*A Wholly-Owned Subsidiary of Dufu Industries Sdn. Bhd.

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors of Dufu Technology Corp. Berhad ("Dufu"), it gives me great pleasure to present to you the Annual Report of the Company and the Group for the financial year ended 31 December 2018 ("FY2018").

Dear Fellow Stakeholders:

We delivered our strongest financial performance, breaking records on many levels. Our revenue breached the RM200 million mark for the first time to reach RM241.45 million, translating to a growth of 33.2% from the previous financial year ended 31 December 2017 ("FY2017"). We reported an all-time high on Profit Before Taxation ("PBT") of RM65.06 million, improved operating margin 960 basis points to 28.0%, generated over RM38.60 million in operating cash flow, and doubled earnings per share to 20.6 sen. Our stellar results substantially drive our stock price to a new all-time high of RM4.01 at one point and resulting in astonishing 145.5% increase in market capitalisation from RM204.8 million to close the calendar year at RM502.9 million.

THIS WAS
THE BEST YEAR
IN OUR COMPANY'S
30 YEARS HISTORY

REVENUE
RM241.45 MILLION
33.2% GROWTH

PROFIT BEFORE TAXATION
RM65.06 MILLION
improved operating margin
960 basis points to 28.0%
RM38.60 MILLION
in operating cashflow, and
DOUBLED earnings per share
TO 20.6 sen

CHAIRMAN'S STATEMENT (CONT'D)

Our focus, successful execution and capital discipline were the main attributable factors for our success. We were very much into customer focus and our robust sales growth was mainly due to the foundation we have put in place over the years. On a strategical level, we strive for "preferred supplier status" by continuous improvement and creating value to customers. On a more operational level, we identified the drivers of these determinants and improvised value efforts which have positively impacted our customers' image on Dufu.

Dufu Group allocates its investments primarily in business areas with attractive future prospects. The increasing volume of orders in the Hard-Disk Drive ("HDD") segment reinforced the Group further to expand its production capacity and reinvest RM12.9 million in FY2018 mainly for the computer numerical controlled machineries and its related accessories. We have also acquired a factory building in Bukit Minyak Industrial Park, Penang and a leasehold land in China to fuel future growth. The acquisition will enable Dufu Malaysia to expand and centralize its CNC related businesses at the current-site. The Group's metal fabrication activities will be relocated to the new site to expand the manufacturing of welded frame products as part of our diversification strategy.

We have invested a total of RM23.75 million in property, plant and equipment which more than quadruple the amount we invested in FY2017. Our strong operational strength and improved credit metrics allow us to maintain a healthy cash reserve and internally fund our assets acquisition. We have also increased our payout dividend from RM9.18 million in FY2017 to RM11.41 million in FY2018. On top of this, our Board of Directors has proposed for a final dividend by way of share dividend from treasury shares on the basis of one (1) treasury share for every twenty (20) existing ordinary shares held in the Company. Based on the share price of the Company on the date of annoucement as at 26 February 2019, the distribution of share dividend is worth 8.15 sen per share.

On the corporate front, Dufu proposed a one-for-two bonus issue on 20 September 2018 which was completed on 29 November 2018 following the listing of and quotation for RM87.73 million bonus shares issued. The additional shares subsequently improve Dufu's stock liquidity and marketability.

We see some challenges in the first half of 2019 due to the lingering effect of the trade war between China and the United States and this has severely impacted global sales. Nonetheless, we are confident on our long-term prospects with the increasing global demand for big data from the enterprise near line storage market.

I would like to express my utmost gratitude to fellow Board members, management and the staff for their dedication and relentless efforts to drive the Group forward. The successes we achieved in FY2018 could not have been accomplished without their efforts. My heartfelt thanks are also extended to our valued customers, suppliers, bankers and to others whose supports are invaluable to the continued success of Dufu.

LEE, HUI-TA ALSO KNOWN AS LI HUI TA
Executive Chairman

"WE HAVE IDENTIFIED INVESTMENT PROJECTS WITH PROMISING PROSPECTS FOR FUTURE GROWTH"

"WE HAVE ALWAYS BEEN COMMITTED TO ADDING AND CREATING VALUE FOR OUR SHAREHOLDERS, AND THE COMPLETION OF THE ONE-FOR-TWO BONUS ISSUE AND THE PROPOSED SHARE DIVIDEND ARE TESTAMENTS TO THAT ONGOING PHILOSOPHY"

BOARD OF DIRECTORS AND CHIEF EXECUTIVE OFFICER

1 **SUNG, CHENG-HSI**
Independent Non-Executive Director

2 **YIN, CHIH-CHU ALSO KNOWN AS LAURENCE YIN**
Independent Non-Executive Director

3 **YEOH BENG HOOI**
Chief Executive Officer

4 **LEE, HUI-TA ALSO KNOWN AS LI HUI TA**
Executive Chairman

5 **WU, MAO-YUAN**
Executive Director

6 **JOYCE WONG AI MAY**
Independent Non-Executive Director

7 **LEE YOKE KHAY**
Independent Non-Executive Director

BOARD OF DIRECTORS' PROFILE

LEE, HUI-TA ALSO KNOWN AS LI HUI TA

Executive Chairman

Nationality	Gender	Age
Taiwanese	Male	60 years

Mr. Lee, Hui-Ta also known as Li Hui Ta was appointed as the Executive Director and Chief Financial Officer of Dufu Technology Corp. Berhad ("Dufu" or "Company") on 1 September 2006. On 18 June 2015, he was appointed as Executive Chairman of the Group and subsequently, he relinquished his position as the Chief Financial Officer on 4 November 2016. He graduated with a Diploma in Mechanical Engineering from St. John's & St. Mary's Institute of Technology Taiwan in 1979. He also obtained a Degree in Business Administration from National Taipei University in 1988 and a Master of Business Administration from American California Miramar University in 2009.

Mr. Lee commenced his career as an engineering supervisor with He Li Ying Precision Industry, Taiwan in 1981 dealing with precision components and was promoted to Managing Director in 1983 where he was responsible for the daily operations of the company's production. In 1984, he co-set up Lee Bai Corp. Ltd. in Taiwan to manufacture precision quick die change systems for stamping tooling.

In 1990, he co-set up Dufu Industries Sdn Bhd ("DISB") in Malaysia to manufacture precision tooling and precision machining parts for computer-related components. He has more than twenty-seven (27) years of experience in the precision tooling industry and in the CNC precision machining industry. He also sits on the board of several other private limited companies.

On 25 July 2017, Mr. Lee was awarded with Darjah Johan Negeri ("DJN") to signify recognition for his continuous effort to reinforce a strong investor stance to buttress the business community in the northern state.

Mr. Lee is the spouse of Mdm Wang, Kuei-Hua, a major shareholder of the Company. He has no conflict of interest with the Group. He has not been convicted of any offences, other than traffic offences (if applicable) within the past five (5) years and no public sanction or penalty imposed by the relevant regulatory bodies on him during the financial year.

WU, MAO-YUAN

Executive Director

Nationality	Gender	Age
Taiwanese	Male	62 years

Mr. Wu Mao-Yuan was appointed as a Non-Independent Non-Executive Director of Dufu on 19 December 2012 and was re-designated as an Executive Director on 27 August 2015. Mr. Wu currently serves as Managing Director of Guangzhou Futron Technology Co., Ltd ("Futron"), a subsidiary of the Group. He is a member of the Investment Committee of the Company.

Mr. Wu graduated from Taiwan Zhen Xin University in 1977 with a Diploma in Mechanical Engineering. Upon graduation, he started his career in 1979 as an Engineering Assistant responsible for the design and manufacturing of production jig and fixture with Da Di Ling Company. Subsequently, he joined Jin Feng Corp. in 1981 as a supervisor leading the production team to manufacture motorcycle components. From 1988 to 1992, he was with Lee Bai Corp Ltd. as a production manager where his accomplishment was forming and commercializing a new precision machining project for the company. In 1993, Mr. Wu worked in DISB where he was responsible for overseeing its operation as well as technology evolvement. He left Malaysia in 2002 to personally set-up and established Futron plant in China. He is also a Compliance Officer of Superior Plating Technology Co. Ltd., a company listed in Taipei Exchange.

Throughout his career spanning more than 32 years, not only had he demonstrated his high technical skill, he has also proven his management capability by bringing success after success to the companies he had served.

Mr. Wu has no family relationship with other Directors and/or major shareholders of the Company, nor any conflict of interest with the Group. He has not been convicted of any offences, other than traffic offences (if applicable) within the past five (5) years and no public sanction or penalty imposed by the relevant regulatory bodies on him during the financial year.

BOARD OF DIRECTORS' PROFILE (CONT'D)

SUNG, CHENG-HSI
Independent Non-Executive Director

Nationality	Gender	Age
Taiwanese	Male	40 years

Mr. Sung, Cheng-Hsi was appointed as an Independent Non-Executive Director of Dufu on 9 October 2015. He is also a member of the Audit Committee, Nominating Committee and Remuneration Committee of the Company.

Mr. Sung graduated from University of Reading, United Kingdom with a Master of Science in 2005. He obtained his Bachelor of Art from National Donghua University, Taiwan in 2002. Upon graduation, he started his career in 2006 as Equity Research Analyst at China Trust Commercial Bank. He was responsible for the analytical research on some of the Taiwanese listed companies namely in sectors involving steel, petrochemical, and automotive part. His job also involved formulating financial models for interpretation and simulation to support the needs of internal departments. He joined Superior Plating Technology Co. Ltd which is listed in the Taipei Exchange in 2008 as Chief Financial Officer. His position requires him to be responsible in managing the financial risk, financial planning, and financial reporting and he directly assists the Chief Executive Officer and Board Chairman on all strategic and tactical matters.

Mr. Sung has no family relationship with any director and/or major shareholder of the Company nor any conflict of interest with the Group. He has not been convicted of any offences, other than traffic offences (if applicable) within the past five (5) years and no public sanction or penalty imposed by the relevant regulatory bodies on him during the financial year.

JOYCE WONG AI MAY
Independent Non-Executive Director

Nationality	Gender	Age
Malaysian	Female	43 years

Ms. Joyce Wong Ai May was appointed as an Independent Non-Executive Director of Dufu on 23 May 2016. She is the Chairman of the Audit Committee and a member of the Remuneration Committee, Nominating Committee and Investment Committee of the Company.

She graduated from the University of Tasmania with a Bachelor of Commerce, majoring in Accounting and Finance. She is an Accountant by profession and a member of the Malaysian Institute of Accountants and Certified Practicing Accountants, Australia. She started her career with Smith Zain Securities Sdn. Bhd as an Accounts Executive in 1999 and later became the Head of Finance in 2002 under BBMB Securities Sdn Bhd, Penang Branch (BBMB Securities Sdn Bhd took over the business of Smith Zain Securities Sdn Bhd). Ms. Joyce joined Hwang-DBS Securities Berhad in 2004 and then left the company to join an international accounting firm in 2005 and become their Director in 2015, before setting up her own consultancy firm where she is the Founder and also a Director of JWC Consulting Sdn. Bhd.

She also sits on the Industry Advisory Panel of the School of Business for Disted College, Penang. She is the Members' State Representative for CPA Australia, a member of the Finance Committee of a non-profit organisation and also an Independent Director of Grand-Flo Berhad.

Ms. Joyce Wong has no family relationship with other Directors and/or major shareholders of the Company, nor any conflict of interest with the Group. She has not been convicted of any offences, other than traffic offences (if applicable) within the past five (5) years and no public sanction or penalty imposed by the relevant regulatory bodies on her during the financial year.

BOARD OF DIRECTORS' PROFILE (CONT'D)

YIN, CHIH-CHU ALSO KNOWN AS LAURENCE YIN

Independent Non-Executive Director

Nationality Taiwanese | **Gender** Male | **Age** 57 years

Mr. Yin, Chih-Chu also known as Laurence Yin was appointed as an Independent Non-Executive Director of Dufu on 11 November 2016. He is the Chairman of the Investment Committee and a member of the Audit Committee, Nominating Committee and Remuneration Committee of the Company.

Mr. Yin graduated from National Taipei College of Business in Taiwan with a Diploma in Account in 1982 and subsequently, obtained his Executive Master of Business Administration in National Cheng Chi University in 2012. He commenced his career as an Executive Staff with Chailease Finance Co., Ltd., Taiwan in 1987 dealing with financing and accounts. He was transferred to Malaysia as an Administrative and Financial Manager in 1991 where he was responsible for the daily operations of the company's administrative and financial affairs. In 1997, he was promoted to Executive Manager where he was responsible for the affairs of two plastic compounding factory, a label sticker factory as well as a trading company in Kuala Lumpur. In 2001, Mr. Yin co-set up CITC Enterprise (Thai) Co., Ltd in Thailand to manufacture plastic coloring and compounding. He has more than twenty (20) years of working experience in the plastic compounding and label sticker industries. He also sits on the board of several private limited companies.

Mr. Yin has no family relationship with other Directors and/or major shareholders of the Company, nor any conflict of interest with the Group. He has not been convicted of any offences, other than traffic offences (if applicable) within the past five (5) years and no public sanction or penalty imposed by the relevant regulatory bodies on him during the financial year.

LEE YOKE KHAY

Independent Non-Executive Director

Nationality Malaysian | **Gender** Male | **Age** 68 years

Mr. Lee Yoke Khay was appointed as an Independent Non-Executive Director of Dufu on 3 April 2017. He is the Chairman of the Nominating and Remuneration Committee. He is also a member of the Audit Committee and Investment Committee of the Company.

Mr. Lee graduated from Council of Legal Education, London, United Kingdom with a Barrister-at-Law. Thereafter, he qualified as a Barrister (Lincoln's Inn, United Kingdom) in 1978 and was called to the Malaysian Bar on 1 December 1979. He is a practicing advocate & solicitor and is currently a partner of Messrs. Ooi Lee & Co., a legal firm in Penang.

Mr. Lee sits on the Board of Directors of several Chinese Primary and Secondary Schools and also in the Board of Directors of the Clan Association. He also holds Honorary Legal Advisor position in Lee Association and other trade and commercial companies and associations in Penang.

He was awarded with Darjah Johan Negeri ("DJN"), Pingat Kelakuan Terpuji ("PKT") and Pingat Jasa Masyarakat ("PJM").

Mr. Lee has no family relationship with other Directors and/or major shareholders of the Company, nor any conflict of interest with the Group. He has not been convicted of any offences, other than traffic offences (if applicable) within the past five (5) years and no public sanction or penalty imposed by the relevant regulatory bodies on him during the financial year.

BOARD OF DIRECTORS' PROFILE (CONT'D)

The number of Board meetings attended by the respective Directors during the financial year ended 31 December 2018 ("FY2018") are as follows:-

Director	No. of meetings attended
Lee, Hui-Ta also known as Li Hui Ta	5/5
Wu, Mao-Yuan	5/5
Sung, Cheng-Hsi	5/5
Joyce Wong Ai May	5/5
Yin, Chih-Chu also known as Laurence Yin	4/5
Lee Yoke Khay	5/5

During the FY2018, the training programmes and seminars attended by the Directors are as follows:-

Director	Date	Description
Lee, Hui-Ta also known as Li Hui Ta	23 August 2018	DSC Consulting Sdn Bhd – Sales & Service Tax ("SST")
	2 October 2018	Penang Taipei Investors' Association In Malaysia - Industry 4.0
	5 December 2018	MIA – Budget 2019 Key Update and Changes for Corporate Accountants
Wu, Mao-Yuan	9 March 2018	Taiwan Financial Research Institute - Analysis of the latest trends of Privacy and Capital Protection in International Law
	25 April 2018	International Finance Centre in Guangzhou - 2018 Executives Seminar 1) the New Tax Policy; 2) Investment and Financial Management and Personal CRS; 3) Sino-US Trade Wars Affecting RMB Exchange Rate; 4) Statistical Analysis of Return on Financial Products in Mainland 2017
Sung, Cheng-Hsi	10 August 2018	Taiwan Corporate Governance Association – Company Management Rights & Competitive Code of Conduct and Practical Case Explaination
Joyce Wong Ai May	9 March 2018	Practical Assignment of the New and Revised GST Tax Codes
	6 April 2018	Practical Preparation for Tax Audits & Investigations
	11 May 2018	MPERS Financial Reporting for Finance Professionals with Case Studies
	28 June 2018	GST Transition from 6% to 0% - Preparation and Addressing Critical Issues
	10 August 2018	Comprehensive Tax Computation for Companies
	13 September 2018	Sales & Service Tax Act 2018 and Transitional Issues
	22 November 2018	CoSpec Management Services Sdn Bhd - The New Constitution Under the Companies Act 2016
	5 December 2018	Post Budget 2019
Yin, Chih Chu also known as Laurence Yin	7 November 2018	Baker Tilly Malaysia – 2019 Post Budget Tax Seminar
Lee Yoke Khay	11 January 2018	Tax & Business update seminar 2018
	27 August 2018	Penang Customs Senior Officials Association (Perkasa) - SST & GPB Seminar

BOARD OF DIRECTORS' PROFILE (CONT'D)

Details of Directors' remuneration for the FY2018 are as follows:

I. Aggregate remuneration of the Directors categorized into appropriate components:

Category	Fee RM	Salaries RM	Bonus RM	Allowances RM	Total RM
Executive Directors					
Lee, Hui-Ta also known as Li Hui Ta					
- Company	36,000	-	-	7,500	43,500
- Subsidiaries	-	626,976	661,307	-	1,288,283
	36,000	626,976	661,307	7,500	1,331,783
Wu, Mao-Yuan					
- Company	36,000	-	-	6,000	42,000
- Subsidiaries	-	420,566	1,356,927	-	1,777,493
	36,000	420,566	1,356,927	6,000	1,819,493
Total Executive Directors					
- Company	72,000	-	-	13,500	85,500
- Subsidiaries	-	1,047,542	2,018,234	-	3,065,776
	72,000	1,047,542	2,018,234	13,500	3,151,276
Non-Executive Directors					
- Company					
Sung, Cheng-Hsi	36,000	-	-	6,000	42,000
Joyce Wong Ai May	60,000	-	-	12,500	72,500
Yin, Chih-Chu also known as Laurence Yin	24,000	-	-	3,000	27,000
Lee Yoke Khay	24,000	-	-	7,500	31,500
	144,000	-	-	29,000	173,000
Total					
- Company	216,000	-	-	42,500	258,500
- Subsidiaries	-	1,047,542	2,018,234	-	3,065,776
	216,000	1,047,542	2,018,234	42,500	3,324,276

II. The number of Directors in the office at the end of financial year and their total remuneration from the Group categorized into various bands are as follows:-

Range of Remuneration	Number of Directors Executive	Non-Executive
Up to RM50,000	-	3
RM50,001 to RM100,000	-	1
RM1,300,001 to RM1,350,000	1	-
RM1,800,001 to RM1,850,000	1	-

KEY SENIOR MANAGEMENT TEAM

YEOH BENG HOOI
Chief Executive Officer

Nationality Malaysian | **Gender** Male | **Age** 55 years

Mr. Yeoh Beng Hooi was appointed as acting Chief Executive Officer of the Group on 27 August 2015. Thereafter, he was re-designated as Chief Executive Officer of the Group effective 29 August 2016. Mr. Yeoh holds a Diploma in Electronic Engineering from Institute Technology. In 1989, he started his career in Advance Micro Devices Inc., a United States ("USA") based semiconductor company as Assistant Engineering and became Senior Reliability Laboratory in 1990. Mr. Yeoh joined Read-Rite Malaysia as QA Engineer in 1992 and later he joined XOLOX Malaysia as Engineer Manager in 1995. He left the company as Director of Engineering in 2000 and joined Wong Engineering Corporation Bhd as Deputy General Manager. In 2001, he was appointed Executive Director of WE Advance Devices Sdn Bhd. He was the Chief Operating Officer in Dufu Industries Sdn. Bhd. ("DISB") since 24 May 2004 before he assumed his current position. Mr. Yeoh holds 430,200 shares in Dufu as at 28 February 2019.

WONG SER YIAN
Director of DISPL

Nationality Singaporean | **Gender** Male | **Age** 61 years

Mr. Wong Ser Yian graduated with a Bachelor of Engineering from Nanyang Technology University of Singapore in 1985. He started his career with Seagate Technology International, Singapore in 1986 as Supplier Quality Engineer and was promoted to Senior Engineer in 1988. Subsequently in 1990, he joined Microplis Limited, Singapore as Senior Quality Engineer where he was responsible for developing and improving the aspects of suppliers' quality. In the same year, he moved to X Factor Pte Ltd as their Chief Executive Officer. On 2 September 2002, he joined Dufu Industries Services Pte. Ltd. ("DISPL") and took up the position of General Manager and his primary responsibilities are sales, marketing and customers service support and subsequently, on 27 August 2015, Mr. Wong was appointed as Director of DISPL.

TEOH CHIEW HONG
Chief Operating Officer

Nationality Malaysian | **Gender** Male | **Age** 43 years

Mr. Teoh holds a Degree in Science (Mathematics) from Universiti Sains Malaysia. He started his career with DISB in 2000 as a Production Control Officer. He was appointed as the Material Planning Manager in 2006 to spearhead the implementation of the Group's integrated application designed to address its logistics and manufacturing system. He is also responsible for the Group's capacity planning, material and inventory management.

On top of this, Mr. Teoh expanded his role in 2007 to oversee the Computer Numerical Control ("CNC") Auto Lathe Manufacturing Division. Subsequently in 2011, he was promoted as the Senior Manager in Planning & Logistics Department before assuming the role of General Manager effective September 2016 where his primary task is to drive and optimize the entire CNC manufacturing division and other business operations to improve their operational excellence. On 1 March 2019, he was appointed as Chief Operating Officer of DISB.

DAVID KHOO CHONG BENG
Chief Financial Officer

Nationality Malaysian | **Gender** Male | **Age** 46 years

Mr. David Khoo joined DISB on 1 March 2017 as a Senior Financial Controller. He holds a professional accountancy qualification from Association of Chartered Certified Accountants ("ACCA") and is a Chartered Accountant registered with the Malaysian Institute of Accountants ("MIA") since September 2002. In June 2012, he obtained a Commonwealth Executive Masters of Business Administration from Wawasan Open University.

Mr. David started his career in BDO Binder Penang, an audit firm in June 1995 before moving to KPMG Penang in July 1997. He joined NTPM Holdings Berhad ("NTPM") as an Accountant in April 2000 and worked his way to be the Financial Controller of NTPM in January 2009. He left NTPM in February 2017. On 1 March 2019, he was appointed as the Chief Financial Officer where he is entrusted to lead the finance, corporate and management information functions of DISB.

KEY SENIOR MANAGEMENT TEAM (CONT'D)

HUSRI BIN HUSSAIN
Director (Human Resource)

Nationality	Gender	Age
Malaysian	Male	54 years

En. Husri Bin Hussain was appointed as Director (Human Resource) of DISB on 1 August 2014. He graduated with a Bachelor of Science in Electrical Engineering from University of Miami, Florida, USA in 1988. Upon graduating, he worked as Incoming Quality Assurance ("IQA")/Supplier Quality Engineering ("SQE") / First Article Engineer with Sony Electronics, Penang. He later joined Seagate Technology, Penang in 1991 as SQE Engineer and was responsible for the actuator components and heading the gimbal and stack assemblies. En. Husri was promoted to Staff Engineer in 1996. In 2001, he joined Finisar Malaysia Sdn Bhd, Perak ("Finisar") as their IQA/SQE Manager where he was responsible for setting up the IQA Lab and SQE work-related functions.

At the end of 2001, he joined Wong Engineering Corporation Bhd as Quality Manager. In 2002, he joined Solectron Technology, Penang as SQE Manager. He was responsible for SQE activities ranging from IC components, passive parts, printed circuit boards and mechanical parts. He joined DISB in August 2005 as Corporate QA Manager before assuming his current position. He leads and manage all matters pertaining to Human Resource activities, Facilities and Security, Safety, Health and Environment and Quality System and documentation of processes. He is also Management Representative for Quality, Safety, Health and Environment and Certified Safety Officer from Department of Occupational Safety and Health.

TAY LON @ TAY TONG LOON
Director (Business Development)

Nationality	Gender	Age
Malaysian	Male	68 years

Mr. Tay graduated with a Diploma in Mechanical Engineering from Ngee Ann Technical College, Singapore. He started his career as Design Technician with Hitachi Zosen Robin Dockyard Pte Ltd in 1974. In 1978, he joined Prime Electrical Products Pte Ltd as Factory Engineer where his primary responsibilities were product development and technical support on thermoplastic and thermosetting moulding.

Subsequently in 1979, Mr. Tay joined Northern Telecom Industries Sdn Bhd as Quality Engineer. He was promoted to Quality Manager in 1982 and in 1994, he was appointed as Production Manager to lead the manufacturing team. He left in 2002 and joined IPG Metal (M) Sdn Bhd (a former subsidiary of Dufu Group) in 2003 as General Manager. Mr. Tay expanded his role and assumed the position of Director of Business Development in DISB since 1 February 2011 where he is entrusted to lead the metal stamping & sheet metal business division which includes sales, design, manufacturing, quality and human resources. Mr. Tay was appointed as a Director of Dufu Metal Sdn Bhd ("DMSB"), a subsidiary of the Group on 14 June 2018.

ADDITIONAL INFORMATION:

None of the Key Senior Management has:

(i) any family relationship with other Directors and/or major shareholders of the Company, nor any conflict of interest with the Group;

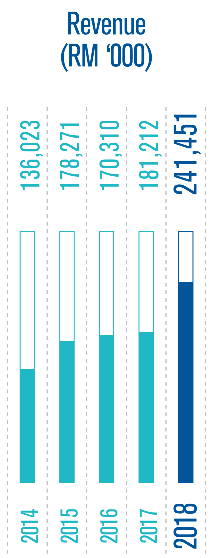
(ii) been convicted of any offence, other than traffic offences (if applicable) within the past five (5) years; and

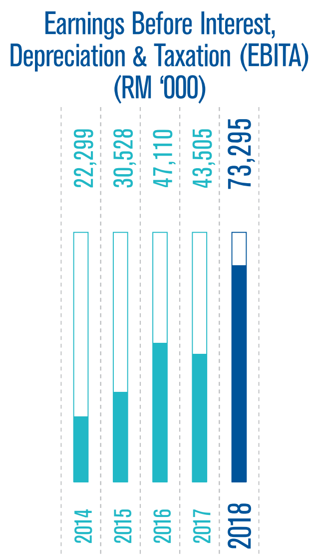
(iii) been imposed with any public sanction or penalty by the relevant regulatory bodies during the financial year ended 31 December 2018.

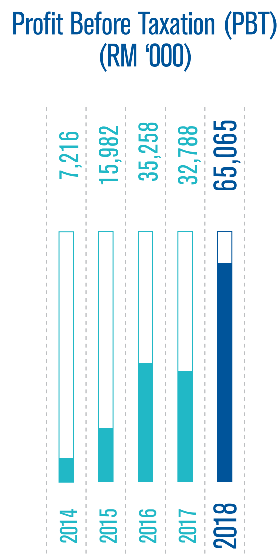
GROUP FINANCIAL HIGHLIGHTS

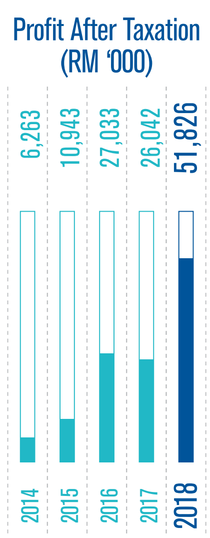
	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000
Revenue	136,023	178,271	170,310	181,212	**241,451**
Earnings Before Interest, Depreciation & Taxation ("EBITA")	22,299	30,528	47,110	43,505	**73,295**
Profit Before Taxation ("PBT")	7,216	15,982	35,258	32,788	**65,065**
Profit After Taxation	6,263	10,943	27,033	26,042	**51,826**
Shareholders' Fund / Net Assets	99,978	115,442	129,465	141,728	**173,635**
Weighted Average Number of Shares in issue @	263,205	263,205	256,970	254,530	**251,180**
Net Asset Per Share (sen) @	37.98	43.86	51.74	56.74	**71.13**
Earnings Per Share (sen) @	2.38	4.16	10.52	10.23	**20.64**
Dividend Per Share (sen) @ ^	-	2.07	3.00	4.33	**9.82**

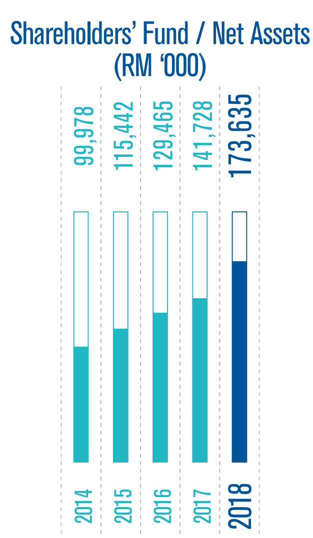
@ Computed based on enlarged number of ordinary shares in issue after bonus issue exercise which was completed on 29 November 2018
^ The Single Tier Final Dividend for FY2018 by way of one treasury share for every twenty shares held is deemed to be worth 8.15 sen per share based on the closing price at the date of announcement on 26 February 2019

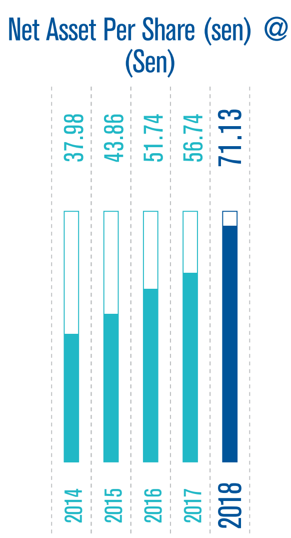












MANAGEMENT DISCUSSION AND ANALYSIS

Business Overview

Incorporated in Malaysia, Dufu Technology Corp. Berhad ("Dufu" or "the Group") with 30 years of experience specializes in the manufacturing of precision machining parts and components for the Hard Disk Drive ("HDD"), industry safety and sensor, telecommunication, consumer electronics, medical and office equipment. It started in 1990 where Dufu managed to acquire a leading HDD maker for the manufacture of 5.25- inch HDD disk spacers. Since then, we have grown steadily to be the preferred choice and a reputable supplier of HDD and other precision components in the countries within the Asia Pacific, European, Oceania and North America region, where we export our products to.

Overview of Performance

a) **Revenue**

For the Financial Year Ended 31 December 2018 ("FY2018"), the Group's revenue surged 33.2% or RM60.24 million from RM181.21 million registered in the Financial Year Ended 31 December 2017 ("FY2017") to a record of RM241.45 million for the current year. The growth in revenue was mainly due to the robust demand of disc spacer products supplied to the Hard Disk Drive ("HDD") industry. Near Line HDDs or capacity enterprise is seen dominating the demand surge for our products due to cloud service providers and other storage needs from other enterprise market segments, including servers, network or hyperscale computing needs.

b) **Profit Before Taxation ("PBT")**

The Group posted its best ever result in FY2018 where PBT leaped from RM32.79 million in FY2017 to RM65.06 million in FY2018, an improvement of RM32.27 million or 98.4%. The contributing factors that led to these exceptional results were the surge in revenue as described above and also, the continuous efforts to make operational improvements throughout the Group supported by favorable product mix variation and realization of economies of scale following the utilization of FY2018's installed capacity.

c) **Other Income**

Other income increased to RM7.96 million in FY2018 from RM4.39 million in FY2017. The increase comprised mainly due to the reversal of impairment loss for receivables of RM1.06 million, foreign exchange realized gain of RM2.11 million, and higher sundry sales of metal scrap in FY2018 compared to FY2017.

d) **Employees Benefits Expense**

Employees benefits expense increased by RM11.34 million or 24.3% from RM46.71 million for FY2017 to RM58.05 million for FY 2018. The increase was due to higher staff and staff related costs following higher investment in human capital to cater for the increased demand in FY2018 and also readiness for potential demand growth in FY2019, and the increase in the exempt staff related performance bonuses which is tied to the Group's profitability. Nonetheless, productivity of personnel in form of revenue per employee ratio improved 7.5% to 4.2 times in FY2018 from 3.9 times a year ago.

e) **Other Operating Expenses**

The Group's other expenses have increased from RM38.89 million in FY2017 to RM42.78 million in FY2018. The increase was in line with the Group's operational activities following the surge in demand in FY2018.

f) **Profit for the Year Attributable to Owners of the Company ("PAOC")**

The Group's PAOC for FY 2018 was RM51.85 million, almost doubled RM26.04 million generated in FY2017. The increase was attributed to the reasons outlined above.

Financial Position and Cash Flow

Total equity rose to RM174.48 million as at 31 December 2018 compared to RM141.73 million as at end-2017, mainly contributed by profit generated during the year on the back of strong revenue growth and on-going operational improvements. Total assets increased to RM220.19 million as at December 31, compared with RM176.37 million as at end-2017 supported by the increase in addition of property, plant and equipment and continuous improvement in the surplus of working capital. While total borrowings have increased by RM4.31 million to RM10.68 million mainly due to the increase in utilization of short-term banking facilities specifically bankers' acceptance and drawdown of additional 10-year fixed rate term loan resulted by the business expansion, the Group maintains a zero-gearing position with a strong net cash surplus of RM30.66 million as of end of 2018.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

Financial Position and Cash Flow (cont'd)

As at 31 December 2018, trade and other receivables increased by 14.5% to RM58.16 million primarily due to higher sales during the current financial year. In spite of this, trade debtor's turnover ratio has improved to 81 days (FY2017: 95 days) as at FY2018. While inventories saw an increase of 60.4% to RM53.80 million as at 31 December 2018 which was in line with the increase in Group's revenue and also in tandem with the collaboration agreement with our key customers to keep the agreed finished goods stock level held at third-party warehouses. Raw materials also saw an increase in response to the growing demand. Furthermore, the increase in raw materials stock keeping is exacerbated by the changes in product mix where majority of raw materials is imported due to availability only from foreign producers. Thus, this increases the overall lead time in inventories supply chain where in-transit shipment of goods takes a much longer journey compared to local purchases.

Cash flows from operating activities increased 77.6% to RM38.60 million for FY2018 from RM21.73 million a year ago due to stronger financial operational performance which partially offset by higher working capital requirement namely trade receivables and inventories.

Capital Expenditure, Capital Structure and Capital Resources

We exercise prudent capital expenditure to support business growth plans and upgrading of existing machines. Capital expenditure spent by the Group to support capacity expansion, innovation and cost efficiencies were RM23.75 million in FY2018, well above the amount of RM5.27 million incurred in FY2017. The capital outlay in FY2018 were mainly due to the purchase of plant and machineries (namely Computer Numerical Control ("CNC") Machines) and purchase of land use rights containing an area of 20,103 square meters in Guangzhou of approximately RM12.0 million and RM7.37 million respectively. Machineries expenditure incurred in FY2018 is primarily to support the anticipated projected demand growth of disc spacers for HDD industry. The possession of the land use rights in China shall be delivered to the Group by 15 August 2019. Thereafter, the Group intends to build a factory building with the intention to expand its production facilities as there are limitations to expand our current manufacturing site in China.

In spite of the high capital expenditure spending in FY2018, we continued to hold firm to our philosophy of rewarding shareholders with dividends that the Group's cash-flow position would allow. Over two tranches of dividend payments accounted to RM23.96 million was declared to shareholders which amounted to 46% of our net profit for FY2018:

1. Interim cash dividend of 2.5 sen per share (before bonus issue of 1 bonus shares for every 2 shares held) amounting to RM4.07 million paid on 12 October 2018; and

2. Final dividend by way of share dividend on the basis of one (1) treasury share for every twenty (20) existing ordinary shares held in the Company will be proposed for the shareholders' approval in the coming Annual General Meeting. Based on the Company's closing share price of RM1.63 per share as at 26 February 2019, the distribution of share dividend is worth 8.15 sen per share amounting to RM19.89 million for the shareholders.

We maintain appropriate debt levels after evaluating a number of factors, including cash flow expectations, cash requirements for ongoing operations, investment and financing plans and the overall cost of capital. As at FY2018, Dufu Group had cash and cash equivalents amounting to RM41.34 million (FY2017: RM35.64 million) and total borrowings of RM10.68 million (FY2017: RM6.37 million). Dufu's retained cash flow is sufficient to support organic and inorganic growth for the financial year ending 31 December 2019 ("FY2019").

Nonetheless, the Group aims to maintain a prudent financial structure to ensure adequate access to capital at favourable terms. We have banking facilities with local, regional and international banks. This year, we have increased the Group's banking facilities by adding 3 additional financial institutions. Together with the existing financial providers, we view each of them as our core business partner to ensure Dufu has adequate liquidity to finance its growing operations at competitive rates.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

Key Risk and Mitigation

Dufu Group is mainly involved in the design and development of precision machining of component parts and derives 95% of its revenue from abroad, 91% of which is denominated in US Dollars ("USD") while the bulk of its expenses are paid in their respective local currencies.

Local factors that influence the Ringgit, such as uncertainty around economic growth; interest rates; inflation; credit ratings; current account deficits; and government finances remains relatively stable. Nevertheless, international developments may affect the Ringgit's strength in 2019 especially with the developments of US policies specifically US interest rates and other unexpected turbulence such as trade wars.

The gradual weakening of the Ringgit since beginning of 2018 has resulted in higher sales proceeds which has improved Dufu's operating margin on quarter to quarter basis throughout FY2018. Nonetheless, the Ringgit has gradually appreciated since January 2019 against the greenback, and if the trend continues, this will impact the Group's operating margin in the coming financial year. Dufu intends to leverage its USD reliance by hedging the Group's cashflow naturally. In line with this, majority of our raw materials are now typically sourced in USD.

We are looking at strategic diversification to reduce the risk on over dependence on HDD and boost sales growth at the same time. Dufu Metal Sdn Bhd ("DMSB"), a 75% owned subsidiary incorporated in 2018 is to commence its metal fabrication operation at the recently acquired Bukit Minyak factory in the early second quarter of 2019. At the same time, Dufu Industries Sdn Bhd ("DISB") existing stamping and sheet metal division will be relocated from the main factory to the new site. When this is in place, the Group would be able to provide an infrastructure with talent offering a one stop solution with combination of high precision engineering machining, metal fabrication and value-added assembly. Such vertical integration between DISB and DMSB would provide customers with readily scalable capacity, rapid response and great value, and these in turn provides a new business opportunity for the Group.

Trends, Outlook, Future Challenges & Strategy

Dufu anticipates that the business environment is going to slow down in the first quarter of 2019 as the industry storage demand takes a breather following its robust growth in 2018. However, we are confident in its longer-term outlook. We believe that HDD will remain relevant and competitive in the digital storage market with its promising technology development, and will accommodate the business-critical storage needs for enterprise sector that generates large swaths of data.

Although Solid State Drive ("SSD") adoption will continue to impact HDD unit shipments, growing demand for high-capacity and low-cost HDD storage, especially from cloud service provider will continue to boost the demand for disc spacer component as high capacity enterprise HDD drives are typically built with multiple disc platters.

We have invested significantly in machineries and acquired factory buildings in 2018 to power product line expansion and diversification. As mentioned in the earlier paragraph, the Group will be launching a new business via DMSB and relocate its sheet metal and stamping to the recently acquired Bukit Minyak factory building for future growth and expansion. This relocation will enable DISB to concentrate and expand its product portfolios for precision machining in both HDD and non-HDD business segment at its present site.

And with the increased installed capacity in 2018 will hold us in good stead coming into the second half of 2019 where we expect our revenues to begin improvements upon resumption of growth in the HDD industry. Our foresights - the results from these investments and the strategy that we have put in place will position Dufu in the right path to meet its overall objectives and performance for the coming FY2019.

SUSTAINABILITY STATEMENT

Sustainability and Our Business

Dufu Technology Corp. Berhad ("Dufu" or the "Group") recognises that the stability and growth of our business is interconnected with the sustainability of the economies, the natural environment, work place and the communities in which we operate and vice versa. Therefore, we are committed to being a responsible company and making a positive contribution to society and the environment.

The core of sustainability of our business at Dufu is founded on ethical business practices and effective governance. In this respect, we vowed to work with customers and suppliers to manufacture and operate responsibly and create an engaging workplace for our employees. This helps us inspire trust in our products and services, develop strong relationships with our stakeholders, and create long-term value for society and our business.

Sustainability is part of our key business priority and we continue to work on the on-going challenges and constantly in talk with our stakeholders to understand their views and regularly in touch with the latest legislative and regulative updates.

Unless otherwise stated, the scope of our Sustainability Statement covers the period from 1 January 2018 to 31 December 2018 and the reporting boundary for the time being is mainly focused on the Malaysian operations. Dufu's business operations in China and Singapore are not included at this juncture.

Sustainability Governance

The Board of Directors ("Board") is responsible for the oversight of embedding sustainability into the Group and its business strategy, and that adequate resources, systems and processes are in place for managing sustainability matters. To assist the Board in driving and reporting the Group's sustainability practices, the Group had in May 2018 formalised the Sustainability Management Committee ("SMC") to ensure sustainability continues to be embedded in the Group's business strategy and operation. The SMC is chaired by the Group Chief Executive Officer with members comprising the Senior Management and relevant Heads of Business and Supporting Units. This current composition would enable the SMC to work closely to ensure all material sustainability matters are being considered and managed throughout the Group's business operation.

The Board is ultimately accountable for the oversight of management of sustainability matters, and responsible for setting and embedding sustainability-related strategies into the Group's business operations. The sustainability governance structure is depicted as follows:

Sustainability Governance Structure

BOARD OF DIRECTORS

SUSTAINABILITY MANAGEMENT COMMITTEE

SUSTAINABILITY STATEMENT (CONT'D)

Stakeholder Engagement

We believe that maintaining a good degree of communication and understanding with all the internal and external stakeholders involved is highly essential in our journey to be a good corporate governance and reputable sustainable business entity. Hence, the Company recognizes the need to conduct a continuous dialogue and information sharing with the relevant stakeholders in a timely, effective and transparent manner. A summary of the stakeholder groups, the sustainability topics, and the type of engagement with frequency are shown in the following table.

Stakeholder engagement on sustainability topics, type and frequency of engagement

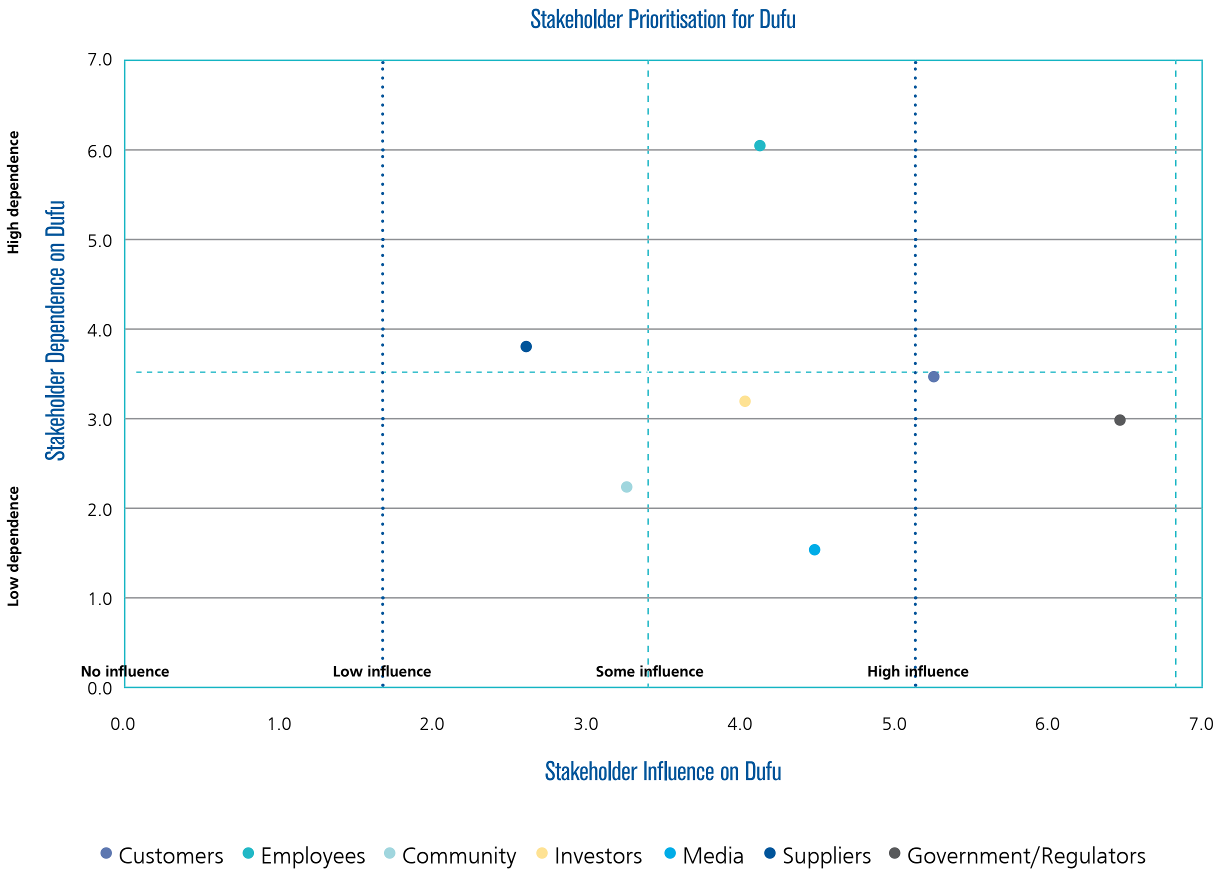
Stakeholders	Sustainability Topics	Type of Engagement	Frequency
Customers	• Production quality and improvement • Product quality and performance • Sustaining long term relationship • Operation in compliance with applicable laws and standards	• Customer satisfaction survey • On-site visits at Dufu's premises • Customer audit • Early supplier involvement • Business Review	Annually On-going On-going On-going As required
Employees	• Health and safety • Communication and engagement • Working condition and welfare • Employee satisfaction • Career development and training • Business performance review • Operation in compliance with applicable laws and standards	• Social events with employees • Appraisal and performance review • Training and development • Employee engagement survey • Formal meeting and discussion	On-going Semi-Annually On-going Annually On-going
Investors/ Shareholders	• Business performance • Operation in compliance with applicable laws and regulations • Strategic plans	• Interim results • Regular meetings and correspondence • Annual Report • Feedback to media enquiries • Corporate website and investor relationship channel	Quarterly On-going Annually As required On-going
Suppliers	• Forging strategic partnership • Supplier performance review • Product quality	• Key supplier audits • Supplier selection via pre-qualification • Regular meetings and correspondence • Supplier rating	On-going As required On-going Quarterly
Media	• Timely and accurate information	• Press release	As required
Government and Regulators	• Regulatory compliance	• Site visit and meeting • Participating in program organised by government bodies	As required As required
Community	• Environment protection • Operation in compliance with applicable laws and regulations • Local community activities involvement	• Participation in local community and activities • Sponsorship • Informal communication through email and phone calls	On-going On-going On-going

SUSTAINABILITY STATEMENT (CONT'D)

Stakeholder Prioritization

We recognise the need to balance our strategy in pursuit of our sustainable growth with the expectations from various stakeholders. In line with that belief, we have established a series of informal engagement initiatives with various stakeholders through the Group's respective business and supporting units via various channels throughout the year to gauge their feedback and address their expectations. In May 2018, the members of SMC spearheaded the stakeholder prioritisation exercise to identify stakeholders with the highest level of influence and dependence on Dufu. As illustrated in the diagram below, Customers and Employees were found to be the most crucial groups in Dufu's Stakeholder Prioritization Matrix.

Stakeholder Prioritization Matrix



Materiality Matrix

As part of the process to derive this report, as well as to go one step further and define the reference points for a comprehensive sustainability strategy, we have conducted a materiality assessment and awareness workshop in May 2018, bringing together the internal company perspective with that of Dufu's broad range of external stakeholders.

Dufu adopted a structured materiality assessment approach which is guided by Bursa Malaysia's Sustainability Reporting Guide. In this session, the SMC held a discussion on various sustainability matters pertaining to the Group. The structured workshop included all the SMC members represented by Management, Department Heads and representatives from Human Resource, Sales, Quality Assurance, Finance, Operation, Procurement, Internal Control and Corporate departments. Previous input and feedback received in various interactions with customers, employees, investors, regulators, and other external stakeholders was incorporated into the discussion. In the meeting, the threshold for the materiality level was established and agreed upon by SMC.

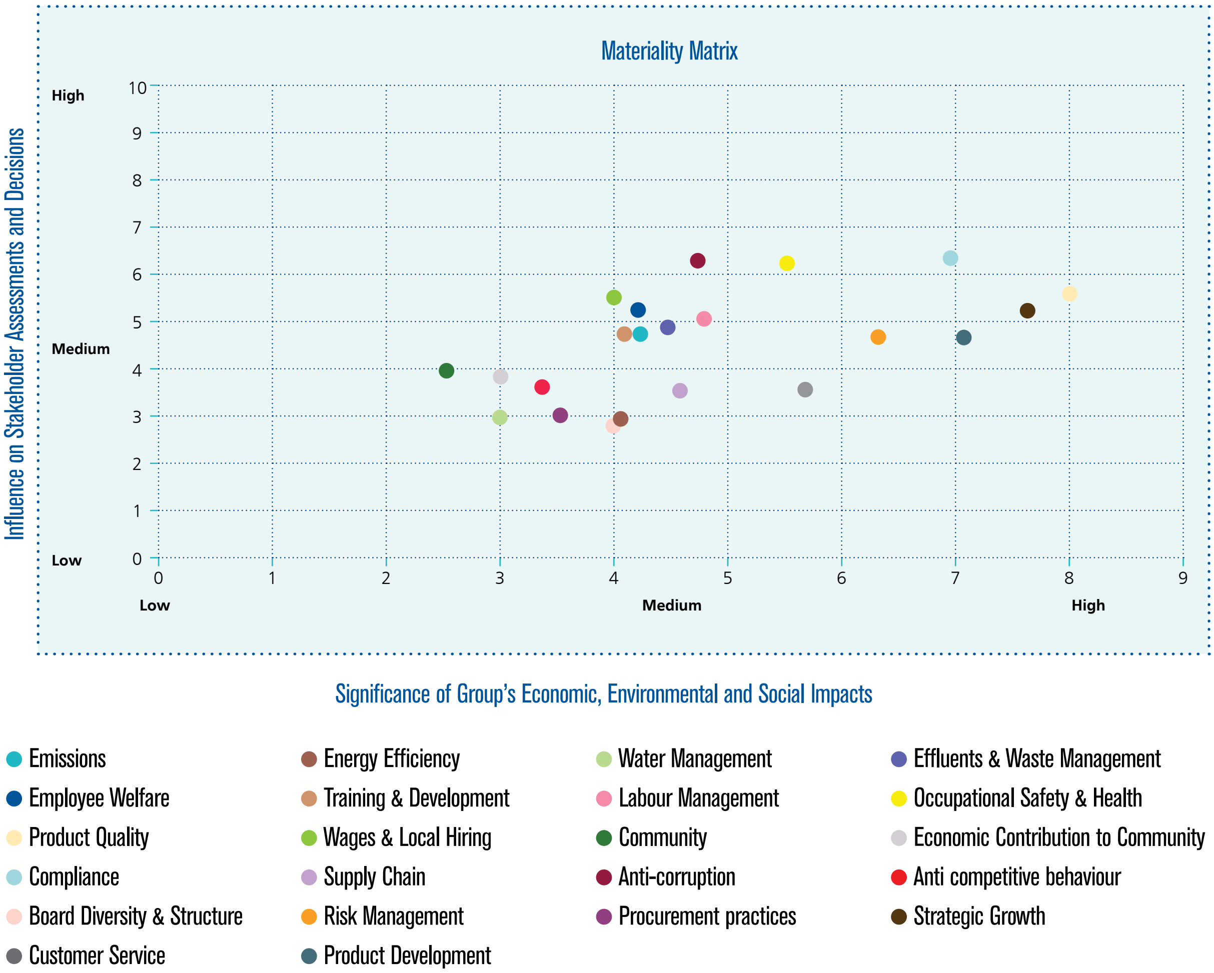
SUSTAINABILITY STATEMENT (CONT'D)

Materiality Matrix (cont'd)

This was followed by a sustainability risk assessment exercise carried out in November 2018 to determine the level of impact of the sustainability matters to Dufu. Members of SMC participated in the assessment by leveraging on their individual understanding of their own existing internal risk assessment criteria to rate the likelihood and impact of the occurrence on events associated with the identified sustainability matters.

The assessment by respective members of SMC was then summarized, accumulated and verified by Senior Financial Controller, and fed into the resulting materiality matrix. The outcome of the materiality assessment, as shown in diagram below, was presented to the Board of Directors on 26 February 2019. Product Quality, Strategic Growth, Compliance and Occupational Safety and Health are the top material sustainability matters which are of high significance to both our stakeholders and Dufu.

Priorisation of Sustainability Matters



SUSTAINABILITY STATEMENT (CONT'D)

ECONOMIC

Our key initiatives for business sustainability within the economic space are focused on the following key areas:

Financial Performance and Strategic Growth

Our financial performance is of significant importance to our internal and external stakeholders alike where our sustainable growth allows us to strengthen partnerships with customers and suppliers. A summary of our key Financial Performance and Growth for year 2018 are as follows:

Dufu Group Financial Performance Highlights for FY2018

REVENUE

RM241.4 MILLION

FY2018 RM241.4 M
FY2017 RM181.2 M

PROFIT AFTER TAX

RM51.8 MILLION

FY2018 RM51.8 M
FY2017 RM26.0 M

RETURN ON EQUITY

29.7%

FY2018 29.7%
FY2017 18.4%

DIVIDEND DISTRIBUTED

RM11.4 MILLION

FY2018 RM11.4 M
FY2017 RM9.2 M

We shall continue to strive towards long-term business profitability and growth as well as maintaining our preferred supplier status by providing a one-stop manufacturing facility offering quality machining parts and solutions in driving sales. We have developed and implemented the following strategies in our pursuit for sustainable long-term growth of the Group in FY2018

1. Continued to maintain current market share for targeted Hard Disk Drive ("HDD") components;
2. Acquired a unit of factory building at Bukit Minyak Industrial Park with land area of 0.81 hectare to cater for expansion of metal fabrication facility as well as to free-up floor space in the main factory for future capacity expansion growth;
3. Incorporated 75% owned Dufu Metal Sdn Bhd to complement the existing metal fabrication business by providing welded frame products and thus create synergy to fuel growth in this business segment; and
4. Working towards the International Automotive Task Force ("IATF") 16949:2016 certification for possible large-scale penetration into machining precision of automotive components and enable Dufu to extend product offering for automotive industry.

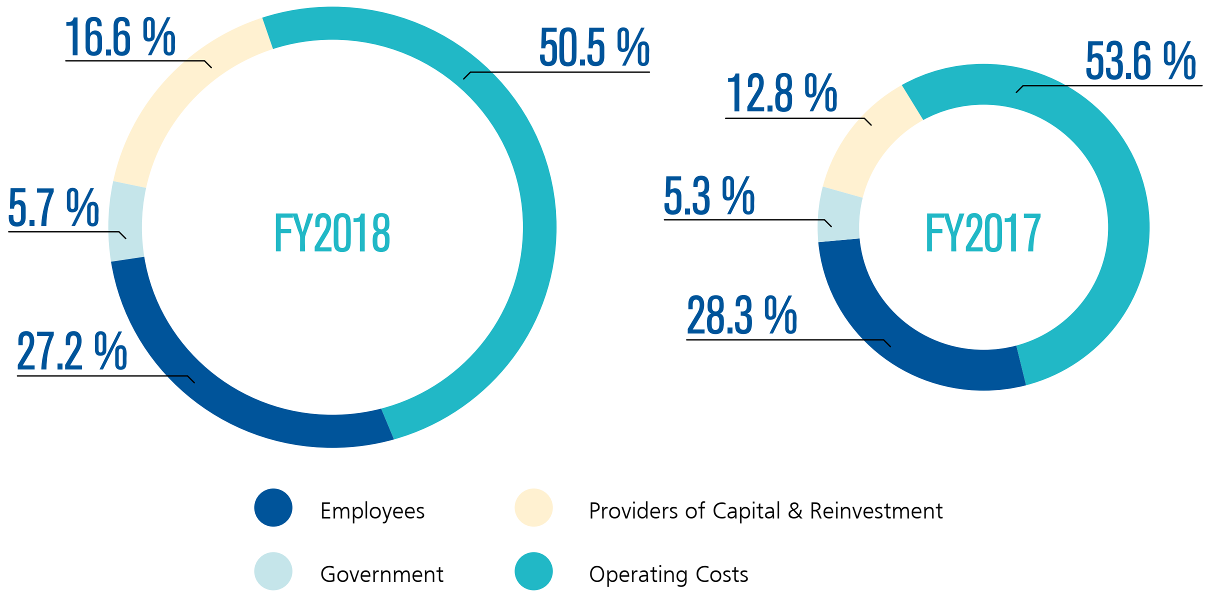
SUSTAINABILITY STATEMENT (CONT'D)

Direct Economic Value Generated and Distributed

Strong financial performance is key to the sustainable growth of any business and its future success. This aspect is material because financial success is necessary for our business to meet its sustainability goals now and in the future. Our financial performance also directly affects other stakeholders, such as our employees, government, local communities and investors.

The following pie chart summarizes the direct economic value generated and distributed by Dufu Group. It describes the financial benefits we have created for stakeholders

Direct Economic Value Distribution (By %)



Procurement Practices

We drive our business unit's needs for goods and services towards local procurement while taking into consideration the need to establish a secure, reliable and cost-effective supply chain that conforms to the high standards of quality and delivery. However, not everything that we procure could be source locally such as we need to import specialised technical equipment such as milling, grinding and measuring machines and its related spares and accessories. Furthermore, certain metal components and commodities are not available locally. These two aspects are the main reasons why the proportion of spending on local suppliers dropped from 54% in FY2017 to 45% in FY2018 where our plant in Malaysia spend approximately RM10.5 million (FY2017: RM2.75 million) on the purchase of CNC milling machines and its related accessories as well as increased in the purchase of imported raw materials that specifically required by customer due to the surge in demand for HDD components for a specific metal component not available locally.

Customer Satisfaction and Awards

Our company's economic success and, in particular, the success of our extension strategy is directly linked to the satisfaction level of our customers and customers' satisfaction is always our priority within the company. Accordingly, improving customer satisfaction is the duty of all of the company's business areas and is something that each and every manager is responsible for.

We continued to focus on taking customer interests into account and we implemented timely measures to improve our product quality and deliverables in the interests of our customers. For instance, we developed mechanical tools and improved our process technique that helped to prevent handling defects. As a result, customers observed significant improvement in their manufacturing yield.

SUSTAINABILITY STATEMENT (CONT'D)

Customer Satisfaction and Awards (cont'd)

We regularly listen to customer feedback from around the world and utilize this feedback in product development in a continued pursuit of customer satisfaction throughout the product lifecycle.

We conduct customer survey on yearly basis to assess customer satisfaction with aim of improving customer service and addressing customer concern. In 2018, we received an overall customer satisfaction score of 93.3% compared to 92.0% in 2017.

Over the years, Dufu has accumulated a wealth of experience, expertise and had established record of accomplishments with its customers. Below is a list of some of the awards:

BEST SUPPLIER AWARD
Awarded by Flextronics Shah Alam Sdn Bhd

SPACER DOCK TO STOCK SUPPLIERS
Awarded by Seagate Technology International

DOCK TO STOCK RECOGNITION
Awarded by Seagate Technology International

GLOBAL SUPPLY PARTNER
Specsavers

EXCELLENT SUPPLY AWARD
Emerson Regulator Technologies

SUPPLIER APPRECIATION AWARD
Awarded by Motorola Technology Sdn Bhd

Commitment to quality

Having the latest revision of ISO 9001:2015 certification is a testament that we continue to uphold a consistent quality standard of our products. A comprehensive quality management system framework has been established to ensure customers that quality assurance policies and procedures are in place to address our product quality and reliability on a regular basis, as well as improving our work efficiency.

We have stringent quality controls in our entire operations. Our quality practices involve various stages of design, tooling, process and control while adopting well known quality work standardisation techniques such as Poka Yoke, Six Sigma, Design for Manufacturability ("DFM"), Failure Mode Effect Analysis ("FMEA"), Statistical Process Control and etc. Incoming material inspection is conducted to ensure raw materials and components comply with documented standards before mass production whereas the in-process quality audit detects abnormalities in our manufacturing process, thus enhancing production efficiency and consistency. And in between that, all our products go in-depth monitoring and quality control checks during different stages of production using sophisticated measurement, metrology and laboratory equipment. Our finished goods quality assessment helps to verify the reliability and compliance of our products, other than ensuring our products meet the required specification and are free from defects at the time of delivery. Thereafter, we ensure that every product that we deliver is consistently on-time. This way, we ensure our products meet customers' expectations, along with that – we build their confidence and trust.

SUSTAINABILITY STATEMENT (CONT'D)

CORPORATE GOVERNANCE

The Board believes that good Corporate Governance is an indication of the commitment by the Board to achieve the highest standards of professionalism and business ethics across the Group's activities. We acknowledge that it is a form of self-regulation which is part of our sustainability journey aimed at enhancing business propositions taking into considerations various stakeholders' value and expectation.

Our company policy and procedures have been constantly improved to ensure our corporate governance structure meets not only the legislative requirement but also adopting industry best practices and global trends. Details of Dufu's corporate governance framework and practices are elaborated in the Overview Statement of Corporate Governance contain in this Annual Report.

As part of our effort to enhance Dufu's corporate governance, our focus in 2018 was the improvement on the timely delivery of the announcement on the Annual Report and Quarterly Financial Results.

In 2018, Dufu released its Annual Report fastest than ever before

Release of Dufu's Annual Report and Quarterly Financial Results

Financial Results	Date of Issue/ Release	No. of Days after end of Year/ Quarter	Bursa Securities Deadline for the Issue/ Release
Annual Report			
2017	**30 March 2018**	**89**	**30 April 2018**
2016	28 April 2017	118	30 April 2017
2015	27 April 2016	118	30 April 2016
Quarterly Results			
2018			
1st Quarter	**22 May 2018**	**52**	**31 May 2018**
2nd Quarter	**7 August 2018**	**38**	**31 August 2018**
3rd Quarter	**9 November 2018**	**40**	**30 November 2018**
4th Quarter	**26 February 2019**	**57**	**28 February 2019**
2017			
1st Quarter	24 May 2017	54	31 May 2017
2nd Quarter	28 August 2017	59	31 August 2017
3rd Quarter	27 November 2017	58	30 November 2017
4th Quarter	28 February 2018	59	28 February 2018

SUSTAINABILITY STATEMENT (CONT'D)

Board Diversity and Structure

The Board of the Company comprises two Executive Directors and four Independent Non-Executive Directors. Their names and brief biographies can be found in the section "Board of Directors' Profile" of the Annual Report FY2018. The duties and responsibilities of the Board is spelt out in the Board Charter. The Board has established an Audit Committee, a Nomination Committee, a Remuneration Committee and an Investment Committee with defined terms of reference to assist and support the Board in discharging its governance and other responsibilities.

The Nomination Committee regularly reviews the composition of the Board and Board Committees. The Board comprises a mixture of qualified and experienced directors with diverse experience, background and expertise. The combination of diverse professionals with varies background, experience and expertise in legal, finance and corporate affairs have also enabled the Board to discharge its responsibilities effectively and efficiently. The skillsets and diversity in the race/ethnicity (cultural background), nationality, age and gender of the existing Board members are disclosed in Practise 4.4 of the Corporate Governance Report for FY2018.

Risk Management

Dufu has implemented an organisational structure with formal and clearly defined lines of responsibility and delegation of authority for risk management. To ensure the effectiveness of risk management, there are three distinctive but complementary roles for implementing the risk management policies and objectives of the Group, and monitoring the risk management process. First and foremost, the Enterprise Risk Management ("ERM") is practised at Dufu where the Group's Risk Management Committee ("RMC") led by the Group Chief Executive Officer and supported by various Department Heads is responsible to perform periodic review, assessment and update of the Risk Register during the RMC meetings held quarterly and their findings will also be reported to the Audit Committee on quarterly basis.

Secondly, the Group also has its own Internal Control Department where the role of this department monitors the Group's operational performance and safeguarding of assets covering areas such as labour efficiency, scrap, machine performance, material yield usage, stocks and tool management.

Finally, the Company outsourced its internal audit function to Eco Asia, an independent professional firm as an internal auditor in FY2018, to provide independent assurance to the Audit Committee that the Group's risk management, governance and internal control processes are operating effectively. For further information on Risk Management, please refer to the section in Statement of Risk Management and Internal Control of the Annual Report FY2018.

Code of Conduct and Ethics, Anti-Corruption and Whistleblowing

The Code of Conduct and Ethics ("CCE") of Dufu states the standards of responsibility and obligations and promotes fair dealing, integrity and ethical conduct in the way we conduct our business. The CCE, which is subject to periodic review, is our way to set the tone and standards in articulating acceptable practices and guide of behaviours expected from Directors, Management and employees that integrates into Dufu's company-wide management practices.

We have established and implemented the policies and procedures on whistleblowing to facilitate the stakeholders of Dufu to report genuine concerns or allegations to a senior or independent member of the management of the Group about alleged unethical behaviour, actual or suspected fraud within the Group, or improper business conduct affecting the Group. By encouraging a whistle blowing culture, we hope to achieve a desirable organisation of transparent structure and effective, clear communication.

LABOUR PRACTICES

Dufu aims to provide a supportive, pleasant and healthy workplace for our employee, and to foster a caring community in our working environment. We care for our employees and recognise that having good staff relations and a motivated workforce are crucial to our success. They are our partners in delivering and maintaining products and services of the highest quality standards to our customers. We acknowledge our people are the foundation of our business. As such, we support life-long learning and development of our people via our yearly training and development programmes. We also place importance on the safety and well-being of our employees, and we are committed to providing and maintaining a safe and healthy work environment.

SUSTAINABILITY STATEMENT (CONT'D)

Respect of Labour and Human Rights

Dufu is committed to uphold the human rights of workers, and to treat them with dignity and respect as understood by the international community with Responsible Business Alliance ("RBA") and Occupational Health and Safety Assessment Series ("OHSAS") 18001 as the recognised standards used as our reference. This applies to all workers including temporary, migrant, student, contract, direct employees, and any other type of worker. Our written policy is aimed to:

1) Attain the highest standard of employment practice in compliance with the enacted laws
2) Uphold the culture and principles of equal opportunities in employment
3) Create a working environment where every member of our team is treated fairly and without fear of reprisal, intimidation or harassment.

We are committed to respecting the labour and human rights of all our staff through the following principles, which are clearly stated in our human resources management policies:

FREELY CHOSEN EMPLOYMENT	We do not use forced, bonded (including debt bondage), indentured or involuntary prison labour. Neither, do we exploit persons working for us by means of slavery or trafficking by means of threat, coercion or fraud. At Dufu, our terms of employment are voluntary and workers are free to leave anytime or terminate their employment upon reasonable notice under the terms of their labour contracts. We only hire foreign workers with legal work permits and they have free access to their passports at all times with reasonable accommodation provided.
YOUNG WORKERS	Child labour is not to be used in any stage of business processes as we strictly adhere to the various restrictions on the employment of child labour imposed by both the local and international regulations.
WORKING HOURS	Workweeks are not to exceed the maximum set by local law. We encourage work hours not more than 60 hours per week, including overtime, except in emergency or unusual situations. However, overtime is voluntary and employees are paid in accordance with statutory order.
WAGES AND BENEFITS	Compensation and benefits paid to employees shall comply with all applicable wage laws, including those relating to minimum wages, overtime hours and legally mandated benefits. We do not impose wage deduction as a disciplinary measure.
HUMANE TREATMENT	Across our organisation, we have embedded a culture of no harsh and inhumane treatment including any sexual harassment, sexual abuse, corporal punishment, mental or physical coercion or verbal abuse of workers; nor is there to be the threat of any such treatment. We have put in place clearly defined disciplinary policies and procedures in support of these requirements with multiple communication channels broadcast to all level of employees to ensure effective implementation throughout the Company.
NON-DISCRIMINATION	Dufu embrace a workforce free of harassment and unlawful discrimination such as race, colour, age, gender, sexual orientation, ethnicity, disability, pregnancy, religion, political affiliation, union membership or marital status in hiring and employment practices such as promotions, rewards, and access to training. Hiring and remuneration is determined with reference to job related factors such as performance, qualifications and experience. In addition, employees are not subjected to medical tests that could be used in a discriminatory way. We accommodate workers religious practices disregarding their race and religion as we understand and respect each individual's faith by taking extra steps to provide space, time, and flexibility to allow employees to meet their religious obligations.
FREEDOM OF ASSOCIATION	We respect the rights of workers to associate freely, join or not to join labour unions, seek representation, and join workers' councils in accordance with local laws. We adopt open communication and direct engagement between workers and Management as we believe they are the most effective ways to resolve workplace and compensation issues. Our doors are always open for employees to communicate and share grievances with Management regarding working conditions and Management practices without fear of reprisal, intimidation or harassment.

SUSTAINABILITY STATEMENT (CONT'D)

Employee Profile and Hiring

As at 31 December 2018, our workforce totalled 789 in Malaysia. Our emphasis has and will always be – to hire local talent to support the local communities we operate in. Nevertheless, our workforce in Malaysia is still predominantly made up of foreign nationalities who were recruited to work as direct labour to bulk up our production lines. As with majority of the export-oriented contract manufacturers, we are struggling to cope with local labour shortages as demand grow.

Despite vigorous efforts being put in through multiple channels throughout FY2018 such as online advertisement using paid services such as Jobstreet and Jobstore or free sites such as Facebook; placement of hiring banners to encourage walk in interview; and participation in various local career fair, we still face challenges on local hiring. Due to the lukewarm response from local workers, 82 net inflow of foreign workers were brought in FY2018 explicitly as direct labour for our production process. Nevertheless, at the close of financial year-on-year our local workforce has increased from 266 to 299.

Our Effort to attract Local Hiring

1


2
3


1 Preparation for Program Karnival Kerjaya, Dewan Balora Mastika, Balik Pulau on 27 October 2018
2 Our booth was well received by local community during the Karnival Kerjaya Ke-6 Dan Temu Duga Terbuka, Vistana Hotel, Penang on 27 January 2018
3 Interviewing potential local candidates at UTC's 5.0 Job Fair 2018, Mydin Mall Bukit Mertajam on 6 October 2018

Employees by Local and Non-Local

FY2018

Local 299
Non-Local 490

● Local
● Non-Local

FY2017

Local 266
Non-Local 408

● Local
● Non-Local

Employees by Gender

FY2018

Male 625
Female 164

● Male
● Female

FY2017

Male 520
Female 154

● Male
● Female

SUSTAINABILITY STATEMENT (CONT'D)

Employee Profile and Hiring (cont'd)

Employees in Executive Position by Local and Non-Local

FY2018

Local ▶123
Non-Local ▶3

● Local
● Non-Local

FY2017

Local ▶113
Non-Local ▶3

● Local
● Non-Local

Employees in Executive Position by Gender

FY2018

Male ▶71
Female ▶55

● Male
● Female

FY2017

Male ▶70
Female ▶46

● Male
● Female

Employees by Age

FY2018

< 30 years old ▶462
30-50 years old ▶300
>50 years old ▶27

● < 30 years old
● 30-50 years old
● 50 years old

FY2017

< 30 years old ▶398
30-50 years old ▶251
>50 years old ▶25

● < 30 years old
● 30-50 years old
● 50 years old

Employee Turnover Rate

FY2018

1.11 %

FY2017

1.26 %

Employee Development and Talent Management

Dufu's human capital is developed and strengthened through its investment in our People. Continuous training and professional development programmes have helped to boost the hard and soft skills of our employees, positioning them in good stead to alleviate the performance standard quality to enable us to stay on the forefront of the everchanging needs from our customers.

SUSTAINABILITY STATEMENT (CONT'D)

Employee Development and Talent Management (cont'd)

Newly recruited employee will undergo orientation program to help the new employee feel welcomed and to understand the culture and background of the organisation. New employee will also be exposed to on-job structured training program tailored to their respective roles. On a yearly basis, Department Heads are required to review the training needs of their staff, evaluate the content and result of training courses and develop training programmes that are not limited to meeting Dufu's business needs, but also to enhance individuals' knowledge and skills. All these are aim is to solidify the employee's relationship with the people in the organisation, fuel their enthusiasm and provide long term positive relationship with the Company.

Apart from this, the fully sponsored Dufu Toastmaster Club formed in September 2016 also encourage employees to boost their confidence at public speaking, workplace communication and sharpen their organization and leadership skill. The meeting takes place every fortnightly during official working hours.

Dufu's inaugural 2018 Toastmaster Internal Speech Evaluation Contest won by Miss Khor Wan Chen from Human Resource Department

At Dufu, our employees' development programme is categorised into internal and external. Both have its own distinctive merits. The internal training uses real-life examples, problems and challenges that participants encounter every day at work. It is often shorter in duration and thus creates more focus and is presented in terminology that participants understand and can relate to. We organised a total of 62 in-house training programmes equivalent to 6,416 training hours in FY2018. The type of internal training provided to the employees are as follows:

Internal Training Frequency By Type	FY2018 No. of Training	FY2017 No. of Training
Environmental, Health and Safety	15	15
Manufacturing	6	2
Quality	25	32
Machinery	16	11
Total No. of Internal Training	**62**	**60**

SUSTAINABILITY STATEMENT (CONT'D)

Employee Development and Talent Management (cont'd)

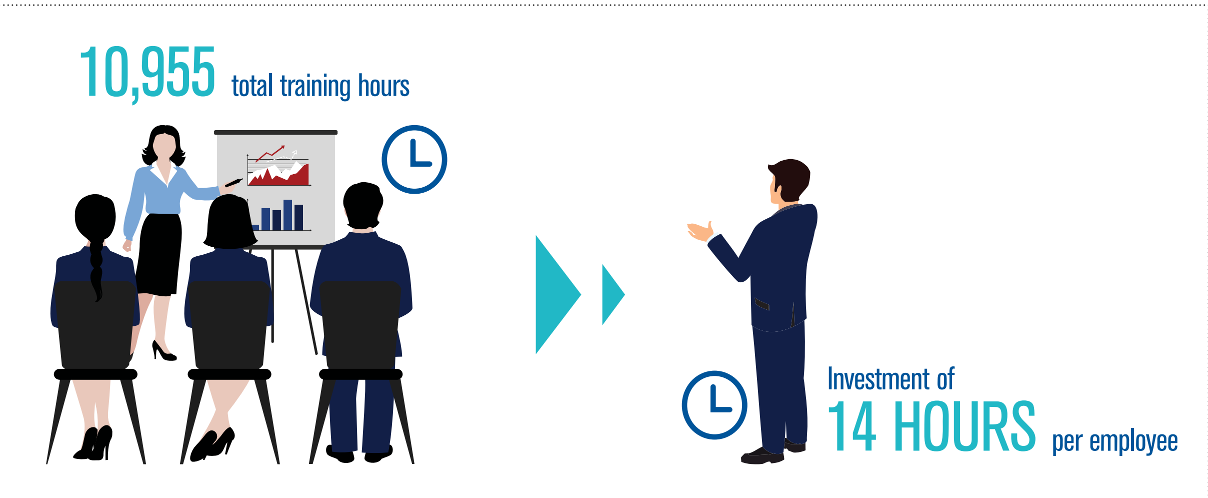
External training programmes were organised by Dufu for employees of all job levels to allow them to hone skills necessary for their career advancement. Some of the notable training and development courses made available to employees for FY2018 were:

- IATF: Failure Mode and Effect Analysis ("FMEA")
- IATF: Statistical Process Control ("SPC") & Measurement System Analysis ("MSA")
- IATF: Production Part Approval Process ("PPAP") & Advanced Product Quality Planning ("APQP")
- Maximising Pivot Table with Excel 2013
- Strategic Thinking and Mind Mastery
- Poka-Yoke (Mistake Proofing) in Problem Prevention
- Optimising Machine Performance Through Total Preventive Maintenance ("TPM")
- Qualities of Highly Effective People
- Effective Supervisory Skills
- Sales and Service Tax 2018 and its impact on LMW and FIZ
- Employment Act and Labour Law
- Applying EQ at the Workplace for Better Work Relationship

All in all, we invested a total of 4,539 (FY2017: 6,004) external training hours and registered 6 (FY2017: 9) average hours of external training per employee in FY2018. The decreased was mainly due to the surge in number of direct labours recruited in the third quarter of 2018 and also a two-day Basic First Aid and Cardiopulmonary Resuscitation ("CPR") training program held in 2017 which involves quite a number of employees and will usually be conducted once every three years.

The type of external training that our employees participated were as follows:

External Training Hours By Type	FY2018 No. of Hours	FY2017 No. of Hours
Administrative Skills	1,029	680
Engineering and Maintenance	24	200
Industrial Safety and Environmental Management	480	1,901
Information Technology	208	440
Management and Performance Development	1,086	783
Quality System and Productivity Improvement	1,712	2,000
Total	**4,539**	**6,004**



SUSTAINABILITY STATEMENT (CONT'D)

Employee Benefits, Welfare and Well-being

We started off the new year with Dufu's "Fiery Red & Icey Blue" Annual Dinner 2017 which was held at Spice Convention Center on 13 January 2018. Around 720 people including Directors, suppliers, vendors and employees attended the event. This year's event brought in some wonderful entertainer in the form of professional dancers, singers and not forgetting our own employees who struct their talent in various dance acts. We had Lucky Draws, interactive games and on top of that, Service Recognition Awards Ceremony was presented to employees who were with us for more than 10, 15, 20 and 25 years. All our employees had a great time during the event which ended with lots of laughter and dancing.



1 Dufu's Executive Chairman, Mr Lee, Hui-Ta also known as Li Hui Ta together with Mr. Yeoh Beng Hooi (Group CEO) welcoming the employees and guest to Dufu's Annual Dinner 2017
2 Our boys in cheerful mood before the dinner
3 Best Dressed Male and Female of the night competition on stage as they really went all out with their "Fiery Red & Icey Blue" costumes
4 Long Service Award for 5 employees with more than 20 years' service with Dufu accompanied by both our Executive Chairman and CEO in a cake cutting ceremony during the Annual Dinner 2017

The Company conducted two teambuilding activities in 2018. The first one was held in Pulau Langkawi targeted at exempt staff. We have incorporated treasure hunt as part of the fun-filled event with creative clues and challenges that cultivate brainstorming and problem-solving skills. For the first time, we have also extended last year's team building programme held at Copthorne Hotel, Penang to our non-exempt staff on 18 November 2018.




1 A total of 70 Dufu exempt employees participated in Team Building Cum Treasure Hunt in Pulau Langkawi on 20-21 October 2018
2 One of the many activity games that focuses on team work and communication
3 Early Bird Catches the Worm – Delighted to finished ahead of other teams in the treasure hunt competition
4 80 of our non-exempt staff competing to see who can outlast by spinning the wheel build using only one ingredient – newspaper

Healthier work-life practices

We aim to create a healthy workplace that encourages employees to stay well. Simple, fun, and effective programs help them deal with challenges that affect their ability to be focused and productive. On a yearly basis, we collaborated with a private hospital to provide for health screening at the work place to promote the well-being of our employees.

SUSTAINABILITY STATEMENT (CONT'D)

Healthier work-life practices (cont'd)

In order to promote a healthier work-life balance in Dufu and to spur the welfare of the employees, we have rolled out various activities in FY2018 for our employees to participate, release stress and foster positive relationship amongst colleagues. Amongst them were:

- (Bi)weekly indoor inter reactive classes such as toastmaster at our plant and outdoor sport events such as badminton
- Yearly in-house sports tournament such as bowling, soccer, futsal and badminton tournament
- Greeting card and gift for employee who falls within the stipulated birthday month
- Sponsored employees who are interested to participate in the Colourful Run held on 23 September 2018 at First Avenue Mall, Penang
- Wellness programme where free medical check-up for employees aged 40 and above
- Congratulatory vouchers for the newly-wed, hampers for newly born babies and condolence money for immediate family deaths
- Light meals and takeaway are provided by Management to employees during labour day and Muslim workers during the Ramadan month; and
- An email blast to inform and congratulate employees of their new-born

1 Its our culture to welcome each and every employee's newborn baby in this world with our creatively designed baby gifts & hampers
2 The girls have fun too and were part of the 160 participants in our recently concluded Futsal tournament
3 Distribution of cookies to all the employees as a token of appreciation on Labour Day
4 It was really nice seeing our employees enjoying themselves and having fun with their adrenaline pumping at Colourful Run held on 23 September 2018
5 Dufu's Annual Soccer Tournament 2018 held on 22 July 2018 attracted 144 male and 24 female participants

Appreciation for Employee Long Service

At Dufu, we value a working relationship that is long-lasting and built on trust. We recognise the commitment and contribution of our long-serving employees through our Long Service Awards presented during our annual dinner. Long-service awards are a way of saying thank-you to employees and recognising their contribution over a period of years where 20 employees received memorable gifts upon reaching certain milestones, beginning from a consecutive period of ten years' service and greater in 2018.

Hui Chee King (center) receiving a "Twenty-Five Years" Service Award during Dufu's Annual Dinner held on 13 January 2018

SUSTAINABILITY STATEMENT (CONT'D)

A Safe and Healthy Work Environment

We invest in the health, safety, and wellness of our employees and our system and processes are modelled on the internationally recognized OHSAS 18001 standard. Through this process, we have improved our methods for identifying hazards, assessing risk, and applying risk controls consistently across our operations.

At Dufu, we have an Occupational Safety and Health Management ("OSH") unit to safeguard, manage, discuss and report areas related to Dufu's health, safety and environment ("HSE") performance. The OSH continues to monitor effectiveness, engage with Management, and drive improvement. About 40 people are part of Dufu's Emergency Response Team ("ERT"), ready to respond in emergency situations. They are trained to administer first aid, help evacuate buildings, and provide other assistance.

1 A fire and evacuation drill & first aid training was held in the morning on 2 February 2018 involving 577 Dufu employees (normal and morning shift), BOMBA Bayan Lepas and Malaysia Civil Defense Department
2 On 5 March 2018, we carried out yearly medical surveillance for employees
3 A Fire Hose Reel Training was carried out by the ERT Team on 18 March 2018

Although the number of accidents in our plant has reduced from 9 to 7 cases, the severity rate in 2018 has increased due to higher occupational related medical leave. Nevertheless, our OSH unit has made significant progress to comprehend the safety and health of Dufu's employees where we felt proud of HSE performance for FY2018 as follows:

- Zero Fatality cases was recorded in FY2017 and FY2018
- No Occupational Illness was recorded for FY2017 and FY2018.
- There was a reduction of 24.6% for Total Case Incident Rate from 2017 to 2018
- There was a reduction of 24.7% for Total Case Occupational Accident Frequency Rate respectively between 2017 and 2018

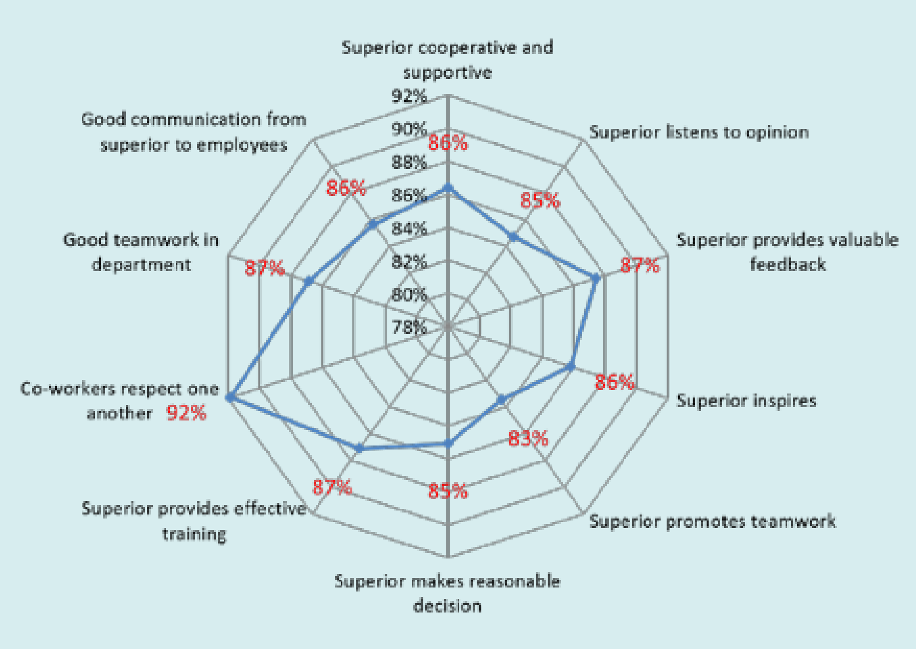
Dufu Health and Safety key data are as follows:

	2018		2017	
	Occupational Accident cases	Occupational, Poisoning and Disease cases	Occupational Accident cases	Occupational, Poisoning and Disease cases
Fatality Rate *	0	0	0	0
Incident Rate *	8.98	0	11.91	0
Frequency Rate **	4.49	0	5.96	0
Severity Rate **	73.73	0	11.91	0

* Fatality and Incident Rate are based on 1,000 employees. Calculation is based on average number of monthly employees.
** Frequency and Severity rate are based on 500 employee / 8hr / 5 days / 50 weeks
Frequency rate is the no. of lost time injuries / illnesses per 1,000,000 exposure hours worked for a year
Severity rate is lost time injuries per 1,000,000 hours work
Note: 1 death = 6,000 lost days

Getting Opinion from Workers

We firmly believe that having a highly engaged workforce is one of the most important contributors to the Group's success. This is why, in August 2018, Dufu launched its first anonymous All-Employee Satisfaction and Engagement survey, which recorded a 73% response rate and an overall Sustainable Satisfaction Engagement score of 74.8%. This score combines three dimensions measuring our employee relations (87%), working environment within Dufu (80%) and welfare and facilities (55%). For Dufu to gain a thorough understanding on the insights of our employees, we built an open-ended survey to allow for our employees to tell for anything they feel is relevant and anything they want us to know.



Dufu's inaugural All-Employee Satisfaction and Engagement survey confirms our belief that facets of 'Employee Relation' is our key strength in the workplace

In the end, this survey confirmed some key Dufu strengths, including good scores overall on engagement. In particular, the figures show a strong employee alignment on Respect of co-workers (92%) and on Teamwork (87%), and enforce our belief that our workers believe that their immediate superior provides effective training (87%) and valuable feedback (87%) in their course of their work.

Among the identified areas of improvement underlined by respondents was our lack of focus on facilities maintenance namely the canteen environment and washroom.

Committing to improve

Further to this analysis, the following commitments were made, with the aim of taking our employees' satisfaction to the next level:

- Improve the washroom environment by providing hygienic and the right washroom basic needs and to minimize downtime caused by all the chronic washroom problems such as toilet blockages etc. In this respect, we have identified Area Owner to detect and raise their concern to the Facility Department. We have also purchased air dryers to fasten the floor drying process and have also taken steps to foster employee's awareness of washroom ethics.

- To improve canteen environment, we are now in the midst of expanding the staff canteen to accommodate more people and to provide employees access to an improved hygienic environment.

Committing to improve (cont'd)

- Engage in Systematic Occupational Health Enhancement Level Programme ("SoHELP") to enhance industrial hygiene standard in workplaces where in one of the many aspects, we have conducted a noise assessment in our plant and the results revealed a significant amount of noise level generated in CNC Department. On this point, we have removed the usage of air gun at turning machines and as a result from this, the noise level is now within the acceptable range. On top of this, to ensure our measures are working, we provide regular Noise: Health surveillance via audiometric test on the affected employees who are exposed to the noise disturbance at their work place on a yearly basis.

- Improve existing communication channels and re-conduct this survey regularly. On this last point, we currently plan to organise a repeat survey every-other-year at minimum, with the next iteration taking place before the end of 2019.

We are fully committed to the Department of Health and Safety's SoHelp methodology

Environment

At Dufu, we're routinely implementing new ways to reduce our environmental impact – from the processes we employ to manufacture products to the way we deliver them to customers. We start with our guiding principles, set forth in our Environmental Management System, registered to ISO 14001.

The adoption of this standard underlies our commitment to safeguarding the environment which can be seen from our effort on obtaining the environment permit, pollution prevention and resource reduction of hazardous substances, waste water, air emission and to adhere to product content restrictions, storm water management and minimise the energy consumption and greenhouse gas emissions.

SUSTAINABILITY STATEMENT (CONT'D)

Environment (cont'd)

The Group strives to conduct its business operations according to pragmatic principles and sustainable practices comprising 8 main aspects:

ENVIRONMENTAL PERMITS AND REPORTING

All required environmental permits (e.g. discharge monitoring), approvals and registrations are obtained, maintained and kept current and their operational and reporting requirements are strictly being adhered to.

POLLUTION PREVENTION AND RESOURCE REDUCTION

The use of resources and generation of waste of all types, including water and energy, are kept to minimum or eliminated at the source or by practices such as thorough monitoring and engineering control in production, maintenance and facility processes; materials substitution; conservation, recycling and re-using materials.

HAZARDOUS SUBSTANCES

All hazardous chemicals and other materials harmful to the environment are identified and appropriately managed to ensure their safe handling, movement, storage, use, recycling or reuse and disposal.

WASTEWATER AND SOLID WASTE

Wastewater and solid waste generated from operations, industrial processes and sanitation facilities are characterized, monitored, controlled and treated as required by local law prior to discharge or disposal.

AIR EMISSIONS

Air emissions of volatile organic chemicals, aerosols, corrosives, particulates, ozone depleting chemicals and combustion by-products generated from operations are characterized, monitored, controlled and treated as required prior to discharge.

MATERIALS RESTRICTIONS

Adherence to all applicable laws, regulations and customer requirements regarding prohibition or restriction of specific substances in products and manufacturing, including labelling for recycling and disposal.

STORM WATER MANAGEMENT

Preventive measures are in place at all times to prevent storm water contamination including discharge and spills from entering public drain.

ENERGY CONSUMPTION AND GREENHOUSE GAS EMISSIONS

Energy consumption and greenhouse gas emissions are tracked and documented while continuing to look for cost-effective methods to improve energy consumption and greenhouse gas emissions.

Material waste is a constant in engineering and manufacturing workplaces notably in precision engineering processes. Just like any other metal working facility, Dufu also produces an overwhelming quantity of scrap metal chips and turnings that are saturated with cutting oils. Over the years, Dufu's engineering team continues to optimize and minimize the bar ends wastages while working on reclamation equipment that spin the cutting oils out of the metal chips.

Scrap metal components such as steel, aluminum and titanium are compacted at our factory site before they are disposed to a licensed local scrap metal recycler.

SUSTAINABILITY STATEMENT (CONT'D)

Environment (cont'd)

	2018	2017	2016
Electricity (kWh)/ Sales (RM'000)	49.08	57.09	67.98

Our production machinery and facility equipments contribute to the majority of our energy consumption. We recognise the importance of properly managing and regulating our energy consumption so as to keep our operational costs low and help reduce the impact on the environment. Our facility team keep a close track of the high energy consumption items such as chiller and air compressor, and we have a monitoring system in place to ensure they are optimised for energy efficient usage. We have also extended the replacement of the conventional fluorescent lights with light emitting diode ("LED") technology in our CNC plant in FY2018.

In addition, our employees have embedded the culture to switch off unnecessary appliances and air-conditioning during lunch hours and after office hours. This practice enables further reduce the energy consumption within our organisation.

	2018	2017	2016
Water (liter/ cubic meters)/ Sales	0.48	0.68	0.86

Water consumption per sales saw a reduction of 29% in FY2018 as we continued working on improving our water efficiency by reducing water wastage by measuring the amount of water required for a particular purpose and the amount of water used or delivered. Our lavatory fixtures have been modified with self-push button taps to avoid unnecessary water wastage. All our flush tank has also been fitted with 1 litre of water filled bottle container and by doing so, each time our employee uses the flush toilet, we reduce water usage by 1 litre per flush without impairing the efficiency of flushing out the waste.

In Environmental Permits and Reporting for FY2018, the waste water and industrial effluents monthly monitoring data submitted to Department of Environment ("DOE") and the monthly schedule waste generated and dispose at Dufu premises such as mixed contaminated rags, paper and filter, spent lubricating and hydraulic oil are in compliance to the respective Regulators in Malaysia with the exception of the discharge from the Waste Water Treatment Plant ("WWTP"). Arising from this result, we have improvised our Industrial Effluent Treatment System ("IETS") Improvement Plan in meeting the standards by the Environmental Quality (Industrial Effluent) Regulations 2009. The improvement includes expanding the Equalisation Tank volume to 9m3/hr and also increased the Chemical Preparation Tank storage capability by threefold. Filter Press was also added to improve both the volume and quality of the waste water treatment effluent. On top of this, we have also added new chemical "powder activated carbon" to improve both the Chemical Oxygen Demand ("COD") and Biological Oxygen Demand ("BOD") values.

At our WWTP, a Filter Bag was added to remove balance residue from the next process, was amongst many of the on-going enhancements we have made as part of our IETS Improvement Plan

In Material Restrictions, we only source our materials from suppliers who are Restriction of Hazardous Substances ("ROHS") compliance. By doing so, we continued to ensure our entire supply chain including our manufacturing and sub-contractor operation are free from restricted materials that poised not only hazardous to the environment and pollution of landfills, but also dangerous in terms of occupational exposure to our employees.

SUSTAINABILITY STATEMENT (CONT'D)

SOCIAL RESPONSIBILITY

We are fully committed to be social responsible organisation as we understands that the long term success of any business cannot be determined by its profitability bottom-line concerns alone and that organisations can no longer operate detached from society and its concerns.

With this in mind, the Group is fully committed to its Corporate Social Responsibility ("CSR") programs, highlighting accountability to its stakeholders and the well-being, in particular to its employees and the community at large.

Engagement with Community

As part of our CSR project, volunteers from Dufu employees spent a Saturday morning on 10 February 2018, to visit and bring cheers to 27 senior citizens at the Rumah Charis located in Relau, Penang in commemoration of Chinese New Year. Rumah Charis provides a place to stay for elderly people who are often destitute and homeless. The home also provides them with spiritual guidance and counselling, as well as help in medical care and treatment.

The programme began at 10.00am with a briefing about Rumah Charis by their caretaker. After the briefing and Q&A session, we mingled around with the senior citizens. At 11 am, we were given the opportunity to serve the senior citizens with cakes, cookies and pastries. After the eating session, the old folks and 10 caretakers were presented with angpow and goody bags. The Company donated RM2,000 whilst our employees contributed RM3,925 cash which were used to buy foods, groceries, toiletries and adult diapers. Our presence on that day brought much happiness to the senior citizens who are always looking forward for someone to visit them and spend time listening to them.

On 30 November 2018, students from Chinese Taipei School Penang along with their principal and teachers participated in an educational visit of our factory plant in Bayan Lepas, Penang. On arriving at our factory, they were welcomed by our Executive Chairman, and together with Department Head from Sales and Quality Assurance who provided a special presentation of the Company and comprehensive behind the scenes tour covering the manufacturing process in terms of inputs and outputs, plus the export market for the final product. The visit was a huge success, and some students even got their family members to visit our site. We seemed both pleased and surprised by the depth and quality of the questions we were being asked. It was an introduction to the world of manufacturing for the students and we are a strong believer in the importance of exposing children to our manufacturing environment.

An educational visit by students from Chinese Taipei School Penang on 30 November 2018

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors ("the Board") of Dufu Technology Corp. Berhad ("Dufu" or "the Company") presents this statement to provide shareholders and investors with an overview of the corporate governance practices of the Company under the leadership of the Board during the financial year 2018 ("FY2018"). This overview takes guidance from the key corporate governance principles as set out in the Malaysian Code on Corporate Governance ("the Code" or "MCCG").

This statement is prepared in compliance with Bursa Malaysia Securities Berhad ("Bursa Securities") Main Market Listing Requirements ("Main LR") and it is to be read together with the Corporate Governance Report 2018 of the Company ("CG Report") which is available on the Company's website at www.dufutechnology.com.

The CG Report provides the details on how the Company has applied each Practice as set out in the MCCG during FY2018.

Dufu and its subsidiaries ("Dufu Group") recognises the importance of adopting good corporate governance and acknowledges the importance of the principles set out in the MCCG and is committed to ensure high standards of good corporate governance are in place and practiced within our Group in order to safeguard the shareholders and relevant stakeholders' interests as well as enhancing shareholders' value.

The Board then planned and has continued its efforts in raising the bar in the Group's corporate governance standards set out in the Code through various measures for implementation from time to time.

PRINCIPLE A - BOARD LEADERSHIP AND EFECTIVENESS

I. BOARD RESPONSIBILITES

The Board is always mindful of the long-term success of the Company and the delivery of sustainable value to its stakeholders. In discharging its fiduciary duties and leadership functions, the Board govern and set the Company's strategic direction and also exercise oversight on management. The Board will continue to play its role in setting the appropriate tone at the top, providing thought leadership and championing good governance and ethical practices throughout the Group.

Following the top-down strategic planning process adopted by the Group, the Executive Directors will periodically formulate Group's strategy and communicate it down to the organisation for implementation. The Chairman will continue leading the Board in establishing and monitoring good corporate governance practices in the Company by focusing on strategy, governance and compliance.

The Company continue to practice a division of responsibilities between the Chairman and the CEO. Their roles are separated and clearly defined in the Board Charter of the Company. The Board Charter serves as a reference and primary induction literature providing all Board members and Management insights into the fiduciary and leadership functions of the Board. It also clearly sets out the respective roles and responsibilities of the Board, Board Committees, individual directors and Management.

The Board has established five (5) Committees, namely the Audit Committee, Nominating Committee, Remuneration Committee, Investment Committee and Risk Management Committee, the primary functions of which are to assist the Board in overseeing the affairs of the Company and these Committees have been entrusted with specific responsibilities and authority. The authorities and functions of these Board committees are properly set out in their respective Terms of Reference.

The Board last reviewed its Board Charter on 27 November 2017 to keep abreast with changes in regulations and best practices and ensure its effectiveness and relevance to the Board's strategic intent as well as relevant standards of corporate governance. Besides, the Board also sets out the Code of Conduct and Ethics ("CCE") of Dufu which states the standards of responsibility and obligations and promotes fair dealing, integrity and ethical conduct amongst Dufu's Directors and employees. The policies of the CCE covers areas in managing conflicts of interest, preventing abuse of power, business gifts, insider trading and money laundering. The Board has established, reviewed and implemented the policies and procedures on whistleblowing.

A copy of the Board Charter, CCE Policy and Whistle Blowing Policy last reviewed by the Board on 27 November 2017 are available at the Company's website, www.dufutechnology.com.

The Board of Dufu is supported by two (2) Company Secretaries, both have legal credentials, and are qualified to act as Company Secretary under Section 235(2) of the Companies Act 2016.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE A - BOARD LEADERSHIP AND EFECTIVENESS (cont'd)

II. BOARD COMPOSITION

In order to achieve the intended outcome of the Code, Board decisions are made objectively in the best interests of the Company taking into account diverse perspectives and insights. The Group met most of the recommended practices set out in the Code detailed in the CG Report 2018.

The Board has through its Nominating Committee ("NC") conduct the annual assessment on its size and composition. Based on their assessment, the NC satisfied that the Board comprises a mixture of qualified and experienced directors with diverse experience, background and expertise. The combination of diverse professionals with varied background, experience and expertise in finance and corporate affairs have also enabled the Board to discharge its responsibilities effectively and efficiently.

The skillsets and diversity of the existing Board are as follows:-

			Industry / Background Experience							By Composition						
										Age			Ethic		Gender	
Directors	Nationality	Designation	Technology	Marketing	Industrial	Corporate	Accounting / Finance	Internal Audit	Law / legal	40 – 49 years	50 – 59 years	60 – 70 years	Chinese	Foreigner	Male	Female
Lee, Hui-Ta also known as Li Hui Ta	*Taiwanese*	*Executive Chairman*	√	√	√	√	√					√		√	√	
Wu, Mao-Yuan	*Taiwanese*	*Executive Director*	√	√	√	√						√		√	√	
Joyce Wong Ai May	*Malaysian*	*Independent Non-Executive Director*		√		√	√	√		√			√			√
Sung, Cheng-Hsi	*Taiwanese*	*Independent Non-Executive Director*		√	√	√	√			√				√	√	
Yin, Chih-Chu also known as Laurence Yin	*Taiwanese*	*Independent Non-Executive Director*	√	√	√	√	√				√			√	√	
Lee Yoke Khay	*Malaysian*	*Independent Non-Executive Director*				√	√		√			√	√		√	

Notwithstanding the recommendation of the MCCG, the Company does not practice any form of gender, ethnicity and age group biasness as all candidates shall be given fair and equal treatment. The Board believes that there is no detriment to the Company in not adopting a formal gender, ethnicity and age group diversity policy as the Company is committed to provide fair and equal opportunities and nurturing diversity within the Company. The Board is of the view that the appointment of Board member or Management should be determined based on objective criteria, merit and with due regard for diversity in skills, experience and other qualities regardless of gender but will nevertheless consider appointing more directors of the female gender where suitable to be in line with the Code's target. Besides, the Board has also made progress in broadening the diversity of the Board and Senior Management from time to time.

PRINCIPLE A - BOARD LEADERSHIP AND EFECTIVENESS (cont'd)

II. BOARD COMPOSITION (cont'd)

The activities carried out by the NC during FY2018 in discharging its functions are as follows:

- reviewed the structure, size and diversity (including without limitation, gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service) of the Board;
- reviewed the training needs of the Directors; and
- undertaken review of independency of Independent Directors;

To facilitate the Directors' time planning, an annual meeting calendar is prepared and circulated to all Directors before the beginning of every year. The time table for the proposed Board meetings in the year 2019 was circulated on 9 November 2018.

III. REMUNERATION

The Board has in place policies and procedures to determine the remuneration of Directors and Senior Management, which takes into account the demands, complexities and performance of the Company and the Group as well as skills and experience required. The Group's remuneration policies and decisions are made through a transparent and independent process. The policies and procedures are periodically reviewed to ensure it remain competitive and consistent with the Company's business strategy and long-term objectives.

PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT

I. Audit Committee

The Audit Committee ("AC") comprises solely of Independent Non-Executive Directors. The Chairman of the AC is not the Chairman of the Board. This composition of the AC meets the requirements of paragraph 15.09(1)(a) and (b) of the Main LR.

The Board has put in place a policy that requires a former key audit partner to observe a cooling-off period of at least two financial year ends before being appointed as a member of the AC.

The AC has adopted the Policy for the Assessment of the Suitability and Independence of External Auditors, guided by the factor as provided in the Main LR as well as the Auditors Independence Policy.

II. Risk Management and Internal Control Framework

The Board fulfils its responsibilities in the risk governance and oversight functions through its Risk Management Committee ("RMC") in order to manage the overall risk exposure of the Group. The RMC assessed and monitored the efficacy of the risk management controls and measures taken, whilst the adequacy and effectiveness of the internal controls were reviewed by the AC in relation to internal audit function for the Group. The Board through the AC reviewed the Group's internal control based on the audit test carried out by the Internal Auditors.

The Group's RMC is responsible to perform a periodic review, assessment and update of the Risk Register during the RMC meetings. The Group continues to enhance its Enterprise Risk Management ("ERM") system which is an ongoing and systematic process to identify, assess, respond and monitor risks. The RMC is led by the Chief Executive Officer, Senior Financial Controller acting as Secretary and Department Heads as its members.

Further details of the Risk Management and Internal Audit activities are set up in the Statement on Risk Management and Internal Control of the Annual Report.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

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

I. Communication with Stakeholders

Dufu would always ensure there is continuous communication between the Company and stakeholders to facilitate mutual understanding of each other's objectives and expectations. Presently, the Board and Management of Company communicate regularly with its shareholders and other stakeholders through the following channels of communication:

1. Website of Bursa Malaysia Securities Berhad ("Bursa Securities")
2. Company Website
3. Analyst Briefings and One-to-One Meetings

II. Conduct of General Meetings

Dufu's Annual General Meeting ("AGM") is an important and effective platform for Directors and Senior Management to communicate with the shareholders. Shareholders are able to participate, engage the Board and Senior Management effectively and make informed voting decisions at general meetings.

Dufu dispatches its notice of AGM to shareholders at-least 28-days before the AGM. The adequate time given to shareholders allows them to make necessary arrangements to attend and participate either in person, by corporate representative, by proxy or by attorney.

In line with the Practice 12.3 of the MCCG in promoting electronic voting, moving forward the Board will consider adopting electronic voting taking into consideration the advantages of electronic voting versus the costs involved and the number of voters at the Meeting.

This Statement is made in accordance with a resolution of the Board of Directors dated 28 February 2019.

AUDIT COMMITTEE REPORT

The Board of Directors ("the Board") presents the Audit Committee ("AC") report which provides insights into the manner in which the AC discharged its functions for the Group in the financial year ended 31 December 2018 ("FY2018").

Introduction

The AC was established to assist the Board in fulfilling its responsibilities with respect to its oversight responsibilities. The AC is committed to its role in ensuring the integrity of the Group's financial reporting process, monitoring the management of risk and system of internal control, external and internal audit processes, compliance with legal and regulatory matters and such other matters that may be specifically delegated to the AC by the Board.

Composition and Meeting

The present composition of the AC consists of four (4) members of the Board, all of whom are Independent Non-Executive Directors. This meets the requirements of paragraph 15.09(1)(a) and (b) of the Bursa Malaysia Securities Berhad Main Market Listing Requirements ("Main LR"). The current composition of the AC are as follows:-

Chairman	Joyce Wong Ai May
Members	Sung, Cheng-Hsi Yin, Chih-Chu also known as Laurence Yin Lee Yoke Khay

Ms. Joyce Wong Ai May, the Chairman of the Audit Committee graduated from University of Tasmania with a Bachelor of Commerce, majoring in Accounting and Finance. She is an Accountant by profession and a member of the Malaysian Institute of Accountants and Certified Practicing Accountants, Australia. Her credentials meet the requirements of paragraph 15.09(1)(c) of the Main LR, which stipulates that at least one member of the AC must be a qualified Accountant.

Mr. Sung, Cheng-Hsi is the Chief Financial Officer of a TPEx Company, where he primarily manages the financial risk, financial planning as well as financial reporting to higher management whilst Mr. Yin, Chih-Chu also known as Laurence Yin has vast experiences in both financial and wide industrial knowledge. Mr. Lee Yoke Khay is a practicing advocate & solicitor in profession and is currently a partner of Messrs. Ooi Lee & Co., a legal firm based in Penang. All the AC members are financially literate and are able to analyse and interpret financial statements to effectively discharge their duties and responsibilities as members of the AC.

The Board had on 26 February 2019 assessed the performance of the AC and its members through an annual board committee effectiveness evaluation. The Nominating Committee is satisfied that the AC and its members have discharged their functions, duties and responsibilities in accordance with the AC's Terms of Reference and supported the Board in ensuring the Group upholds appropriate corporate governance standards.

During the FY2018, the AC had convened four (4) meetings and the details of attendance of each member at the AC meetings are as follows:-

AC	No. of AC Meetings held	No. of AC Meetings attended
Joyce Wong Ai May	4	4
Sung, Cheng-Hsi	4	4
Yin, Chih-Chu also known as Laurence Yin	4	3
Lee Yoke Khay	4	4

The AC meetings were of adequate length to allow the AC to accomplish its agenda with sufficient time to discuss emerging issues.

The AC conducted its meeting in an open and constructive manner and encouraged focused discussion, questioning and expressions of differing opinions. The External Auditors and Internal Auditors attended meetings of the AC to present their reports. As and when necessary, the AC would request the attendance of relevant personnel at its meeting to brief the AC on specific issues. The Senior Financial Controller also attended the AC meetings to present the unaudited quarterly financial statements, as well as other financial reporting related matters for the AC's deliberation and recommendation to the Board for approval, whereas the Group CEO presented the Group's outlook and operational update where appropriate.

AUDIT COMMITTEE REPORT (CONT'D)

Composition and Meeting (cont'd)

At each meeting, the Chairman of the AC reported the AC's deliberations and recommendations to the Board. Minutes of each AC meeting were recorded and tabled for confirmation at the following AC meeting and subsequently presented to the Board for notation.

Summary of Activities

In discharging its functions, the AC is guided by the terms of reference, which was approved by the Board and aligned to the provisions of the Main LR, Malaysian Code on Corporate Governance ("MCCG") and other best practices.

The activities of the AC for the FY2018 are summarized as follows:-

Financial Reporting

The AC reviewed the fourth quarterly financial statements of the Group and the draft financial statements of the Company and Group for FY2018 on 26 February 2019.

The Committee also reviewed the first, second and third quarterly financial statements of the Group for the FY2018 and recommended the same to the Board for approval during its AC meeting held on 22 May 2018, 7 August 2018 and 9 November 2018 respectively.

The Committee reviewed and was satisfied that the said quarterly financial statements are prepared in compliance with the Malaysian Financial Reporting Standards ("MFRS") 134: Interim Financial Reporting, IAS 34: Interim Financial Reporting issued by International Accounting Standards Board and the Main LR.

External Auditors

On 28 February 2018, the AC met with the External Auditors without the presence of the Executive Directors and Management to understand the Status of Audit of the Financial Statements FY2017 and the outstanding audit areas as summarized in the Audit Review Memorandum. In compliance with ISA 701: Communicating Key Audit Matters ("KAM") in the Independent Auditor's Report, the External Auditors highlighted the identified KAM and the audit procedures in addressing such KAM to be presented in the Independent Auditors Report for AC's notation. The AC also deliberated on audit issues raised by the External Auditors and the action plans required to address those issues.

During the Meeting, the AC enquired the External Auditors whether they have encountered any matter/concern/issue during the course of audit including the co-operation rendered by the staff thus far which will in any way cause difficulties to discharge their duties that warrant the AC's attention. The External Auditor, Baker Tilly Monteiro Heng ("BTMH") informed that the Management had granted full co-operation to them during their course of audit.

On 7 August 2018, the External Auditors tabled the Audit Planning Memorandum prior to the commencement of the audit of the financial statements for FY2018, more particularly outlined the nature and scope of audit, audit timetable, accounting developments, list of management communication term and audit engagement team to the AC. The External Auditors also confirmed that they have complied with the requirements for independence as required by International Standards on Auditing ("ISA") 260: Communication with Those Charged Governance.

Besides, further to the briefing by the External Auditors, the AC took note on the key amendments of the Main LR and key changes in the financial reporting standards and updates which are applicable to the Group. Further to the concern raised by the External Auditors, the AC deliberated on key areas of the Group that are subject to improvement to facilitate the smooth and effective progress of the audit review of the Group's financial statements.

The AC had two private meetings on 28 February 2018 and 7 August 2018 with the External Auditors without the presence of the Executive Directors or Management to reinforce the independence of the External Audit function of the Company during FY2018.

On 26 February 2019, the AC has undertaken an assessment of the suitability and independence of the External Auditors considering the factors which include adequacy of experience and resources of the firm and the professional staff assigned to the audit, independence, audit fees and the level of non-audit services to be rendered by the External Auditors to the Company, etc. The Board maintains a transparent relationship with External Auditors.

AUDIT COMMITTEE REPORT (CONT'D)

External Auditors (cont'd)

Based on the assessment, the AC recommended the re-appointment of BTMH as the External Auditors of the Group for the ensuing year ending 31 December 2019 after having satisfied with its audit independence and the performance of BTMH throughout its course of audit for the FY2018, amongst others:-

- satisfied that the quality processes/ performance of External Auditors;
- able to give adequate technical support when audit issue arise; and
- adequate experience and resources of BTMH and audit engagements.

Internal Audit Function

The AC is responsible to review and monitor the adequacy and effectiveness of the Group's system of internal control. The review and monitoring of the adequacy and effectiveness of the system of internal control are carried out through the internal audit function.

The Company has outsourced the Internal Audit functions to Eco Asia Advisory Sdn. Bhd. ("Eco Asia"), an independent professional firm as the Internal Auditors for FY2018. During the financial year, Eco Asia carried out a total of four (4) audit assignments comprising eight (8) operating cycles on the Group in accordance with the audit plan. The Internal Auditors had updated the principal risk faced, or potentially exposed by the Group in their internal audit reports to the AC on quarterly basis.

On 28 February 2018, the Internal Audit Plan for year 2018 was tabled for AC's review and approval. The AC reviewed the Internal Audit Plan which was developed based on the methodology practiced by Eco Asia focusing on the core business processes of the Group. The AC approved the said Plan upon incorporation of the comments from the Committee and advise from the Internal Auditors;

The findings of internal audits including the audit recommendations made by the Internal Auditors and the Management responses to those recommendations are reported directly to the AC. Where appropriate, the AC directed the Management to rectify and improve control and workflow procedures based on the Internal Auditors' recommendations and suggestion for improvements.

Besides, the AC also follow up from time to time the updates and corrective actions by the Management on reported weaknesses reported in the prior quarters.

The cost incurred for the Group's internal audit function for FY2018 was RM74,046.

Risk Management and Internal Control

The AC reviewed the quarterly risk assessment exercise captured in the format of risk registers which is part of the Group's Enterprise Risk Management Framework. The AC were ensured and satisfied that the identified risks and the status of the risk management process implemented to facilitate the identification, assessment, evaluation, monitoring and management of risks are well managed.

On 26 February 2019, the AC reviewed the Statement on Risk Management and Internal Control for inclusion in this Annual Report.

Related Party Transactions

The AC reviewed and discussed the recurrent related party transactions to ensure that they were undertaken on an arm's length basis and on normal commercial terms not more favourable to the related party than those generally available to the public.

This Statement is made in accordance with the resolution of the Board of Directors dated 28 February 2019.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Introduction

The Malaysian Code on Corporate Governance requires the Board of Directors ("Board") to establish a sound risk management framework and internal controls system to safeguard shareholders' investments and the assets of the Group. Pursuant to paragraph 15.26 (b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the Board of listed issuers is required to include in its Annual Report, a statement on the Group's state of internal control. The Board recognises its responsibilities for and the importance of a sound system of Risk Management and Internal Controls. Set out below is the Board's Statement on Risk Management and Internal Control, which provides an overview of the Group's state of Risk Management and Internal Control system.

Board Responsibility

The Board recognises the importance of the Group's sound internal controls as well as risk management practices, and affirms its overall responsibility of reviewing the adequacy and effectiveness of the Risk Management and Internal Control systems of the Group. The Board has via the Audit Committee ("AC") obtained the necessary assurance on the adequacy and effectiveness of the Group's Risk Management and Internal Control systems through ongoing and independent reviews carried out by the internal audit function.

Due to inherent limitations in any system of internal control, such systems can only manage rather than eliminate all possible risks resulting in the Group's inability to achieve its business objectives. Thus, the system can provide reasonable, and not absolute, assurance against material misstatement or loss.

The Board has also delegated the power/ authority to review, deliberate and approve the acquisition or disposal of investments or assets of the Group to be assumed by the Investment Committee ("IVC") where the composition of the IVC is majority held by Independent Non-Executive Directors.

KEY COMPONENTS OF INTERNAL CONTROL PROCESSES

Risk Management Framework

The Board has put in a risk management framework and ongoing process to assess the various types of risks, which might have an impact on the profitable operation of the Group's business. These include strategic risk, operational risk, financial risk and project risk. The following outlines the Group's risk management objectives:-

(a) to assess the principle risks faced, or potential risk exposure by the Group in its business operations and to implement appropriate internal control systems that will mitigate those risks;

(b) to review the adequacy and integrity of the internal controls in compliance to guidelines, laws and regulations, and to respond to changes of business environment from time to time;

(c) to weigh business decisions against the philosophy that business risks would be necessarily incurred if the associated rewards are expected to enhance the Group's shareholder value;

(d) to ensure risks which may have a significant impact upon the Group are identified in a manner which would result in their expeditious treatment;

(e) to provide an assurance regarding the extent of the Group's compliance with regulatory requirements and the policies and procedures which are in place.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)

KEY COMPONENTS OF INTERNAL CONTROL PROCESSES (cont'd)

Risk Management Framework (cont'd)

The Group's Risk Management Committee ("RMC") is responsible to perform a periodic review, assessment and update of the Risk Register during the RMC meetings held quarterly. The Group continued enhancing its Enterprise Risk Management ("ERM") system which is an ongoing and systematic process to identify, assess, respond and monitor risks. The RMC is led by the Group Chief Executive Officer, Senior Financial Controller acting as Secretary and Department Heads as its members. The RMC is required to identify major business and compliance risks concerning their respective business units, oversees and ensures integration of risk management into their business processes to safeguard the interest of the Group covering fifteen (15) areas such as Purchasing, Sales and Marketing, Conversion and Production, Management Information System, Human Resource Management, Cash Management, Finance and Corporate, Inventory Management, Assets Management, Logistics, General Safety and Security, Intellectual Property, External Environment, Product and Process Development and Quality System. 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; and
- Setting Key Risk Indicators to monitor the risks

Formal database of risks and controls information arising from the quarterly risk assessment exercise shall be captured in the format of risk registers. The identified risks are assessed and rated from low, moderate, high to significant depending upon the severity of consequence and the likelihood of its occurrence and financial impact on the Group's cash flow and profit. The Senior Financial Controller, and where applicable the owner of the respective risk profiles shall present the Group's Risk Report and updates the AC every quarter on the status of the Group's ERM process, changes in risk profiles and their controls currently in place.

Board Meetings

The Board meets at least quarterly and has a formal agenda on matters for discussion. The Executive Chairman leads the presentation of board papers while the Executive Director, where applicable provides explanation of pertinent issues. Additionally, the Chief Executive Officer or Executive Director, where applicable updates the Board on key business and operational issues such as key products result and growth, business plan, corporate affairs and prospects. In arriving at any decision, on recommendation by the Management, a thorough deliberation and discussion by the Board is a prerequisite.

Organisational Structure

There exists a clearly defined organisational structure with defined lines of job responsibilities and delegation of authority. This will assist in ensuring that effective communication of risk control objectives as well as establishment of authority and accountability is in accordance with Management criteria.

Internal Policies and Procedures

Internal Policies and Procedures have been developed throughout the Group. The policies and procedures are updated timely to incorporate changes to systems, work environment and guidelines. Testament to our efforts in doing so, the Group's Standard Operating Procedures ("SOP") are aligned and adhered to Responsible Business Alliance ("RBA"), EMS 14001 Environmental Management System, OHSAS 18001 Occupational Health & Safety Management System and ISO 9001 Quality Management System accreditation.

There are also documented Limits of Approving Authority for key aspects of the businesses. This provides a sound framework of authority and accountability within the organisation and facilitates proper corporate decision making at the appropriate level in the organisation's hierarchy. The delegation of limits is subject to periodic review as to its implementation and continuing suitability in meeting the Group's business objectives and operational needs.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)

KEY COMPONENTS OF INTERNAL CONTROL PROCESSES (cont'd)

Performance Management Framework

Management reports are generated on a regular and consistent basis to facilitate the Board, the Company's and the Group's Management to perform financial and operating reviews on its various operating units. The reviews encompass areas such as financial and non-financial Key Performance Index (KPI"), variances between standard and operating results and compliance with laws and regulations. The KPI meetings is chaired by the Group Chief Executive Officer, and attended by all the Senior Management, Department Heads and supporting staff, and is held once a month to assess and measure the performance and risks of various business units. On top of this, the Group also conducted a yearly "Management Review" meeting.

Internal Audit

The AC is responsible for reviewing and monitoring the adequacy and effectiveness of the Group's system of internal control. The review and monitoring of the adequacy and effectiveness of the system of internal control are carried out through the internal audit function. The internal audit function assists the AC to achieve the following objectives:

- assessing and reporting on the effectiveness of the risk management and internal control systems;
- assessing and reporting on the reliability of systems and reporting information;
- assessing and reporting on the operational efficiency of various business units and departments within the Group and identifying cost saving potentials, where practical; and
- reviewing compliance with the Group policies, standing instructions and guidelines requested by Management, and applicable laws and regulations.

The Company has outsourced the Internal Audit functions to Eco Asia Advisory Sdn. Bhd. ("Eco Asia"), an independent professional firm as the Internal Auditors for FY2018. During the financial year, Eco Asia carried out a total of four (4) audit assignments comprising eight (8) operating cycles on the Group in accordance with the audit plan. The Internal Auditors had updated the principal risk faced, or potentially exposed by the Group in their internal audit reports to the AC on quarterly basis. The Internal Audit Review Report for FY2018 prepared by Eco Asia covered the review of the Group's two main subsidiaries namely Dufu Industries Sdn Bhd and Guangzhou Futron Technology Co., Ltd in the following areas:

- Sales and Marketing
- Credit Control
- Property, Plant and Equipment Management
- Conversion and Production
- Procurement
- Inventory Management

On 28 February 2018, the Internal Audit Plan for year 2018 was tabled for AC's review and approval. The AC reviewed the Internal Audit Plan which was developed based on the methodology practiced by Eco Asia focusing on the core business processes of the Group. The AC approved the said Plan upon incorporation of the comments from the Committee and advise from the Internal Auditors;

The findings of internal audits including the audit recommendations made by the Internal Auditors and the Management responses to those recommendations are reported directly to the AC. Where appropriate, the AC directed the Management to rectify and improve control and workflow procedures based on the Internal Auditors' recommendations and suggestion for improvements.

Besides, the AC also follow up from time to time the updates and corrective actions by the Management on reported weaknesses reported in the prior quarters.

The total cost incurred for the Internal Audit function for the FY2018 was RM74,046.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)

REVIEW OF THIS STATEMENT

The Internal Auditor has reported to the AC that all internal control weaknesses identified during the course of its audit assignments for the FY2018 have been, or are being, addressed and that none of the weaknesses have resulted in any material losses, contingencies or uncertainties that require disclosure in the Company's Annual Report.

The Board has received assurance from the Group Chief Executive Officer and the Senior Financial Controller that the Group's Risk Management and Internal Control system is operating adequately and effectively, in all material aspects, based on the Risk Management and Internal Control system of the Group.

As required by Paragraph 15.23 of the Bursa Malaysia Securities Berhad Listing Requirements, the External Auditors have conducted a limited assurance engagement on this Statement of Risk Management and Internal Control. Their limited assurance engagement was performed in accordance with ISAE 3000, Assurance, Assurance Engagement other than Audits or Review of Historical Financial Information and AAPG3, Guidance For Auditors on the Review of Directors' Statement on Internal Control included in the Annual Report.

Based on their procedures performed, the External Auditors have reported to the Board that nothing has come to their attention that causes them to believe that this Statement is not prepared, in all material respect, in accordance with disclosure required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Controls; Guidance for Directors of Listed Issuers as set out, nor it is factually inaccurate. AAPG3 does not require the External Auditors to consider whether this Statement covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk and control system.

The Board is of the view that the ERM and system of internal controls in place for the FY2018 and up to the date of approval of this report is sound and sufficient to safeguard the shareholders' investment, interests of customers, regulators, employees and other stakeholders of the Group.

This Statement has been approved by the Board of Directors on 28 February 2019.

OTHER DISCLOSURE REQUIREMENTS

PURSUANT TO THE BURSA MALAYSIA SECURITIES BERHAD MAIN MARKET LISTING REQUIREMENTS

UTILISATION OF PROCEEDS RAISED FROM CORPORATE PROPOSALS

During the financial year, there were no proceeds raised by the Company from any corporate proposals.

AUDIT AND NON-AUDIT FEES

The amount of audit and non-audit fees incurred for services rendered to the Company and its subsidiaries for the financial year ended 31 December 2018 by the Company's Auditors, or a firm or company affiliated to the Auditors' firm are as follows:-

Category	**Audit Fees (RM)**	**Non-Audit Fees (RM)**
Company	110,500	5,000
Subsidiaries	104,800	-
Total	**215,300**	**5,000**

EMPLOYEE SHARE SCHEME

There was no Employee Share Scheme implemented by the Company during the financial year.

MATERIAL CONTRACTS INVOLVING DIRECTORS' AND MAJOR SHAREHOLDERS' INTEREST

There were no material contracts entered into by the Company and its subsidiaries involving the Directors, Chief Executive Officer (who is not a director or major shareholders) and Major Shareholders' interests, either still subsisting at the end of the financial year or, if not then subsisting, entered into since the end of the previous financial year.

STATEMENT ON DIRECTORS' RESPONSIBILITIES

In Respect of the Audited Financial Statements

The Board has the overall responsibility to prepare the financial statements for each financial year as required by the Companies Act 2016. The financial statements should be prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs") and the Companies Act 2016 in Malaysia and the relevant provisions of the Bursa Malaysia Securities Berhad Main Market Listing Requirements so as to present a true and fair view of the state of affairs of the Group and of the Company as at end of the financial year and of their results and cash flows for the year ended.

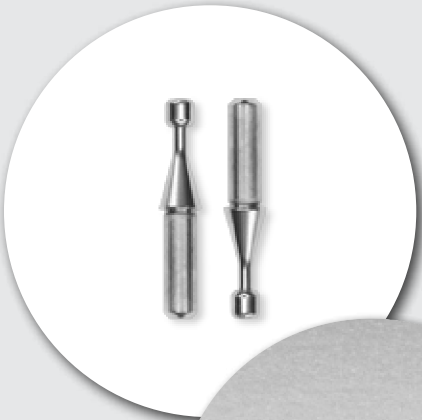
In this regard, the Directors have, with the assistance of the Audit Committee:

- Ensured that suitable accounting policies are used and applied consistently
- Ensured that new and revised Malaysian Financial Reporting Standards and Issued Committee Interpretations issued by MASB that are relevant to the Group's operations and effective for accounting periods are fully adopted
- Ensured proper accounting records are kept
- Ensured adequate system of internal control exist to safeguard the assets of the Group to prevent and detect fraud and other irregularities
- Ensured that the financial statements presents a balanced and understandable assessment of the financial position and prospect of the Group and of the Company
- Made appropriate enquires to the senior management of the Group to ensure that the Group have adequate resources to continue in operational existence in the foreseeable future
- Ensured that the accounting estimates included in the financial statements are reasonable and prudent

The financial statements for the year ended 31 December 2018 had been approved by the Board on 28 February 2019.

This statement was made in accordance with a resolution of Board dated 28 February 2019.

FINANCIAL STATEMENTS



DIRECTORS' REPORT

DIRECTORS' REPORT

The directors hereby submit their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2018.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are disclosed in Note 7 to the financial statements.

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

RESULTS

	Group RM	Company RM
Profit for the financial year	51,825,765	11,870,140
Attributable to:		
Owners of the Company	51,854,696	11,870,140
Non-controlling interests	(28,931)	-
	51,825,765	11,870,140

DIVIDENDS

The amount of dividend declared and paid by the Company since the end of the previous financial year were as follows:

	RM
Single tier final dividend of 4.5 sen per share in respect of the financial year ended 31 December 2017, paid on 13 June 2018	7,345,639
Single tier interim dividend of 2.5 sen per share in respect of the financial year ended 31 December 2018, paid on 12 October 2018	4,068,410
	11,414,049

At the forthcoming Annual General Meeting, a single tier final dividend by way of share dividend of one (1) treasury share for every twenty (20) existing ordinary shares held in the Company will be proposed for the shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity in the financial year ending 31 December 2019.

RESERVES OR PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year.

BAD AND DOUBTFUL DEBTS

Before the financial statements of the Group and of the Company were prepared, the directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts, and had satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts.

DIRECTORS' REPORT (CONT'D)

BAD AND DOUBTFUL DEBTS (cont'd)

At the date of this report, the directors are not aware of any circumstances which would render the amount written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent.

CURRENT ASSETS

Before the financial statements of the Group and of the Company were prepared, the directors took reasonable steps 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 had 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 which would render the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

VALUATION METHODS

At the date of this report, the directors are not aware of any circumstances which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

CONTINGENT AND OTHER LIABILITIES

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

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

(ii) any contingent liabilities in respect of the Group or of the Company which has arisen since the end of the financial year.

In the opinion of the directors, no contingent or other liability of the Group or of the Company 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 or of the Company to meet their obligations as and when they fall due.

CHANGE OF CIRCUMSTANCES

At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

ITEMS OF MATERIAL AND UNUSUAL NATURE

In the opinion of the directors,

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

(ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

DIRECTORS' REPORT (CONT'D)

ISSUE OF SHARES AND DEBENTURES

During the financial year, the Company issued 87,734,997 new ordinary shares by way of bonus issue on the basis of one (1) new ordinary share for every two (2) existing ordinary shares held in the Company on 29 November 2018.

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

The Company did not issue any debentures during the financial year.

TREASURY SHARES

Treasury shares relate to ordinary shares of the Company that are repurchased and held by the Company in accordance with the requirement of Section 127 of the Companies Act 2016 in Malaysia.

The details of the shares purchased during the financial year are disclosed in Note 16 to the financial statements.

As at 31 December 2018, the Company held 19,100,850 treasury shares out of its 263,205,367 issued and paid-up ordinary shares. Such treasury shares are held at a carrying amount of RM9,562,523. Further details are disclosed in Note 16 to the financial statements.

OPTIONS GRANTED OVER UNISSUED SHARES

No options were granted to any person to take up the unissued shares of the Company during the financial year.

DIRECTORS

The directors in office during the financial year and during the period from the end of the financial year to the date of the report are:

Lee, Hui-Ta also known as Li Hui Ta *
Wu, Mao-Yuan *
Sung,Cheng-Hsi
Joyce Wong Ai May
Yin, Chih-Chu also known as Laurence Yin
Lee Yoke Khay

* Directors of the Company and certain subsidiaries

Other than as stated above, the names of the directors of the subsidiaries of the Company in office during the financial year and during the period from the end of the financial year to the date of the report are:

Yeoh Beng Hooi	
Wong Ser Yian	
Cheah Wai Leong	(Appointed on 14 June 2018)
Tan Chie Pin	(Appointed on 14 June 2018)
Tay Lon @ Tay Tong Loon	(Appointed on 14 June 2018)
Lee, Wen-Jung	(Appointed on 14 June 2018)

DIRECTORS' INTERESTS

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

Interest in the Company

		Number of ordinary shares				
		At 1 January 2018	Bonus Issue	Bought	Cessation	At 31 December 2018
Direct interests:						
Lee, Hui-Ta also known as Li Hui Ta		15,757,365	7,878,682	-	-	23,636,047
Wu, Mao-Yuan		5,218,000	2,721,500	292,000	-	8,231,500
Indirect interests:						
Lee, Hui-Ta also known as Li Hui Ta	(1)	18,248,048	8,942,524	1,035,000	(1,398,000)	26,827,572

(1) Shares held through company in which the director or director's spouse has substantial financial interests.

Cessation of indirect interest due to dilution of shareholding in the company which the director or director's spouse has substantial financial interests.

By virtue of his interests in the ordinary shares of the Company and pursuant to Section 8 of the Companies Act 2016 in Malaysia, Lee, Hui-Ta also known as Li Hui Ta is deemed to have an interest in the ordinary shares of the subsidiaries to the extent that the Company has an interest.

Other than as stated above, none of the other directors in office at the end of the financial year had any interest in ordinary shares and debentures of the Company and its related corporations during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no directors of the Company has received or become entitled to receive any benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable, by the directors as disclosed in Note 22 to the financial statements) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest, except for the deemed benefit which may arise from transaction disclosed in Note 28 to the financial statements.

Neither during, nor at the end of the financial year, was the Company a party to any arrangements whose object was to enable the directors to acquire benefits by means of the acquisition of shares in, or debentures of the Company or any other body corporate.

INDEMNITY TO DIRECTORS AND OFFICERS

During the financial year, the total amount of indemnity coverage and insurance premium paid for the directors and certain officers of the Company were RM10,000,000 and RM16,575 respectively.

DIRECTORS' REPORT (CONT'D)

SUBSIDIARIES

The details of the Company's subsidiaries are disclosed in Note 7 to the financial statements.

The available auditors' reports on the accounts of the subsidiaries did not contain any qualification.

AUDITORS' REMUNERATION

The details of the Group and the Company's auditors' remuneration are disclosed in Note 24 to the financial statements.

INDEMNITY TO AUDITORS

The indemnity to auditors of the Company is provided pursuant to Section 289 of the Companies Act 2016 in Malaysia. No payment has been made to indemnify the auditors during the financial year.

AUDITORS

The auditors, Messrs. Baker Tilly Monteiro Heng, have expressed their willingness to continue in office.

This report was approved and signed on behalf of the Board of Directors in accordance with a resolution of the directors:

....

LEE, HUI-TA also known as LI HUI TA
Director

....

WU, MAO-YUAN
Director

Date: 28 February 2019

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

		Group		Company	
		2018	2017	2018	2017
	Note	RM	RM	RM	RM
ASSETS					
Non-current assets					
Property, plant and equipment	**5.1**	45,304,005	36,573,383	-	-
Land use rights	**5.2**	7,369,801	-	-	-
Investment properties	**6**	9,090,423	9,639,948	-	-
Investment in subsidiaries	**7**	-	-	73,245,890	55,560,890
Investment in associate	**8**	3,783,076	6,144,000	6,144,000	6,144,000
Investment in club memberships, at cost	**9**	79,395	92,748	-	-
Deferred tax assets	**10**	375,097	1,163,701	-	-
Total non-current assets		66,001,797	53,613,780	79,389,890	61,704,890
Current assets					
Inventories	**11**	53,797,089	33,549,008	-	-
Trade and other receivables	**12**	58,162,206	50,786,700	15,029,189	30,964,747
Prepayments		718,503	446,879	-	-
Other investments	**13**	175,574	1,962,222	175,574	1,962,222
Cash, bank balances and short term deposits	**14**	41,337,928	36,014,327	1,146,847	4,851,267
Total current assets		154,191,300	122,759,136	16,351,610	37,778,236
TOTAL ASSETS		220,193,097	176,372,916	95,741,500	99,483,126
EQUITY AND LIABILITIES					
Equity attributable to owners of the Company					
Share capital	**15**	87,735,185	87,735,185	87,735,185	87,735,185
Treasury shares	**16**	(9,562,523)	(5,352,606)	(9,562,523)	(5,352,606)
Currency translation reserve		2,992,695	4,610,611	-	-
Reverse acquisition reserve		(24,110,002)	(24,110,002)	-	-
Retained earnings		116,579,454	78,844,706	17,497,138	17,041,047
		173,634,809	141,727,894	95,669,800	99,423,626
Non-controlling interests	**7**	846,069	-	-	-
TOTAL EQUITY		174,480,878	141,727,894	95,669,800	99,423,626
Non-current liabilities					
Loan and borrowings	**17**	6,706,785	3,596,182	-	-
Deferred tax liabilities	**10**	321,068	14,630	-	-
Total non-current liabilities		7,027,853	3,610,812	-	-
Current liabilities					
Loan and borrowings	**17**	3,974,750	2,771,897	-	-
Trade and other payables	**18**	29,553,246	25,665,340	71,700	59,500
Contract liability	**19**	770,679	-	-	-
Current tax liabilities		4,385,691	2,596,973	-	-
Total current liabilities		38,684,366	31,034,210	71,700	59,500
TOTAL LIABILITIES		45,712,219	34,645,022	71,700	59,500
TOTAL EQUITY AND LIABILITIES		220,193,097	176,372,916	95,741,500	99,483,126

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

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

		Group		Company	
		2018	2017	2018	2017
	Note	RM	RM	RM	RM
Revenue	20	241,451,305	181,212,144	12,774,800	10,345,855
Other income	21	7,963,516	4,392,538	-	-
Changes in work-in-progress and finished goods		14,718,711	9,913,666	-	-
Raw materials consumed		(64,460,831)	(53,613,264)	-	-
Purchase of work-in-progress and finished goods		(23,467,007)	(12,805,139)	-	-
Depreciation and amortisation		(7,808,933)	(10,194,296)	-	-
Employees benefits expense	22	(58,051,162)	(46,706,409)	(264,686)	(277,500)
Other expenses		(42,780,848)	(38,888,644)	(542,405)	(650,258)
Total expenses		(181,850,070)	(152,294,086)	(807,091)	(927,758)
Operating profit		67,564,751	33,310,596	11,967,709	9,418,097
Finance costs	23	(421,393)	(523,090)	-	-
Share of results of associate, net of tax	8	(2,078,426)	-	-	-
Profit before tax	24	65,064,932	32,787,506	11,967,709	9,418,097
Income tax expense	25	(13,239,167)	(6,745,177)	(97,569)	-
Profit for the financial year		51,825,765	26,042,329	11,870,140	9,418,097
Other comprehensive loss, net of tax					
Item that may be reclassified subsequently to profit or loss					
Exchange difference on translation of foreign operations		(1,617,916)	(4,263,285)	-	-
Total comprehensive income for the financial year		50,207,849	21,779,044	11,870,140	9,418,097
Profit attributable to:					
Owners of the Company		51,854,696	26,042,329	11,870,140	9,418,097
Non-controlling interests	7	(28,931)	-	-	-
		51,825,765	26,042,329	11,870,140	9,418,097
Total comprehensive income attributable to:					
Owners of the Company		50,236,780	21,779,044	11,870,140	9,418,097
Non-controlling interests	7	(28,931)	-	-	-
		50,207,849	21,779,044	11,870,140	9,418,097
Earnings per share attributable to owners of the Company (sen):					
Basic	26	20.64	10.23		
Diluted	26	20.64	10.23		

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

		Attributable to owners of the Company							
	Note	**Share Capital RM**	**Treasury Shares RM**	**Currency Translation Reserve RM**	**Reverse Acquisition Reserve RM**	**Retained Earnings RM**	**Sub-Total RM**	**Non-Controlling Interest RM**	**Total Equity RM**
Group									
At 31 December 2017									
- As previously reported		87,735,185	(5,352,606)	4,610,611	(24,110,002)	78,844,706	141,727,894	-	141,727,894
- Effects of adoption of MFRS 15		-	-	-	-	(2,705,899)	(2,705,899)	-	(2,705,899)
Restated balance at 1 January 2018		87,735,185	(5,352,606)	4,610,611	(24,110,002)	76,138,807	139,021,995	-	139,021,995
Total comprehensive income for the financial year									
Profit for the financial year		-	-	-	-	51,854,696	51,854,696	(28,931)	51,825,765
Other comprehensive loss for the financial year		-	-	(1,617,916)	-	-	(1,617,916)	-	(1,617,916)
Total comprehensive income		-	-	(1,617,916)	-	51,854,696	50,236,780	(28,931)	50,207,849
Transactions with owners									
Purchases of own shares	**16**	-	(4,209,917)	-	-	-	(4,209,917)	-	(4,209,917)
Dividends	**27**	-	-	-	-	(11,414,049)	(11,414,049)	-	(11,414,049)
Non-controlling interest arising from acquisition of a new subsidiary		-	-	-	-	-	-	875,000	875,000
Total transactions with owners		-	(4,209,917)	-	-	(11,414,049)	(15,623,966)	875,000	(14,748,966)
At 31 December 2018		87,735,185	(9,562,523)	2,992,695	(24,110,002)	116,579,454	173,634,809	846,069	174,480,878
At 1 January 2017		87,735,185	(5,011,619)	8,873,896	(24,110,002)	61,977,391	129,464,851	-	129,464,851
Total comprehensive income for the financial year									
Profit for the financial year		-	-	-	-	26,042,329	26,042,329	-	26,042,329
Other comprehensive loss for the financial year		-	-	(4,263,285)	-	-	(4,263,285)	-	(4,263,285)
Total comprehensive income		-	-	(4,263,285)	-	26,042,329	21,779,044	-	21,779,044
Transactions with owners									
Purchases of own shares	**16**	-	(340,987)	-	-	-	(340,987)	-	(340,987)
Dividends	**27**	-	-	-	-	(9,175,014)	(9,175,014)	-	(9,175,014)
Total transactions with owners		-	(340,987)	-	-	(9,175,014)	(9,516,001)	-	(9,516,001)
At 31 December 2017		87,735,185	(5,352,606)	4,610,611	(24,110,002)	78,844,706	141,727,894	-	141,727,894

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

		Attributable to owners of the Company			
	Note	**Share Capital RM**	**Treasury Shares RM**	**Retained Earnings RM**	**Total Equity RM**
Company					
At 1 January 2017		87,735,185	(5,011,619)	16,797,964	99,521,530
Total comprehensive income for the financial year					
Profit for the financial year		-	-	9,418,097	9,418,097
Transactions with owners					
Purchase of own shares	**16**	-	(340,987)	-	(340,987)
Dividends	**27**	-	-	(9,175,014)	(9,175,014)
Total transactions with owners		-	(340,987)	(9,175,014)	(9,516,001)
At 31 December 2017		87,735,185	(5,352,606)	17,041,047	99,423,626
Total comprehensive income for the financial year					
Profit for the financial year		-	-	11,870,140	11,870,140
Transactions with owners					
Purchase of own shares	**16**	-	(4,209,917)	-	(4,209,917)
Dividends	**27**	-	-	(11,414,049)	(11,414,049)
Total transactions with owners		-	(4,209,917)	(11,414,049)	(15,623,966)
At 31 December 2018		87,735,185	(9,562,523)	17,497,138	95,669,800

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

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Group		Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
CASH FLOWS FROM OPERATING ACTIVITIES:				
Profit before tax	65,064,932	32,787,506	11,967,709	9,418,097
Adjustments for:				
Depreciation for:				
- Property, plant and equipment	7,247,478	9,634,410	-	-
- Investment properties	549,525	549,525	-	-
Amortisation for club memberships	11,930	10,361	-	-
Expected credit loss for:				
- Trade receivables	58,652	1,272,564	-	-
- Other receivables	-	8,315	-	-
Impairment loss on:				
- Club memberships	-	19,000	-	-
Interest expense	421,393	523,090	-	-
Interest income	(630,268)	(704,193)	(188,750)	(345,855)
Inventories written off	388,620	446,849	-	-
Gain on disposal of property, plant and equipment	(93,639)	(539,007)	-	-
Property, plant and equipment written off	151,011	-	-	-
Reversal of expected credit loss for:				
- Trade receivables	(826,986)	(235,271)	-	-
- Other receivables	(229,842)	-	-	-
Unrealised (gain)/loss on foreign exchange	(235,166)	1,987,936	-	-
Dividend receivable	-	-	(1,826,050)	(10,000,000)
Share of results of associate	2,078,426	-	-	-
Operating profit/(loss) before changes in working capital	73,956,066	45,761,085	9,952,909	(927,758)
Changes in working capital:				
Inventories	(20,636,701)	(13,068,505)	-	-
Trade and other receivables	(6,293,357)	789,750	17,462	(24,559)
Trade and other payables	1,099,405	(1,823,327)	12,200	(19,011)
Contract liability	770,679	-	-	-
Net cash flows generated from/(used in) operations	48,896,092	31,659,003	9,982,571	(971,328)
Income tax paid	(10,365,830)	(10,061,877)	(97,569)	-
Interest paid	(136,463)	(126,082)	-	-
Interest received	204,440	261,213	188,750	84,833
Net cash flows generated from/(used in) operating activities	38,598,239	21,732,257	10,073,752	(886,495)

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

		Group		Company	
		2018	2017	2018	2017
	Note	RM	RM	RM	RM
CASH FLOWS FROM INVESTING ACTIVITIES:					
Interest received		425,828	442,980	-	261,022
Dividend received		-	-	10,000,000	-
Net repayment from subsidiaries		-	-	7,744,146	9,494,053
Investment in:					
Club memberships		-	(60,897)	-	-
Other investments		1,786,648	(3,386,328)	1,786,648	(3,386,328)
Acquisiton of subsidiaries, net of cash		-	-	(17,685,000)	-
Proceeds from disposal of property, plant and equipment		93,639	1,604,704	-	-
Purchase of property, plant and equipment and land use rights	**(a)**	(23,749,086)	(5,267,440)	-	-
Net cash flows (used in)/generated from investing activities		(21,442,971)	(6,666,981)	1,845,794	6,368,747
CASH FLOWS FROM FINANCING ACTIVITIES:					
Dividend paid		(11,414,049)	(9,175,014)	(11,414,049)	(9,175,014)
Interest paid		(284,930)	(397,008)	-	-
Drawndown of short terms borrowings	**(b)**	1,733,945	-	-	-
Repurchase of treasury shares		(4,209,917)	(340,987)	(4,209,917)	(340,987)
Repayment of finance lease liabilities	**(b)**	(1,338,615)	(2,080,985)	-	-
Drawndown/(repayment) of term loans	**(b)**	4,290,519	(2,301,804)	-	-
Net proceeds from issuance of shares to non-controlling interests		875,000	-	-	-
Net cash flows used in financing activities		(10,348,047)	(14,295,798)	(15,623,966)	(9,516,001)
Net change in cash and cash equivalents		6,807,221	769,478	(3,704,420)	(4,033,749)
Cash and cash equivalents at the beginning of the financial year		35,641,934	39,225,819	4,851,267	8,885,016
Effects of exchange rate changes on cash and cash equivalents		(1,111,227)	(4,353,363)	-	-
Cash and cash equivalents at the end of the financial year	**14**	41,337,928	35,641,934	1,146,847	4,851,267

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

(a) During the financial year, the Group made the following cash payments to the purchase on property, plant and equipment and land use rights:

		Group	
		2018	2017
	Note	RM	RM
Cash payments on purchase of property, plant and equipment	5.1	16,379,285	5,267,440
Cash payments on purchase of land use rights	5.2	7,369,801	-
		23,749,086	5,267,440

(b) Changes in liabilities arising from financing activities:

	Note	1 January 2018 RM	Cash Flows RM	Acquisition/ Disposal RM	31 December 2018 RM
Term loans	17	3,702,535	4,290,519	-	7,993,054
Finance lease liabilities	17	2,293,151	(1,338,615)	-	954,536
Short term borrowings	17	-	1,733,945	-	1,733,945
		5,995,686	4,685,849	-	10,681,535

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

1. CORPORATE INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad. The registered office of the Company is located at 57-G, Persiaran Bayan Indah, Bayan Bay, Sungai Nibong, 11900 Penang. The principal place of business of the Company is located at 19, Hilir Sungai Keluang 2, Taman Perindustrian Bayan Lepas, Fasa IV, 11900 Bayan Lepas, Penang.

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are disclosed in Note 7 to the financial statements.

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

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 28 February 2019.

2. BASIS OF PREPARATION

2.1 Statement of Compliance

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

2.2 Adoption of new MFRSs, amendments/improvements to MFRSs and new IC Interpretation ("IC Int")

The Group and the Company have adopted the following new MFRSs, amendments/improvements to MFRSs and new IC Int that are mandatory for the current financial year:

<u>New MFRSs</u>

MFRS 9	Financial Instruments
MFRS 15	Revenue from Contracts with Customers

<u>Amendments/Improvements to MFRSs</u>

MFRS 1	First-time adoption of MFRSs
MFRS 2	Share-based Payment
MFRS 4	Insurance Contracts
MFRS 128	Investments in Associates and Joint Ventures
MFRS 140	Investment Property

<u>New IC Int</u>

IC Int 22	Foreign Currency Transactions and Advance Consideration

The adoption of the above new MFRSs, amendments/improvements to MFRSs and new IC Int did not have any significant effect on the financial statements of the Group and of the Company, and did not result in significant changes to the Group's and the Company's existing accounting policies, except for those as discussed below.

MFRS 9 Financial Instruments

MFRS 9 replaced the guidance of MFRS 139, Financial Instruments: Recognition and Measurement on the classification and measurement of financial assets and liabilities, on impairment of financial assets, and on hedge accounting.

2. BASIS OF PREPARATION (cont'd)

2.2 Adoption of new MFRSs, amendments/improvements to MFRSs and new IC Interpretation ("IC Int") (cont'd)

MFRS 9 Financial Instruments (cont'd)

Key requirements of MFRS 9:

- MFRS 9 introduces an approach for classification and measurement of financial assets which is driven by cash flow characteristics and the business model in which an asset is held.

  In essence, if a financial asset is a simple debt instrument and the objective of the entity's business model within which it is held is to collect its contractual cash flows, the financial asset is measured at amortised cost. In contrast, if that asset is held in a business model the objective of which is achieved by both collecting contractual cash flows and selling financial assets, then the financial asset is measured at fair value in the statements of financial position, and amortised cost information is provided through profit or loss. If the business model is neither of these, then fair value information is increasingly important, so it is provided both in the profit or loss and in the statements of financial position.

- MFRS 9 introduces a new, expected-loss impairment model that will require more timely recognition of expected credit losses which replaced the "incurred loss" model in MFRS 139. Specifically, this Standard requires entities to account for expected credit losses from when financial instruments are first recognised and to recognise full lifetime expected losses on a more timely basis. The model requires an entity to recognise expected credit losses at all times and to update the amount of expected credit losses recognised at each reporting date to reflect changes in the credit risk of financial instruments. This model eliminates the threshold for the recognition of expected credit losses, so that it is no longer necessary for a trigger event to have occurred before credit losses are recognised. Trade receivables and contract assets that do not contain a significant financing component shall always measure the loss allowance at an amount equal lifetime expected credit losses.

- MFRS 9 introduces a substantially-reformed model for hedge accounting, with enhanced disclosures about risk management activity. The new model represents a significant overhaul of hedge accounting that aligns the accounting treatment with risk management activities, enabling entities to better reflect these activities in their financial statements. In addition, as a result of these changes, users of the financial statements will be provided with better information about risk management and the effect of hedge accounting on the financial statements.

The retrospective application of MFRS 9 does not require restatement of 2017 comparative financial statements. As such, the Group and the Company have not restated the comparative information, which continues to be reported under MFRS 139. The Group and the Company recognised any difference between the carrying amount of financial instruments under MFRS 139 and the restated carrying amount under MFRS 9 in the opening balance of retained earnings of the annual reporting period including the date of initial application i.e. 1 January 2018.

2. BASIS OF PREPARATION (cont'd)

2.2 Adoption of new MFRSs, amendments/improvements to MFRSs and new IC Interpretation ("IC Int") (cont'd)

MFRS 9 Financial Instruments (cont'd)

Impact of the adoption of MFRS 9

The adoption of MFRS 9 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. Other than the enhanced new disclosures relating to financial instruments, which the Group and the Company have complied with in the current financial year, the adoption of this standard does not have any significant effect on the financial statements of the Group and the Company, except for those as discussed below.

(i) Classification and measurement

The following is the changes in the classification of the Group's and the Company's financial assets:

Trade and other receivables, including refundable deposits previously classified as Loans and Receivables under MFRS 139 as at 31 December 2017 are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. Accordingly, these financial assets are classified and measured as debt instruments at amortised cost beginning 1 January 2018.

In summary, upon the adoption of MFRS 9, the Group and the Company had the following reclassification as at 1 January 2018:

		MFRS 9 measurement category
		Amortised cost
MFRS 139 measurement category	**RM**	**RM**
Financial assets		
Group		
Loans and receivables		
Trade and other receivables	50,786,700	50,786,700
Company		
Loans and receivables		
Trade and other receivables	30,964,747	30,964,747

(ii) Impairment

In previous financial years, trade and other receivables are impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after initial recognition of the receivables (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the receivables ("incurred loss model"). Upon adoption of MFRS 9, the Group and the Company are recording expected credit losses on all its trade and other receivables, either on a 12-month or lifetime basis. Accordingly, the Group and the Company do not recognise additional impairment losses on its trade and other receivables at the date of initial application arising from application of simplified approach and general approach respectively to reconcile the lifetime expected credit lossess.

2. BASIS OF PREPARATION (cont'd)

2.2 Adoption of new MFRSs, amendments/improvements to MFRSs and new IC Interpretation ("IC Int") (cont'd)

MFRS 15 Revenue from Contracts with Customers

The core principle of MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with the core principle by applying the following steps:

(i) identify the contracts with a customer;
(ii) identify the performance obligation in the contract;
(iii) determine the transaction price;
(iv) allocate the transaction price to the performance obligations in the contract;
(v) recognise revenue when (or as) the entity satisfies a performance obligation.

MFRS 15 also includes new disclosures that would result in an entity providing users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows from contracts with customers.

The following MFRSs and IC Interpretations will be withdrawn on the application of MFRS 15:

MFRS 111	Construction Contracts
MFRS 118	Revenue
IC Interpretation 13	Customer Loyalty Programmes
IC Interpretation 15	Agreements for the Construction of Real Estate
IC Interpretation 18	Transfers of Assets from Customers
IC Interpretation 131	Revenue – Barter Transactions Involving Advertising Services

The Group and the Company have applied MFRS 15 retrospectively with the cumulative effect of initial application recognised as an adjustment to the opening balance of retained earnings (or other components of equity) at the date of initial application of 1 January 2018. As such, the comparative information was not restated and continues to be reported under MFRS 111, MFRS 118 and related Interpretations. The Group and the Company have elected the practical expedient to apply the standard only to contracts that are not completed as at 1 January 2018. The Group and the Company also elected the practical expedient of not to retrospectively restate the contract for those modifications before the date of initial application, but instead, to reflect the aggregate effect of all past contract modifications when identifying the performance obligations, and determining and allocating the transaction price to the satisfied and unsatisfied performance obligations.

Impact of the adoption of MFRS 15

The adoption of MFRS 15 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. Other than the enhanced new disclosures relating to contracts with customers, which the Group and the Company have complied with in the current financial year, the adoption of this standard does not have any significant effect on the financial statements of the Group and the Company, except for those as discussed below.

(i) Accounting for rights for refund

When the customer has a right to return the product within a given period, revenue was previously recognised in full and a provision was recorded for the expected return. Under MFRS 15, revenue is accounted for as a variable consideration and adjusted for the expected value of returns and revenue is adjusted for the value of the corresponding goods expected to be returned. Therefore, a contract liability (refund liabilities) for the expected refund to customer and a refund asset relating to the right to return product from the customer (right of return asset) when customer exercises the right of return are recognised.

2. BASIS OF PREPARATION (cont'd)

2.2 Adoption of new MFRSs, amendments/improvements to MFRSs and new IC Interpretation ("IC Int") (cont'd)

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

Impact of the adoption of MFRS 15 (cont'd)

(ii) Accounting for volume rebate

The Group provides volume rebates to certain customers once the quantity of products purchased during the period exceeds a threshold specified in the contract. Rebates are offset against amounts payable by the customer.

When the customer is entitled to the volume rebates, revenue was previously recognised in full and a provision was recorded for the expected future rebates. Under MFRS 15, revenue is accounted for as a variable consideration and adjusted for the expected value of rebate to be given and revenue is adjusted for the expected volume rebate. Therefore, a refund liability for the expected future rebates are recognised.

(iii) Presentation of contract assets and contract liabilities

The Group and the Company have changed the presentation of certain amounts in the statements of financial position to reflect the terminology of MFRS 15:

Contract liabilities recognised in relation to expected volume discounts and refunds to customers which were previously presented as provisions.

The effect of adoption of MFRS 15 as at 1 January 2018 is as follows:

	Reference	Increase/ (Decrease) RM
Asset		
Current asset		
Trade receivables	**(ii)**	(134,774)
Total asset		(134,774)
Equity		
Retained earnings	**(i), (ii)**	(2,705,899)
Current liability		
Contract liability	**(i)**	2,571,125
Total equity and liability		(134,774)

2. BASIS OF PREPARATION (cont'd)

2.2 Adoption of new MFRSs, amendments/improvements to MFRSs and new IC Interpretation ("IC Int") (cont'd)

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

The amounts by which each financial statement line item is affected as at and for the financial year ended 31 December 2018 as a result of the adoption of MFRS 15, including the reasons for the significant changes, are as follows:

Statements of financial position

	Reference	MFRS 15 RM	Reported under MFRS 118/ MFRS 111 RM	Increase/ (Decrease) RM
Equity				
Retained earnings	**(i), (ii)**	116,579,454	117,350,133	(770,679)
Current liability				
Contract liability	**(i)**	770,679	-	770,679

Statements of profit or loss

	Reference	MFRS 15 RM	Reported under MFRS 118/ MFRS 111 RM	Increase/ (Decrease) RM
Revenue	**(i),(ii)**	241,451,305	239,516,085	1,935,220
Operating profit		67,564,751	65,629,531	1,935,220
Profit before tax		65,064,932	63,129,712	1,935,220
Profit for the financial year		51,825,765	49,890,545	1,935,220
Other comprehensive income for the year		(1,617,916)	(1,617,916)	-
Total comprehensive income for the financial year		50,207,849	48,272,629	1,935,220
Earnings per share attributable to owners of the Company (sen):				
Basic		20.64	19.87	0.77
Diluted		20.64	19.87	0.77

The adoption of MFRS 9 and MFRS 15 did not have a material impact on the Group's and the Company's operating, investing and financing cash flows.

2. BASIS OF PREPARATION (cont'd)

2.2 Adoption of new MFRSs, amendments/improvements to MFRSs and new IC Interpretation ("IC Int") (cont'd)

Amendments to MFRS 128 Investments in Associates and Joint Ventures

Amendments to MFRS 128 clarify that an entity, which is a venture capital organisation, or a mutual fund, unit trust or similar entities, has an investment-by-investment choice to measure its investments in associates or joint ventures at fair value through profit or loss.

Amendments to MFRS 140 Investment Property

Amendments to MFRS 140 clarify that to transfer to, or from, investment properties there must be evidence of a change in use. To conclude if a property has changed use there should be an assessment of whether the property meets the definition of investment property. A change in intention, in isolation, does not provide evidence of a change in use.

The amendments also clarify that the list of circumstances that evidence a change in use is not exhaustive.

IC Int 22 Foreign Currency Transactions and Advance Consideration

IC Int 22 clarifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

2.3 New MFRSs, amendments/improvements to MFRSs, new IC Interpretation ("IC Int") and amendments to IC Int that have been issued, but yet to be effective

The Group and the Company have not adopted the following new MFRSs, amendments/improvements to MFRSs, new IC Int and amendments to IC Int that have been issued, but yet to be effective:

		Effective for financial periods beginning on or after
New MFRSs		
MFRS 16	Leases	1 January 2019
MFRS 17	Insurance Contracts	1 January 2021
Amendments/Improvements to MFRSs		
MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards	1 January 2021#
MFRS 2	Share-based Payment	1 January 2020*
MFRS 3	Business Combinations	1 January 2019/ 1 January 2020*
MFRS 5	Non-current Assets Held for Sale and Discontinued Operations	1 January 2021#
MFRS 6	Exploration for and Evaluation of Mineral Resources	1 January 2020*
MFRS 7	Financial Instruments: Disclosures	1 January 2021#
MFRS 9	Financial Instruments	1 January 2019
MFRS 10	Consolidated Financial Statements	Deferred
MFRS 11	Joint Arrangements	1 January 2019
MFRS 14	Regulatory Deferral Accounts	1 January 2020*
MFRS 15	Revenue from Contracts with Customers	1 January 2021#

2. BASIS OF PREPARATION (cont'd)

2.3 New MFRSs, amendments/improvements to MFRSs, new IC Interpretation ("IC Int") and amendments to IC Int that have been issued, but yet to be effective (cont'd)

The Group and the Company have not adopted the following new MFRSs, amendments/improvements to MFRSs, new IC Int and amendments to IC Int that have been issued, but yet to be effective: (cont'd)

		Effective for financial periods beginning on or after
Amendments/Improvements to MFRSs (cont'd)		
MFRS 101	Presentation of Financial Statements	1 January 2020*
MFRS 107	Statements of Cash Flows	1 January 2021#
MFRS 108	Accounting Policies, Changes in Accounting Estimates and Errors	1 January 2020*
MFRS 112	Income Taxes	1 January 2019
MFRS 116	Property, Plant and Equipment	1 January 2021#
MFRS 119	Employee Benefits	1 January 2019
MFRS 123	Borrowing Costs	1 January 2019
MFRS 128	Investments in Associates and Joint Ventures	1 January 2019/ Deferred
MFRS 132	Financial instruments: Presentation	1 January 2021#
MFRS 134	Interim Financial Reporting	1 January 2020*
MFRS 136	Impairment of Assets	1 January 2021#
MFRS 137	Provisions, Contingent Liabilities and Contingent Assets	1 January 2020*
MFRS 138	Intangible Assets	1 January 2020*
MFRS 140	Investment Property	1 January 2021#
New IC Int		
IC Int 23	Uncertainty over Income Tax Treatments	1 January 2019
Amendments to IC Int		
IC Int 12	Service Concession Arrangements	1 January 2020*
IC Int 19	Extinguishing Financial Liabilities with Equity Instruments	1 January 2020*
IC Int 20	Stripping Costs in the Production Phase of a Surface Mine	1 January 2020*
IC Int 22	Foreign Currency Transactions and Advance Consideration	1 January 2020*
IC Int 132	Intangible Assets – Web Site Costs	1 January 2020*

* *Amendments to References to the Conceptual Framework in MFRS Standards*

Amendments as to the consequence of effective of MFRS 17 Insurance Contracts

2.3.1 The Group and the Company plan to adopt the above applicable new MFRSs, amendments/improvements to MFRSs, new IC Int and amendments to IC Int when they become effective. A brief discussion on the above significant new MFRSs, amendments/improvements to MFRSs, new IC Int and amendments to IC Int are summarised below.

MFRS 16 Leases

Currently under MFRS 117 *Leases*, leases are classified either as finance leases or operating leases. A lessee recognises on its statement of financial position assets and liabilities arising from the finance leases.

MFRS 16 eliminates the distinction between finance and operating leases for lessees. All leases will be brought onto its statement of financial position except for short-term and low value asset leases.

2. BASIS OF PREPARATION (cont'd)

2.3 New MFRSs, amendments/improvements to MFRSs, new IC Interpretation ("IC Int") and amendments to IC Int that have been issued, but yet to be effective (cont'd)

MFRS 16 Leases (cont'd)

On initial adoption of MFRS 16, there may be impact on the accounting treatment for leases, which the Group as a lessee currently accounts for as operating leases. On adoption of this standard, the Group will be required to capitalise its rented premises on the statements of financial position by recognising them as "rights-of-use" assets and their corresponding lease liabilities for the present value of future lease payments.

The Group and the Company plan to adopt this standard when it becomes effective in the financial year beginning 1 January 2019 by applying the transitional provisions and include the required additional disclosures in their financial statements of that year. The Group is likely electing the practical expedient not to reassess whether a contract contains a lease at the date of initial application. Accordingly, existing lease contracts that are still effective on 1 January 2019 will be accounted for as lease contracts under MFRS 16.

Amendments to MFRS 3 Business Combinations and MFRS 11 Joint Arrangements

Amendments to MFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. Amendments to MFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.

Amendments to MFRS 9 Financial Instruments

Amendments to MFRS 9 allow companies to measure prepayable financial assets with negative compensation at amortised cost or at fair value through other comprehensive income if certain conditions are met.

The amendments also clarify that when a financial liability measured at amortised cost is modified without this resulting in derecognition, a gain or loss should be recognised in profit or loss.

Amendments to MFRS 10 Consolidated Financial Statements and MFRS 128 Investments in Associates and Joint Ventures

These amendments address an acknowledged inconsistency between the requirements in MFRS 10 and those in MFRS 128, in dealing with the sale or contribution of assets between an investor and its associate or joint venture.

The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business, as defined in MFRS 3. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business.

Amendments to MFRS 112 Income Taxes

Amendments to MFRS 112 clarify that an entity recognises the income tax consequences of dividends in profit or loss because income tax consequences of dividends are linked more directly to past transactions than to distributions to owners, except if the tax arises from a transaction which is a business combination or is recognised in other comprehensive income or directly in equity.

Amendments to MFRS 119 Employee Benefits

Amendments to MFRS 119 require an entity to use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after the plan amendment, curtailment or settlement when the entity remeasures its net defined benefit liability (asset).

2. BASIS OF PREPARATION (cont'd)

2.3 New MFRSs, amendments/improvements to MFRSs, new IC Interpretation ("IC Int") and amendments to IC Int that have been issued, but yet to be effective (cont'd)

Amendments to MFRS 123 Borrowing Costs

Amendments to MFRS 123 clarify that when a qualifying asset is ready for its intended use or sale, an entity treats any outstanding borrowing made specifically to obtain that qualifying asset as part of general borrowings.

Amendments to MFRS 128 Investments in Associates and Joint Ventures

Amendments to MFRS 128 clarify that companies shall apply MFRS 9, including its impairment requirements, to account for long-term interests in an associate or joint venture that, in substance, form part of the net investment in the associate or joint to which the equity method is not applied.

IC Int 23 Uncertainty over Income Tax Treatments

IC Int 23 clarifies that where there is uncertainty over income tax treatments, an entity shall:

(i) assume that a taxation authority will examine amounts it has a right to examine and have full knowledge of all related information when making those examinations.
(ii) reflect the effect of uncertainty in determining the related tax position (using either the most likely amount or the expected value method) if it concludes it is not probable that the taxation authority will accept an uncertain tax treatment.

Amendments to References to the Conceptual Framework in MFRS Standards

The Malaysian Accounting Standards Board has issued a *revised Conceptual Framework for Financial Reporting* and amendments to fourteen Standards under the Malaysian Financial Reporting Standards Framework on 30 April 2018.

The revised Conceptual Framework comprises a comprehensive set of concepts of financial reporting. It is built on the previous version of the Conceptual Framework issued in 2011. The changes to the chapters on the objective of financial reporting and qualitative characteristics of useful financial information are limited, but with improved wordings to give more prominence to the importance of providing information need to assess management's stewardship of the entity's economic resources.

Other improvements of the revised Conceptual Framework include a new chapter on measurement, guidance on reporting financial performance, improved definitions and guidance – in particular the definition of a liability – and clarifications in important areas, such as the role of prudence and measurement uncertainty in financial reporting.

The amendments to the fourteen Standards are to update the references and quotations in these Standards which include MFRS 2, MFRS 3, MFRS 6, MFRS 14, MFRS 101, MFRS 108, MFRS 134, MFRS 137, MFRS 138, IC Int 12, IC Int 19, IC Int 20, IC Int 22 and IC Int 132.

2.3.2 The Group and the Company is currently performing a detailed analysis to determine the election of the practical expedients and to quantify the financial effects arising from the adoption of the new MFRSs, amendments/improvements to MFRSs and new IC Int.

2.4 Functional and Presentation Currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which they operate ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is also the Company's functional currency.

2. BASIS OF PREPARATION (cont'd)

2.5 Basis of Measurement

The financial statements of the Group and the Company have been prepared on the historical cost basis, except as otherwise disclosed in Note 3 to the financial statements.

2.6 Use of Estimates and Judgement

The preparation of financial statements in conformity with MFRSs requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of the revenue and expenses during the reported period. It also requires directors to exercise their judgement in the process of applying the Group's and the Company's accounting policies. Although these estimates and judgements are based on the directors' best knowledge of current events and actions, actual results may differ.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Group's and the Company's financial statements are disclosed in Note 4 to the financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Unless otherwise stated, the following accounting policies have been applied consistently to all the financial years presented in the financial statements of the Group and of the Company.

3.1 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. The financial statements of the subsidiaries and associates used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

(a) Subsidiaries and business combination

Subsidiaries are entities over which the Group is exposed, or has rights, to variable returns from its involvement with the acquirees and has the ability to affect those returns through its power over the acquirees.

The financial statements of subsidiaries are included in the consolidated financial statements from the date the Group obtains control of the acquirees until the date the Group loses control of the acquirees.

The Group applies the acquisition method to account for business combinations from the acquisition date.

For a new acquisition, goodwill is initially measured at cost, being the excess of the following:

- the fair value of the consideration transferred, calculated as the sum of the acquisition-date fair value of assets transferred (including contingent consideration), the liabilities incurred to former owners of the acquiree and the equity instruments issued by the Group. Any amounts that relate to pre-existing relationships or other arrangements before or during the negotiations for the business combination, that are not part of the exchange for the acquiree, will be excluded from the business combination accounting and be accounted for separately; plus
- the recognised amount of any non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date (the choice of measurement basis is made on an acquisition-by-acquisition basis); plus

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.1 Basis of consolidation (cont'd)

(a) Subsidiaries and business combination (cont'd)

For a new acquisition, goodwill is initially measured at cost, being the excess of the following: (cont'd)

- if the business combination is achieved in stages, the acquisition-date fair value of the previously held equity interest in the acquiree; less
- the net fair value of the identifiable assets acquired and the liabilities (including contingent liabilities) assumed at the acquisition date.

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

If the business combination is achieved in stages, the Group remeasures the previously held equity interest in the acquiree to its acquisition-date fair value, and recognises the resulting gain or loss, if any, in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss or transferred directly to retained earnings on the same basis as would be required if the acquirer had disposed directly of the previously held equity interest.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurs, the Group uses provisional fair value amounts for the items for which the accounting is incomplete. The provisional amounts are adjusted to reflect new information obtained about facts and circumstances that existed as of the acquisition date, including additional assets or liabilities identified in the measurement period. The measurement period for completion of the initial accounting ends as soon as the Group receives the information it was seeking about facts and circumstances or learns that more information is not obtainable, subject to the measurement period not exceeding one year from the acquisition date.

Upon the loss of control of subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statement of financial position. Any gain or loss arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an associate, joint venture, an available-for-sale financial asset or a held for trading financial asset.

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The difference between the Group's share of net assets before and after the change, and the fair value of the consideration received or paid, is recognised directly in equity.

(b) Associates

Associates are entities over which the Group has significant influence, but not control, to the financial and operating policies.

Investment in associates are accounted for in the consolidated financial statements using the equity method.

Under the equity method, the investment in associates are initially recognised at cost. The cost of investment includes transaction costs. Subsequently, the carrying amount is adjusted to recognise changes in the Group's share of net assets of the associate.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.1 Basis of consolidation (cont'd)

(b) Associates (cont'd)

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

When the Group ceases to have significant influence over an associate, any retained interest in the former associate at the date when significant influence is lost is measured at fair value and this amount is regarded as the initial carrying amount of an available-for-sale financial asset or a held for trading financial asset. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

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

(c) Non-controlling interests

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company and are presented separately in the consolidated statement of financial position within equity.

Losses attributable to the non-controlling interests are allocated to the non-controlling interests even if the losses exceed the non-controlling interests.

(d) 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.

Unrealised gains arising from transactions with equity-accounted associates and joint ventures are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

3.2 Separate financial statements

In the Company's statement of financial position, investment in subsidiaries and associates are measured at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investment includes transaction costs. The policy for the recognition and measurement of impairment losses shall be applied on the same basis as would be required for impairment of non-financial assets as disclosed in Note 3.11(b) to the financial statements.

Contributions to subsidiaries are amounts which the Company does not expect repayment in the foreseeable future and are considered as part of the Company's investment in the subsidiaries.

3.3 Foreign currency transactions

(a) Translation of foreign currency transactions

Foreign currency transactions are translated to the respective functional currencies of the Group entities using the exchange rates prevailing at the transaction dates.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.3 Foreign currency transactions (cont'd)

(a) Translation of foreign currency transactions (cont'd)

At the end of each reporting date, monetary items denominated in foreign currencies are retranslated at the exchange rates prevailing at the reporting date.

Non-monetary items denominated in foreign currencies that are measured at fair value are retranslated at the rates prevailing at the dates the fair values were determined. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated at the historical rates as at the dates of the initial transactions.

Foreign exchange differences arising on settlement or retranslation of monetary items are recognised in profit or loss except for monetary items that are designated as hedging instruments in either a cash flow hedge or a hedge of the Group’s net investment of a foreign operation. When settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, exchange differences are recognised in profit or loss in the separate financial statements of the parent company or the individual financial statements of the foreign operation. In the consolidated financial statements, the exchange differences are considered to form part of a net investment in a foreign operation and are recognised initially in other comprehensive income until its disposal, at which time, the cumulative amount is reclassified to profit or loss.

The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e. translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss are also recognised in other comprehensive income or profit or loss, respectively).

(b) Translation of foreign operations

The assets and liabilities of foreign operations denominated in the functional currency different from the presentation currency, including goodwill and fair value adjustments arising on acquisition, are translated into the presentation currency at exchange rates prevailing at the reporting date. The income and expenses of foreign operations are translated at exchange rates at the dates of the transactions.

Exchange differences arising on the translation are recognised in other comprehensive income. However, if the foreign operation is a non-wholly owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests.

When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in foreign exchange translation reserves related to that foreign operation is reclassified to profit or loss. For a partial disposal not involving loss of control of a subsidiary that includes a foreign operation, the proportionate share of cumulative amount in foreign exchange translation reserve is reattributed to non-controlling interests. For partial disposals of associates or joint ventures that do not result in the Group losing significant influence or joint control, the proportionate share of the cumulative amount in foreign exchange translation reserve is reclassified to profit or loss.

3.4 Financial instruments

Financial instruments are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contract provisions of the financial instrument.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.4 Financial instruments (cont'd)

Accounting policies applied from 1 January 2018

Except for the trade receivables that do not contain a significant financing component or for which the Group and the Company has applied the practical expedient, the financial instruments are recognised initially at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset and financial liability. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss. Trade receivables that do not contain a significant financing component or for which the Group and the Company have applied the practical expedient are measured at the transaction price determined under MFRS 15.

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised as fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with the policy applicable to the nature of the host contract.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

(a) Subsequent measurement

The Group and the Company categorise the financial instruments as follows:

(i) Financial assets

For the purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost
- Financial assets at fair value through other comprehensive income with recycling of cumulative gains and losses upon derecognition
- Financial assets designated at fair value through other comprehensive income with no recycling of cumulative gains and losses upon derecognition
- Financial assets at fair value through profit or loss

The classification depends on the entity's business model for managing the financial assets and the contractual cash flows characteristics of the financial assets.

The Group and the Company reclassify financial assets when and only when its business model for managing those assets change.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's and the Company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group and the Company classifies their debt instruments:

- Amortised cost

  Financial assets that are held for collection of contractual cash flows and those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.11(a) to the financial statements. Gains and losses are recognised in profit or loss when the financial asset is derecognised, modified or impaired.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.4 Financial instruments (cont'd)

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

(a) Subsequent measurement (cont'd)

The Group and the Company categorise the financial instruments as follows: (cont'd)

(i) Financial assets (cont'd)

Debt instruments (cont'd)

- Fair value through other comprehensive income (FVOCI)

  Financial assets that are held for collection of contractual cash flows and for selling the financial assets, and the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. For debt instruments at FVOCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.11(a) to the financial statements. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to profit or loss.

- Fair value through profit or loss (FVPL)

  Financial assets at FVPL include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at FVOCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

  Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the profit or loss.

Equity instruments

The Group and the Company subsequently measures all equity investments at fair value. Upon initial recognition, the Group and the Company can make an irrevocable election to classify its equity investments that is not held for trading as equity instruments designated at FVOCI. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are not recycled to profit or loss. Dividends are recognised as other income in the profit or loss when the right of payment has been established, except when the Group and the Company benefit from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity instruments designated at FVOCI are not subject to impairment assessment.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.4 Financial instruments (cont'd)

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

(a) Subsequent measurement (cont'd)

The Group and the Company categorise the financial instruments as follows: (cont'd)

(ii) Financial liabilities

The Group and the Company classify their financial liabilities in the following measurement categories:

- Financial liabilities at fair value through profit or loss
- Financial liabilities at amortised cost

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading, including derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial liabilities designated into this category upon initial recognition.

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value with the gain or loss recognised in profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in MFRS 9 are satisfied. The Group and the Company have not designated any financial liability as at fair value through profit or loss.

Financial liabilities at amortised cost

Subsequent to initial recognition, other financial liabilities are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss through the amortisation process.

(b) Financial guarantee contracts

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

Financial guarantee contracts are recognised initially as a liability at fair value, net of transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the liability is measured at the higher of the amount of the loss allowance determined in accordance with Section 5.5 of MFRS 9 and the amount initially recognised, when appropriate, the cumulative amount of income recognised in accordance with the principles of MFRS 15.

(c) Regular way purchase or sale of financial assets

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

A regular way purchase or sale of financial assets shall be recognised and derecognised, as applicable, using trade date accounting (i.e. the date the Group and the Company commit themselves purchase or sell an asset).

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.4 Financial instruments (cont'd)

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

(c) Regular way purchase or sale of financial assets (cont'd)

Trade date accounting refers to:

(i) the recognition of an asset to be received and the liability to pay for it on the trade date; and

(ii) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

Generally, interest does not start to accrue on the asset and corresponding liability until the settlement date when title passes.

(d) Derecognition

A financial asset or a part of it is derecognised when, and only when:

(i) the contractual rights to receive the cash flows from the financial asset expire, or

(ii) 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, but have transferred control of the asset.

The Group and the Company evaluate if, and to what extent, they have retained the risks and rewards of ownership. When they have neither transferred 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.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group and the Company could be required to repay.

On derecognition of a financial asset, the difference between the carrying amount (measured at the date of derecognition) and the consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss.

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

(e) Offsetting of financial instruments

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

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity shall not offset the transferred asset and the associated liability.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.4 Financial instruments (cont'd)

Accounting policies applied until 31 December 2017

Financial instruments are recognised initially at fair value, except for financial instruments not measured at fair value through profit or loss, they are measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial instruments.

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised as fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with the policy applicable to the nature of the host contract.

(a) Subsequent measurement

The Group and the Company categorise the financial instruments as follows:

(i) Financial assets

Financial assets at fair value through profit or loss

Financial assets are classified as fair value through profit or loss when the financial assets are either held for trading, including derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or are designated into this category upon initial recognition.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value with the gain or loss recognised in profit or loss.

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at costs.

Loans and receivables

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method less accumulated impairment losses, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.11(a) to the financial statements. Gains and losses are recognised in profit or loss through the amortisation process.

Held-to-maturity investments

Financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Group has the positive intention and ability to hold them to maturity.

Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method less accumulated impairment losses, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.11(a) to the financial statements. Gains and losses are recognised in profit or loss through the amortisation process.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.4 Financial instruments (cont'd)

Accounting policies applied until 31 December 2017 (cont'd)

(a) Subsequent measurement (cont'd)

The Group and the Company categorise the financial instruments as follows: (cont'd)

(i) Financial assets (cont'd)

Available-for-sale financial assets

Available-for-sale financial assets comprise investment in equity and debt securities that are designated as available-for-sale or are not classified in any of the three preceding categories.

Subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except for impairment losses and foreign exchange gains and losses arising from monetary items and gains and losses of hedged items attributable to hedge risks of fair values hedges which are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised. Interest income calculated using the effective interest method is recognised in profit or loss. Dividends on an available-for-sale equity instrument are recognised in profit or loss when the Group’s and the Company’s right to receive payment is established.

Unquoted equity instruments carried at cost

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less accumulated impairment losses, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.11(a) to the financial statements.

(ii) Financial liabilities

Same accounting policies applied in 31 December 2018 and 31 December 2017.

(b) Financial guarantee contracts

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

Financial guarantee contracts are recognised initially as a liability at fair value, net of transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, 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.

(c) Regular way purchase or sale of financial assets

Same accounting policies applied in 31 December 2018 and 31 December 2017.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.4 Financial instruments (cont'd)

Accounting policies applied until 31 December 2017 (cont'd)

(d) Derecognition

A financial asset or a part of it is derecognised when, and only when, the contractual rights to receive the cash flows from the financial asset expire or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

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

(e) Offsetting of financial instruments

Same accounting policies applied in 31 December 2018 and 31 December 2017.

3.5(i) Property, plant and equipment

(a) Recognition and measurement

Property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. The policy for the recognition of measurement of impairment losses is in accordance with Note 3.11(b) to the financial statements.

Cost of assets includes expenditures that are directly attributable to the acquisition of the asset and any other costs that are directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes cost of materials, direct labour, and any other direct attributable costs but excludes internal profits. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs in Note 3.16 to the financial statements.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

(b) Subsequent cost

The cost of replacing a part of an item of property, plant and equipment is included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the part will flow to the Group or the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the profit or loss as incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.5(i) Property, plant and equipment (cont'd)

(c) Depreciation

Leasehold land is depreciated on straight-line basis over the lease terms of 38 to 57 years. All other property, plant and equipment are depreciated on straight line basis over the estimated useful lives of the assets using the following annual rates:

Buildings	5% - 6.67%
Plant and machinery	10%
Furniture, fixtures and office equipment	8% - 20%
Renovation and electrical installation	10% - 20%
Motor vehicles	10% - 20%

The residual values, useful lives and depreciation methods are reviewed at the end of each reporting period and adjusted as appropriate.

Fully depreciated assets are retained in the accounts until the assets are no longer in use.

(d) Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is recognised in profit or loss.

3.5(ii) Land use rights

Land use rights are measured at cost less accumulated amortisation and any accumulated impairment losses. The policy for the recognition of measurement of impairment losses is in accordance with Note 3.11(b) to the financial statements. The land use rights are amortised over their lease terms of 50 years.

3.6 Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. All other leases that do not meet this criterion are classified as operating leases.

(a) Lessee accounting

If an entity in the Group is a lessee in a finance lease, it capitalises the leased asset and recognises the related liability. The amount recognised at the inception date is the fair value of the underlying leased asset or, if lower, the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that assets.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are charged as expenses in the periods in which they are incurred.

The capitalised leased asset is classified by nature as property, plant and equipment or investment properties.

For operating leases, the Group does not capitalise the leased asset or recognise the related liability. Instead lease payments under an operating lease are recognised as an expense on the straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of the user's benefit.

Any upfront lease payments are classified as land use rights within intangible assets.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.6 Leases (cont'd)

(b) Lessor accounting

If an entity in the Group is a lessor in a finance lease, it derecognises the underlying asset and recognises a lease receivable at an amount equal to the net investment in the lease. Finance income is recognised in profit or loss based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the finance lease.

If an entity in the Group is a lessor in an operating lease, the underlying asset is not derecognised but is presented in the statements of financial position according to the nature of the asset. Lease income from operating leases is recognised in profit or loss on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern in which use benefit derived from the leased asset is diminished.

3.7 Investment properties

Investment properties are properties held to earn rental income or for capital appreciation or both.

Investment properties are initially measured at cost, including transaction costs. The Group uses the cost model to measure its investment properties after initial recognition. Accordingly, investment properties are stated at cost less accumulated depreciation and any accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.11(b) to the financial statements.

Leasehold land is depreciated on a straight-line basis over the lease term of 38 years. Buildings are depreciated on a straight-line basis over their estimated useful lives of 15 years.

Cost includes purchase price and any directly attributable costs incurred to bring the property to its present location and condition intended for use as an investment property. The cost of a self-constructed investment property includes the cost of material, direct labour and any other direct attributable costs. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs in Note 3.16 to the financial statements.

An investment property is derecognised on their disposal or when it is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gains and losses arising from derecognition of the asset is recognised in the profit or loss.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property carried at fair value to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. For a transfer from owner-occupied property to investment property, any difference arising on the date of change in use between the carrying amount of the item immediately prior to the transfer and its fair value is recognised directly in equity as a revaluation of investment properties.

3.8 Investment in club memberships

Investments in club memberships are stated at cost less impairment losses, if any. The impairment policy is disclosed in Note 3.11(b) to the financial statements.

3.9 Inventories

Inventories of materials and goods are measured at the lower of cost (determined principally on the first-in first-out basis) and net realisable value.

Cost consists of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.10 Cash and cash equivalents

For the purpose of the statements of cash flows, cash and cash equivalents comprise cash on hand, bank balances and deposits and other short-term, highly liquid investments with a maturity of three months or less, that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents are presented net of bank overdrafts.

3.11 Impairment of assets

(a) Impairment of financial assets and contract assets

Accounting policies applied from 1 January 2018

Financial assets measured at amortised cost, financial assets measured at FVOCI, lease receivables, contract assets or a loan commitment and financial guarantee contracts will be subject to the impairment requirement in MFRS 9 which is related to the accounting for expected credit losses on the financial assets. Expected credit loss is the weighted average of credit losses with the respective risks of a default occurring as the weights.

The Group and the Company measure loss allowance at an amount equal to lifetime expected credit loss, except for the following, which are measured as 12-month expected credit loss:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

For trade receivables, contract assets and lease receivables, the Group and the Company apply the simplified approach permitted by MFRS 9 to measure the loss allowance at an amount equal to lifetime expected credit losses.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit loss, the Group and the Company consider reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's and the Company's historical experience and informed credit assessment and including forward-looking information.

The Group and the Company assume that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group and the Company consider a financial asset to be in default when:

- the borrower is unable to pay its credit obligations to the Group and the Company in full, without taking into account any credit enhancements held by the Group and the Company; or
- the contractual payment of the financial asset is more than 90 days past due unless the Group and the Company have reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of a financial instrument.

12-month expected credit losses are the portion of lifetime expected credit losses that represent the expected credit losses that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.11 Impairment of assets (cont'd)

(a) Impairment of financial assets and contract assets (cont'd)

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

The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Group and the Company are exposed to credit risk.

Expected credit losses are a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial instrument. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

Expected credit losses are discounted at the effective interest rate of the financial assets.

At each reporting date, the Group assess whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired include observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default of past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

The amount of expected credit losses (or reversal) shall be recognised in profit or loss, as an impairment gain or loss. For financial assets measured at FVOCI, the loss allowance shall be recognised in other comprehensive income and shall not reduce the carrying amount of the financial asset in the statement of financial position.

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group and the Company determine that the debtor does not have assets or source of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's and the Company's procedure for recovery of amounts due.

Accounting policies applied until 31 December 2017

At each reporting date, all financial assets (except for financial assets categorised as fair value through profit or loss and investment in subsidiaries and associates) are assessed whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Losses expected as a result of future events, no matter how likely, are not recognised.

Evidence of impairment may include indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.11 Impairment of assets (cont'd)

(a) Impairment of financial assets and contract assets (cont'd)

Accounting policies applied until 31 December 2017 (cont'd)

Loans and receivables and held-to-maturity investments

The Group and the Company first assess whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If there is no objective evidence for impairment exists for an individually assessed financial asset, whether significant or not, the Group and the Company include the financial asset in a group of financial assets with similar credit risk characteristics and collectively assess them for impairment. Financial assets that are individually assessed for impairment for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

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

If, in a subsequent period, the amount of the impairment loss decreases due to an event occurring after the impairment that was recognised, the previously recognised impairment loss is then reversed by adjusting an allowance account to the extent that the carrying amount of the financial asset does not exceed what the amortised cost would have been had the impairment not been recognised.

Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group and the Company. If a write-off is later recovered, the recovery is credited to the profit or loss.

Available-for-sale financial assets

In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value below its cost is considered to be objective evidence of impairment. The Group and the Company use their judgement to determine what is considered as significant or prolonged decline, evaluating past volatility experiences and current market conditions.

Where there is objective evidence that the asset is impaired, the decline in the fair value of an available-for-sale financial asset together with the cumulative loss recognised in other comprehensive income shall be reclassified from equity to profit or loss as a reclassification adjustment even though the financial asset has not been derecognised. The amount of cumulative loss that is reclassified from equity to profit or loss shall be the difference between its cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss.

Impairment losses on available-for-sale equity investments are not reversed through profit or loss in the subsequent periods. Increase in fair value, if any, subsequent to impairment loss, is recognised in other comprehensive income.

For available-for-sale debt investments, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to a loss event occurring after the recognition of the impairment loss in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.11 Impairment of assets (cont'd)

(a) Impairment of financial assets and contract assets (cont'd)

Accounting policies applied until 31 December 2017 (cont'd)

Unquoted equity instruments carried at cost

In the case of unquoted equity instruments carried at cost, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses shall not be reversed.

(b) Impairment of non-financial assets

The carrying amounts of non-financial assets (except for inventories and deferred tax assets) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the Group and the Company make an estimate of the asset's recoverable amount.

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 non-financial assets or cash-generating units ("CGUs").

The recoverable amount of an asset or a CGU is the higher of its fair value less costs of disposal and its value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. In determining the fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used.

Where the carrying amount of an asset exceed its recoverable amount, the carrying amount of asset is reduced to its recoverable amount.

Impairment losses are recognised in profit or loss.

For other assets, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. An impairment loss is reversed only if there has been a change in the estimates used to determine the assets recoverable amount since the last impairment loss was recognised. Reversal of impairment loss is restricted by the asset's carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

3.12 Share capital

(a) Ordinary shares

Ordinary shares are equity instruments. An equity instrument is a contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.12 Share capital (cont'd)

(b) Treasury shares

When share capital recognised as equity is repurchased, the amount of consideration paid is recognised directly in equity. Repurchased shares that have not been cancelled including any attributable transaction costs are classified as treasury shares and presented as a deduction from total equity.

When treasury shares are sold or reissued subsequently, the difference between the sales consideration and the carrying amount is presented as a movement in equity.

3.13 Employee benefits

(a) Short-term employee benefits

Short-term employee benefit obligations in respect of wages, salaries, social security contributions, annual bonuses, paid annual leave, sick leave and non-monetary benefits are recognised as an expense in the financial year where the employees have rendered their services to the Group.

(b) Defined contribution plans

As required by law, the Group and the Company contribute to the Employees Provident Fund ("EPF"), the national defined contribution plan. The Group's foreign subsidiaries make contributions to their respective countries' statutory pension schemes. Such contributions are recognised as an expense in the profit or loss in the period in which the employees render their services.

3.14 Provisions

Provisions are recognised when the Group and the Company have a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

If the effect of the time value of money is material, provisions that are determined based on the expected future cash flows to settle the obligation are discounted using a current pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. When discounting is used, the increase in the provisions due to passage of time is recognised as finance costs.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed.

3.15 Revenue and other income

Accounting policies applied from 1 January 2018

The Group and the Company recognise revenue that depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Group and the Company expect to be entitled in exchange for those goods or services.

The Group and the Company measure revenue from sale of good or service at its transaction price, being the amount of consideration to which the Group and the Company expect to be entitled in exchange for transferring promised good or service to a customer, excluding amounts collected on behalf of third parties such as goods and service tax, adjusted for the effects of any variable consideration, constraining estimates of variable consideration, significant financing components, non-cash consideration and consideration payable to customer. If the transaction price includes variable consideration, the Group and the Company use the expected value method by estimating the sum of probability-weighted amounts in a range or possible consideration amounts, or the most likely outcome method, depending on which method the Group and the Company expect to better predict the amount of consideration to which it is entitled.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.15 Revenue and other income (cont'd)

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

(a) Sale of goods - manufacturing

The Group manufactures and sells a range of high precision engineering parts, module assembly and metal fabrication parts for hard disk drive, control and sensors, electronics, semiconductor, office equipment and as well as automation industries to local and foreign customers. Revenue from sale of manufactured goods are recognised at a point in time when control of the products has been transferred, being when the customer accepts the delivery of the goods.

Sales are made within a credit term of 30 to 90 days, which is consistent with market practice, therefore, no element of financing is deemed present. A receivable is recognised when the customer accepts the delivery of the goods as the consideration is unconditional other than the passage of time before the payment is due.

Revenue is recognised based on the price specified in the contract, net of the estimated volume discounts where applicable. Accumulated experience with the customer's purchasing pattern is used to estimate and provide for the discounts, using the expected value method. The Group uses the expected value method because it is the method that the Group expects to better predict the estimated volume discounts to which it will be provided to the customers. The estimated volume discounts recognised is constrained to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

The Group's customary business practice is to allow a customer to return any defected products and receive a full refund. The Group uses its experience in estimating returns for this product and customer class. The Group uses the expected value method because it is the method that the Group expects to better predict the amount of consideration to which the products will be refunded. With that, upon transfer the control of the product, the Group does not recognise revenue for products that it is highly probable to be returned.

A contract liability is recognised for expected volume discounts payable to customers and for products expected to be returned from customers in relation to sales made until the end of the reporting period.

A right to recover goods from customer on settling the refund liability is recognised as an asset and included as part of inventories for the goods expected to be returned.

Where consideration is collected from customer in advance for sale of manufactured good, a contract liability is recognised for the customer deposits. Contract liability would be recognised as revenue upon sale of manufactured goods to the customer.

Accounting policies applied until 31 December 2017

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the Company and revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, net of discounts, rebates, returns and taxes.

Revenue from sale of goods is recognised upon the transfer of significant risk and rewards of ownership of the goods to the customer. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.15 Revenue and other income (cont'd)

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

(b) Interest income

Interest income is recognised using the effective interest method.

(c) Dividend income

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

(d) Rental income

Rental income from investment property is recognised on a straight-line basis over the term of the lease. Lease incentive granted is recognised as an integral part of the total rental income, over the term of the lease.

3.16 Borrowing costs

Borrowing costs are interests and other costs that the Group incurs in connection with borrowing of funds.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

The Group begins capitalising borrowing costs when the Group has incurred the expenditures for the asset, incurred related borrowing costs and undertaken activities that are necessary to prepare the asset for its intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

3.17 Taxes

(a) Income tax

Income tax expense in profit or loss comprises current and deferred tax. Current 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.

(i) Current tax

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

(ii) Deferred tax

Deferred tax is recognised using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts in the statements of financial position. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences, unutilised tax losses and unused tax credits, to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.17 Taxes (cont'd)

(a) Income tax (cont'd)

(ii) Deferred tax (cont'd)

Deferred tax is not recognised if the temporary differences arise from the initial recognition of assets and liabilities in a transaction which is not a business combination and that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal timing of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

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

(b) Goods and services tax

Revenues, expenses and assets are recognised net of amount of goods and services tax ("GST") except:

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.18 Earnings per share

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares.

3.19 Operating segment

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The Chief Executive Officer of the Group, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the chief operating decision-maker that makes strategic decisions.

3.20 Fair value measurements

Fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as 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 measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

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

When measuring the fair value of an asset or a liability, the Group and the Company use observable market data as far as possible. Fair value is categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

Level 1 : Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group and the Company can access at the measurement date.
Level 2 : Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3 : Unobservable inputs for the asset or liability.

There were no transfer between levels of the fair value hierarchy as of the date of the event or change in circumstances.

3.21 Contingencies

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future event(s) not wholly within the control of the Group and of the Company.

Contingent liability is also referred as a present obligation that arises from past events but is not recognised because:

(i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

(ii) the amount of the obligation cannot be measured with sufficient reliability.

Contingent liabilities and assets are not recognised in the statements of financial position.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.22 Contract assets/(liability)

Contract asset is the right to consideration for goods or services transferred to the customers when that right is conditioned on something other than the passage of time (for example, the Company's future performance).

The policy for the recognition and measurement of impairment losses is in accordance with Note 3.11(a) to the financial statements.

Contract liability is the obligation to transfer goods or services to customer for which the Group has received the consideration or has billed the customer.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

Significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have significant effect in determining the amount recognised in the financial year include the following:

(a) Expected credit loss for trade receivables

The impairment provisions for trade receivables are based on assumptions about risk of default and expected loss rate. The Group use judgement in making these assumptions and selecting inputs to the impairment calculation, based on the Group's and the Company's past history and forward looking estimates at the end of each reporting period.

The Group uses a provision matrix to calculate expected credit losses for trade receivables. The provision rates are depending on the number of days that a trade receivable is past due. The Group uses the grouping according to the 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. 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, forward-looking estimates and expected credit losses is a significant estimate. The amount of expected credit loss is sensitive to changes in circumstances and of forecast economic conditions over the expected lives of trade receivables. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

The information about the expected credit losses on the Group's trade receivables are disclosed in Note 30(b) to the financial statements.

(b) Valuation of inventories

The cost of inventories comprise the cost of purchase of raw materials, direct labour, plus conversion costs such as variable and fixed overheads. The cost allocation process involves multiple inputs and management's judgement is required to estimate the cost of finished goods and work-in-progress which comprise the cost of raw materials, direct labour, other direct costs, and the appropriate allocation of overheads based on normal operating capacity.

The Group write down their obsolete or slow moving inventories based on the assessment of their estimated net selling price. Inventories are written down when events or changes in circumstances indicate that the carrying amounts may not be recoverable. Where expectations differ from the original estimates, the differences will impact the carrying amount of inventories.

The carrying amounts of the Group's inventories are disclosed in Note 11 to the financial statements.

5.1 PROPERTY, PLANT AND EQUIPMENT

	Leasehold land RM	Buildings RM	Plant and machinery RM	Furniture, fixtures and office equipment RM	Renovation and electrical installation RM	Motor vehicles RM	Total RM
Group							
2018							
Cost							
At 1 January 2018	4,800,000	26,742,107	117,481,403	4,163,253	1,232,050	3,471,334	157,890,147
Additions	-	-	12,912,899	195,173	1,728,868	1,466,506	16,303,446
Disposals/ Write-offs	-	-	(4,831,736)	(373,927)	-	(1,040,782)	(6,246,445)
Currency translation differences	-	(77,332)	(556,303)	(12,759)	(52,894)	(11,361)	(710,649)
At 31 December 2018	4,800,000	26,664,775	125,006,263	3,971,740	2,908,024	3,885,697	167,236,499
Accumulated Depreciation							
At 1 January 2018	1,705,262	18,830,698	94,677,804	2,444,026	659,375	2,317,415	120,634,580
Depreciation charge for the financial year	84,211	1,246,212	4,724,652	389,979	430,180	372,244	7,247,478
Disposals/ Write-offs	-	-	(4,699,721)	(354,932)	-	(1,040,781)	(6,095,434)
Currency translation differences	-	(41,835)	(447,911)	(11,368)	(22,284)	(12,916)	(536,314)
At 31 December 2018	1,789,473	20,035,075	94,254,824	2,467,705	1,067,271	1,635,962	121,250,310
Accumulated Impairment Loss							
At 1 January 2018/ 31 December 2018	-	-	682,184	-	-	-	682,184
Net Carrying Amount							
At 31 December 2018	3,010,527	6,629,700	30,069,255	1,504,035	1,840,753	2,249,735	45,304,005

5.1 PROPERTY, PLANT AND EQUIPMENT (cont'd)

	Leasehold land RM	Buildings RM	Plant and machinery RM	Furniture, fixtures and office equipment RM	Renovation and electrical installation RM	Motor vehicles RM	Total RM
Group							
2017							
Cost							
At 1 January 2017	4,800,000	26,841,533	121,693,954	4,169,136	1,096,569	3,576,768	162,177,960
Additions	-	-	4,764,172	320,129	183,139	-	5,267,440
Disposals/ Write-offs	-	-	(7,624,264)	(253,152)	-	-	(7,877,416)
Currency translation differences	-	(99,426)	(1,352,459)	(72,860)	(47,658)	(105,434)	(1,677,837)
At 31 December 2017	4,800,000	26,742,107	117,481,403	4,163,253	1,232,050	3,471,334	157,890,147
Accumulated Depreciation							
At 1 January 2017	1,621,052	17,296,667	94,406,360	2,364,084	483,360	2,081,578	118,253,101
Depreciation charge for the financial year	84,210	1,530,931	7,172,950	377,712	198,223	270,384	9,634,410
Disposals/ Write-offs	-	-	(6,558,567)	(253,152)	-	-	(6,811,719)
Currency translation differences	-	3,100	(342,939)	(44,618)	(22,208)	(34,547)	(441,212)
At 31 December 2017	1,705,262	18,830,698	94,677,804	2,444,026	659,375	2,317,415	120,634,580
Accumulated Impairment Loss							
At 1 January 2017/ 31 December 2017	-	-	682,184	-	-	-	682,184
Net Carrying Amount							
At 31 December 2017	3,094,738	7,911,409	22,121,415	1,719,227	572,675	1,153,919	36,573,383

5.1 PROPERTY, PLANT AND EQUIPMENT (cont'd)

(a) Assets pledged as security

The carrying amounts of assets pledged as security for credit facilities granted with are as follows:

	Group	
	2018	2017
	RM	RM
Leasehold land	3,010,527	3,094,738
Buildings	4,293,734	5,308,222
	7,304,261	8,402,960

(b) Assets under finance leases

The carrying amounts of assets under a finance lease arrangements are as follows:

	Group	
	2018	2017
	RM	RM
Plant and machinery	3,077,033	4,940,153
Motor vehicles	276,835	465,396
	3,353,868	5,405,549

5.2 LAND USE RIGHTS

	Group	
	2018	2017
	RM	RM
Group		
2018		
Cost		
At 1 January	-	-
Addition during the year	7,445,640	-
Amortisation during the year	-	-
Currency translation	(75,839)	-
At 31 December	7,369,801	-

Land use rights represent up-front payment to acquire long-term interests in the usage of land and are stated at cost less accumulated amortisation and impairment losses, if any.

The Group was granted land use rights for a period of fifty (50) years in relation to the land situated in China.

6. INVESTMENT PROPERTIES

	Leasehold land RM	Buildings RM	Total RM
Group			
2018			
Cost			
At 1 January 2018/ 31 December 2018	6,651,022	5,601,523	12,252,545
Accumulated Depreciation			
At 1 January 2018	925,360	1,687,237	2,612,597
Depreciation charge for the financial year	173,505	376,020	549,525
At 31 December 2018	1,098,865	2,063,257	3,162,122
Net Carrying Amount			
At 31 December 2018	5,552,157	3,538,266	9,090,423
Group			
2017			
Cost			
At 1 January 2017/ 31 December 2017	6,651,022	5,601,523	12,252,545
Accumulated Depreciation			
At 1 January 2017	751,855	1,311,217	2,063,072
Depreciation charge for the financial year	173,505	376,020	549,525
At 31 December 2017	925,360	1,687,237	2,612,597
Net Carrying Amount			
At 31 December 2017	5,725,662	3,914,286	9,639,948
Fair Value			
At 31 December 2018	12,918,454	6,753,895	19,672,349
At 31 December 2017	11,915,539	6,229,561	18,145,100

The Group's investment properties are leased to third parties. Each lease contains an initial non-cancellable period of 3 years with option to renew for subsequent 3 years. Subsequent renewals are negotiated with the lessee.

The leasehold land and buildings have been pledged as security for credit facilities granted to the Group as disclosed in Note 17 to the financial statements.

The following are recognised in profit or loss in respect of investment properties:

	Group 2018 RM	2017 RM
Rental income	1,387,200	964,600
Direct operating expenses:		
- income generating investment properties	82,252	9,804
- non-income generating investment properties	-	11,017

6. INVESTMENT PROPERTIES (cont'd)

Fair value information

Fair value of investment properties is categorised as follows:

	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
Group				
2018				
Leasehold land	-	12,918,454	-	12,918,454
Buildings	-	6,753,895	-	6,753,895
	-	19,672,349	-	19,672,349
Group				
2017				
Leasehold land	-	11,915,539	-	11,915,539
Buildings	-	6,229,561	-	6,229,561
	-	18,145,100	-	18,145,100

Level 2 fair value

The fair value for the investment properties of the Group is based on valuation performed by an independent valuer and directors' estimation using sales comparison approach. Sales price of comparable properties in the same location or close proximity are adjusted for differences in key attributes such as property size. The most significant input in this valuation approach is price per square foot of comparable properties.

7. INVESTMENT IN SUBSIDIARIES

	Company 2018 RM	Company 2017 RM
Unquoted shares - at cost	67,445,890	57,560,890
Less: Accumulated impairment losses	(2,000,000)	(2,000,000)
	65,445,890	55,560,890
Loan that is part of net investment	7,800,000	-
	73,245,890	55,560,890

Loan that is part of net investments represents amount owing by a subsidiary which is non-trade in nature, unsecured and non-interest bearing. The settlement of the amount is neither planned nor likely to occur in the foreseeable future as it is the intention of the Company to treat these amounts as long-term source of capital to the subsidiary. As this amount is, in substance, a part of the Company's net investment in the subsidiary, it is stated at cost less accumulated impairment loss, if any.

7. INVESTMENT IN SUBSIDIARIES (cont'd)

The details of the subsidiaries are as follows:

Name of entities	Principal place of business/country of incorporation	Effective ownership interest 2018 %	Effective ownership interest 2017 %	Principal activities
Dufu Industries Sdn. Bhd. ("DISB")	Malaysia	100	100	Design, development, manufacturing, assembly and trading of die components and precision machining of vice, computer peripherals and parts, for hard disk drive.
Dufusion Sdn. Bhd.	Malaysia	100	100	Design, research and development, manufacturing, assembly and trading of medicine components for orthopaedics.
Dufu Metal Sdn. Bhd	Malaysia	75	-	Manufacturing of high precision engineering parts, module assembly and metal fabrication parts for semiconductor, electronics industrial automation industries, etc.
Guangzhou Futron Technology Co., Ltd. (甫丰五金电子有限公司) *	People's Republic of China	100	100	Manufacture and trading of optics, magnetism driver and parts.
Guangzhou Futron Precision Industries Co., Ltd (甫创精密工业有限公司) *	People's Republic of China	100	-	Engaging in metal precision manufacturing and processing parts such as metal components for special equipment for electronics industry, air conditioning compressor accessories, auto parts, etc.
Subsidiary of DISB				
Dufu Industries Services Pte. Ltd. *	Singapore	100	100	Processing and trading of high quality computer disk-drive related components.

* *Audited by firms other than Messrs. Baker Tilly Monteiro Heng.*

Dufu Metal Sdn. Bhd and Guangzhou Futron Precision Industries Co., Ltd are newly incorporated subsidiaries during the financial year. The subsidiaries have not commenced operation since its incorporation.

(a) Non-controlling interests in a subsidiary

The financial information of the Company's subsidiary that have material non-controlling interests are as follows:

	2018 %	2017 %
Dufu Metal Sdn. Bhd.		
Equity interest held by non-controlling interest	25	-

	2018 RM	2017 RM
Dufu Metal Sdn. Bhd.		
Carrying amount of material non-controlling interest	846,069	-
Loss allocated to material non-controlling interest	(28,931)	-

7. INVESTMENT IN SUBSIDIARIES (cont'd)

(b) Summarised financial information of material non-controlling interests

The summarised financial information (before intra-group elimination) of the Company's subsidiary that have material non-controlling interests are as follows:

	2018 RM	2017 RM
Dufu Metal Sdn. Bhd.		
Summarised statement of financial position		
Current assets	3,412,333	-
Non-current assets	2,714	-
Current liabilities	(30,770)	-
Net assets	3,384,277	-
Summarised statement of comprehensive income		
Loss for the financial period	(115,723)	-
Summarised cash flow information		
Cash flows from operating activities	(307,330)	-
Cash flows from investing activities	5,128	-
Cash flows from financing activities	3,500,000	-
	3,197,798	-

8. INVESTMENT IN ASSOCIATE

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Unquoted shares - at cost	6,144,000	6,144,000	6,144,000	6,144,000
Share of post-acquisition reserves	(2,078,426)	-	-	-
	4,065,574	6,144,000	6,144,000	6,144,000
Translation differences	(282,498)	-	-	-
	3,783,076	6,144,000	6,144,000	6,144,000

Details of associate are as follows:

Name of entity	Principal place of business/ Country of incorporation	Ownership interest 2018 %	Ownership interest 2017 %	Nature of relationship
Superior Plating Technology (Thailand) Co., Ltd *	Thailand	19.59	19.59	Plating and polishing computer disk-drive related components. The activites contribute to the Group's manufacturing segment.

* *Audited by firms other than Messrs. Baker Tilly Monteiro Heng.*

8. INVESTMENT IN ASSOCIATE (cont'd)

Summarised financial information of material associate

The following table illustrates the summarised financial information of the Group's and Company's associate, adjusted for any differences in accounting policies and reconciles the information to the carrying amount of the Group's and Company's interest in the associate.

	2018 RM	2017 RM
Group		
Assets and liabilities		
Current assets	5,233,303	3,267,075
Non-current assets	25,530,031	20,954,843
Current liabilities	(7,451,344)	(373,149)
Non-current liabilities	(4,000,729)	-
Net assets	19,311,261	23,848,769
Results		
Revenue	8,890,485	1,516,907
Loss after taxation	(5,589,948)	(5,019,679)
Interest in the associate	19.59%	19.59%
Carrying value of the Group's interest in associate	3,783,076	4,671,974

The Group's share of loss for the financial year of the associate is RM2,078,426.

Foreign capital reserve are from the translation of the financial statement of the foreign associate and is not distributable by way of dividend.

9. INVESTMENT IN CLUB MEMBERSHIPS

	Group	
	2018 RM	2017 RM
At cost:		
At 1 January	92,748	61,000
Addition during the year	-	60,897
Amortisation during the year	(11,930)	(10,361)
Impairment loss during the year	-	(19,000)
Currency translation	(1,423)	212
At 31 December	79,395	92,748

10. DEFERRED TAX ASSETS/ (LIABILITIES)

	At 1 January RM	Recognised in profit or loss RM	Currency translation RM	At 31 December RM
Group				
2018				
Deferred tax assets:				
Property, plant and equipment	106,000	(106,000)	-	-
Provisions	1,057,701	(673,914)	(8,690)	375,097
	1,163,701	(779,914)	(8,690)	375,097
Deferred tax liabilities:				
Property, plant and equipment	(14,630)	(306,441)	3	(321,068)
2017				
Deferred tax assets:				
Property, plant and equipment	-	106,000	-	106,000
Provisions	521,457	547,764	(11,520)	1,057,701
	521,457	653,764	(11,520)	1,163,701
Deferred tax liabilities:				
Property, plant and equipment	(2,640,065)	2,624,115	1,320	(14,630)
Other temporary differences	1,309,065	(1,309,065)	-	-
	(1,331,000)	1,315,050	1,320	(14,630)

	Group 2018 RM	Group 2017 RM
Presented after appropriate offsetting as follows:		
Deferred tax assets	375,097	1,163,701
Deferred tax liabilities	(321,068)	(14,630)
	54,029	1,149,071

<u>Unrecognised deferred tax assets</u>

Deferred tax assets have not been recognised in respect of the following items (stated at gross):

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Unused tax losses	6,679,941	6,342,607	1,500,943	1,163,609
Unabsorbed capital allowances	867,656	760,928	-	-
Deductible temporary differences	738,110	4,535,522	-	-
	8,285,707	11,639,057	1,500,943	1,163,609

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

10. DEFERRED TAX ASSETS/ (LIABILITIES) (cont'd)

The availability of unused tax losses for offsetting against future taxable profits of the respective subsidiaries in Malaysia are subject to no substantial changes in shareholdings of those subsidiaries under the Income Tax Act, 1967 and guidelines issued by the tax authority.

11. INVENTORIES

	Group	
	2018	2017
	RM	RM
At cost:		
Raw materials	16,442,743	9,635,536
Work in progress	3,277,884	2,964,542
Finished goods	34,076,462	20,948,930
	53,797,089	33,549,008
Cost of inventories recognised as an expense in cost of sales	73,209,127	56,504,737

12. TRADE AND OTHER RECEIVABLES

		Group		Company	
		2018	2017	2018	2017
	Note	RM	RM	RM	RM
Trade receivables					
- Related party		-	884,879	-	-
- Unrelated parties		53,368,542	48,625,048	-	-
		53,368,542	49,509,927	-	-
Less: Expected credit loss for					
- Related party		-	(884,879)	-	-
- Unrelated parties		(665,925)	(1,342,038)	-	-
		(665,925)	(2,226,917)	-	-
Total trade receivables	**(i)**	52,702,617	47,283,010	-	-
Other receivables					
- Subsidiaries	**(ii)**	-	-	21,478,408	29,222,554
- Unrelated parties	**(iii)**	3,791,862	3,629,760	-	-
- Interest receivable		-	24,559	-	24,559
- Dividend receivable		-	-	1,826,050	10,000,000
		3,791,862	3,654,319	23,304,458	39,247,113
Less: Expected credit loss for					
- Subsidiaries	**(ii)**	-	-	(8,282,366)	(8,282,366)
- Unrelated parties	**(iii)**	(206,370)	(526,459)	-	-
		(206,370)	(526,459)	(8,282,366)	(8,282,366)
Total other receivables		3,585,492	3,127,860	15,022,092	30,964,747
Deposits		1,874,097	375,830	7,097	-
Total trade and other receivables		58,162,206	50,786,700	15,029,189	30,964,747

12. TRADE AND OTHER RECEIVABLES (cont'd)

The foreign currencies exposure profiles of trade and other receivables are as follows:

	Group		Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
Ringgit Malaysia	3,266,254	2,590,333	15,029,189	30,964,747
Renminbi	5,898,835	6,135,153	-	-
Singapore Dollar	441,063	740,030	-	-
US Dollar	48,136,779	41,007,602	-	-
Others	419,275	313,582	-	-
	58,162,206	50,786,700	15,029,189	30,964,747

(i) Trade Receivables

Trade receivables are unsecured, non-interest bearing and the normal credit terms offered by the Group ranging from 30 days to 90 days (2017: 30 days to 90 days). Other credit terms are assessed and approved on a case by case basis.

The movement in the expected credit losses of trade receivables is as follows:

	Group	
	2018	2017
	RM	RM
At 1 January	2,226,917	1,189,624
Charge for expected credit losses	58,652	1,272,564
Reversal of expected credit losses	(826,986)	(235,271)
Written off	(792,658)	-
At 31 December	665,925	2,226,917

The information about the credit exposures are disclosed in Note 30(b) to the financial statements.

Included in trade receivables of the Group are amounts totalling RM31,259,056 (2017: RM23,286,907) due from 3 (2017: 3) of its significant receivables.

(ii) Amount owing by subsidiaries are unsecured, non-interest bearing and is repayable on demand.

(iii) Other Receivables

The movement in the expected credit losses of other receivables is as follows:

	Group	
	2018	2017
	RM	RM
At 1 January	526,459	518,144
Charge for expected credit losses	-	8,315
Reversal of expected credit losses	(229,842)	-
Written off	(90,247)	-
At 31 December	206,370	526,459

Other receivables that are individually impaired determined to be impaired at the reporting date relate to receivables that have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

13. OTHER INVESTMENTS

	Group and Company	
	2018	2017
	RM	RM
Financial assets at fair value through profit or loss ("FVPL")		
- Cash management fund investments with investment mangement companies	175,574	1,962,222

The interest rate for the Group's and the Company's cash management fund investments with investment management companies range from 2.56% to 2.72% (2017: 2.51% to 3.20%) per annum.

14. CASH, BANK BALANCES AND SHORT TERM DEPOSITS

		Group		Company	
		2018	2017	2018	2017
	Note	RM	RM	RM	RM
Fixed deposits placed with licensed banks		8,435,000	9,630,272	-	4,600,000
Cash on hand and at banks		32,902,928	26,384,055	1,146,847	251,267
Cash and bank balances		41,337,928	36,014,327	1,146,847	4,851,267
Less: Bank overdrafts	17	-	(372,393)	-	-
Cash and cash equivalents		41,337,928	35,641,934	1,146,847	4,851,267

The foreign currencies exposure profiles of cash, bank balances and short term deposits are as follows:

	Group		Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
Ringgit Malaysia	11,304,555	11,206,783	1,146,847	4,851,267
Renminbi	9,451,009	8,377,736	-	-
Singapore Dollar	1,351,944	1,156,722	-	-
US Dollar	19,230,420	15,273,086	-	-
	41,337,928	36,014,327	1,146,847	4,851,267

The deposits of the Group and the Company earn interest at rates of 3.00% (2017: 1.70% to 3.80%) per annum. Deposits of the Group and Company have maturity period of 90 days (2017: 90 days).

15. SHARE CAPITAL

	Group and Company			
	Number of Shares		Amount	
	2018	2017	2018	2017
	Unit	Unit	RM	RM
Issued and fully paid up:				
At 1 January	175,470,370	175,470,370	87,735,185	87,735,185
Issued during the financial year:				
- bonus issue	87,734,997	-	-	-
At 31 December	263,205,367	175,470,370	87,735,185	87,735,185

The new Companies Act 2016 (the "Act"), which came into operation on 31 January 2017, abolished the concept of authorised share capital and par value of share capital.

The holders of ordinary shares (except treasury shares) are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

During the financial year, the Company issued 87,734,997 new ordinary shares by way of bonus issue on the basis of one (1) new ordinary share for every two (2) existing ordinary shares held in the Company on 29 November 2018.

The new ordinary shares issued during the financial period rank pari-passu in all respects with the existing ordinary shares of the Company.

16. TREASURY SHARES

Treasury shares relate to ordinary shares of the Company that are repurchased and held by the Company. The Company's share buyback scheme was first approved by the Company's shareholders in the Extraordinary General Meeting held on 24 February 2016 for the Company's plan to purchase its own shares. The directors of the Company believe that the repurchase plan are applied in the best interests of the Company and its shareholders. The mandate for share buybacks was renewed in each subsequent Annual General Meeting of shareholders. The share repurchases made to date were financed by internally generated funds and are being held as treasury shares in accordance with the requirement of Section 127 of the Companies Act 2016 in Malaysia.

The details of the shares purchased from the open market using internally generated funds and held as treasury shares during the financial year as follows:

	Group and Company			
	Number of Shares		Amount	
	2018	2017	2018	2017
	Unit	Unit	RM	RM
At 1 January	8,936,900	8,651,900	5,352,606	5,011,619
Bonus issue	6,366,950	-	-	-
Share purchased	3,797,000	285,000	4,209,917	340,987
At 31 December	19,100,850	8,936,900	9,562,523	5,352,606

16. TREASURY SHARES (cont'd)

	2018 RM	2017 RM
Average price paid for the shares repurchased	1.109	1.196
Average unit cost for the year	0.501	0.599

The number of outstanding shows in issue after excluding the treasury shares as at 31 December 2018 was 244,104,517 units (2017: 166,533,470 units).

17. LOANS AND BORROWINGS

		Group	
		2018	2017
	Note	RM	RM
Non-current:			
Secured			
Term loans		6,508,814	2,633,561
Finance lease liabilities		197,971	962,621
Total non-current		6,706,785	3,596,182
Current:			
Secured			
Term loans		1,484,240	1,068,974
Finance lease liabilities		756,565	1,330,530
Bank overdraft		-	372,393
		2,240,805	2,771,897
Unsecured			
Bankers' acceptances		1,733,945	-
Total current		3,974,750	2,771,897
Total loans and borrowings:			
Term loans	**(i)**	7,993,054	3,702,535
Finance lease liabilities	**(ii)**	954,536	2,293,151
Bank overdraft	**(iii)**	-	372,393
Bankers' acceptances	**(iv)**	1,733,945	-
Total loans and borrowings		10,681,535	6,368,079

The foreign currencies exposure profiles of loans and borrowings are as follows:

	Group	
	2018	2017
	RM	RM
Ringgit Malaysia	8,813,138	6,170,661
US Dollar	1,868,397	197,418
	10,681,535	6,368,079

17. LOANS AND BORROWINGS (cont'd)

Effective interest rate per annum:

	Group	
	2018	**2017**
	%	%
Term loans (floating rate)	4.97 - 6.85	5.00 - 6.85
Finance lease liabilities (fixed rate)	4.81 - 6.03	4.84 - 7.84
Bank overdraft (floating rate)	-	7.80
Bankers' acceptances (floating rate)	4.10	-

(i) Term loans

Term loans are repayable over 5 to 15 years. The repayment analysis is as follows:

	Group	
	2018	**2017**
	RM	**RM**
Gross loan installments:		
Not later than one year	1,861,477	1,258,224
Later than one year and not later than five years	3,995,812	2,135,441
Later than five years	3,887,617	806,322
	9,744,906	4,199,987
Less: Future interest charges	(1,751,852)	(497,452)
Present value of term loans	7,993,054	3,702,535
Present value of term loans:		
Not later than one year	1,484,240	1,068,974
Later than one year and not later than five years	2,980,054	1,557,785
Later than five years	3,528,760	1,075,776
	7,993,054	3,702,535
Less: Amount due within 12 months	(1,484,240)	(1,068,974)
Amount due after 12 months	6,508,814	2,633,561

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

(i) **Term loans (cont'd)**

Details of the term loans are as follows:

				Group		
2018		**Term loan 1**	**Term loan 2**	**Term loan 3**	**Term loan 4**	**Term loan 5**
Carrying amounts	**RM**	157,055	26,915	1,635,521	755,933	5,417,630
Monthly installments	**RM**	17,455	5,164	24,154	58,079	57,200
Tenure from the day of first drawndown	**Month**	120	180	180	180	120
Effective interest rates	%	5.70%	5.70%	5.50%	6.85%	4.97%
Secured and supported by:						
- Property, plant and equipment	**RM**			7,304,261		
2017						
Carrying amounts	**RM**	351,550	85,536	1,829,585	1,435,864	-
Monthly installments	**RM**	17,455	5,164	24,154	58,079	-
Tenure from the day of first drawndown	**Month**	120	180	180	180	-
Effective interest rates	%	5.70	5.70	5.50	6.85	-
Secured and supported by:						
- Property, plant and equipment	**RM**			8,402,960		-

17. LOANS AND BORROWINGS (cont'd)

(ii) Finance lease liabilities

Future minimum lease payments under finance leases together with the present value of net minimum lease payments are as follows:

	Group	
	2018	2017
	RM	RM
Minimum lease payments:		
Within one year	788,272	1,400,039
Later than one year and not later than two years	227,457	1,031,543
	1,015,729	2,431,582
Less: Future interest charges	(61,193)	(138,431)
Present value of minimum lease payments	954,536	2,293,151
Present value of minimum lease payments:		
Within one year	756,565	1,330,530
Later than one year and not later than two years	197,971	962,621
	954,536	2,293,151
Less: Amount due within 12 months	(756,565)	(1,330,530)
Amount due after 12 months	197,971	962,621

The finance lease liabilities as effectively secured on the rights of the assets under finance lease.

(iii) Bank overdraft

The bank overdraft of the Group is secured by way of corporate guarantee by the Company and a subsidiary.

(iv) Bankers' acceptances

The unsecured bankers' acceptances bear effective interest rates of 4.10% per annum. The unsecured banker's acceptances are supported by corporate guarantee given by holding company.

18. TRADE AND OTHER PAYABLES

	Group		Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
Trade payables				
- Related party *	36,560	-	-	-
- Unrelated parties	14,185,199	15,195,775	-	-
	14,221,759	15,195,775	-	-
Other payables				
- Director	-	62,140	-	-
- Unrelated parties	4,837,942	3,507,030	-	-
	4,837,942	3,569,170	-	-
Refundable deposits	399,200	399,200	-	-
Accruals	10,094,345	6,501,195	71,700	59,500
	29,553,246	25,665,340	71,700	59,500

** Being companies connected with a director.*

18. TRADE AND OTHER PAYABLES (cont'd)

The foreign currencies exposure profiles of trade and other payables are as follows:

	Group		Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
Ringgit Malaysia	14,594,989	11,850,642	71,700	59,500
Renminbi	5,918,522	5,673,348	-	-
Singapore Dollar	5,234,618	4,559,003	-	-
US Dollar	3,712,180	3,581,424	-	-
Others	92,937	923	-	-
	29,553,246	25,665,340	71,700	59,500

Trade payables are non-interest bearing and the normal credit terms available to the Company in respect of trade payables range from 30 to 90 days (2017: 30 to 120 days).

Other payables are unsecured and non-interest bearing. The amounts owing to director is repayable on demand. The amounts owing to other related party and unrelated parties mainly consist of sundry payables and accruals for operating expenses.

19. CONTRACT LIABILITY

	Group	
	2018	2017
	RM	RM
Refund liability	770,679	-

20. REVENUE

	Group		Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
Sale of goods	241,262,555	180,866,289	-	-
Dividend Income	-	-	12,586,050	10,000,000
Interest Income	188,750	345,855	188,750	345,855
	241,451,305	181,212,144	12,774,800	10,345,855
Timing of revenue recognition:				
At a point in time	241,451,305	181,212,144	12,774,800	10,345,855

21. OTHER INCOME

	Group		Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
Interest income	441,518	358,338	-	-
Subsidy from government	121,737	667,345	-	-
Rental income from investment properties	1,387,200	964,600	-	-
Reversal of expected credit loss for:				
- Trade receivables	826,986	235,271	-	-
- Other receivables	229,842	-	-	-
Gain on disposal of property, plant and equipment	93,639	539,007	-	-
Gain on foreign exchange:				
- Realised	2,113,736	40,352	-	-
- Unrealised	235,166	-	-	-
Sales of scrap	2,462,337	1,558,785	-	-
Others	51,355	28,840	-	-
	7,963,516	4,392,538	-	-

22. EMPLOYEES BENEFITS EXPENSE

	Group		Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
Short-term employee benefits	55,839,536	44,686,186	264,686	277,500
Defined contribution plan	2,211,626	2,020,223	-	-
	58,051,162	46,706,409	264,686	277,500
Included in employee benefits expenses are:				
Directors of the Holding Company				
Directors' fee	216,000	225,000	216,000	225,000
Directors' other emolument	3,108,276	2,858,880	42,500	52,500
	3,324,276	3,083,880	258,500	277,500
Directors of the Subsidiaries				
Directors' other emolument	2,716,311	2,230,535	-	-

23. FINANCE COSTS

	Group	
	2018	**2017**
	RM	**RM**
Interest expense on:		
- Short term finance interest	192,092	126,082
- Finance lease liabilities	80,403	200,363
- Term loan interest	148,898	196,645
	421,393	523,090

24. PROFIT BEFORE TAX

Other than disclosed elsewhere in the financial statements, the following items have been charged in arriving at profit before tax:

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM	**RM**	**RM**	**RM**
Auditors' remuneration:				
- Current year	311,596	293,648	110,500	85,000
- Prior year	61,533	30,497	43,732	48,260
Employee benefits expenses	58,051,162	46,706,409	264,686	277,500
Depreciation for:				
- Property, plant and equipment	7,247,478	9,634,410	-	-
- Investment properties	549,525	549,525	-	-
Amortisation for club memberships	11,930	10,361	-	-
Expected credit loss for:				
- Trade receivables	58,652	1,272,564	-	-
- Other receivables	-	8,315	-	-
Impairment loss for club memberships	-	19,000	-	-
Inventories written down	388,620	446,849	-	-
Property, plant and equipment written off	151,011	-	-	-
Rental of premises	162,003	105,815	-	-
Loss on foreign exchange				
- Realised	65,835	450,912	-	-
- Unrealised	-	1,987,936	-	-

25. INCOME TAX EXPENSE

	Group		Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
Statements of comprehensive income				
Current income tax:				
Taxation in Malaysia				
- Current income tax charge	(10,818,241)	(7,513,572)	(25,500)	-
- Adjustment in respect of prior year	(203,128)	249,683	(72,069)	-
	(11,021,369)	(7,263,889)	(97,569)	-
Taxation outside Malaysia				
- Current income tax charge	(1,875,066)	(1,500,189)	-	-
- Adjustment in respect of prior year	743,623	50,087	-	-
	(1,131,443)	(1,450,102)	-	-
Deferred tax:				
- Current income tax charge	(341,902)	1,245,538	-	-
- Adjustment in respect of prior year	(744,453)	723,276	-	-
	(1,086,355)	1,968,814	-	-
	(13,239,167)	(6,745,177)	(97,569)	-

The income tax is calculated at the statutory tax rate of 24% of the estimated taxable profit for the financial year.

The reconciliations from the tax amount at the statutory income tax rate to the Group's and the Company's tax expense are as follows:

	Group		Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
Profit before tax	65,064,932	32,787,506	11,967,709	9,418,097
Tax at Malaysian statutory income tax rate of 24%	(15,615,584)	(7,869,001)	(2,872,250)	(2,260,343)
Different tax rates in other countries	1,930,626	405,653	-	-
Share of results of associate	498,822	-	-	-
Adjustments:				
Income not subject to tax	162,142	1,071,569	3,029,578	2,419,996
Non-deductible expenses	(816,019)	(850,603)	(101,868)	(116,895)
Adjustment in respect of prior year	(203,958)	1,023,046	(72,069)	-
Reversal/(Origination) of deferred tax not recognised	804,804	(525,841)	(80,960)	(42,758)
	(13,239,167)	(6,745,177)	(97,569)	-

26. EARNINGS PER SHARE

(i) Basic earnings per ordinary share

Basic earnings per share are based on the profit for the financial year attributable to owners of the Company and the weighted average number of ordinary shares outstanding during the financial year, calculated as follows:

	Group	
	2018	**2017**
	RM	**RM**
Profit attributable to owners of the Company	51,854,696	26,042,329
Number of shares in issue at 1 January	254,268,467	254,553,467
Effect of shares purchased	(3,088,957)	(23,750)
Weighted average number of shares in issue	251,179,510	254,529,717
Basic earnings per share (sen)	20.64	10.23

(ii) Diluted earnings per ordinary share

There are no dilutive potential ordinary shares. As such, the diluted earnings per share of the Group is equivalent to basic earnings per share.

27. DIVIDENDS

	Group	
	2018	**2017**
	RM	**RM**
Recognised during the financial year:		
Dividends on ordinary shares		
- Single tier final dividend for the financial year ended 31 December 2017, 4.5 sen (2016: 3.5 sen) per ordinary share, paid on 13 June 2018	7,345,639	5,838,645
- Single tier interim dividend for the financial year ended 31 December 2018, 2.5 sen (2017: 2 sen) per ordinary share, paid on 12 October 2018	4,068,410	3,336,369
	11,414,049	9,175,014

28. RELATED PARTIES

(a) Identify of related parties

Parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operational decisions, or vice versa, or where the Group and the party are subject to common control. Related parties may be individuals or other entities.

28. RELATED PARTIES (cont'd)

(a) Identify of related parties (cont'd)

Related parties of the Group include:

(i) Company's holding company;
(ii) Subsidiaries;
(iii) Associates;
(iv) Entities in which directors have substantial financial interests; and
(v) Key management personnel of the Group's and the Company's holding company, comprise of persons (including directors) having the authority and responsibility for planning, directing and controlling the activities directly or indirectly.

(b) Significant related party transactions

Significant related party transactions other than disclosed elsewhere in the financial statements are as follows:

	Group		Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
Entities in which certain directors have substantial interests				
Rental of premises received	-	(58,200)	-	-
Purchase of goods	133,994	255,183	-	-
Receiving of services	-	18,000	-	-
Transaction with subsidiary				
Dividend income	-	-	(12,586,050)	(10,000,000)

(c) Compensation of key management personnel

	Group		Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
Short-term employees benefits	5,918,612	5,031,187	258,500	277,500
Defined contribution plan	168,816	172,850	-	-
	6,087,428	5,204,037	258,500	277,500

29. CAPITAL AND OTHER COMMITMENTS

(i) Capital commitments

The Group has made commitments for the following capital expenditures:

	Group	
	2018	2017
	RM	RM
Capital expenditures approved and contracted for:		
- Leasehold land	11,400,000	-
- Plant and machineries	4,607,444	3,033,942

29. CAPITAL AND OTHER COMMITMENTS (cont'd)

(ii) Operating lease commitments – as lessee

The Group leases number of buildings under operating leases for average lease term between one to four years, with option to renew the lease at the end of the lease term.

Future minimum rental payable under the non-cancellable operating lease at the reporting date is as follows:

	Group	
	2018	2017
	RM	RM
Not later than one year	364,247	334,180
Later than one year and not later than five years	28,200	-
	392,447	334,180

(iii) Operating lease commitments – as lessor

The Group leases its investment properties which have remaining lease term of one year. Rental charges are revised every three years to reflect current market conditions.

Future minimum rental receivable under the non-cancellable operating lease at the reporting date is as follows:

	Group	
	2018	2017
	RM	RM
Not later than one year	1,156,000	1,387,200
Later than one year and not later than five years	-	1,156,000
	1,156,000	2,543,200

30. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

The following table analyses the financial instruments in the statements of financial position by the classes of financial instruments to which they are assigned:

From 1 January 2018:
(i) Fair value through profit or loss ("FVPL")
(ii) Amortised cost ("AC")

On or before 31 December 2017:
(i) Loan and receivables ("L&R")
(ii) Fair value through profit or loss ("FVPL")
- Held for trading ("HFT")
(iii) Other financial liabilities ("FL")

30. FINANCIAL INSTRUMENTS (cont'd)

(a) Categories of financial instruments (cont'd)

	Carrying Amount RM	AC RM	FVPL RM
At 31 December 2018			
Financial assets			
Group			
Trade and other receivables	58,162,206	58,162,206	-
Other investments	175,574	-	175,574
Cash, bank balances and short term deposits	41,337,928	41,337,928	-
	99,675,708	99,500,134	175,574
Company			
Trade and other receivables	15,029,189	15,029,189	-
Other investments	175,574	-	175,574
Cash, bank balances and short term deposits	1,146,847	1,146,847	-
	16,351,610	16,176,036	175,574
At 31 December 2018			
Financial liabilities			
Group			
Loans and borrowings	(10,681,535)	(10,681,535)	-
Trade and other payables	(29,553,246)	(29,553,246)	-
	(40,234,781)	(40,234,781)	-
Company			
Trade and other payables	(71,700)	(71,700)	-

	Carrying Amount RM	L&R/ (FL) RM	FVPL - HFT RM
At 31 December 2017			
Financial assets			
Group			
Trade and other receivables	50,786,700	50,786,700	-
Other investments	1,962,222	-	1,962,222
Cash, bank balances and short term deposits	36,014,327	36,014,327	-
	88,763,249	86,801,027	1,962,222
Company			
Trade and other receivables	30,964,747	30,964,747	-
Other investments	1,962,222	-	1,962,222
Cash, bank balances and short term deposits	4,851,267	4,851,267	-
	37,778,236	35,816,014	1,962,222
At 31 December 2017			
Financial liabilities			
Group			
Loans and borrowings	(6,368,079)	(6,368,079)	-
Trade and other payables	(25,665,340)	(25,665,340)	-
	(32,033,419)	(32,033,419)	-
Company			
Trade and other payables	(59,500)	(59,500)	-

30. FINANCIAL INSTRUMENTS (cont'd)

(b) Financial risk management

The Group's and the Company's activities are exposed to a variety of financial risks arising from their operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, foreign currency risk and interest rate risk. The Group's and the Company's overall financial risk management objective is to optimise value for their shareholders. The Group and the Company do not trade in financial instruments.

The Board of Directors reviews and agrees to policies and procedures for the management of these risks, which are executed by the Group's senior management. The Audit Committee provides independent oversight to the effectiveness of the risk management process.

(i) Credit risk

Credit risk is the risk of financial loss to the Group and the Company that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's are exposed to credit risk from its operating activities (primarily trade and other receivables) and from its financing activities, including deposits with banks and other financial instruments. The Group and the Company have a credit policy in place and the exposure to credit risk is managed through the application of credit approvals, credit limits and monitoring procedures.

Trade receivables

As at the end of the reporting period, the maximum exposure to credit risk arising from trade receivables is represented by the carrying amounts in the statements of financial position.

The carrying amount of trade receivables are not secured by any collateral or supported by any other credit enhancements. In determining the recoverability of these receivables, the Group and the Company consider any change in the credit quality of the receivables from the date the credit was initially granted up to the reporting date. The Group and the Company have adopted a policy of dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults.

Credit risk concentration profile

The information on credit risk concentration is disclosed in Note 12 to the financial statements.

The Group applies the simplified approach to providing for expected credit losses prescribed by MFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected credit losses also incorporate forward looking information.

30. FINANCIAL INSTRUMENTS (cont'd)

(b) Financial risk management (cont'd)

(i) Credit risk (cont'd)

Trade receivables (cont'd)

The information about the credit risk exposure on the Group's trade receivables using a provision matrix are as follows:

	Current	1-30 days past due	31-60 days past due	61-90 days past due	> 91 days past due	Total
Group						
At 31 December 2018						
Expected credit loss rate	0.04%	29%	88%	94%	100%	1.62%
Gross carrying amount at default rate	51,577,447	1,222,902	407,782	84,737	75,674	53,368,542
Expected credit loss	19,301	354,642	358,848	79,653	75,674	888,118
Forward looking information	-	135,825	(270,471)	(79,653)	(7,894)	(222,193)
Charge for expected credit loss	19,301	490,467	88,377	-	67,780	665,925

Other receivables and other financial assets

For other receivables and other financial assets (cash and cash equivalents), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties. At the reporting date, the Group's and the Company's maximum exposure to credit risk arising from other receivables and other financial assets is represented by the carrying amount of each class of financial assets recognised in the statements of financial position.

The Group and the Company consider the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Group and the Company compare the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forward-looking information.

Some intercompany loans between entities within the Group are repayable on demand. For loans that are repayable on demand, expected credit losses are assessed based on the assumption that repayment of the loan is demanded at the reporting date. If the borrower does not have sufficient highly liquid resources when the loan is demanded, the Group and the Company will consider the expected manner of recovery and recovery period of the intercompany loan.

Refer to Note 3.11(a) for the Group's and the Company's other accounting policies for impairment of financial assets.

Financial guarantee contracts

The Company is exposed to credit risk in relation the financial guarantees given to banks in respect of credit facilities granted to certain subsidiaries up to a limits of approximately RM79,465,850 (2017: RM73,348,000). The Company monitors the results of the subsidiaries and their repayment on an on-going basis. The maximum exposure to credit risks amounts to RM14,376,162 (2017: RM7,251,220) representing the maximum amount the Company could pay if the guarantee is called on as disclosed in Note 30(b)(ii). As at the reporting date, there was no indication that the subsidiary would default on repayment.

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

30. FINANCIAL INSTRUMENTS (cont'd)

(b) Financial risk management (cont'd)

(ii) Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations when they fall due. The Group's and the Company's exposure to liquidity risk arise primarily from mismatches of the maturities between financial assets and liabilities. The Group's and the Company's exposure to liquidity risk arise principally from trade and other payables, loans and borrowings.

The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by facilities. The Group and the Company maintain sufficient liquidity and available funds to meet daily cash needs, while maintaining controls and security over cash movements. The Group and the Company use a series of processes to obtain maximum benefits from its flow of funds, such that they are efficiently managed to maximise income from investment and minimise cost on borrowed funds. The Group's and the Company's treasury department also ensure that there are sufficient unutilised stand-by facilities, funding and liquid assets available to meet both short-term and long-term funding requirements.

Maturity analysis

The maturity analysis of the Group's and the Company's financial liabilities by their relevant maturity at the reporting date are based on contractual undiscounted repayment obligations are as follows:

		Contractual cash flows			
	Carrying Amount	On demand or within 1 year	Between 1 and 5 years	More than 5 years	Total
	RM	RM	RM	RM	RM
Group					
At 31 December 2018					
Financial liabilities					
Loans and borrowings:					
- Term loan	(7,993,054)	(1,861,477)	(3,995,812)	(3,887,617)	(9,744,906)
- Finance lease liabilities	(954,536)	(788,272)	(227,457)	-	(1,015,729)
- Bank overdrafts	-				-
- Bankers' acceptances	(1,733,945)	(1,805,037)	-	-	(1,805,037)
Trade and other payables	(29,553,246)	(29,553,246)	-	-	(29,553,246)
	(40,234,781)	(34,008,032)	(4,223,269)	(3,887,617)	(42,118,918)
At 31 December 2017					
Financial liabilities					
Loans and borrowings:					
- Term loan	(3,702,535)	(1,258,224)	(2,135,441)	(806,322)	(4,199,987)
- Finance lease liabilities	(2,293,151)	(1,400,039)	(1,031,543)	-	(2,431,582)
- Bank overdrafts	(372,393)	(401,440)	-	-	(401,440)
Trade and other payables	(25,665,340)	(25,665,340)	-	-	(25,665,340)
	(32,033,419)	(28,725,043)	(3,166,984)	(806,322)	(32,698,349)

30. FINANCIAL INSTRUMENTS (cont'd)

(b) Financial risk management (cont'd)

(ii) Liquidity risk (cont'd)

Maturity analysis (cont'd)

The maturity analysis of the Group's and the Company's financial liabilities by their relevant maturity at the reporting date are based on contractual undiscounted repayment obligations are as follows: (cont'd)

		Contractual cash flows			
	Carrying Amount	On demand or within 1 year	Between 1 and 5 years	More than 5 years	Total
	RM	RM	RM	RM	RM
Company					
At 31 December 2018					
Financial liabilities					
Trade and other payables	(71,700)	(71,700)	-	-	(71,700)
Financial guarantee contracts #	-	(14,376,162)	-	-	(14,376,162)
	(71,700)	(14,447,862)	-	-	(14,447,862)
At 31 December 2017					
Financial liabilities					
Trade and other payables	(59,500)	(59,500)	-	-	(59,500)
Financial guarantee contracts #	-	(7,251,220)	-	-	(7,251,220)
	(59,500)	(7,310,720)	-	-	(7,310,720)

The Company has given corporate guarantee to financial institutions on credit facilities granted to certain subsidiaries. The potential exposure of the financial guarantee contract is equivalent to the amount of the banking facilities of the said subsidiary.

(iii) Foreign currency risk

Foreign currency risk is the risk of fluctuation in fair value or future cash flows of a financial instrument as a result of changes in foreign exchange rates. The Group's and the Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's and the Company's operating activities (when sales, purchases and borrowings that are denominated in a foreign currency) and the Group's net investments in foreign subsidiaries.

Management has set up a policy that requires all companies within the Group and the Company to manage their treasury activities and exposures. The Group's and the Company's policy is to hedge all material foreign currency exposures arising from its transactions and balances using derivative instruments that have maturity periods that match the corresponding maturity periods of the hedged items. In addition, the Group and the Company also takes advantage of any natural effects of its foreign currencies revenues and expenses by maintaining current accounts in foreign currencies.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

30. FINANCIAL INSTRUMENTS (cont'd)

(b) Financial risk management (cont'd)

(iii) Foreign currency risk (cont'd)

The Group's unhedged financial assets and liabilities of the Group that are not denominated in their functional currencies are as follows:

	Ringgit Malaysia RM	Renminbi RM	Singapore Dollar RM	US Dollar RM	Other RM	Total RM
Group						
At 31 December 2018						
Trade and other receivables	3,266,254	5,898,835	441,063	48,136,779	419,275	58,162,206
Cash, bank balances and short term deposits	11,304,555	9,451,009	1,351,944	19,230,420	-	41,337,928
Loans and borrowings	(8,813,138)	-	-	(1,868,397)	-	(10,681,535)
Trade and other payables	(14,594,989)	(5,918,522)	(5,234,618)	(3,712,180)	(92,937)	(29,553,246)
	(8,837,318)	9,431,322	(3,441,611)	61,786,622	326,338	59,265,353
At 31 December 2017						
Trade and other receivables	2,590,333	6,135,153	740,030	41,007,602	313,582	50,786,700
Cash, bank balances and short term deposits	11,206,783	8,377,736	1,156,722	15,273,086	-	36,014,327
Loans and borrowings	(6,170,661)	-	-	(197,418)	-	(6,368,079)
Trade and other payables	(11,850,642)	(5,673,348)	(4,559,003)	(3,581,424)	(923)	(25,665,340)
	(4,224,187)	8,839,541	(2,662,251)	52,501,846	312,659	54,767,608

Sensitivity analysis for foreign currency risk

The Group's principal foreign currency exposure relates mainly to United States Dollar ("USD"), Renminbi ("RMB") and Singapore Dollar ("SGD").

30. FINANCIAL INSTRUMENTS (cont'd)

(b) Financial risk management (cont'd)

(iii) Foreign currency risk (cont'd)

Sensitivity analysis for foreign currency risk (cont'd)

The following table demonstrates the sensitivity to a reasonably possible change in the USD, RMB and SGD, with all other variables held constant on the Group's total equity and profit for the financial year.

	Change in rate %	Effect on profit for the financial year RM	Effect on equity RM
Group			
31 December 2018			
- USD	+ 10%	6,178,662	6,178,662
	- 10%	(6,178,662)	(6,178,662)
- RMB	+ 10%	943,132	943,132
	- 10%	(943,132)	(943,132)
- SGD	+ 10%	(344,161)	(344,161)
	- 10%	344,161	344,161
31 December 2017			
- USD	+ 10%	5,250,185	5,250,185
	- 10%	(5,250,185)	(5,250,185)
- RMB	+ 10%	883,954	883,954
	- 10%	(883,954)	(883,954)
- SGD	+ 10%	(266,225)	(266,225)
	- 10%	266,225	266,225

(iv) Interest rate risk

Interest rate risk is the risk of fluctuation in fair value or future cash flows of the Group's financial instruments as a result of changes in market interest rates. The Group's exposure to interest rate risk arises primarily from their long-term loans and borrowings with floating interest rates. The Group's policy to manage their interest rate risk is to hedge all material floating rate borrowings using interest rate swaps.

30. FINANCIAL INSTRUMENTS (cont'd)

(b) Financial risk management (cont'd)

(iv) Interest rate risk (cont'd)

Sensitivity analysis for interest rate risk

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant on the Group's total equity and profit for the financial year.

	Change in basis point %	Effect on profit for the financial year RM	Effect on equity RM
Group			
31 December 2018	+100	(79,930)	(79,930)
	-100	79,930	79,930
31 December 2017	+100	(40,749)	(40,749)
	-100	40,749	40,749

(c) Fair value measurement

The carrying amounts of other investments, cash and cash equivalents, short term receivables and payables and short-term borrowings reasonably approximate to their fair values due to the relatively short-term nature of these financial instruments.

There have been no transfer between Level 1 and Level 2 during the financial year (2017: no transfer in either direction).

The following table provides the fair value measurement hierarchy of the Group's and the Company's financial instruments:

	Carrying Amount	Fair value of financial instruments not carried at fair value		
		Fair value		
	Total RM	Level 1 RM	Level 2 RM	Level 3 RM
Group				
At 31 December 2018				
Financial liabilities				
Term loans	7,993,054	-	-	9,744,906
Finance lease liabilities	954,536	-	-	1,041,390
At 31 December 2017				
Financial liabilities				
Term loans	3,702,535	-	-	4,199,987
Finance lease liabilities	2,293,151	-	-	2,768,558

30. FINANCIAL INSTRUMENTS (cont'd)

(c) Fair value measurement (cont'd)

The following table provides the fair value measurement hierarchy of the Group's and the Company's financial instruments: (cont'd)

	Carrying Amount	Fair value of financial instruments not carried at fair value		
		Fair value		
	Total	Level 1	Level 2	Level 3
	RM	RM	RM	RM
Company				
At 31 December 2018				
Financial asset				
Amount owing by subsidiaries	21,478,408	-	-	21,478,408
At 31 December 2017				
Financial asset				
Amount owing by subsidiaries	29,222,554	-	-	29,222,554

Level 3 fair value

Fair value of financial instruments not carried at fair value

The fair value of bank borrowings and finance lease liabilities are estimated by discounting expected future cash flows at market incremental lending rate for similar types of lending, borrowing or leasing arrangements at the reporting date.

31. CAPITAL MANAGEMENT

The primary objective of the Group's and the Company's capital management is to ensure that they maintain a strong credit rating and healthy capital ratio in order to support their business and maximise shareholder value. The Group and the Company manage their capital structure and make adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group and the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies and processes during the financial years ended 31 December 2018 and 31 December 2017.

The Group and the Company monitor capital using gearing ratio. The gearing ratio is calculated as total debts divided by total equity. The gearing ratio at 31 December 2018 and 31 December 2017 are as follows:

		Group		Company	
		2018	2017	2018	2017
	Note	RM	RM	RM	RM
Total loans and borrowings	**17**	10,681,535	6,368,079	-	-
Total equity		174,480,878	141,727,894	95,669,800	99,423,626
Total capital		185,162,413	148,095,973	95,669,800	99,423,626
Debts-to equity ratio		6%	4%	0%	0%

32. SEGMENTAL REPORTING

The Group prepared the following segment in accordance with MFRS 8 Operating Segments based on the internal reports of the Group's strategic business units which are regularly reviewed by the Group's Chief Executive Officer ("CEO") for the purpose of making decisions about resource allocation and performance assessment.

The two reportable operating segments are as follows:

Segments	**Products and services**
Manufacturing and Trading	Manufacturing and trading of die components, precision machining, computer peripherals and parts for hard disk driveoptics, magnetism driver and parts and medical components, high quality computer disk-drive related components.
Investment	Investment holding

The inter-segment transactions have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

Segment profit

Segment performance is used to measure performance as Group's Chief Executive Officer believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. Performance is evaluated based on operating profit or loss which is measured differently from operating profit or loss in the consolidated financial statements.

Segment assets

The total segment assets is measure based on all assets (excluding investment in associate) of a segment, as included in the internal reports that are reviewed by the Group's Chief Executive Officer.

Segment liabilities

Segment liabilities are not included in the internal reports that are reviewed by the directors, hence no disclosures are made on segment liabilities.

32. SEGMENTAL REPORTING (cont'd)

(i) Operating Segments

	Manufacturing and Trading		Investment		Adjustments and eliminations		Note	Total	
	2018 RM	2017 RM	2018 RM	2017 RM	2018 RM	2017 RM		2018 RM	2017 RM
Revenue:									
External customers	241,262,555	180,866,289	188,750	345,855	-	-		241,451,305	181,212,144
Inter-segment	194,254,124	159,022,647	12,586,050	10,000,000	(206,840,174)	(169,022,647)	A	-	-
Total revenue	435,516,679	339,888,936	12,774,800	10,345,855	(206,840,174)	(169,022,647)		241,451,305	181,212,144
Results:									
Included in the measurement of segment profit are:									
Interest income	441,518	358,338	-	-	-	-		441,518	358,338
Compensation received from key former member	-	-	-	-	-	-		-	-
Compensation received from government	-	-	-	-	-	-		-	-
Subsidy received from government	121,737	667,345	-	-	-	-		121,737	667,345
Rental income from investment property	1,387,200	964,600	-	-	-	-		1,387,200	964,600
Reversal of expected credit loss for trade receivables	826,986	235,271	-	-	-	-		826,986	235,271
Reversal of expected credit loss for other receivables	229,842	-	-	-	-	-		229,842	-
Gain on disposal of property, plant and equipment	93,639	539,007	-	-	-	-		93,639	539,007
Gain on realised foreign exchange	2,113,736	40,352	-	-	-	-		2,113,736	40,352
Gain on unrealised foreign exchange	235,166	-	-	-	-	-		235,166	-
Depreciation and amortisation	(9,161,830)	(10,146,693)	-	-	1,352,897	(47,603)		(7,808,933)	(10,194,296)
Employee benefit expenses	(57,786,476)	(46,428,909)	(264,686)	(277,500)	-	-		(58,051,162)	(46,706,409)
Interest expenses	(421,393)	(523,090)	-	-	-	-		(421,393)	(523,090)
Expected credit loss for trade receivables	(58,652)	(1,272,564)	-	-	-	-		(58,652)	(1,272,564)
Expected credit loss for other receivables	-	(8,315)	-	-	-	-		-	(8,315)
Impairment loss on club memberships	-	(19,000)	-	-	-	-		-	(19,000)
Inventories written down	(388,620)	(446,849)	-	-	-	-		(388,620)	(446,849)
Property, plant and equipment written off	(151,011)	-	-	-	-	-		(151,011)	-
Loss on unrealised foreign exchange	-	(1,987,936)	-	-	-	-		-	(1,987,936)
Loss on realised foreign exchange	(65,835)	(450,912)	-	-	-	-		(65,835)	(450,912)
Rental expenses on buildings	(162,003)	(105,815)	-	-	-	-		(162,003)	(105,815)
Not included in the measure of segment profit but provided to Group's CEO are:									
Share of results of associate	(2,078,426)	-	-	-	-	-		(2,078,426)	-
Segment profit	66,248,208	34,607,051	11,967,709	9,418,097	(13,150,985)	(11,237,642)	B	65,064,932	32,787,506
Income tax expense	(13,253,833)	(7,139,630)	(97,569)	-	112,235	394,453		(13,239,167)	(6,745,177)
Profit for the financial year	52,994,375	27,467,421	11,870,140	9,418,097	(13,038,750)	(10,843,189)	B	51,825,765	26,042,329
Assets:									
Investment in associate	-	-	6,144,000	6,144,000	(2,360,924)	-		3,783,076	6,144,000
Additions to non-current assets	23,749,086	5,267,440	-	-	-	-		23,749,086	5,267,440
Segment assets	255,918,471	205,455,056	95,741,500	99,483,126	(131,466,874)	(128,565,266)	C	220,193,097	176,372,916

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

32. SEGMENTAL REPORTING (cont'd)

(i) Operating Segments (cont'd)

Reconciliation of reportable segment revenue, profit or loss, assets, liabilities and other material items are as follows:

A Inter-segment revenue

Inter-segment revenues are eliminated on consolidation.

B Reconciliation of profit or loss

	Group 2018 RM	Group 2017 RM
Share of results of associate	(2,078,426)	-
Elimination of inter-segment unrealised profits	(866,684)	(1,190,039)
Unallocated amounts:		
- Other corporate expenses	(10,205,875)	(10,047,603)
	(13,150,985)	(11,237,642)
Less: Income tax expense	112,235	394,453
	(13,038,750)	(10,843,189)

C Reconciliation of assets

	Group 2018 RM	Group 2017 RM
Investment in subsidiaries	(73,245,894)	(55,560,894)
Investment in associate	(2,360,924)	-
Inter-segment assets	(55,860,056)	(73,004,372)
	(131,466,874)	(128,565,266)

Geographical information

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

	External Revenue		Non-current Assets (excluding Financial Instruments and DTA)	
	2018 RM	2017 RM	2018 RM	2017 RM
Malaysia	22,967,833	23,185,376	46,135,771	42,279,328
China	39,498,571	54,402,379	18,908,715	9,517,427
Singapore	19,470,894	14,518,786	502,819	560,576
Thailand	127,535,840	62,597,246	-	-
Other countries	31,978,167	26,508,357	-	-
	241,451,305	181,212,144	65,547,305	52,357,331

32. SEGMENTAL REPORTING (cont'd)

(i) Operating Segments (cont'd)

Information about major customers

Revenue from 3 (2017: 3) major customers amount to RM148,531,586 (2017: RM119,941,149 arising from sales from manufacturing and trading.

33. COMPARATIVE FIGURE

During the financial year, the investment in Superior Plating Technology (Thailand) Co., Ltd were re-assessed and reclassified as investment in associate. Accordingly, comparative figure have been reclassified to conform with the current year's presentation.

The effects of the reclassification are as follows:

	As previously reported RM	Adjustment RM	As restated RM
Group			
At 31 December 2017			
Statements of financial position			
Other investments	6,144,000	(6,144,000)	-
Investment in associate	-	6,144,000	6,144,000

STATEMENT BY DIRECTORS

Pursuant to Section 251 (2) of the Companies Act 2016

We, **LEE, HUI-TA also known as LI HUI TA** and **WU, MAO-YUAN**, being two of the directors of Dufu Technology Corp. Berhad, do hereby state that in the opinion of the directors, the accompanying financial statements set out on pages 61 to 137 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2018 and of their financial performance and cash flows for the financial year then ended.

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

………………………………………………………………..
LEE, HUI-TA also known as LI HUI TA
Director

………………………………………………………………..
WU, MAO-YUAN
Director

Date: 28 February 2019

STATUTORY DECLARATION

Pursuant to Section 251 (1) of the Companies Act 2016

I, **DAVID KHOO CHONG BENG**, being the officer primarily responsible for the financial management of Dufu Technology Corp. Berhad, do solemnly and sincerely declare that to the best of my knowledge and belief, the accompanying financial statements set out on page 61 to 137 are 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.

……………………………………………………………..

DAVID KHOO CHONG BENG
MIA Membership No: CA 20159

Subscribed and solemnly declared by the abovenamed at Kuala Lumpur in the Federal Territory on 28 February 2019.

Before me,

……………………………………………………………..

HADINUR MOHD SYARIF
No. W761
Commissioner for Oaths

INDEPENDENT AUDITORS' REPORT
TO THE MEMBER OF DUFU TECHNOLOGY CORP. BERHAD

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Dufu Technology Corp. Berhad, which comprise the statements of financial position as at 31 December 2018 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 61 to 137.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2018, and of their financial performance and cash flows for the financial year then ended in accordance with the 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 are independent of the Group and of the Company in accordance with the *By-Laws* (*on Professional Ethics, Conduct and Practice*) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Group

Trade Receivables (Note 12 to the financial statements)

As at 31 December 2018, the Group has significant trade receivables with carrying amount of RM53.368 million.

We focused on this area because the directors made significant judgements over assumptions about risk of default and expected loss rate. In making the assumptions, the directors selected inputs to the impairment calculation, based on the Group's past history and forward looking information at the end of the reporting period.

Our audit response:

Our audit procedures included, among others,
- understanding the design and implementation of controls associated with monitoring of outstanding receivables and impairment calculation;
- understanding of significant credit exposures which were significantly overdue or deemed to be in default through analysis of ageing reports and other collection or legal reports prepared by management;
- obtaining confirmation of balances from selected receivables; and
- reviewing subsequent receipts and considering level of activity with the customer and management explanation on recoverability with significantly past due balances.

Key Audit Matters (cont'd)

Group (cont'd)

Inventories (Note 11 to the financial statements)

As at 31 December 2018, the carrying amount of inventories held by the Group is RM53.797 million which represents approximately 24% of total assets of the Group. Inventories are stated at the lower of cost and net realisable value and cost is determined using the first-in-first-out basis. The cost of inventories comprise the cost of purchase of raw materials, direct labour, plus conversion costs such as variable and fixed overheads.

We focused on this area because the computation and cost allocation process involves multiple inputs and management's judgement is required to estimate the cost of finished goods and work-in-progress which comprise the cost of raw materials, direct labour, other direct costs, and the appropriate allocation of overheads based on normal operating capacity.

Our audit response:

Our audit procedures included, among others:
- obtaining an understanding of the inventories valuation policy and its related processes in allocating, recording and computing the cost of inventories;
- reviewing the computation of inventory costing which includes costs of raw materials, direct labour, other direct costs, and other incidental costs incurred in bringing the inventories to their present location and condition;
- observing year end physical inventory count to examine physical existence and condition of the finished goods and obtaining confirmation for inventories held by third parties; and
- reviewing the Group's assessment on the net realisable value of work-in-progress and finished goods.

Company

We have determined that there are no key audit matters to communicate in our report which arose from the audit of the financial statements of the Company.

Information Other than the Financial Statements and Auditors' Report Thereon

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

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

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

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

Responsibilities of the Directors for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with the 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.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBER OF DUFU TECHNOLOGY CORP. BERHAD (CONT'D)

Responsibilities of the Directors for the Financial Statements (cont'd)

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.

The directors of the Company are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

INDEPENDENT AUDITORS' REPORT
TO THE MEMBER OF DUFU TECHNOLOGY CORP. BERHAD (CONT'D)

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 7 to the financial statements.

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 contents of this report.

Baker Tilly Monteiro Heng
No. AF 0117
Chartered Accountants

Ong Teng Yan
No. 3076/07/19 (J)
Chartered Accountant

Kuala Lumpur

Date: 28 February 2019

LIST OF PROPERTIES HELD

Title/ Location	Tenure/ Date of expiry of lease	Description/ Existing use (approximate age of building)	Land area/ Built-up area	Net book value as at 31.12.2018 (RM)	Date of last revaluation	Date of acquisition
Registered Owner: Dufu Industries Sdn. Bhd						
Land						
P.T. No. 1886 (Resurveyed Lot 12354) held under Title No. H.S. (D) 11985, Mukim 12, Daerah Barat Daya, Penang	60 years leasehold expiring 26.12.2051	Industrial land	177,691 sq. feet	3,010,527	1997	-
Building						
Plot 19 Free Industrial Zone, Phase IV, Bayan Lepas 11900 Penang		Industrial complex				
		- 1 Single-Storey office-cum-production building (21 years)	18,209 sq. feet	4,293,735		Year 1997 – 2007
		- 1 double-storey office-cum-production building (14 years)	33,793 sq. feet			
		- 1 three-storey production building (12 years)	65,811 sq. feet			
		- 1 three-storey office cum production building (11 years)	32,816 sq. feet			
Block 1-5-7, Block 3-3-1, Block 3-13-3, Block 5-7-1, Block 5-14-2, Block 5-16-5, Block 11-2-2, Block 11-6-2, Block 15-5-6, Block 15-8-3, Block 15-9-6, Block 15-21-3, Block 17-10-1, Block 17-17-5, Block 19-8-4, Block 19-10-2, Taman Terubong Indah,Tingkat Paya Terubong 5, 11060 Penang		16 units of hostel (freehold)	11,200 sq. feet	1,287,333		Year 2015

LIST OF PROPERTIES HELD (CONT'D)

Title/ Location	Tenure/ Date of expiry of lease	Description/ Existing use (approximate age of building)	Land area/ Built-up area	Net book value as at 31.12.2018 (RM)	Date of last revaluation	Date of acquisition
Registered Owner: Guangzhou Futron Technology Co. Ltd.						
No. 1, Gao Tian Industrial Zone, Tai Ping Town, Cong Hua City		- 1 three-storey production building (15 years)	41,383 sq. feet	836,797		Year 2003 – 2018
		- 1 steel production workshop (5 years)	8,092 sq. feet			
		- 1 warehouse (1 year)	7,089 sq. feet			
		- 1 five-storey hostel (15 years)	21,348 sq. feet	211,835		Year 2003
Registered Owner: Guangzhou Futron Precision Industries Co., Ltd.						
Land use rights						
Plot 18411320180005 at South Side of Longxing Siheng Road, Longxing District, Conghua Industrial Park, Conghua District, Guangzhou, People's Republic of China	50 years leasehold (from the date of the delivery of the land, estimated date of delivery of land is due on 15th August 2019)	Industrial land	216,385 sq. feet	7,369,801		Year 2018
Registered Owner: Dufusion Sdn Bhd						
Land						
Lot No. 8478 Mukim 12, District of Barat Daya, Penang	60 years leasehold expiring 22.5.2050	Industrial land	51,451 sq. feet	5,552,157		Year 2012
Lot No. 9232 Mukim 12, District of Barat Daya, Penang	60 years leasehold expiring 10.12.2050	Industrial land	66,349 sq. feet			
Building						
Plot No. 160 & 163, Jalan Sungai Keluang, Bayan Lepas Free Industrial Zone, Phase 1, 11900 Bayan Lepas Penang		Industrial complex - 1 Single-Storey office-cum-production building (7 years)	61,587 sq. feet	3,538,266		Year 2012
			TOTAL	26,100,451		

SHARE BUY-BACK STATEMENT

1. Disclaimer Statement

This Statement is important and if you are in any doubt as to the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

Bursa Malaysia Securities Berhad ("Bursa Securities") has not perused the contents of this Share Buy-Back Statement in relation to the Proposed Share Buy-Back (as defined herein) prior to its issuance, takes no responsibility for the contents of the Statement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of the Statement.

2. Rationale for the Proposed Renewal of Authority to Dufu Technology Corp. Berhad ("DUFU" or the "Company") to Purchase Its Own Ordinary Shares ("Shares") of up to 10% of its total number of issued shares at any point in time ("Proposed Renewal of Share Buy-Back Mandate")

The Proposed Renewal of Share Buy-Back Mandate, if implemented, will enable the Company to utilize its financial resources not immediately required for use, to purchase its own Shares. The Proposed Renewal of Share Buy-Back Mandate may enhance the EPS which may have a positive impact on the market price of DUFU Shares. Other potential benefits of the Proposed Renewal of Share Buy-Back Mandate to the Company and its shareholder are as follows:-

a) To allow the Company to take preventive measures against speculation particularly when DUFU Shares are undervalued which would in turn stabilize the market price of DUFU Shares and hence, enhance investors' confidence;

b) To allow the Company flexibility in achieving the desired capital structure, in terms of the debt and equity composition, and the size of equity;

c) The Purchased Shares may be held as treasury shares and distributed to shareholders as dividends and/or resold in the open market with the intention of realising a potential capital gain if the Purchased Shares are resold at price(s) higher than their purchase price(s); and

d) The Treasury Shares may also be transferred for the purpose of rewarding employees under an employees' share scheme, or such other purposes as allowed under the Companies Act 2016.

3. Retained Earnings

Based on the Audited Financial Statements of the Company as at 31 December 2018 the retained earnings of the Company stood at RM17,497,138.

4. Source of Funding

The Proposed Renewal of Share Buy-Back Mandate will be financed from both internally generated funds and/or external borrowings as long as the amount of fund for the Share Buy-Back has not exceeded the amount of retained earnings. The Company has sufficient resource to undertake the Proposed Renewal of Share Buy-Back Mandate in view that the Company has net cash and cash equivalent balance of approximately RM1,146,847 based on the Audited Financial Statements of DUFU as at 31 December 2018.

In the event borrowings are used for the purchase of DUFU Shares, the Board will ensure that the Company has the capability to repay the borrowings and that such repayment will not have a material effect on the Company's cash flow.

Any funds utilized by DUFU for the Proposed Renewal of Share Buy-Back Mandate will consequentially reduce the resources available to DUFU for its operations by a corresponding amount for shares bought back.

SHARE BUY-BACK STATEMENT (CONT'D)

5. Interests of Directors' and Substantial Shareholders' and Persons Connected to Them

Save for the inadvertent increase in the percentage shareholdings and/or voting rights of the shareholders in the Company as a consequence of the Proposed Renewal of Share Buy-Back Mandate, none of the Directors and Substantial Shareholders of DUFU nor persons connected to them has any interest, direct or indirect, in the Proposed Renewal of Share Buy-back Mandate and, if any, the resale of the treasury shares.

Based on the Register of Directors' Shareholdings and the Register of Substantial Shareholders of DUFU as at 28 February 2019 and assuming that DUFU implements the Proposed Renewal of Share Buy-back Mandate in full, the effects of the Proposed Renewal of Share Buy-back Mandate on the shareholdings of the Directors and Substantial Shareholders of DUFU are as follows:-

	Existing [(a)]				**After the Proposed Share Buy-Back [(b)]**			
	← Direct →		**← Indirect →**		**← Direct →**		**← Indirect →**	
	No. of Shares	**%**	**No. of Shares**	**%**	**No. of Shares**	**%**	**No. of Shares**	**%**
Directors								
Lee, Hui-Ta also known as Li Hui Ta [(1)]	23,636,047	9.68	26,827,572*	10.99	23,636,047	9.98	26,827,572*	11.33
Wu, Mao-Yuan	8,231,500	3.37	-	-	8,231,500	3.48	-	-
Sung, Cheng-Hsi	-	-	-	-	-	-	-	-
Joyce Wong Ai May	-	-	-	-	-	-	-	-
Yin, Chih-Chu also known as Laurence Yin	-	-	-	-	-	-	-	-
Lee Yoke Khay	-	-	-	-	-	-	-	-
Substantial Shareholders								
PCSB	25,365,000	10.39	-	-	25,365,000	10.71	-	-
PFYSB	26,827,572	10.99	-	-	26,827,572	11.33	-	-
Wong Ser Yian	21,413,803	8.77	-	-	21,413,803	9.04	-	-
Lee, Wen-Jung	-		25,365,000^	10.39	-		25,365,000^	10.71
Lee, Su Hui-Fen	162,000	0.07	25,365,000^	10.39	162,000	0.07	25,365,000^	10.71
Wang, Kuei-Hua [(2)]	4,815,300	1.97	26,827,572*	10.99	4,815,300	2.03	26,827,572*	11.33

Note:
** Indirect Interest by virtue of his/her substantial interest in Perfect Full Yen Sdn Bhd ("PFYSB").*
^ Indirect Interest by virtue of his/her substantial interest in Perfect Commerce Sdn Bhd ("PCSB").

(a) Based on the total number of issued shares of 244,104,517 Shares, exclusive of 19,100,850 shares held as Treasury Shares
(b) Based on the total number of issued shares of 236,884,830 Shares assuming that the Proposed Share Buy-Back is carried out in full and all that shares so purchased are held as treasury shares.
[(1)] *Also Substantial Shareholder of the Company.*
[(2)] *Spouse of Mr. Lee, Hui-Ta also known as Li Hui Ta*

SHARE BUY-BACK STATEMENT (CONT'D)

6. Potential Advantages and Disadvantages of the Proposed Share Buy Back

6.1 Potential advantages of the Proposed Renewal of Share Buy-Back Mandate

The potential advantages of the Proposed Renewal of Share Buy-Back Mandate are set out in section 2 of the Statement.

6.2 Potential disadvantages of the Proposed Renewal of Share Buy-Back Mandate

The potential disadvantages of the Proposed Renewal of Share Buy-Back Mandate are as follows:-

a) The Proposed Renewal of Share Buy-Back Mandate if implemented, will reduce the financial resources of DUFU and may result in DUFU foregoing interest income and/or better investment opportunities that may emerge in the future; and

b) It would also result in the reduction of financial resources available for distribution in the form of cash dividends to shareholders of DUFU in the immediate future.

Nevertheless, the Board is of the view that the Proposed Renewal of Share Buy-Back Mandate is not expected to have any potential material disadvantages to the Company and its shareholders as it will be implemented only after careful consideration of the financial resources of DUFU and the resultant impact on the shareholders of the Company.

7. Material Financial Effect of the Proposed Renewal of Share Buy-Back Mandate

The material financial effect of the Proposed Renewal of Share Buy-Back Mandate on the share capital, consolidated Net Tangible Assets ("NTA"), working capital, earnings, dividends and the substantial shareholders' shareholdings in DUFU are set out below:

7.1 Share Capital

As at 28 February 2019, the total number of issued shares of DUFU was 263,205,367 Shares, inclusive of 19,100,850 shares held as Treasury Shares. In the event that the 26,320,537 Share representing 10% of the total number of issued shares of the Company are purchased and cancelled, the effect on the share capital of the Company are illustrated as follows:-

	No. of Shares
Total number of issued shares as at 28 Febuary 2019, inclusive of 19,100,850 shares held as Treasury Shares	263,205,367
Less:	
Maximum number of DUFU Shares to be purchased and Cancelled	(26,320,537)
Resultant total number of issued shares	236,884,830

The Proposed Renewal of Share Buy-Back Mandate will not have any effect on the issued and paid-up share capital of the Company as the Shares purchased are to be retained as treasury shares. However, the rights attaching to the treasury shares as to voting, dividends and participation in other distributions or otherwise will be suspended. While these Shares remain as treasury shares, the Companies Act 2016 prohibits the taking into account of such Shares in calculating the number of percentage of Shares for a purpose whatsoever including substantial shareholdings, takeovers, notices, requisitioning of meetings, quorum for meetings and the result of votes on resolutions.

7.2 NTA

The effects of the Proposed Renewal of Share Buy-Back Mandate on the consolidated NTA of the Group would depend on the purchase price and number of Purchased Shares, the effective funding cost to DUFU to finance the Purchased Shares or any loss in interest income to DUFU.

SHARE BUY-BACK STATEMENT (CONT'D)

7. Material Financial Effect of the Proposed Renewal of Share Buy-Back Mandate (cont'd)

7.2 NTA (cont'd)

The Proposed Renewal of Share Buy-Back Mandate will reduce the consolidated NTA per Share at the time of purchase if the purchase price exceeds the consolidated NTA per Share and conversely will increase the consolidated NTA per Share at the time of purchase if the purchase price is less than the consolidated NTA per Share.

Should the Purchased Shares be resold, the consolidated NTA will increase if the Company realizes a capital gain from the resale, and vice-versa. However, the quantum of the increase in NTA will depend on the selling price of the Purchased Shares and the number of Purchased Shares resold.

7.3 Working Capital

The Proposed Renewal of Share Buy-Back Mandate is likely to reduce the working capital of the Group, the quantum of which would depend on the purchase price of the Purchased Shares, the number of Purchased Shares and any associated costs incurred in making the purchase.

7.4 Earnings

The effects of the Proposed Renewal of Share Buy-Back Mandate on the EPS of the DUFU Group will depend on the purchase price of the DUFU Shares, the number of DUFU Shares purchased and the effective funding cost to DUFU to finance the Purchase Shares or any loss in interest income to the Group.

If the Purchased Shares are to be retained as treasury shares or cancelled subsequently, the number of Shares applied in the computation of the EPS will be reduced, and accordingly, all other things being equal, the Proposed Renewal of Share Buy-Back Mandate will have a positive impact on the EPS of the Group.

In the event the Purchased Shares are resold subsequently, depending on the price at which the said Shares are resold, the Proposed Renewal of Share Buy-Back Mandate may have a positive effect on the EPS of the Group if there is a gain on the disposal and vice-versa.

7.5 Dividends

Assuming the Proposed Renewal of Share Buy-Back Mandate is implemented in full, dividends would be paid on the remaining total number of issued Shares of DUFU (excluding the Shares already purchased). The Proposed Renewal of Share Buy-Back Mandate may have an impact on the Company's dividend policy for the financial year ending 31 December 2019 as it would reduce the cash available which may otherwise be used for dividend payments. Nevertheless, the treasury shares purchased may be distributed as dividends to shareholders of the Company, if the Company so decides.

Any dividends to be declared by DUFU in the future would depend on, *inter-alia*, the profitability and cash flow position of the Group.

7.6 Substantial Shareholders

Shares bought back by the Company under the Proposed Renewal of Share Buy-Back Mandate that are retained as treasury shares will result in a proportionate increase in the percentage shareholdings of the Substantial Shareholders in the Company. Please refer to Section 5 of this Statement for further details.

8. Implications of the Proposed Share Buy-Back relating to Rules on Take-Overs, Merger, and Compulsory Acquisitions (The "Rules")

Based on the Company's total number of issued Shares and the current shareholdings of the substantial shareholders and/or parties acting in concert as at 28 February 2019, none of the substantial shareholders and/or parties acting in concert with them will be required to make a mandatory general offer in the event of the implementation of Proposed Share Buy-Back in full.

SHARE BUY-BACK STATEMENT (CONT'D)

8. Implications of the Proposed Share Buy-Back relating to Rules on Take-Overs, Merger, and Compulsory Acquisitions (The "Rules") (cont'd)

As it is not intended for the Proposed Share Buy-Back to trigger the obligation to undertake a mandatory offer under the Rules by any of the Company's shareholders and/or parties acting in concert with them, the Board will ensure that such number of Shares purchased, retained as treasury shares, cancelled or distributed pursuant to the Proposed Share Buy-Back would not result in triggering any mandatory offer obligation on the part of its shareholders and/or parties acting in concert with them.

In this connection, the Board will be mindful of the Rules when making any purchase of the Shares pursuant to the Proposed Share Buy-Back.

9. Purchases made by the Company of its own shares in the preceding twelve (12) months

Details of the shares purchased by the Company in the preceding twelve (12) months were as follows:-

		Unit Price			
Transaction date	Number of Shares (Units)	Lowest RM	Highest RM	Average RM	Consideration paid* RM
6 March 2018	208,200	1.13	1.18	1.15	240,612.57
22 March 2018	254,000	1.08	1.12	1.10	281,572.51
23 March 2018	145,000	1.09	1.12	1.10	160,056.16
28 March 2018	232,000	1.08	1.08	1.08	251,197.43
29 March 2018	60,000	1.07	1.07	1.07	64,363.33
2 April 2018	90,000	1.08	1.08	1.08	97,447.28
4 April 2018	66,000	0.98	1.00	0.99	65,562.37
5 April 2018	70,000	1.00	1.00	1.00	70,178.08
6 April 2018	82,000	0.99	1.02	1.00	82,374.03
13 April 2018	165,500	1.07	1.10	1.08	180,054.90
16 April 2018	81,000	1.08	1.12	1.10	88,589.80
17 April 2018	113,000	1.10	1.13	1.12	126,259.40
18 April 2018	182,000	1.10	1.14	1.12	203,055.27
7 May 2018	125,000	1.05	1.08	1.06	133,558.92
30 May 2018	84,000	1.02	1.07	1.05	88,237.91
1 June 2018	111,000	1.02	1.05	1.03	115,109.61
11 July 2018	305,000	0.94	1.00	0.97	298,834.75

** Including brokerage, clearing house fee and stamp duty.*

All the shares so purchased during the financial year were retained as treasury shares.

All the shares so purchased as at 28 February 2019 of 19,100,850 shares were retained as treasury shares.

There is no resale, transfer and cancellation of treasury shares in the preceding 12 months.

SHARE BUY-BACK STATEMENT (CONT'D)

10. Proposed intention of the Directors to Deal with the Shares so Purchased

The proposed Renewal of Share Buy-Back Mandate, if exercised, the shares shall be dealt with in the following manner:-

- to cancel the shares so purchased; or
- to retain the shares so purchased in treasury for distribution as dividend to the shareholders and/or resell on the market of the Bursa Securities or subsequently cancelled; or
- retain part of the shares so purchased as treasury shares and cancel the remainder; or
- to retain the shares so purchased in treasury for distribution to eligible employee(s) pursuant to an employees' share scheme, or such other purposes as allowed under Companies Act 2016.

11. Historical Share Prices

The monthly highest and lowest market prices of DUFU Shares traded on Bursa Securities for the preceding twelve (12) months are as follows:-

	Highest RM	Lowest RM
2018		
March	0.78	0.71
April	0.75	0.67
May	0.76	0.68
June	0.72	0.67
July	0.85	0.65
August	1.41	0.89
September	1.76	1.39
October	1.87	1.57
November	2.67	1.65
December	2.66	1.97
2019		
January	1.94	1.47
February	1.87	1.59

Note
The share price of DUFU has been adjusted accordingly following the completion of bonus issue on the basis of one (1) new Shares for every two (2) Shares held on 29 November 2018.

12. Public Shareholding Spread

As at 28 February 2019, the public shareholding spread of the Company was approximately 53.22%. In this regard, the Board undertakes to purchase Shares only to the extent that the public shareholding spread of DUFU shall not fall below 25% of the total number of issued shares of the Company (excluding treasury shares) at all times pursuant to the Proposed Renewal of Share Buy-back Mandate, in accordance with Para 8.02(1) and 12.14 of the Bursa Securities Main Market Listing Requirements.

13. Director's Statement

After taking into consideration all relevant factors, the Board is of the opinion that the Proposed Renewal of Share Buy-Back Mandate described above is in the best interest of the Company.

SHARE BUY-BACK STATEMENT (CONT'D)

14. Director's Recommendation

The Board recommends that you vote in favour of the ordinary resolution to be tabled at the forthcoming Seventeenth Annual General Meeting to give effect to the Proposed Renewal of Share Buy-Back Mandate.

15. Responsibility Statement

This statement has been seen and approved by the Board and they collectively and individually accept full responsibility for the accuracy of the information given herein and confirm that, after making all reasonable enquiries and to the best of their knowledge and belief, there are no other facts, the omission of which would make any statement herein misleading.

16. Documents Available For Inspection

Copies of the following documents will be available for inspection at the registered office of the Company at 57-G Persiaran Bayan Indah, Bayan Bay, Sungai Nibong, 11900 Penang during normal office hours from Monday to Friday (except on public holidays) from the date of this Statement up to and including the date of the forthcoming AGM:

(i) Memorandum and Articles of Association of DUFU; and

(ii) The audited consolidated financial statements of DUFU for the past two (2) financial years ended 31 December 2017 and 2018.

17. Further Information

There is no other information concerning the Proposed Renewal of Share Buy-Back Mandate as shareholders and other professional advisers would reasonably require and expect to find in the Statement for the purpose of making informed assessment as to the merits of approving the Proposed Renewal of Share Buy-Back Mandate and the extent of the risks involved in doing so.

ANALYSIS OF SHAREHOLDINGS

SHARE CAPITAL AS AT 28 FEBRUARY 2019

Total Number of Issued Shares	:	244,104,517+
Class of Share	:	Ordinary Shares with equal voting rights
Number of Shareholders	:	5,193

+ *Excluding a total of 19,100,850 shares purchased and retained as treasury shares.*

DISTRIBUTION OF SHAREHOLDERS AS AT 28 FEBRUARY 2019

Holdings	No. of Holders	Total Holdings	%
1 – 99	375	22,868	0.01
100 – 1,000	682	477,176	0.19
1,001 – 10,000	2,769	13,032,130	5.34
10,001 – 100,000	1,179	35,081,153	14.37
100,001 – 12,205,224	184	98,248,768	40.25
12,205,225 and above	4	97,242,422	39.84
Total	5,193	244,104,517	100.00

THIRTY LARGEST SECURITIES ACCOUNT HOLDERS AS AT 28 FEBRUARY 2019

	Name	Shareholdings	%
1.	Perfect Full Yen Sdn Bhd	26,827,572	10.99
2.	Perfect Commerce Sdn Bhd	25,365,000	10.39
3.	Lee, Hui-Ta @ Li Hui Ta	23,636,047	9.68
4.	Wong Ser Yian	21,413,803	8.77
5.	HSBC Nominees (Asing) Sdn Bhd Qualifier: JPMCB NA for Evli Emerging Frontier Fund	12,077,300	4.95
6.	Wu, Mao-Yuan	8,231,500	3.37
7.	Wang, Kuei-Hua	4,815,300	1.97
8.	Citigroup Nominees (Tempatan) Sdn Bhd Qualifier: Kumpulan Wang Persaraan (Diperbadankan) (ESPG IV SCE)	4,171,900	1.71
9.	Cartaban Nominees (Asing) Sdn Bhd Qualifier: State Street Australia Fund OD51 For FSS Trustee Corporation	3,626,286	1.49
10.	Yu,Tsung-Te	3,041,000	1.25
11.	Perfect Hua Ta Sdn. Bhd.	2,479,500	1.02
12.	Khor Bee Kiow	1,785,000	0.73
13.	Citigroup Nominees (Tempatan) Sdn Bhd Qualifier: Kumpulan Wang Persaraan (Diperbadankan) (ESPRING ABSR EQ)	1,657,200	0.68
14.	DB (Malaysia) Nominee (Asing) Sdn Bhd Qualifier: SSBT Fund 59HL for Oregon Public Employees Retirement System	1,645,806	0.67
15.	Wu, Te-Kuei	1,535,000	0.63
16.	Chang Yee Fong	1,500,000	0.61
17.	CIMSEC Nominees (Tempatan) Sdn Bhd Qualifier: Pledged Securities Account for Ronie Tan Choo Seng	1,400,000	0.57
18.	CIMB Group Nominees (Tempatan) Sdn Bhd Qualifier: CIMB Islamic Trustee Berhad for PMB Shariah Mid-Cap Fund	1,245,000	0.51
19.	Alliancegroup Nominees (Tempatan) Sdn Bhd Qualifier: Pledged Securities Account For Tay Tong Eh (6000302)	1,134,800	0.46
20.	Maybank Nominees (Tempatan) Sdn Bhd Qualifier: Low Teck Hin	1,106,900	0.45
21.	Ronie Tan Choo Seng	1,002,500	0.41
22.	CIMB Group Nominees (Tempatan) Sdn Bhd Qualifier: CIMB Commerce Trustee Berhad – Kenanga Premier Fund	943,250	0.39

ANALYSIS OF SHAREHOLDINGS (CONT'D)

THIRTY LARGEST SECURITIES ACCOUNT HOLDERS AS AT 28 FEBRUARY 2019 (cont'd)

	Name	Shareholdings	%
23.	Amanahraya Trustees Berhad Qualifier: Amanah Saham Bank Simpanan Nasional	922,000	0.38
24.	Amanahraya Trustees Berhad Qualifier: BSN Dana Dividend Al-Ifrah	875,000	0.36
25.	Ronie Tan Choo Seng	790,000	0.32
26.	Citigroup Nominees (Tempatan) Sdn Bhd Qualifier: Kumpulan Wang Persaraan (Diperbadankan) (UOB AM SC EQ)	780,000	0.32
27.	HSBC Nominees (Asing) Sdn Bhd Qualifier: Smtbusa For Daiwa Emerging Asean Mid-Small Cap Equity Fund -Five Sprouts	772,000	0.32
28.	Goh Chuan Yong	737,000	0.30
29.	Public Nominees (Tempatan) Sdn Bhd Qualifier: Pledged Securities Account for Felix Wong Khung Chui (E-PDG)	720,148	0.30
30.	Tan Chui Hoon	718,000	0.29

SUBSTANTIAL SHAREHOLDERS AS AT 28 FEBRUARY 2019

	Name	Direct No. of shares held	%	Indirect No. of shares held	%
1.	Perfect Full Yen Sdn Bhd (PFYSB)	26,827,572	10.99	-	-
2.	Perfect Commerce Sdn Bhd (PCSB)	25,365,000	10.39	-	-
3.	Lee, Hui-Ta also known as Li Hui Ta	23,636,047	9.68	26,827,572#	10.99#
4.	Wang, Kuei-Hua	4,815,300	1.97	26,827,572#	10.99#
5.	Wong Ser Yian	21,413,803	8.77	-	-
6.	Lee, Su Hui-Fen	162,000	0.07	25,365,000^	10.39^
7.	Lee, Wen-Jung	-	-	25,365,000^	10.39^

Indirect Interest by virtue of his/her substantial interest in PFYSB.
^ Indirect Interest by virtue of his/her substantial interest in PCSB.

DIRECTORS' SHAREHOLDINGS AS AT 28 FEBRUARY 2019

	Name	Direct No. of shares held	%	Indirect No. of shares held	%
1.	Lee, Hui-Ta also known as Li Hui Ta	23,636,047	9.68	26,827,572#	10.99#
2.	Wu, Mao-Yuan	8,231,500	3.37	-	-
3.	Sung, Cheng-Hsi	-	-	-	-
4.	Joyce Wong Ai May	-	-	-	-
5.	Yin, Chih-Chu also known as Laurence Yin	-	-	-	-
6.	Lee Yoke Khay	-	-	-	-

Indirect Interest by virtue of his substantial interest in PFYSB.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Seventeenth Annual General Meeting ("AGM") of the Company will be held at Function Room 10 at Spice Convention Centre, SPICE, No. 108, Jalan Tun Dr. Awang, 11900 Penang, Malaysia on Tuesday, 7 May 2019 at 9.00 a.m. for the following purposes:-

A G E N D A

1. To receive the Audited Financial Statements of the Company for the year ended 31 December 2018 together with the Reports of the Directors and of the Auditors thereon. *(Please refer to Note A)*

2. To declare a Single Tier Final Dividend for the year ended 31 December 2018 by way of share dividend on the basis of one (1) treasury share for every twenty (20) existing ordinary shares held in the Company. (Resolution 1)

3. To approve the increase of Directors' Fee from RM234,000/- to up to RM260,000/- for the period from June 1, 2019 until the next AGM of the Company and payment of such fee to the Directors. (Resolution 2)

4. To approve the payment of other benefits (excluding Directors' Fee) of up to RM60,000/- for the period from June 1, 2019 until the next AGM of the Company. (Resolution 3)

5. To re-elect the following Directors retiring under the Article 97(1) of the Articles of Association of the Company and who, being eligible offer themselves for re-election:-
   a. Wu, Mao-Yuan (Resolution 4)
   b. Yin, Chih-Chu also known as Laurence Yin (Resolution 5)

6. To re-appoint Messrs. Baker Tilly Monteiro Heng PLT as Auditors of the Company for the ensuing year and to authorize the Directors to fix their remuneration. (Resolution 6)

SPECIAL BUSINESS

7. To consider and if thought fit, to pass the following resolutions: -

Ordinary Resolutions

a) Authority to Issue Shares (Resolution 7)

"That pursuant to Companies Act 2016 and approvals from the Bursa Malaysia Securities Berhad ("Bursa Securities") and other relevant governmental/regulatory authorities where such authority shall be necessary, the Board of Directors be authorised to issue and allot shares in the Company from time to time until the conclusion of the next AGM and upon such terms and conditions and for such purposes as the Board of Directors may, in its absolute discretion, deem fit provided that the aggregate number of shares to be issued shall not exceed ten per centum (10%) of the total number of issued shares (excluding treasury shares) of the Company for the time being, and that the Board of Directors be empowered to obtain the approval for the listing of and quotation for the additional shares so issued on the Bursa Securities."

b) Renewal of Authority to Purchase its own Shares (Resolution 8)

"That subject to the Companies Act 2016, provisions of the Company's Memorandum and Articles of Association ("M&A") and the requirements of the Bursa Securities and other relevant governmental and regulatory authorities where such authority shall be necessary, the Board of Directors be authorised to purchase its own shares through Bursa Securities, subject to the following:-

i) The maximum aggregate number of shares which may be purchased by the Company shall not exceed ten per centum (10%) of the total number of issued shares in the ordinary share capital of the Company at any point in time;

ii) The maximum fund to be allocated by the Company for the purpose of purchasing the Company's shares shall not exceed the retained earnings of the Company. As at the latest financial year ended 31 December 2018, the audited retained earnings of the Company stood at RM17,497,138;

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

b) Renewal of Authority to Purchase its own Shares (cont'd)

iii) The authority conferred by this resolution will be effective immediately upon the passing of this resolution and shall continue to be in force until the conclusion of the next AGM of the Company, at which time it shall lapse unless by ordinary resolution passed at that meeting, the authority is renewed either unconditionally or subject to conditions or the expiration of the period within which the next AGM is required by law to be held or unless revoked or varied by ordinary resolution passed by the shareholders in a general meeting, whichever occurs first;

iv) Upon completion of the purchase(s) of the shares by the Company, the shares shall be dealt with in the following manner:-

- to cancel the shares so purchased; or
- to retain the shares so purchased in treasury for distribution as dividend to the shareholders and/or resell on the market of the Bursa Securities or subsequently cancelled; or
- retain part of the shares so purchased as treasury shares and cancel the remainder; or
- to retain the shares so purchased in treasury for distribution to eligible employee(s) pursuant to an employees' share scheme, or such other purposes as allowed under Companies Act 2016.

The Directors of the Company be and are hereby authorised to take all such steps as are necessary and entering into all other agreements, arrangements and guarantees with any party or parties to implement, finalise and give full effect to the aforesaid purchase with full powers to assent to any conditions, modifications, revaluations, variations and/or amendments, if any, as may be imposed by the relevant authorities from time to time to implement or to effect the purchase of its own shares in accordance with the Companies Act 2016, provisions of the Company's M&A, the requirements of the Bursa Securities and any other regulatory authorities, and other relevant approvals."

c) **Special Resolution**
Adoption of new Constitution (Resolution 9)

"THAT approval be and is hereby given to alter or amend the whole of the existing Memorandum and Articles of Association of the Company by the replacement of its entirety with a new Constitution of the Company as set out in Appendix A with immediate effect AND THAT the Board of Directors of the Company be and is hereby authorised to assent to any conditions, modifications and/or amendments as may be required by any relevant authorities, and to do all acts and things and take all such steps as may be considered necessary to give full effect to the foregoing."

8. To transact any other business of which due notice shall have been given in accordance with the Companies Act 2016.

By Order of the Board
HOW WEE LING (MAICSA 7033850)
OOI EAN HOON (MAICSA 7057078)
Secretaries

Penang
29 March 2019

Notes:-

A. *This Agenda item is meant for discussion only as the provision of Section 340(1)(a) of the Companies Act 2016 and the Company's Articles of Association do not require a formal approval of the shareholders and hence, is not put forward for voting.*

B. *For the purpose of determining a member who shall be entitled to attend and vote at this 17th AGM, the Company shall be requesting the Record of Depositors as at 26 April 2019. Only a depositor whose name appears on the Record of Depositors as at 26 April 2019 shall be entitled to attend, speak and vote at the said meeting or appoint proxy(ies) to attend, speak and vote on his/her behalf.*

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

Proxy:-

1. *A member shall be entitled to appoint up to two (2) proxies to attend and vote at the same meeting. Where a member appoints two (2) or more proxies, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.*

2. *Where a member of the company is an exempt authorised nominee which holds ordinary shares in the company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.*

3. *The instrument appointing a proxy shall be in writing, executed by or on behalf of the appointor. In the case of a corporate member, the instrument appointing a proxy must be either under its common seal or under the hand of its officer or attorney duly authorised.*

4. *The instrument appointing a proxy must be deposited at the Registered Office, 57-G Persiaran Bayan Indah, Bayan Bay, Sungai Nibong, 11900 Penang, Malaysia at least 24 hours before the time for holding the Meeting or any adjournments thereof.*

Explanatory Note on Special Business:

1. Resolution pursuant to Authority to issue Shares

   The proposed Resolution No. 7 [Item 7(a)], if passed, will grant a renewed general mandate (Mandate 2019) and empower the Directors of the Company to issue and allot shares up to an amount not exceeding in total ten per centum (10%) of total number of issued shares of the Company from time to time and for such purposes as the Directors consider would be in the interest of the Company. In order to avoid any delay and costs involved in convening a general meeting, it is thus appropriate to seek shareholders' approval. This authority will, unless revoked or varied by the Company in general meeting, will expire at the conclusion of the next AGM of the Company.

   The Mandate 2019 will provide flexibility to the Company for allotment of shares for any possible fund raising activities, including but not limited for further placing of shares, for the purpose of funding future investment(s), acquisition(s) and/or working capital.

   As at the date of this Notice, the Company did not issue any shares pursuant to the mandate granted to the Directors at the Sixteenth AGM. The Company did not issue any share pursuant to the mandate granted because there was no investment, acquisition or working capital that requires fund raising activity.

2. Resolution pursuant to the Authority to Purchase its own Shares

   The proposed Ordinary Resolution No. 8 [Item 7(b)], if passed, will give the Company the authority to purchase its own ordinary shares of up to ten percent (10%) of the total number of issued shares of the Company for the time being. This authority, unless renewed or revoked or varied by the Company at a general meeting, will expire at the conclusion of the next AGM of the Company or the expiration of the period within which the next AGM after that date is required by law to be held, whichever occurs first. For further information on the Proposed Renewal of Share Buy-Back Mandate, please refer to the Share Buy-Back Statement set out in the Annual Report 2018.

3. Adoption of new Constitution

   The proposed amendments to the existing Memorandum & Articles of Association of the Company (Proposed Amendments) are made mainly for the following purposes:-

   (a) To ensure compliance with the amended Bursa Malaysia Securities Berhad Main Market Listing Requirements which was issued on November 29, 2017; and
   (b) To provide clarity and consistency with the amendments that arise from the Companies Act 2016 effective January 31, 2017.

   In view of the substantial amount of Proposed Amendments to the Memorandum and Articles of Association, the Board proposed that the existing Constitution be altered or amended by the Company in its entirety by the replacement thereof with a new Constitution which incorporated all the Proposed Amendments as set out in Appendix A, circulated together with the Notice of 17th AGM dated 29 March 2019. Such Proposed Resolution 9, shall take effect once it has been passed by a majority of not less than seventy-five per centum (75%) of such members who are entitled to vote and do vote in person or by proxy at the 17th AGM.

NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT

NOTICE IS HEREBY GIVEN that the Single Tier Final Dividend for the year ended 31 December 2018 by way of Share Dividend on the basis of one (1) treasury share for every twenty (20) existing ordinary shares held in the Company has been proposed to the entitled shareholders whose names appear in the Record of Depositors of the Company as at the close of business on the Entitlement Date stated below:-

A Depositor shall qualify for entitlement to the Dividend in respect of:-

a) shares transferred into the Depositor's Securities Account before 4.00 p.m. on 30 May 2019 in respect of transfers;

b) shares deposited into the Depositor's Securities Account before 12.30 p.m. in respect of securities exempted from mandatory deposit; and

c) shares bought on Bursa Malaysia Securities Berhad ("Bursa Securities") on a cum entitlement basis according to the Rules of Bursa Securities.

If approved, the Share Dividend will be credited into the entitled shareholders' account maintained with Bursa Malaysia Depository Sdn Bhd within eight (8) market days from the Entitlement Date.

By Order of the Board
HOW WEE LING (MAICSA 7033850)
OOI EAN HOON (MAICSA 7057078)
Secretaries

Penang
Date : 29 March 2019

PROXY FORM

DUFU TECHNOLOGY CORP. BERHAD
(Company No. 581612-A)
(Incorporated in Malaysia)

No. of ordinary shares held		CDS Account No.	
Contact No.		Email Address	

*I/We, ______________________________ (NRIC / Passport No. ______________

of ____

______________________________ being a Member of the above Company hereby

appoint (Proxy 1) ______________________________ (NRIC No. ______________)

of ____

and*/or failing him* (Proxy 2), ______________________________ (NRIC No. ______________)

of ____

______________________________ and*/or failing him*, the Chairman of the Meeting, as my/our proxy(ies), to vote for me/us on my/our behalf at the Seventeenth Annual General Meeting of the Company to be held at Function Room 10 at Spice Convention Centre, SPICE, No. 108, Jalan Tun Dr. Awang, 11900 Penang, Malaysia on Tuesday, 7 May 2019 at 9.00 a.m. and at any adjournment thereof as indicated below:-

The proportions of *my/our holdings to be represented by *my/our proxy(ies) are as follows:-

Proxy 1	%	Proxy 2	%

In case of a vote by show of hands, Proxy 1*/Proxy 2* shall vote on my/our behalf.

*I/We hereby indicate with an "X" in the spaces provided how *I/we wish *my/our votes to be cast. (Unless otherwise instructed, the proxy may vote, as he thinks fit)

** Strike out whichever is inapplicable*

		For	Against
	Ordinary Resolutions		
1.	To declare a Single Tier Final Dividend for the year ended 31 December 2018 by way of share dividend on the basis of one (1) treasury share for every twenty (20) existing ordinary shares held in the Company.		
2.	To approve the increase of Directors' Fee from RM234,000/- to up to RM260,000/- for the period from June 1, 2019 until the next Annual General Meeting of the Company and payment of such fee to the Directors.		
3.	To approve the payment of other benefits (excluding Directors' Fee) of up to RM60,000/- for the period from June 1, 2019 until the next Annual General Meeting of the Company.		
	To re-elect the following Directors retiring under the Article 97(1) of the Articles of Association of the Company and who, being eligible offer themselves for re-election:-		
4.	Wu, Mao-Yuan		
5.	Yin, Chih-Chu also known as Laurence Yin		
6.	To re-appoint Messrs. Baker Tilly Monteiro Heng PLT as Auditors of the Company for the ensuing year and to authorize the Directors to fix their remuneration.		
	To pass the following resolution as Special Business :-		
	Ordinary Resolutions		
7.	Authority to Issue Shares pursuant to the Companies Act 2016		
8.	To approve the proposed renewal of authority to purchase up to ten percent (10%) of its own shares in the total number of issued shares of the Company		
	Special Resolution		
9.	To adopt new Constitution.		

Signed this ______ day of ____________________, 2019.   Signature of Member: ______________________

Notes:-

For the purpose of determining a member who shall be entitled to attend and vote at this 17th Annual General Meeting, the Company shall be requesting the Record of Depositors as at 26 April 2019. Only a depositor whose name appears on the Record of Depositors as at 26 April 2019 shall be entitled to attend, speak and vote at the said meeting or appoint proxy(ies) to attend, speak and vote on his/her behalf.

Proxy:-

1. *A member of the Company shall be entitled to appoint up to two (2) proxies to attend and vote at the same meeting. Where a member appoints two (2) or more proxies, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.*
2. *Where a member of the Company is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.*
3. *The instrument appointing a proxy shall be in writing, executed by or on behalf of the appointor. In the case of a corporate member, the instrument appointing a proxy must be either under its common seal or under the hand of its officer or attorney duly authorised.*
4. *The instrument appointing a proxy must be deposited at the Registered Office of the Company at 57-G Persiaran Bayan Indah, Bayan Bay, Sungai Nibong, 11900 Penang, Malaysia at least 24 hours before the time for holding the Meeting or any adjournments thereof.*

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Affix
stamp

The Company Secretaries
DUFU TECHNOLOGY CORP. BERHAD (581612-A)
57-G Persiaran Bayan Indah
Bayan Bay, Sungai Nibong
11900 Penang

1st fold here

Dufu Technology Corp. Berhad (581612-A)

19, Hilir Sungai Keluang 2,
Taman Perindustrian Bayan Lepas,
Fasa IV, 11900 Penang, Malaysia.

T +604 616 1300
F +604 616 1372

www.dufutechnology.com

DUFU TECHNOLOGY CORP. BERHAD
(Company No. 581612-A)
(Incorporated in Malaysia under the Companies Act 2016)

APPENDIX A

PROPOSED NEW CONSTITUTION

OF

DUFU TECHNOLOGY CORP. BERHAD

The special resolution in respect of Proposed Adoption of New Constitution of the Company will be tabled at the Seventeenth Annual General Meeting ("AGM") of Dufu Technology Corp. Berhad ("DUFU"). Notice of the Seventeenth AGM of DUFU which is scheduled to be held at Function Room 10 at Spice Convention Centre, SPICE, No. 108, Jalan Tun Dr. Awang, 11900 Penang, Malaysia on Tuesday, 7 May 2019 at 9.00 a.m. together with the Form of Proxy are set out in the Annual Report for the year ended 31 December 2018 of DUFU dispatched together with this Appendix A.

A member entitled to attend, speak and vote at the Seventeenth AGM is entitled to appoint a proxy or proxies to attend, speak and vote on his/her behalf. In such event, the Form of Proxy should be lodged at the Registered Office of the Company at 57-G Persiaran Bayan Indah, Bayan Bay, Sungai Nibong, 11900 Penang, not less than 24 hours before the time appointed for holding the meeting, as indicated below. The lodging of the Form of Proxy shall not preclude you from attending, speaking and voting in person at the meeting should you subsequently wish to do so.

Last date and time for lodging the Form of Proxy .... : Monday, 6 May 2019 at 9.00 a.m.

Date and time of the Seventeenth AGM .... : Tuesday, 7 May 2019 at 9.00 a.m.

THE COMPANIES ACT 2016

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PUBLIC COMPANY LIMITED BY SHARES

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CONSTITUTION

OF

DUFU TECHNOLOGY CORP. BERHAD

1. The name of the Company is **DUFU TECHNOLOGY CORP. BERHAD**

2. The Office of the Company is situated in Malaysia.

3. The Company is a public company limited by shares.

4. The liability of the Members is limited.

Interpretation

5. (1) In this Constitution unless the subject or context otherwise require, the following definitions shall apply:-

“Act” means the Companies Act 2016 of Malaysia and any statutory modification, amendment or re-enactment thereof for the time being in force and includes all subsidiary legislations made thereunder;

“Applicable Laws” means all laws, by-laws, regulations, rules, orders and/or official directions for the time being in force affecting the Company and its subsidiaries, including but not limited to the Act, the Securities Laws, the Listing Requirements and every other law for the time being in force concerning companies and affecting the Company and any other directives or requirements imposed on the Company by the Securities Commission and/or other relevant regulatory bodies and/or authorities;

“Auditors” means the auditors for the time being of the Company;

“Board” means the board of Directors of the Company for the time being;

"Bursa Depository" means Bursa Malaysia Depository Sdn. Bhd. (Company No. 165570-W) and/or its nominee;

"Bursa Securities" means Bursa Malaysia Securities Berhad (Company No. 635998-W);

"Central Depositories Act" means Securities Industry (Central Depositories) Act, 1991 and any statutory modification, amendment or re-enactment thereof for the time being in force and includes all subsidiary legislations made thereunder;

“CMSA” means the Capital Markets and Services Act 2007 and any statutory modification, amendment or re-enactment thereof for the time being in force and includes all subsidiary legislations made thereunder;

"Company" means Dufu Technology Corp. Berhad (Company No. 581612-A)

“Constitution” means this Constitution as originally framed or as altered, amended or substituted from time to time by special resolution;

"Deposited Security" has the meaning given in Section 2 of the Central Depositories Act;

"Depositor" means a holder of Securities Account, as defined in Section 2 of the Central Depositories Act;

“Directors” means the directors for the time being of the Company;

“dividend” includes bonus shares;“Listing Requirements” means the Bursa Securities Main Market Listing Requirements including any amendment thereto that may be made from time to time;

"Market Day" means a day on which the stock market of the Bursa Securities is open for trading in securities;

“Member(s)” means any person for the time being holding shares in the Company and whose name appears in the Register and depositors whose names appear on the Record of Depositors (but exclude Bursa Depository in its capacity as a bare trustee);

"Office" means the registered office for the time being of the Company;

"Record of Depositors" means the record provided by the Bursa Depository to the Company under Chapter 24.0 of the Rules;

"Register" means the register of members to be kept pursuant to the Act and unless otherwise expressed to the contrary; includes the Record of Depositors;

“Registrar” has the same meaning as in section 2 of the Act;

"Rules" means the Rules of Bursa Depository and any appendices thereto as amended from time to time;

"Seal" means the common seal of the Company;

"Secretary" means any person or persons appointed under this Constitution to perform the duties of the secretary of the Company and shall include a joint, temporary, assistant or deputy secretary;

“securities” has the meaning given in section 2 of the CMSA;

“Securities Account” means an account established by the Bursa Depository for a Depositor for the recording of deposit of securities and for dealing in such securities by the Depositor as permitted under the Central Depositories Act and/or the Rules;

“Securities Commission” means the Securities Commission Malaysia established under the Securities Commission Malaysia Act 1993;

“Securities Laws” has the meaning assigned to it under the SCMA, which shall include the SCMA, CMSA, Central Depositories Act and any guidelines, written notices and circulars issued by the Securities Commission;

“SCMA” means the Securities Commission Malaysia Act 1993 and any statutory modification, amendment or re-enactment thereof for the time being in force and includes all subsidiary legislations made thereunder

"Shares" means shares in the Company;

(2) In this Constitution:-

Reference to "writing" shall, unless the contrary intention appears, be construed as including references to printing, lithography, typewriting, photography, electronic storage or transmission or any method of recording information in a form capable of being preserved and other modes of representing or reproducing words in a visible form.

Words denoting the singular only shall include the plural and the masculine gender shall include the feminine and neuter genders and the word "person" shall include a corporation.
Subject as aforesaid words or expressions contained in this Constitution shall if not inconsistent with the subject or context, be interpreted in accordance with the provisions of the Interpretation Act 1948 and 1967, the Act and the Listing Requirements as amended from time to time and any re-enactment thereof.

Expressions referring to "electronic communications" shall include, but shall not be limited to, unless the contrary intention appears, references to delivery of documents or information in electronic form by electronic means to the electronic mail address or any other address or number of the addressee, as permitted by the Applicable Laws.

The headings are inserted for convenience only and shall not affect the construction of the Constitution.

Objects and Powers

6. The objects for which the Company is established are:

(a) To acquire and hold for investment, shares, stocks, debentures, debenture stocks, bonds, obligations and securities issued or guaranteed by any company or private undertaking or any syndicate of persons constituted or carrying on business in Malaysia or elsewhere and debentures, debenture stocks, bonds, obligations and securities issued or guaranteed by any government, sovereign ruler, commissioners, public body or authority, supreme, municipal, local or otherwise and to acquire any such shares, stocks, debentures, debenture stocks, bonds, obligations or securities by original subscription, tender, purchase, transfer, exchange or otherwise and to exercise and generally to enforce and exercise all rights and powers conferred by or incidental to the ownership thereof and in particular to sell, transfer, exchange or otherwise dispose of the same.

(b) To carry on business as advisors and consultants in the field of business and management and otherwise, howsoever, direct the operations of any company, firm or other enterprise. And to act as agents or managers in carrying on any business concerns and undertakings and to employ experts to investigate and examine into the condition, management, prospects, value and circumstances of any business concerns and undertakings and generally of any assets, property or rights of any kind.

(c) To manage or control in any way any real or personal property whether belonging to the Company or not and to enter into agreements to collect rent, levies, income or any considerations as the Company may from time to time think desirable.

(d) To carry on or undertake any business or activity including but not limited (i) to sue and be sued and (ii) to do any act which it may do or to enter into transactions.

7. Subject to Applicable Laws, the Company shall be capable of exercising all the functions of a body corporate and have full rights, powers and privileges to attain or pursue the aforesaid objects.

Share Capital

Class of Shares

8. The shares in the original or any increased capital may be divided into several classes and there may be attached thereto respectively any preferential, deferred or other special rights, privileges, conditions or restrictions as to dividends, capital, voting or otherwise.

Alteration of Share Capital

9. Subject always to the Paragraph 4 hereof, the Company shall have the power to increase or reduce the capital, to consolidate or subdivide the shares into shares of larger or smaller amounts and to issue all or any part of the original or any additional capital as fully paid or partly paid shares, and with any special or preferential rights or privileges, or subject to any special terms or conditions and either with or without any special designation, and also from time to time to alter, modify, commute, abrogate or deal with any such privileges, terms, conditions or designations in accordance with this Constitution and the Act.

10. The Company may from time to time by special resolution alter its share capital in any one or more of the following ways:-
    (a) consolidate and divide all or any of its share capital into shares of larger amount than its existing shares;
    (b) subdivide its share capital or any part thereof into shares of smaller amount than is fixed by this Constitution by subdivision of its existing shares or any of them, subject nevertheless to the provisions of the Act and so that as between the resulting shares, one (1) or more of such shares may, by the resolution by which such subdivision is effected, be given any preference or advantage as regards dividend, return of capital, voting or otherwise over the others or any other of such shares;
    (c) cancel shares which at the date of the passing of the resolution in that behalf have not been taken or agreed to be taken by any person or which have been forfeited and diminish the amount of its share capital by the amount of the shares so cancelled; and
    (d) subject to the provisions of this Constitution and the Act, convert and/or re-classify any class of shares into any other class of shares.

11. The Company may by special resolution, reduce its share capital in any manner permitted or authorised under and in compliance with the Applicable Laws.

Allotment of Shares

12. Without prejudice to any special rights previously conferred on the holders of any existing shares or class of shares, and subject to the Act, the Central Depositories Act and to the conditions, restrictions and limitations expressed in this Constitution and to the provisions of any resolution of the Company, the Directors may allot, grant options over or otherwise dispose of the unissued share capital of the Company to such persons, at such time and on such terms and conditions, with such preferred or deferred or other special rights as they think proper, PROVIDED ALWAYS THAT:-

    (a) no shares shall be issued which shall have the effect of transferring a controlling interest in the Company without the prior approval of the Members in general meeting;
    (b) in the case of shares other than ordinary shares, no special rights shall be attached until the same have been expressed in this Constitution;
    (c) every issue of shares or options to employees and/or Directors of the Company or its subsidiaries pursuant to a share issuance scheme shall be approved by the Members in general meeting; No director shall participate in a share issuance scheme unless the Members in general meeting have approved the specific allotment to be made to such Director.

13. Subject to the approval of the shareholders of the Company, this Constitution, the provisions of the Act, the Listing Requirements, the Central Depositories Act and or any other relevant authority, the Company may upon the recommendation of the Directors remunerate any employees and/or Directors of the Company or its subsidiaries by establishing an employee share scheme. The terms and conditions of the employee share scheme shall be determined by the Board.

Rights of preference shareholders

14. Subject to the Applicable Laws and any other requirements of the Securities Commission, any preference shares may with the sanction of an ordinary resolution be issued on the terms that they are or at the option of the Company are liable to be redeemed and if the Company at any time issues preference capital, it shall indicate at the same time whether it reserves the right to issue further preference capital ranking equally with, or in priority to, preference shares already issued.
    (a) Preference shareholders shall have the same rights as ordinary shareholders as regards receiving notices, reports and audited financial statements and attending general meetings of the Company. PROVIDED always that preference shareholders shall not have the right to vote at any general meeting of the Company except on each of the following circumstances: -
        (i) when the dividend or part of the dividend on the preference share is in arrears for more than six (6) months;
        (ii) on a proposal to reduce the company's share capital;
        (iii) on a proposal for the disposal of the whole of the Company's property, business and undertaking;
        (iv) on a proposal that affects rights attached to the preference shares;
        (v) on a proposal to wind up the Company; and
        (vi) during the winding up of the Company.

Repayment of preference capital

15. Notwithstanding Paragraph 14 hereof, the repayment of preference capital other than redeemable preference capital, or any other alteration of preference shareholder rights, may only be made pursuant to a special resolution of the preference shareholders concerned provided always that where the necessary majority for such a special resolution is not obtained at the meeting, consent in writing if obtained from the holders of seventy-five per centum (75%) of the preference capital concerned within two (2) months of the meeting, shall be as valid and effectual as a special resolution carried at the meeting.

Share buy-back

16. Subject to and in accordance with the Act and the Rules and requirements of the Bursa Securities, the Bursa Depository, the Securities Commission and any other relevant authorities, the Company shall have the power to purchase its own shares. Any ordinary shares in the Company so purchased by the Company shall be dealt with as provided by the Act and the Listing Requirements and or requirements of any other relevant authority.

17. The Company shall not give whether directly or indirectly and whether by means of a loan, guarantee, the provision of security or otherwise, any financial assistance for the purpose of or in connection with a purchase or subscription made or to be made by any person of or for any shares in the Company or in its holding company, nor shall the Company make a loan for any purpose whatsoever on the security of its shares or those of its holding company, but nothing in this Constitution shall prohibit transactions mentioned in the proviso to Section 127 of the Act.

Shares issued for the purpose of raising money for the construction of works or building

18. Where any shares are issued for the purpose of raising money to defray the expenses of construction of any works or buildings or the provision of any plant which cannot be made profitable for a long period, the Company may pay interest or returns on the amount of such share capital as is for the time being paid up for the period and subject to the conditions and restrictions mentioned in Section 130 of the Act and may charge the same to capital as part of the cost of construction of the works or buildings or the provision of the plant.

Variation of rights on shares

19. If at any time the share capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class) may, whether or not the Company is being wound up, be varied or abrogated with the consent in writing of the holders of seventy-five per centum (75%) of the issued shares of that class or with the sanction of a special resolution passed at a separate meeting of the holders of the shares of that class. To every such separate meeting the provisions of this Constitution relating to meetings of Members shall mutatis mutandis apply so that the necessary quorum shall be two (2) persons at least holding or representing by proxy at least one-tenth (1/10) of the issued shares of the class and that any holder of shares of the class present in person or by proxy may demand a poll. To every such special resolution the provisions of Section 292 of the Act shall apply with such adaptations as are necessary.

20. The rights conferred upon the holders of the shares of any class issued with preferred or other rights shall not, unless otherwise expressly provided by the terms of issue of the shares of that class, be deemed to be varied by the creation or issue of further shares ranking as regards to participation in the profits or assets of the Company in some or in all respects *pari passu* therewith.

21. The Company may exercise the powers of paying commissions conferred by the Act, provided that the rate or the per centum of the commission paid or agreed to be paid shall be disclosed in the manner required by the Act and the commission shall not exceed the rate of ten per cent (10%) of the price at which the shares in respect whereof the commission is paid are issued or an amount equivalent thereto. Such commission may be satisfied by the payment of cash or the allotment of fully paid up shares or partly paid up shares or by a combination of any of the aforesaid methods of payment. The Company may, on any issue of shares, also pay such brokerage as may be lawful.

Information of Shareholdings

22. Subject to the Central Depositories Act and the Rules, no person shall exercise any rights of a Member until his name shall have been entered in the Register and he shall have paid all calls and other moneys for the time being due and payable on any share held by him.

23. Except as required by law and subject to Paragraph 24 hereof, no person shall be recognised by the Company as holding any share upon any trust and the Company shall not even when having notice thereof be bound or compelled to recognise any equitable, contingent, future or partial interest in any share, or any interest in any fractional part of a share, or (except only as by this Constitution otherwise expressly provided or as required by law) any other right in respect of any share except an absolute right to the entirety thereof in the registered holder.

24. The Company may by notice in writing require any Member within such reasonable time as is specified in the notice:-

    (a) to inform the Company whether he holds any voting shares in the Company as beneficial owner or as trustee; and
    (b) if he holds them as trustee, to indicate so far as he can the persons for whom he holds them by name and by other particulars sufficient to enable those persons to be identified and the nature of their interest.

25. Where the Company is informed in pursuance of a notice given to any person under Paragraph 24 hereof of this Constitution that any other person has an interest in any of the voting shares in the Company, the Company may by notice in writing require that other person within such reasonable time as is specified in the notice:-
    (a) to inform the Company whether he holds that interest as beneficial owner or as trustee; and
    (b) if he holds the interest as trustee, to indicate so far as he can the persons for whom he holds such interest by name and by other particulars sufficient to enable them to be identified and the nature of their interest.

26. The Company may by notice in writing require a Member to inform the Company, within such reasonable time as is specified in the notice, whether any of the voting rights carried by any voting shares in the Company held by him are the subject of an agreement or arrangement under which another person is entitled to control his exercise of those rights and, if so, to give particulars of the agreement or arrangement and the parties to such agreement or arrangement.

Calls on shares

27. The Board may from time to time make calls upon the Members as the Board may think fit in respect of any amount unpaid on their shares and not by the conditions of allotment thereof made payable at fixed times. No call shall exceed one-fourth (1/4) of the issued price of the share or be payable at less than thirty (30) days from the date fixed for the payment of the last preceding call; and each Member shall (subject to receiving at least fourteen (14) days' notice specifying the date, time or times and place of payment except in the case of calls payable at fixed times pursuant to the conditions of allotment) pay to the Company at the time or times and place so specified the amount called on his shares. A call may be revoked or postponed as the Board may determine.

28. A call shall be deemed to have been made at the time when the resolution of the Board authorising the call was passed. Any call may be made payable either in one sum or by instalments.

29. If a sum called in respect of a share is not paid before or on the day appointed for payment thereof, the person from whom the sum is due shall pay interest or compensation on the sum from the day appointed for payment thereof to the time of actual payment at such rate not exceeding eight per cent (8%) per annum but the Board shall be at liberty to waive payment of the interest or compensation in whole or in part.

30. Any sum which by the terms of issue of a share is made payable on allotment or at any fixed date shall for the purpose of this Constitution be deemed to be a call duly made and payable on the date on which by the terms of issue the same becomes payable and in the case of non-payment, all the relevant provisions of this Constitution as to payment of interest and expenses, forfeiture or otherwise shall apply as if the sum had become payable by virtue of a call duly made and notified.

31. Subject to the Central Depositories Act and the Rules, the Board may, on the issue of shares, differentiate between the holders of such shares as to the amount of calls or instalments to be paid and the time of payment of such calls.

32. No shareholder shall be entitled to receive any dividend or to exercise any rights or privileges as a Member until he shall have paid all calls for the time being due and payable on every share held by him, together with interest and expenses (if any). The joint holders of a share shall be jointly and severally liable to pay all calls in respect of their shares.

33. The Board may, if it thinks fit, receive from any Member willing to advance the same, all or any part of the money payable in respect of any share held by him beyond the amount of the calls actually made thereon and upon all or any part of the money so advanced, the Company may (until the same would, but for the advance, become payable) pay interest at such rate not exceeding (unless the Company in general meeting shall otherwise direct) eight per cent (8%) per annum as may be agreed upon by the Board and the Member paying the sum in advance. Such capital paid on shares in advance of calls shall not, whilst carrying interest, confer a right to participate in profits. Except in liquidation, sums paid in advance of calls shall not, until the same would but for such advance has become payable be treated as paid up on the shares in respect of which they have been paid.

Forfeiture of shares

34. If a Member fails to pay the whole or any part of any call or instalment of a call on the day appointed for payment thereof, the Board may, at any time thereafter during such time as any part of the call or instalment remain unpaid, serve a notice on him requiring payment of so much of the call or instalment as is unpaid, together with any interest or compensation at the rate not exceeding eight per cent (8%) per annum which the Board may determine from time to time from the date appointed for the payment, on the money, for the time being unpaid if the Board thinks fit to enforce payment of such interest or compensation, which may have accrued.

35. The notice shall name a further day (not being less than fourteen (14) days from the date of service of the notice) on or before which, and the place where, the payment required by the notice is to be made, and shall state that, in the event of non-payment at or before the time and at the place appointed the shares in respect of which such call was made will be liable to be forfeited.

36. If the requirements of any such notice as aforesaid are not complied with, any share in respect of which the notice has been given, may at any time thereafter before the payment required by the notice has been made be forfeited by a resolution of the Board to that effect. Such forfeiture shall include all dividends declared in respect of the forfeited shares and not actually paid before the forfeiture. The Directors may accept the surrender of any share liable to be forfeited hereunder.

37. A share so forfeited or so surrendered shall become the property of the Company and may be re-allotted, sold or otherwise disposed of on such terms and in such manner as the Board thinks fit and at any time before a sale or disposition, the forfeiture may be cancelled on such terms as the Board thinks fit.

38. The forfeiture of a share shall at the time of forfeiture result in the termination of all interests in and all claims and demands against the Company in respect of the share and all other rights and liabilities incidental to the share as between the shareholder whose share is forfeited and the Company, except only such of those rights, liabilities as are by this Constitution expressly saved or as are by the Act given or imposed in the case of past Members.

39. (1) A person whose shares have been forfeited under Paragraph 37 shall cease to be a Member in respect of the forfeited shares.

(2) Despite Paragraph (1), the person referred to in that paragraph shall remain liable to pay to the Company all money which, at the date of forfeiture, was payable by the person to the Company in respect of the shares together with interest at the rate of eight per cent (8%) per annum or such other rate as may be allowed under the Applicable Laws and determined by the Board to be calculated from the date of forfeiture on the money for the time being unpaid if the Board thinks fit to enforce payment of such interest or compensation, and the liability shall cease as and when the Company receives payment in full of such money in respect of the shares.

40. A statutory declaration in writing that the declarant is a Director or the Secretary of the Company, and that a share in the Company has been duly forfeited or surrendered or sold to satisfy a lien on a date stated in the declaration shall be conclusive evidence of the facts therein stated as against all persons claiming to be entitled to the shares.

41. (1) The Company may receive the consideration, if any, given for a forfeited share on any sale, re-allotment or disposition thereof and the Board may authorise some person to execute a transfer of the share in favour of the person to whom the share is sold or otherwise disposed of and he shall thereupon be registered as the shareholder, and shall not be bound to see to the application of the purchase money, if any, nor shall his title to the share be affected by any irregularity or invalidity in the proceedings in reference to the forfeiture, sale or disposal of the share.

(2) Subject to any lien for sums not presently payable, if any, any residue of the proceeds of the sale of shares which are forfeited and sold, after the satisfaction of the unpaid calls or instalments payable at fixed times and accrued interest and expenses, shall be paid to the persons entitled to the shares immediately before the forfeiture thereof or his executors, administrators or assignees or as he directs.

42. The provisions of this Constitution as to forfeiture apply in the case of non-payment of any sum which, by the terms of issue of a share, becomes payable at a fixed time as if the sum had been payable by virtue of a call duly made and notified.

43. When any share has been forfeited in accordance with this Constitution, notice of the forfeiture shall forthwith be given to the holder of the share or to the person entitled to the share by reason of the death or bankruptcy as the case may be, and an entry of such notice having been given, and of the forfeiture with the date thereof shall forthwith be made in the Register or Record of Depositors (as appropriate) opposite to the share. This Paragraph 43 is directory only and no forfeiture shall be in any manner be invalidated by any omission or neglect to give such notice or to make entry as aforesaid. .

Lien

44. The Company shall have a first and paramount lien on every share (not being a fully paid up share), such lien to be restricted to unpaid calls and instalments upon the specific shares in respect of which such moneys are due and unpaid, and to such amount as the Company may be called upon by law to pay and has paid in respect of the shares of the Member or deceased Member. The Company's lien, if any, on share shall extend to all dividends payable thereon and other moneys payable thereon or in respect thereof. The Board may at any time declare any share to be wholly or in part exempted from the provisions of this Paragraph.

45. The Company may sell, in such manner as the Board thinks fit, any shares on which the Company has a lien, but no sale shall be made until such time as a sum in respect of which the lien exists is presently payable and until there is default in payment of the same at the expiration of fourteen (14) days from a notice in writing, stating and demanding payment of such part of the amount in respect of which the lien exists as presently payable, has been given to the registered holder for the time being of the share or the person entitled thereto by reason of his death or bankruptcy.

46. Subject to the Paragraph 41, the same provision under Paragraph 41 shall apply to give effect to any sale of shares under Paragraph 45.

Transfer of shares

47. The transfer of any listed security or class of any listed security of the Company, shall be by way of book entry by Bursa Depository in accordance with the Rules and, notwithstanding Sections 105, 106 and 110 of the Act, but subject to Section 148(2) of the Act and any exemption that may be made from compliance with Section 148(1) of the Act, the Company shall be precluded from registering and effecting any transfer of the listed securities.

48. (1) Subject to the Central Depositories Act and the Rules, the Board may in its absolute discretion and without assigning any reason thereof authorise its registrar to cause the Bursa Depository to decline to register any transfer of share upon which the Company has a lien or which are not fully paid-up.

(2) Subject to the Central Depositories Act and the Rules, the Board may also authorise its registrar to cause the Bursa Depository to decline to register any transfer unless such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer is deposited at such place as the Directors may appoint.

49. The Register may be closed at such time and for such period as the Company may from time to time determine PROVIDED ALWAYS that they shall not be closed for more than thirty (30) days in any calendar year. Any notice of intention to fix a books closing date and the reason therefor shall be given to the Bursa Securities, such notice shall state the books closing date, which shall be at least ten (10) Market Days (or such other period as may be prescribed by the Bursa Securities) after the date of notification to the Bursa Securities, and the address of the share registrar at which documents will be accepted for registration. In relation to such closure, the Company shall give written notice, in accordance with the Rules to issue the appropriate Record of Depositors.

50. (1) No shares shall in any circumstances be transferred to any infant, bankrupt or person of unsound mind.

(2) Nothing in this Constitution shall preclude the Board from recognising a renunciation of the allotment of any share by the allottee in favour of some other person.

51. (1) There shall be paid to the Company in respect of the registration of any probate, letters of administration, certificate of marriage or death, power of attorney or other document relating to or affecting the title of any shares, such fee as may be permitted by the relevant law and as the Board may from time to time require or prescribe.

(2) All transfer of securities deposited with a Bursa Depository, including but not limited to the Deposited Security, shall be in compliance with the relevant laws and Rules.

Transmission of shares

52. In the case of death of a Member, the legal personal representatives of the deceased shall be the only persons recognised by the Company as having any title to his interest in the shares; but nothing herein contained shall release the estate of a deceased Member from any liability in respect of any share which had been held by deceased Member.

53. (1) Any person becoming entitled to a share in consequence of the death or bankruptcy (or in the case of a body corporate, liquidation, or otherwise than for the purpose of reconstruction or amalgamation) of a Member may, upon such evidence being produced as may from time to time properly be required by the Board and subject to the provision herein provided, elect either to be registered himself as holder of the share or to have a person nominated by him registered as the transferee thereof, but the Board shall, in either case, have the same right to decline or suspend registration as they would have had in the case of a transfer of the share by that Member before his death, bankruptcy or liquidation, as the case may be.

(2) Before recognizing any executor or administrator, the Board may require him to take out probate of the will or letters of administration as evidence. Provided always that where the shares is a Deposited Security, a transfer or withdrawal of the shares may be carried out by the person becoming so entitled, subject to the Rules.

54. If the person so becoming entitled elects to be registered himself, he shall deliver or send to the Company a notice in writing signed by him stating that he so elects, Provided Always that where the shares is a Deposited Security and the person so becoming entitled elects to have the shares transferred to him, the aforesaid notice must be served by him on the Bursa Depository. The Company shall register the person as a shareholder in respect of the shares within sixty (60) days from receiving the aforesaid notice. If he elects to have another person registered, he shall testify his election by executing to that person a transfer of the shares. All the limitations, restrictions and provisions of this Constitution relating to the right to transfer and the registration of transfers of shares shall be applicable to any such notice or transfer as aforesaid as if the death or bankruptcy of the Member had not occurred and the notice of transfer were a transfer signed by that Member.

55. A person entitled to shares in consequence of the death, bankruptcy or liquidation of a Member shall be entitled upon the production of such evidence as may from time to time be properly required by the Board in that behalf to receive and may give a discharge for all dividends and other moneys payable in respect of the shares, but he shall not be entitled to receive notice of or to attend or vote at any meeting, or, save as aforesaid, to exercise any of the rights and privileges of a Member, unless and until he shall have been registered as a Member in respect of the shares.

56 Where:-
(a) the securities of the Company are listed on another stock exchange; and
(b) the Company is exempted from compliance with Section 14 of the Central Depositories Act or Section 29 of the Securities Industry (Central Depositories) (Amendment) (No. 2) Act 1998, as the case may be, under the Rules in respect of such securities,

the Company shall upon the request of a securities holder, permit a transmission of securities held by such securities holder from the register of holders maintained by the registrar of the Company in the jurisdiction of the other stock exchange, to the register of holders maintained by the registrar of the Company in Malaysia and vice versa provided that there shall be no change in the ownership of such securities.

Conversion of shares into stock

57. The Company may by ordinary resolution convert any paid up shares into stock, and reconvert any stock into paid up shares of any denomination.

58. The stockholders may transfer the same or any part thereof in the same manner and subject to the same in this Constitution and subject to which the shares from which the stock arose might, before the conversion, have been transferred or as near thereto as circumstances admit, but the Board may from time to time fix the minimum amount of stock transferable and restrict or forbid the transfer of fractions of that minimum.

59. The stockholders shall according to the amount of the stock held by them, have the same rights, privileges and advantages with regards to dividends, voting at meetings of Members and other matters as if they held the shares from which the stock arose, but no such rights, privileges or advantages (except participation in the dividends and profits of the Company and in the assets on winding up) shall be conferred by any amount of the stock which would not, if existing in shares, have conferred that rights, privileges or advantages.

60. Provisions of this Constitution applicable to paid up shares apply to stock, and references to "share" shall include "stock" and "shareholder" and "Member" shall include "stockholder".

Increase of Capital

Allotment of shares/securities

61. The Company may from time to time, whether all the shares for the time being issued shall have been fully called up or not, by ordinary resolution increase its share capital by the creation and issue of new shares, such new capital to be of such amount and to be divided into shares of such respective amounts and to carry such rights or to be subject to such conditions or restrictions in regard to dividend, return of capital or otherwise as the Company by the resolution authorising such increase may direct.

62. (1) Subject to any direction to the contrary that may be given by the Company in general meeting, all new shares or other convertible securities shall, before issue, be offered to such persons as at the date of the offer are entitled to receive notices from the Company of general meetings in proportion as nearly as the circumstances admit, to the amount of the existing shares or securities to which they are entitled.

(2) The offer shall be made by notice specifying the number of shares or securities offered, and limiting a time within which the offer, if not accepted, will be deemed to be declined, and, after the expiration of that time, or on the receipt of an intimation from the person to whom the offer is made that he declines to accept the shares or securities offered, the Directors may dispose of those shares or securities in such manner as they think most beneficial to the Company. The Directors may likewise also dispose of any new share or security which (by reason of the ratio which the new shares or securities bear to shares or securities held by persons entitled to an offer of new shares or securities) cannot, in the opinion of the Directors, be conveniently offered under this Constitution.

63. Except so far as otherwise provided by the conditions of issue in this Constitution, any share capital raised by the creation of new shares shall be considered as part of the original share capital of the Company and shall be subject to the same provisions with reference to the payment of calls, lien, transfer, transmission, forfeiture, lien or otherwise and shall also be subject to the Rules.

64. The Company must ensure that all new issues of securities for which listing is sought are made by way of crediting the Securities Accounts of the allottees or the Members with such securities save and except where it is specifically exempted from compliance with Section 38 of the Central Depositories Act, in which event it shall so similarly be exempted from compliance with this requirement. For this purpose the Company must notify the Bursa Depository of the names of the allottees or Members and all such particulars required by the Bursa Depository, to enable the Bursa Depository to make the appropriate entries in the Securities Accounts of such allottees or such Members.

65. The Company shall allot securities, despatch notices of allotment to the allottees and apply for the quotation of such securities (where applicable), within eight (8) Market Days of the final applications closing date for an issue of securities or such other period as may be prescribed by the Bursa Securities.

66. Notwithstanding Paragraph 62, the Company may apply to the Bursa Securities for waiver of the convening of an extraordinary general meeting to obtain shareholders' approval for further issues of shares (other than bonus or rights issue) where –

(a) in accordance with the provisions of Sections 75(1) and 76(1) of the Act there is still in effect a resolution approving the issuance of shares by the Company; and

(b) the aggregate issues of which in any one financial year (other than by way of bonus or rights issues) do not exceed ten per cent (10%) of the issued share capital of the Company.

General meetings

67. (1) Subject to the Act, the Company shall in each year hold an annual general meeting in addition to any other meetings in that year, within six (6) months of the Company’s financial year end and not more than fifteen (15) months after the last preceding annual general meeting.

(2) All general meetings other than annual general meetings shall be called extraordinary general meeting and there shall be held at such time, day and place as the Board shall determine.

(3) Every notice of an annual general meeting shall specify the meeting as such and every meeting convened for passing a special resolution shall state the intention to propose such resolution as a special resolution.

(4) Subject always to the provisions of the Act, no business shall be transacted at an extraordinary general meeting except business of which notice has been given in the notice convening the meeting.

68. A resolution of the Members or of a class of Members of the Company shall be passed at a meeting of the Members where the meeting may be convened at more than one venue using any technology or method that enables the Members of the Company to participate and to exercise the Members’ rights to speak and vote at the meeting. The main venue of the meeting shall be in Malaysia and the chairman shall be present at that main venue of the meeting.

69. The Board may convene an extraordinary general meeting whenever they think fit by way of a resolution. In addition, an extraordinary general meeting shall be convened on such requisition as referred to in Section 311 of the Act and in accordance with Section 312 of the Act or if the Board makes default in convening a meeting in compliance with a requisition received pursuant to Section 311 of the Act, a meeting may be convened by the requisitionists themselves in the manner provided in Section 313 of the Act. Any meeting convened by requisitionist shall be convened in the same manner, as nearly as possible, as that in which meetings are to be convened by the Board.

70. (1) Any notice convening a general meeting shall specify the place, date and time of the meeting, and the general nature of business of the meeting. Subject to Paragraph 73, notice shall be given to all Members, Directors and Auditors of the Company at least fourteen (14) days before the meeting or at least twenty-one (21) days before the meeting where any special resolution is to be proposed or where it is an annual general meeting.

(2) Any notice of a meeting called to consider special business shall be accompanied by a statement regarding the effect of any proposed resolution in respect of such special business. At least fourteen (14) days' notice or twenty one (21) days' notice in the case where any special resolution is proposed or where it is the annual general meeting, of every such meeting shall be given by advertisement in at least one (1) nationally circulated Bahasa Malaysia or English daily newspaper and in writing to each stock exchange upon which the Company is listed.

71. All business that is transacted at an annual general meeting is special business, except:-
(a) the laying of the audited financial statements and the reports of the Directors and Auditors;
(b) the fees of the Directors and any benefits payables to the Directors;
(c) the election of Directors in place of those retiring Directors; and
(d) the re-appointment / appointment of the Auditors and fixing of its remuneration.

72. (1) The Company shall request Bursa Depository in accordance with the Rules, to issue a Record of Depositors to whom notices of general meetings shall be given by the Company. The Record of Depositors, subject to Applicable Laws and this Constitution, shall be the final record of all Depositors who shall be deemed to be the registered holder of the shares in the Company eligible to be present and vote at such general meetings.

(2) The Company shall also request Bursa Depository in accordance with the Rules, to issue a Record of Depositors, as at the latest date which is reasonably practicable which shall in any event be not less than three (3) Market Days before the general meeting ("General Meeting Record of Depositors").

(3) Subject to the Securities Industry (Central Depositories) (Foreign Ownership) Regulations 1996 (where applicable), a Depositor shall not be regarded as a member entitled to attend any general meeting and to speak and vote thereat unless his name appears in the General Meeting Record of Depositors.

73. Subject always to the provisions of the Act, where a special notice is required of a resolution, the resolution shall not be effective unless notice of the intention to move it has been given to the Company not less than twenty-eight (28) days before the meeting at which it is moved and the Company shall give its Members notice of any such resolution at the same time and in the same manner as it gives notice of the meeting or, if that is not practicable shall give them notice thereof, in any manner allowed by the Constitution, not less than fourteen (14) days before the meeting, but if after notice of the intention to move such a resolution has been given to the Company, a meeting is called on a date twenty-eight (28) days or less after the notice has been given, the notice although not given to the Company within the time required by this Paragraph shall be deemed to be properly given.

74. The accidental omission to give notice of any meeting to or the non-receipt of notice of a meeting by any person entitled to receive such notice shall not invalidate any resolutions passed or the proceedings at any such meeting.

75. An extraordinary general meeting may be called by notice shorter than is required by Paragraph 70, if it is so agreed by the majority in the number of Members entitled to attend and vote at the meeting, being a majority who together hold not less than ninety five per cent (95%) in the number of the shares giving a right to attend and vote at the meeting, excluding any shares in the Company held as treasury shares. An annual general meeting may be called by a notice shorter than is required by Paragraph 70 if it is so agreed by all the Members entitled to attend and vote at the annual general meeting.

Proceedings at general meetings

76. No business is to be transacted at any general meeting unless a quorum of Members is present at the time when the meeting proceeds to business. The quorum is at least two (2) Members personally present or by proxy or represented by attorney. Subject to Paragraph 72 above, a Member of the Company shall be entitled to be present and to vote at any general meeting in respect of any share or shares upon which all calls due to the Company have been paid.

For the purposes of this Constitution, "Member" includes a person attending as a proxy or representing a corporation which is a Member.

77. If within half (1/2) an hour from the time appointed for the meeting a quorum is not present, the meeting, if convened upon the requisition of Members shall be dissolved; in any other case it shall stand adjourned to the same day in the next week (or if that day be a public holiday, then to the next business day following that public holiday) at the same time and place or to such other day and at such other time and place as the Directors may determine, but if a quorum is not present at an adjourned meeting within fifteen (15) minutes from the time appointed for holding the adjourned meeting, the Members present shall be a quorum.

78. The chairman of the Board, shall not necessarily preside as chairman at every general meeting. A proxy shall not be eligible for election as chairman of the meeting. The election of the Chairman shall be by a show of hands. The chairman of a general meeting is:-
   (a) The Directors present at the general meeting shall within fifteen (15) minutes prior to the time appointed for holding such meeting, choose one (1) of their number to act as chairman of such meeting;
   (b) If there be no Director chosen who shall be willing to act, the Members present in person or by proxy and entitled to vote shall choose one (1) of their own number to act as chairman at such meeting;
   (c) In the event that the chairman of the general meeting is removed by the Members, the Directors present at the general meeting shall within fifteen (15) minutes from such incident choose one (1) of their number to act as new chairman of such meeting;
   (d) If there be no Director chosen who shall be willing to act, the Members present in person or by proxy and entitled to vote shall choose one (1) of their own number to act as chairman at such meeting.

79. (1) The chairman may, with the consent of a general meeting at which a quorum is present, and must if so directed by a general meeting, adjourn the general meeting from time to time and from place to place as the meeting shall determine.

   (2) No business is to be transacted at any adjourned meeting other than the business left unfinished at the general meeting from which the adjournment took place (the original general meeting).

   (3) There is no need to give any notice of an adjourned meeting or of the business to be transacted at an adjourned meeting unless the adjourned meeting is to be held more than 30 days after the date of the original general meeting.

80. (1) Subject to any express requirement of the Listing Requirements, at any general meeting a resolution put to the vote of the meeting shall be determined by a show of hands of the Members present in person or by proxy unless a poll is demanded (before or upon the declaration of the result of a show of hands):-

      (a) by the chairman of the meeting;

      (b) by at least three (3) Members present in person or by proxy;

      (c) by any Member present in person or by proxy and representing not less than ten per cent (10%) of the total voting rights of all the members having the right to vote at the meeting; or

      (d) by a Member holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than ten per cent (10%) of the total sum paid up on all the shares conferring that right.

80. (2) Unless a poll is demanded, a declaration by the chairman that a resolution has on a show of hands been passed unanimously, or with a particular majority or is lost, and an entry to that effect in the minutes of the proceedings shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against the resolution.

(3) The demand for a poll may be withdrawn, and notice must be given of a poll not taken immediately:-

(a) by the chairman of the meeting;

(b) by at least three (3) Members present in person or by proxy;

(c) by any Member present in person or by proxy and representing not less than ten per cent (10%) of the total voting rights of all the members having the right to vote at the meeting; or

(d) by a Member holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than ten per cent (10%) of the total sum paid up on all the shares conferring that right.

81. In addition to Paragraph 80 (2), when a poll is demanded:-

(a) the Company must appoint at least one (1) independent scrutineer to validate the votes cast at the general meeting for the purposes of a poll in accordance with the Applicable Laws, and may, in addition to the power of adjourning meetings contained in Paragraph 79 hereof adjourn the meeting to some place and time fixed for the purpose of declaring the result of the poll. The provisions of this Constitution relating to poll voting shall *mutatis mutandis* apply; and

(b) it shall be taken either forthwith or after an interval or adjournment or otherwise as the chairman directs and the result of the poll shall be the resolution of the meeting at which the poll was taken.

82. No poll shall be demanded on the election of a chairman of a general meeting or on any question of adjournment unless as directed pursuant to the Listing Requirements and or required by Applicable laws. A poll demanded on any question shall be taken either at once or at such time and place as the chairman of a general meeting directs not being more than thirty (30) days from the date of the meeting or adjourned meeting at which the poll was demanded.

83. (1) The poll may be conducted manually using voting slips or electronically using various forms of electronic voting devices as the chairman may direct. Such votes shall be counted by the poll administrator, and verified by the scrutineer(s), as may be appointed by the Company for the purpose of determining the outcome of the resolution(s) to be decided on poll.

(2) The chairman of the meeting declares whether or not the resolutions put to vote at a meeting of Members are carried, based on the poll results which show the total number of votes cast on the poll (together with the percentage) in favour of and against the resolution which may be as announced by the scrutineer, shall be conclusive evidence of the passing of a resolution.

Votes of Members

84. (1) Subject to any rights or restrictions for the time being attached to any class or classes of shares, at meetings of Members or classes of Members, each Member entitled to vote may vote in person or by proxy or by attorney.

(2) On a show of hands, every Member or representative of a Member who is personally present and entitled to vote shall be entitled to one (1) vote.

(3) On a poll, every Member present in person or by proxy or by attorney or other duly authorised representative has one (1) vote for each share the Member holds. A person entitled to more than one (1) vote need not use all his votes or cast all the votes he uses on a poll in the same way.

85. Subject to Paragraph 72, no Member shall be entitled to be present or to vote on any question either personally or otherwise, as a proxy or attorney at any general meeting or upon a poll or be reckoned in the quorum in respect of any shares:-
    (a) upon which calls or other sums presently payable by the Member in respect of shares in the Company are due and unpaid; and/or
    (b) where the instrument of proxy, the power of attorney or other authority, if any, naming another person/party (other than the said Member) as proxy, attorney, or person/party authorised to so act has not been deposited with the Company in accordance with Paragraph 93 hereof.

86. Subject to the Listing Requirements, where the capital of the Company consists of shares of different monetary denominations, voting rights shall be prescribed in such a manner that a unit of capital in each class, when reduced to a common denominator shall carry the same voting power when such right is exercisable.

87. Subject to the provisions of Section 333 of the Act, any corporation which is a Member of the Company may by resolution of its directors or other governing body authorise such person as it thinks fit to act as its representative either at a particular meeting of the Company, or at all meetings of the Company or any class of Members and the person so authorised shall act in accordance with his authority and until his authority is revoked by the corporation be entitled to exercise the same powers on behalf of the corporation which he represents as that corporation, could exercise if it were an individual Member of the Company.

88. In the case of joint holders of shares of the Company, the joint holders shall be considered as one (1) shareholder. The vote of the senior who tenders a vote, whether in person or by proxy, is accepted to the exclusion of the votes of the other joint holders. For the purposes of this Paragraph, seniority is to be determined by the order in which the names stand in the Register.

89. A member who is of unsound mind or whose person or estate is liable to be dealt with in any way under the law relating to mental disorder may vote, whether on a show of hands or on a poll, by his committee, receiver, curator bonis, or other legal guardian or such other person as properly has the management of his estate. Any one of such person may vote either personally or by proxy or by attorney PROVIDED such evidence as the Board may require of the authority of the person claiming to vote shall have been deposited at the Office not less than forty eight (48) hours before the time appointed for holding the meeting.

90. The legal personal representative of a deceased Member or the person entitled under the provisions set for *Transmission of Shares* in this Constitution to any share in consequence of the death or bankruptcy of any Member may vote at any general meeting in respect thereof in the same manner as if he was the registered holder of such shares provided that forty eight (48) hours at least before the time of holding the meeting or adjourned meeting as the case may be at which he proposes to vote he shall satisfy the Board of his right to any share in consequence of the death or bankruptcy of any Member unless the Directors shall have previously admitted his right to vote in respect thereof.

91. No objection shall be raised to the qualification of any voter except at the meeting or adjourned meeting at which the vote objected to is given or tendered and every vote not disallowed at such meeting shall be valid for all purposes. Any such objection made in due time shall be referred to the chairman of the meeting whose decision shall be final and conclusive.

92. Any Member may require the Company to give a notice of a resolution which may be properly moved at any general meeting, or circulate any statement pertaining to such resolution or such other business to be dealt with at the meeting, to the Members entitled to receive notice of a general meeting. The Company shall not be bound to give notice of such resolution or circulate any statement unless the Member shall have served at the Office a copy of the requisition signed by the member subject to compliance with Section 323 of the Act:-
    (a) in the case of a requisition requiring notice of a resolution, at least twenty-eight (28) days before the meeting; and
    (b) in the case of any other statement, at least seven (7) days before the meeting.

    The above requisition shall contain (i) the proposed resolution; (ii) a statement of its intention to submit the proposed resolution at that general meeting; and (iii) statements of not more than one thousand (1,000) words with respect to the matter referred to in any proposed resolution or the business to be dealt with at that meeting.

Proxy

93. Subject to Section 334 of the Act, in every notice calling a general meeting of the Company, there shall appear prominently, a statement informing the Member (save for omnibus account as defined in Paragraph 94 hereof) of his rights that:-
    (a) he shall be entitled to appoint another person as his proxy to exercise all or any of his rights to attend, participate, speak and vote at a general meeting of the Company.
    (b) he may appoint up to two (2) proxies in relation to a general meeting, provided that he specifies the proportion of his shareholdings to be represented by each proxy.
    (c) The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority shall be deposited at the Office, or at such other place within Malaysia as is specified for that purpose in the notice convening the meeting, not less than forty-eight (48) hours before the time for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote, or, in the case of a poll, not less than twenty-four (24) hours before the time appointed for the taking of the poll, and in default the instrument of proxy shall not be treated as valid.

94. (1) Where a Member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one Securities Account ("omnibus account"), there is no limit to the number of proxies which the exempt authorized nominee may appoint in respect of each omnibus account it holds.

    (2) An exempt authorised nominee refers to an authorised nominee defined under the Central Depositories Act which is exempted from compliance with the provisions of subsection 25A(1) of Central Depositories Act.

95. The instrument appointing a proxy shall be in writing under the hand of the Member or of his attorney duly authorised in writing or, if the Member is a corporation, shall either be executed under the corporation's seal or under the hand of two (2) authorised officers, one of whom shall be a director, or of its attorney duly authorised in writing. The Directors may, but shall not be bound to require evidence of the authority of any such attorney or officer. The instrument appointing a proxy authorises the proxy(ies) to demand or join in demanding a poll. A proxy shall be entitled to vote on a show of hands on any question at any general meeting.

96. The instrument appointing a proxy shall be in such form as the Board may from time to time prescribe or approve.

97. A vote given in accordance with the terms of an instrument of proxy or attorney shall be valid, notwithstanding the previous death or unsoundness of mind of the principal or revocation of the instrument of proxy, or of the authority under which the instrument of proxy was executed, or the transfer of the share in respect of which the instrument of proxy is given provided that no intimation in writing of such death, unsoundness of mind, revocation or transfer shall have been received by the Company at the Office before the commencement of the meeting or adjourned meeting (or in the case of a poll, before the time appointed for the taking of the poll) at which the instrument is used.

98. Unless the Company receives a notice of termination before the commencement of a general meeting or an adjourned meeting thereof, the termination of the authority of the person to act as proxy does not affect:-
    (a) the constitution of the quorum at the meeting;
    (b) subject to Paragraph 78 hereof, the validity of anything he did as chairperson of a meeting;
    (c) the validity of a poll demanded by him at a meeting; or
    (d) the validity of the vote exercised by him at a meeting.

99. In addition to Paragraph 98, the notice of termination of the authority of the proxy shall be deposited at the Office, not less than forty eight (48) hours before the time appointed for holding the meeting or adjourned meeting.

Directors: Appointment, etc.

100. (1) Until otherwise the Company by ordinary resolution passed at a general meeting and subject to the Act and the Listing Requirements, the number of Directors shall not be less than two (2) nor more than twelve (12). In the event of any casual vacancy occurring and reducing the number of Directors below the aforesaid minimum the continuing Directors or sole continuing Director may act for the purpose of filling up such vacancy or vacancies of summoning a general meeting of the Company.

(2) The shareholding qualification for Directors may be fixed by the Company in general meeting and until so fixed no shareholding qualification for Director shall be required.

101. All Directors shall be entitled to receive notice of and to attend and speak at all general meetings of the Company.

102. (1) At the first annual general meeting of the Company, all the Directors shall retire from office and an election of directors shall take place each year. At the annual general meeting in every subsequent year one-third (1/3) of the Directors for the time being, or, if their number is not three (3) or a multiple of three (3), then the number nearest to one-third (1/3), shall retire from office PROVIDED ALWAYS that all Directors shall retire from office once at least in each three (3) years, but shall be eligible for re-election. A retiring Director shall retain office until the close of the meeting at which he retires.

(2) The Directors to retire in every year shall be those who have been longest in office since their last election, but as between persons who became Directors on the same day those to retire shall (unless they otherwise agree among themselves) be determined by lot. A retiring Director shall be eligible for re-election.

103. No person, not being a retiring director as aforesaid, shall be eligible for election to the office of Director at any general meeting unless a Member intending to propose him for election has, at least eleven (11) clear days before the meeting, left at the Office a notice in writing duly signed by the nominee, giving his consent to the nomination and signifying his candidature for the office, or the intention of such Member to propose him for election, provided that in the case of a person recommended by the Directors for election, nine (9) clear days' notice only shall be necessary, and notice of each and every candidature for election to the Board shall be served on the Members at least seven (7) days before the meeting at which the election is to take place.

104. The Company at the general meeting at which a Director retires may fill the vacated office by electing a person thereto. Unless at that meeting it is expressly resolved not to fill the vacated office or a resolution for re-election of the Director retiring at that meeting is put to the meeting and lost or some other person is elected a Director in place of the retiring Director, the retiring Director shall, if offering himself for re-election and not being disqualified under the Act from holding office as a Director, be deemed to have been re-elected. A retiring Director shall be deemed to have offered himself for re-election unless he has given notice in writing to the Company that he is unwilling to be re-elected.

105. At a general meeting at which more than one (1) Director is to be elected, each candidate shall be the subject of a separate motion and vote.

106. The Company may from time to time by ordinary resolution passed at a general meeting increase or reduce the number of Directors, and may also determine in what rotation the increased or reduced number is to go out of office provided that such number is not less than the minimum requirements set out in the Paragraph 100 or the Act, whichever is the greater.

107. (1) The Directors shall have power at any time, and from time to time, to appoint any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors, but the total number of Directors shall not at any time exceed the maximum number fixed in accordance with this Constitution.

(2) Any Director so appointed shall hold office only until the next following annual general meeting, and shall then be eligible for re-election but shall not be taken into account in determining the Directors who are to retire by rotation at that meeting.

108. Subject to Sections 230 of the Act, the fees of the Directors, and any benefits payable to the Directors including any compensation for loss of employment of a Director shall from time to time be determined and approved annually by an ordinary resolution of the Company in general meeting and shall (unless such resolution otherwise provides) be divisible among the Directors as they may agree PROVIDED ALWAYS that:-

(a) fees payable to non-executive Directors shall be by a fixed sum, and not by a commission on or percentage of profits or turnover;

(b) salaries payable to executive Directors may not include a commission on or percentage of turnover but may include a commission on or percentage of profits;

(c) fees payable to Directors shall not be increased except pursuant to a resolution passed at a general meeting, where notice of the proposed increase has been given in the notice convening the meeting; and

(d) any fee paid to an alternate Director shall be agreed upon between himself and the Director nominating him and shall be paid out of the remuneration of the latter.

109. (1) A Director may appoint a person approved by a majority of his co-Directors to act as his alternate provided that such person is not a Director of the Company, he does not act as an alternate for more than one (1) Director of the Company and any fee paid by the Company to the alternate shall be deducted from that Director's remuneration. The alternate Director shall be entitled to notices of all meetings and to attend, speak and vote at any such meeting at which his appointor is not present. An alternate Director shall not be taken into account in reckoning the minimum or maximum number of Directors allowed for the time being but he shall be counted for the purpose of reckoning whether a quorum is present at any meeting of the Directors attended by him at which he is entitled to vote. Any appointment so made may be revoked at any time by the appointor or by a majority of the Directors, and any appointment or revocation under this Paragraph shall be effected by notice in writing to be delivered to the Secretary of the Company. An alternate Director shall ipso facto cease to be an alternate Director if his appointor for any reason ceases to be a Director.

(2) If any Director retires by rotation and is re-elected by the meeting or is, pursuant to this Constitution, deemed to be re-elected at the meeting at which such retirement took effect, any appointment made by him of an alternate Director which was in force immediately prior to the appointor's retirement shall continue to operate after such re-election as if the appointor had not so retired.

110. (1) The Directors shall be entitled to be reimbursed for all travelling or such reasonable expenses as may be incurred in attending and returning from meetings of the Directors or of any committee of the Directors or general meetings or otherwise howsoever in or about the business of the Company in the course of the performance of their duties as Directors.

(2) If by arrangement with the Directors, any Director shall perform or render any special duties or services outside his ordinary duties as a Director in particular without limiting to the generality of the foregoing if any Director being willing shall be called upon to perform extra services or to make any special exertions in going or residing away from his usual place of business or residence for any of the purposes of the Company or in giving special attention to the business of the Company as a Member of a committee of Directors, the Directors may pay him special remuneration, in addition to his Director's fees, and such special remuneration may be by way of a fixed sum, or otherwise as may be arranged.

Directors: Vacation of Office, Removal and etc.

111. The office of a Director becomes vacant if the director:-

(a) ceases or resigns in accordance with the Act;

(b) if (not being the Managing Director or the Deputy Managing Director holding office as such for a fixed term) he resigns his office by notices in writing under his hand sent to or left at the Office stating reason given for the resignation, including but not limited to any information relating to his disagreement with the Board and or other information as may be directed by the Listing Requirements;

(c) has retired in accordance with the Act or this Constitution but is not re-elected;

(d) is removed from office in accordance with the Act or this Constitution;

(e) becomes disqualified from being a director under Section 198 or 199 of the Act;

111. (f) becomes of unsound mind or a person whose person or estate is liable to be dealt with in any way under the Mental Health Act 2001 [*Act 615*];
(g) dies;
(h) is absent from more than fifty per cent (50%) of the total Board's meetings held during a financial year; or
(i) otherwise vacates his office in accordance with this Constitution.

112. The Company may by ordinary resolution of which special notice has been given, remove any Director before the expiration of his tenure of office, notwithstanding any provisions of this Constitution or of any agreement between the Company and such Director but without prejudice to any claim he may have for damages for breach of any such agreement. The Company may by ordinary resolution appoint another person in place of a Director so removed from office and any person so appointed shall be subject to retirement by rotation at the same time as if he had become a Director on the day on which the Director in whose place he is appointed was last elected a Director. In default of such appointment the vacancy so arising may be filled by the Directors as a casual vacancy.

Powers and duties of Directors

113. The business and affairs of the Company shall be managed by, or under the direction of the Board. The Board shall have all powers necessary for managing, directing and supervising the management of the business and affairs of the Company subject to any modification, exception or limitation contained in the Act, the Applicable Laws and the Company's Constitution, and may pay all expenses incurred in promoting and registering the Company and exercise all such powers of the Company as are not, by the Act or by this Constitution required to be exercised by the Company in a general meeting, subject, nevertheless, to the Applicable Laws, to any provisions of this Constitution, to the provisions of the Act and to such regulations, being not inconsistent with the Applicable Laws, this Constitution or the provisions of the Act as may be prescribed by the Company in a general meeting but no regulation made by the Company in a general meeting shall invalidate any prior act of the Directors which would have been valid if that regulation had not been made.

114. Subject to the Applicable Laws, the Board shall not without the prior approval of the Company in general meeting:-

(a) carry into effect any proposal or execute any transaction for the acquisition of any undertaking or property of a substantial value, or the disposal of a substantial portion of the main undertaking or property of the Company, as defined in the Act; or

(b) exercise any power of the Company to issue shares unless otherwise permitted under the Applicable Laws; or

(c) enter into any arrangement or transaction with a Director or a director of the holding company of the Company, or with a person connected with such a Director to acquire from or dispose to such a Director or person any non-cash assets of a requisite value as defined in the Act.

115. (1) The Board may exercise all the powers of the Company to borrow money and to mortgage or charge its undertakings, property and uncalled capital, or any part thereof, and to issue debentures and other securities whether outright or as security for any debt, liability or obligation of the Company or of any related third party Provided Always that nothing contained in this Constitution shall authorise the Board to borrow any money or mortgage or charge any of the Company's undertaking, property or any uncalled capital or to issue debentures and other securities whether outright or as security for any debt, liability or obligation of an unrelated third party.

(2) The Directors shall cause a proper register to be kept in accordance with Section 362 of the Act of all mortgages and charges specifically affecting the property of the Company and shall duly comply with the requirements of Section 352 of the Act in regard to the registration of mortgages and charges therein specified and otherwise.

(3) If the Directors or any of them, or any other person, shall become personally liable for the payment of any sum primarily due from the Company, the Directors may execute or cause to be executed any mortgage, charge or security over or affecting the whole or any part of the assets of the Company by way of indemnity to secure the Directors or persons so becoming liable as aforesaid from any loss in respect of such liability.

116. The Board may procure the establishment and maintenance of any non-contributory or contributory pension or superannuation fund or life assurance scheme for the benefit of, and pay, provide for or procure the grant of donations, gratuities, pensions, allowances, benefits or emoluments to, any persons who are or shall have been at any time in the employment or service of the Company or any associated company or to any persons who are or have been a Director or other officer of and holds or have held salaried employment in the Company or any associated company, or the wives, widows, families or dependants of any such persons. The Board may also procure the establishment and subsidy of or subscription and support to any institutions, association, clubs, funds or trusts calculated to be for the benefit of any such persons as aforesaid or of its Members and payment for or towards the insurance of any such persons as aforesaid, and subscriptions or guarantees of money for charitable or benevolent objects or for any exhibitions or for any public, general or useful object. Provided that any Director holding such salaried employment shall be entitled to retain any benefit received by him hereunder subject only where the Act requires, to proper disclosure to the Members of the Company in general meeting. In this Paragraph the expression "the associated company" shall include any company which is the holding company of the Company or a subsidiary of the Company or of any such holding company or which in the opinion of the Board can properly be regarded as being connected with the Company or with any such company as aforesaid.

117. The Board may from time to time, and at any time, by power of attorney, appoint any corporation, firm or person or body of persons, whether nominated directly or indirectly by the Board to be the attorney or attorneys of the Company for such purposes and with such powers, authorities and discretions (including power to sub-delegate but not exceeding those vested in or exercisable by the Board under this Constitution) and for such period and subject to such conditions as the Board may from time to time thinks fit, and any such power of attorney may contain such provisions for the protection or convenience of persons dealing with any such attorney as the Board thinks fit.

118. All cheques, promissory notes, drafts, bills of exchange and other negotiable instruments and all receipts for money paid to the Company shall be signed, drawn, accepted, endorsed or otherwise executed, as the case may be, in such manner as the Board from time to time determine by resolution.

119. A Director may hold any other office or place of profit under the Company (other than the office of auditor) in conjunction with his office of Director for such period and on such terms (as to remuneration and otherwise) as the Board may determine. No Director or intending Director shall be disqualified by his office from contracting with the Company with regard to his tenure of any such office or place of profit in any other respect nor shall any such contract, or any contract or arrangement entered into by or on behalf of any company in which any Director is in any way interested, be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason of such Director holding that office or of the fiduciary relation thereby established provided always that Sections 221 and 223 and all other relevant provisions of the Act and this Constitution are complied with.

120. Any Director may act by himself or his firm in a professional capacity for the Company, and he or his firm shall be entitled to remuneration for professional services as if he was not a Director, provided that nothing herein contained shall authorise a Director or his firm to act as auditor of the Company.

121. A Director shall at all times exercise his powers for a proper purpose, in good faith and in the best interest of the Company and shall act honestly and use reasonable care, skill and diligence in the discharge of the duties of his office and shall not make use of any information acquired by virtue of his position to gain directly or indirectly an improper advantage for himself or for any other person or to cause detriment to the Company.

122. Every Director shall give notice to the Company of such events and matters relating to himself as may be necessary or expedient to enable the Company and its officers to comply with the requirements of the Act.

Minutes and Registers

123. The Directors shall cause minutes to be duly entered in books provided for the purpose:-

(a) of all appointments of officers;

(b) of the names of all the Directors present at each meeting of the Directors and of any committee of Directors and of the Company in general meeting;

(c) of all resolutions and proceedings of general meetings and of meetings of the Directors and committees of Directors; and

(d) of all orders made by the Directors and any committee of Directors.

Such minutes shall be signed by the Chairman of the meeting at which the proceedings were held or by the Chairman of the next succeeding meeting and if so signed, shall be conclusive evidence without any further proof of the facts thereon stated.

124. The Company shall in accordance with the provisions of Section 57 of the Act, keep at the Office a register containing such particulars with respect to the Directors, Managers and Secretaries of the Company as are required by and shall from time to time notify the Registrar of any change in such register and of the date of such change in manner prescribed by that section.

125. The books containing the minutes of proceedings of any general meeting shall be kept by the Company at the Office, and shall be open to the inspection of any Member without charge.

126. The Company shall also keep at the Office, a register which shall be open to the inspection of any Member without charge and to any other person on payment of such prescribed fee as may be determined by the Act, all such matters required to be so registered under the Act, and in particular:-

(a) a register of substantial shareholders and of information received in pursuance of the requirements under Section 144(1) and 144(2) of the Act;

(b) a register of the particulars of each of the Directors' shareholdings and interests as required under Section 59 of the Act.

Proceedings of the Board

127. The regulations contained in the Third Schedule to the Act shall not apply to the Company. The Directors may meet together for the despatch of business, adjourn and otherwise regulate their meetings as they think fit. A Director may at any time and the Secretary shall on his requisition summon a meeting of the Directors. Directors may participate in a meeting of the Directors by means of a conference telephone or similar electronic telecommunication device by means of which all persons participating in the meeting can hear each other and participate throughout the duration of the communication between the Directors and participation in a meeting pursuant to this Paragraph shall constitute presence in person and shall be counted in a quorum at such meeting.

128. (1) Unless otherwise determined by the Board from time to time, seven (7) days' notice of all Directors' meeting shall be given to all Directors and their alternate Directors, except in the case of emergency, reasonable notice shall be deemed sufficient.

(2) The notice of each Directors' meeting shall be served by hand, post, facsimile, electronic form or other form of electronic communications to all Directors and their alternate Directors who have a registered address in Malaysia. It shall not be necessary to give any Director or alternate Director, who does not have address for service in Malaysia, notice of a meeting of the Directors by hand or by post.

(3) The notice of each Directors' meeting shall be deemed to be served on a Director upon delivery if delivered by hand, or immediately if sent by facsimile, electronic form or other form of electronic communications or if sent by post, on the day on which a properly stamped letter containing the notice is posted.

129. The Directors may from time to time elect and remove a chairman and/or deputy chairman of the Board (hereinafter known as "Chairman" and "Deputy Chairman" respectively) and determine the period for which they are respectively to hold office. The Chairman so elected, or in his absence the Deputy Chairman, shall preside at all meetings of the Directors but if no such Chairman or Deputy Chairman be elected, or if at any meeting the Chairman or Deputy Chairman be not present within five (5) minutes after the time appointed for holding the same, the Directors present shall choose one (1) of their number to act as chairman of such meeting.

130. (1) The quorum necessary for the transaction of the business of the Directors shall be two (2).

(2) A meeting of the Directors for the time being at which a quorum is present shall be competent to exercise all or any of the powers, authorities and discretion by or under this Constitution vested in or exercisable by the Directors generally. Subject to this Constitution, questions arising at any meeting of the Directors shall be decided by a majority of votes. In the case of an equality of votes, the Chairman meeting shall have a second or casting vote except in situation where two (2) Directors form a quorum, the Chairman at which only such a quorum is present, or at which only two (2) Directors are competent to vote on the question at issue, shall not have a casting vote.

(3) The sole continuing Director may act notwithstanding any vacancy in their body. In the case if their number is reduced below the number fixed by or pursuant to this Constitution as the necessary quorum of Directors, the sole continuing Director except in an emergency may act for the purpose of increasing the number of Directors to that number or of summoning a general meeting of the Company, but for no other purposes.

131. Every Director shall declare his interest in the Company and his interest in any contract or proposed contract with the Company as may be required by law. Subject to Section 222 of the Act, a Director shall not participate in any discussion or vote in respect of any contract or proposed contract or arrangement in which he has directly or indirectly an interest and if he shall do so his vote shall not be counted. A Director shall, notwithstanding his interest, be counted in the quorum for any meeting where a decision is to be taken upon any contract or proposed contract or arrangement in which he is in any way interested.

132. A Director, notwithstanding his interest may, provided that none of the other Directors present disagree, be counted in the quorum present at any meeting whereat he or any other Director is appointed to hold any office or place of profit under the Company or whereat the Board resolves to exercise any of the rights of the Company, (whether by the exercise of voting rights or otherwise) to appoint or concur in the appointment of a Director to hold any office or place of profit under any other company or whereat the terms of any such appointment as hereinafter mentioned are considered or where any decision is taken upon any contract or arrangement in which he is in any way interested provided always that he has complied with Section 221 and all other relevant provisions of the Act and of this Constitution.

133. A Director may vote in respect of:-

(a) any arrangement for giving the Director himself or any other Director any security or indemnity in respect of money lent by him to or obligations undertaken by him for the benefit of the Company; or

(b) any arrangement for the giving by the Company of any security to a third party in respect of a debt or obligation of the Company for which the Director himself or any other Director has assumed responsibility in whole or in part under a guarantee or indemnity or by the deposit of a security.

134. A Director may be or become director or other officer of or otherwise interested in any corporation promoted by the Company or in which the Company may be interested as shareholder or otherwise, or any corporation, which is directly or indirectly interested in the Company as shareholder or otherwise, and no such Director shall be accountable to the Company for any remuneration or other benefits received by him as a Director or officer of, or from his interest in, such corporation, unless the Company otherwise directs at the time of his appointment. The Director may exercise the voting power conferred by the shares or other interest in any such other corporation held or owned by the Company, or exercisable by them as Directors of such other corporation in such manner and in all respects as they think fit (including the exercise thereof in favour of any resolution appointing themselves or any of them Directors or other officers of such corporation) and any Director may vote in favour of the exercise of such voting rights in manner aforesaid, notwithstanding that he may be, or is about to be appointed a Director or other officer of such corporation and as such is or may become interested in the exercise of such voting rights in manner aforesaid provided always that he has complied with Section 221 and all other relevant provisions of the Act and of this Constitution.

Directors' Circular Resolutions

135. A resolution in writing signed or approved by a majority of the Directors and who are sufficient to form a quorum, shall be as valid and effectual as if it had been passed at a meeting of the Directors duly called and constituted; provided that where a Director is not so present but has an alternate who is so present, then such resolution shall also be signed by such alternate. All such resolutions shall be described as "Directors' Circular Resolutions" and shall be forwarded or otherwise delivered to the Secretary without delay, and shall be recorded by him in the Company's minutes book. Any such resolution may consist of several documents in like form, each signed by one or more Directors or their alternates, or one or more written instruments (including faxes) or one or more electronic communications or a combination of them (provided that such written instrument and electronic communication (if more than one) is to the same effect). The expressions "in writing" or "signed" include approval by legible confirmed transmission by facsimile or other forms of electronic communications.

Committees established and Persons appointed by the Board

136. The Board may establish any committees, local boards or agencies comprising one (1) or more persons for managing any of the affairs of the Company, either in Malaysia or elsewhere, and may lay down, vary or annul such rules and regulations as it may think fit for the conduct of the business thereof and may appoint any person or persons to be the member or members of any such committee or local board or agency and may fix their remuneration and may delegate to any such committee or local board or agency any of the powers, authorities and discretions vested in the Board, with power to sub-delegate and may authorise the member or members of any such committee or local board or agency or any of them, to fill any vacancies therein and to act notwithstanding vacancies and any such appointment or delegation may be made upon such terms and subject to such conditions as the Board may think fit and the Board may remove any person or persons so appointed and may annul or vary any such delegation, but no person or persons dealing in good faith and without notice of any such annulment or variation shall be affected thereby.

137. The Board may also appoint any person(s) for managing any of the affairs of the Company, either in Malaysia or elsewhere, and may lay down, vary or annul such rules and regulations as it may think fit for the conduct of the business thereof and may fix his or their remuneration and may delegate to any such person(s) any of the powers, authorities and discretions vested in the Board, with power to sub-delegate and any such appointment or delegation may be made upon such terms and subject to such conditions as the Board may think fit and the Board may remove any person or persons so appointed and may annul or vary any such delegation, but no person or persons dealing in good faith and without notice of any such annulment or variation shall be affected thereby.

138. (1) The meetings and proceedings of any such committee shall be determined by the Directors.

(2) A resolution in writing signed or approved by a majority of the members of a committee constituted under this Constitution and who are sufficient to form a quorum, shall be as valid and effectual as if it had been passed at a meeting of the meeting of that committee duly called and constituted; All such resolutions shall be forwarded or otherwise delivered to the Secretary without delay, and shall be recorded by him in the Company's minutes book. Any such resolution may consist of several documents in like form, each signed by one or more written instruments (including faxes) or one or more electronic communications or a combination of them (provided that such written instrument and electronic communication (if more than one) is to the same effect).

Validation of Acts

139. All acts done by any meeting of the Directors or a committee established by the Board or by any person(s) appointed by the Board pursuant to Paragraphs 136 and 137 hereof or by any person acting as a Director shall notwithstanding that it is afterwards discovered that there are some defects in the appointment of any such Director or person acting as aforesaid or that they or any of them were disqualified, be as valid as if every such person had been duly appointed and was qualified to be a Director.

Managing directors and Deputy Managing Directors

140. (1) The Directors may from time to time appoint any one or more of their body to any executive office including:-
   (a) Chief executive / Managing Director; and/or
   (b) Deputy Managing Director.

(2) A Chief Executive / Managing Director or a Deputy Managing Director shall while he continues to hold that office, be subject to retirement by rotation and shall be reckoned as a Director for the purpose of determining the rotation or retirement of Directors or in fixing the number of Directors to retire. Any such appointment shall be for such period not exceeding three (3) years subject to reappointment and on such terms as they think fit, and may vest in such Chief Executive / Managing Director and/or Deputy Managing Director as may be appointed by them such of the powers hereby vested in the Directors generally as they may think fit. The Chief Executive / Managing Director and the Deputy Managing Director shall be subject to the control of the Board.

(3) A director appointed under paragraph (1) shall, subject to provision of any contract between him and the Company, while holding the office of Chief Executive / Managing Director and/or Deputy Managing Director, subject to retirement by rotation or to be taken into account in determining the rotation of retirement of directors, resignation and/or removal as the other Directors of the Company.

141. The remuneration of the Chief Executive / Managing Director and the Deputy Managing Director may subject to the terms of any agreement entered into in any particular case, be by way of salary or commission or participation in profits or otherwise or by any or all of these modes but such remuneration shall not include a commission on or percentage of turnover but it may be a term of their appointment that they may receive pension, gratuity or other benefits upon their retirement.

Secretary

142. The Secretary shall, in accordance with the Act, be appointed by the Board for such term, at such remuneration, and upon such conditions as the Board thinks fit and any Secretary so appointed may be removed by them but without prejudice to any claim he or they may have for damages for breach of any contract of service with the Company. The Board may from time to time by resolution appoint a temporary substitute for the Secretary who shall be deemed to be the Secretary during the term of his appointment.

Seal

143. The Board shall provide for the safe custody of the Seal, which shall only be used pursuant to a resolution of the Directors, or a committee of the Directors authorised to use the Seal. The Board may from time to time (subject to the provisions of Paragraph 64 hereof in relation to share and debenture stock certificates and debentures) make such regulations as they think fit determining the persons and the number of such persons in whose presence the Seal shall be affixed and, until otherwise so determined, every instrument to which the Seal shall be affixed shall (subject to Paragraph 64) be signed by a Director and by the Secretary or by a second Director or by some other person appointed by the Directors for the purpose PROVIDED ALWAYS that no person dealing with the Company shall be concerned to see or enquire as to whether any regulations so made have been complied with.

144. The Company may also have a share seal pursuant to Section 63 of the Act. The share seal is an exact copy of the Seal with the addition on its face of the words "Share Seal" which is specifically used for affixing onto certificates that may be issued by the Company for any share, stock, loan stock, debentures or other marketable security relating to all aforesaid created or issued or dealt with or marketed or sold by the Company, and the affixing of the Share Seal shall be authenticated in the manner set out in Paragraph 143 hereof.

145. The Company or the Board on behalf of the Company may exercise the powers conferred by the provisions of the Act with regard to having an official seal for use abroad and the powers conferred by the provisions of the Act with regard to the keeping of a branch register.

Dividends and Reserves

146. (1) The Company may make a distribution of dividends to the Members out of profits of the Company available if the Company is solvent, but no dividend shall exceed the amount as authorised by the Board. The profits of the Company available for dividend and determined to be distributed shall be applied in the payment of dividends to the Members in accordance with their respective rights and priorities.

(2) The Board may authorise a distribution at such time and in such amount as the Board considers appropriate, if the Board is satisfied that the Company will be solvent immediately after the distribution is made. The Company is regarded as solvent if the Company is able to pay its debts as and when the debts become due within twelve (12) months immediately after the distribution is made.

147. The Board may, before authorising any distribution of dividend, set aside out of the profits of the Company such sums as it thinks proper as reserve fund which shall be applied by the Board in its absolute discretion as it thinks conducive to the interest of the Company and pending any such application may, at the like discretion, either be employed in the business of the Company or be invested in such investments as the Board may from time to time think fit and may from time to time vary or realise such investments and dispose of all or any part thereof for the benefit of the Company, may divide any reserve fund into such special funds as it thinks fit, with all power to employ the assets constituting the reserve fund in the business of the Company and without being bound, keep the same separate from the other assets. The Board may also without placing the same to reserve carry forward any profits of which it may think prudent not to divide.

148. Subject to the rights of persons, if any, entitled to shares with special rights as to dividend, all dividends shall be declared and paid according to the amounts paid or credited as paid on the shares in respect whereof the dividend is paid, but no amount paid or credited as paid on a share in advance of call shall be treated for the purposes of this Paragraph as paid on the share. All dividends shall be apportioned and paid proportionately to the amounts paid or credited as paid on the shares during any portion or portions of the period in respect of which the dividend is paid, but if any share is issued on terms providing that it shall rank for dividend as from a particular date that share shall rank for dividend accordingly.

149. (1) The Board may deduct from any dividend payable to any Member all sums of money, if any, presently payable by him to the Company on account of calls or otherwise in relation to the shares of the Company.

(2) The Board may retain the dividends payable upon shares in respect of which any person is under the provision as to the transmission of shares herein before contained entitled to become a Member or which any person is under those provisions entitled to transfer, until such person shall become a Member in respect of such shares or shall transfer the same.

(3) The Board may retain any dividend or other moneys payable on or in respect of a share other than fully paid shares on which the Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists.

(4) A transfer of shares shall not pass the right to any dividend declared on such shares before the registration of the transfer provided that any dividend declared on Deposited Security shall accrue to the Depositors whose names appear on the Record of Depositors issued to the Company or the Company's Registrar pursuant to the Rules.

150. The receipt of a single person appearing in the Register to be the holder of any shares shall be a sufficient discharge to the Company for any dividend or other moneys payable in respect of such shares.

151. All dividends unclaimed for one (1) year, subject to the Unclaimed Moneys Act 1965 after having been declared may be dealt with in accordance with the provisions of the Unclaimed Moneys Act 1965.

152. The Board in authorising a distribution of dividends may direct payment of such dividends wholly or partly by the distribution of specific assets and in particular of paid up shares, debentures or debenture stock of any other company or in any one or more of such ways and where any difficulty arises in regard to payment of such distribution, the Board may settle the same as it thinks expedient and fix the value for distribution of such specific assets or any part thereof and may determine that cash payments shall be made to any Members upon the footing of the value so fixed in order to adjust the rights of all parties and may vest any such specific assets in trustees as may seem expedient to the Board.

153. Any dividend, interest or other money payable in cash in respect of shares may be paid by cheque or warrant sent through the post directed to the registered address of the holder who is named on the Register or to such person and to such address as the holder may in writing direct or by way of telegraphic transfer or electronic transfer or remittance to such account as designated by such holder or the person entitled to such payment. Every such cheque or warrant or telegraphic transfer or electronic transfer or remittance shall be made payable to the order of the person to whom it is sent and the payment of any such cheque or warrant or telegraphic transfer or electronic transfer or remittance shall operate as a good and full discharge to the Company in respect of the payment represented thereby, notwithstanding that in the case of payment by cheque or warrant, it may subsequently appear that the same has been stolen or that the endorsement thereon has been forged. Every such cheque or warrant or telegraphic transfer or electronic transfer or remittance shall be sent at the risk of the person entitled to the money thereby represented.

Capitalisation of profits

154. The Company in general meeting may upon the recommendation of the Board resolve that it is desirable to capitalise any part of the amount for the time being standing to the credit of any of the Company's reserve accounts or to the credit of the profit and loss account or otherwise available for distribution and accordingly that such sum be set free for distribution amongst the Members who would have been entitled thereto if distributed by way of dividend and in the same proportions on condition that the same be not paid in cash but be applied either in or towards paying up any amounts for the time being unpaid on any shares held by such Members respectively or paying up in full unissued shares or debentures of the Company to be allotted and distributed, credited as fully paid up to and amongst such Members in the proportion aforesaid or partly in the one way and partly in the other and the Board shall give effect to such resolution.

155. Whenever such a resolution as aforesaid in Paragraph 154 hereof shall have been passed, the Board shall make all appropriations and applications of the undivided profits resolved to be capitalised thereby and all allotments and issues of fully paid up shares or debentures, if any, and generally shall do all acts and things required to give effect thereto, with full power to the Board to make such provision by the issue of fractional certificates or by payment in cash in discharging debentures of the Company or otherwise as it thinks fit for the case of shares or debentures becoming distributable in fractions and also to authorise any person to enter on behalf of all the Members entitled thereto into an agreement with the Company providing for the allotment to them respectively, credited as fully paid up, of any further shares or debentures to which they may be entitled upon such capitalisation or (as the case may require) for payment by the Company on their behalf, by the application thereto of their respective proportions of the profits of the amounts remaining unpaid on their existing shares and any agreement made under such authority shall be effective and binding on all such Members.

Financial statements

156. (1) The Board and managers of the Company shall cause to be kept the accounting and other records to sufficiently explain the transaction and financial position of the Company including its subsidiaries and enable a true and fair profit and loss accounts and balance sheet and any documents required to be attached thereto to be prepared in accordance with the Applicable Laws and shall distribute copies of balance sheets and other documents as required under the Applicable Laws.

(2) The Board shall from time to time determine whether or not and to what extent and at what times and place and under what conditions or regulations the books of accounting and other records of the Company or any of them shall be open to the inspection of Members not being Directors, and no Member (not being a Director) shall have any right of inspecting any account or book or paper of the Company except as conferred by statute or authorised by the Board or by the Company in a meeting of Members. Subject always to Sections 245(5) and (6) of the Act, the books of accounting and records of operations as aforesaid shall be kept at the Office or at such other place as the Board thinks fit and shall always be open to inspection by the Directors.

157. (1) The Board shall cause to be prepared, sent to every Member and laid before the Company in its annual general meeting the audited financial statements and directors' report in accordance with the Act. The interval between the close of a financial year of the Company and the issue of the audited financial statements, the Directors' and Auditors' reports shall not exceed four (4) months or such other time frame in accordance with the Listing Requirements and or applicable laws as may be enforced from time to time, whichever is earlier.

(2) A copy of each the audited financial statements, the Directors' and Auditors' reports either in printed form or in compact disc read-only memory (CD-ROM) form or in such other electronic form permitted under the Listing Requirements of any combination thereof shall, not less than twenty-one (21) days (or such other shorter period as may be agreed by all Members entitled to attend and vote at the meeting) before the date of the annual general meeting, be sent to every Member of, and to every holder of debentures of the Company under the provisions of the Act or of this Constitution. In the event these documents are sent in CD-ROM form or in such other form of electronic media, and a Member requires the printed form, the Company shall send the printed form of such documents to the Member within four (4) Market Days (or such other period as may be prescribed by Bursa Securities) from the date of the Member's request, provided that this Paragraph shall not require a copy of these documents to be sent to any person of whose address the Company is not aware.

158. Save as may be necessary for complying with the provisions of the Act or as the Company may by special resolution otherwise resolve, the Board shall not be bound to publish any list or particulars of the securities or investments held by the Company or to give any information with reference to the same to any Member.

Audit

159. The Auditors shall be appointed for each financial year by ordinary resolution at the annual general meeting of the Company in accordance with Section 271 of the Act.

160. The Auditors shall attend every annual general meeting where the financial statements of the Company are to be laid, so as to respond according to his knowledge and ability to any question relevant to the audit of the financial statements in accordance with Section 285 of the Act.

Language

161. Where any financial statements, minute books or other records required to be kept by the Act are not kept in Bahasa Malaysia or the English language, the Board shall cause a true translation of such financial statements, minute books and other records to be made from time to time at intervals of not more than seven (7) days and shall cause such translation to be kept with the original financial statements, minute books and other records for so long as the original financial statements, minute books and other records are required to be kept by the Act.

Destruction of Documents

162. The Company shall be entitled to destroy all instruments of transfer which shall have been registered at any time after a reasonable time from the date of registration thereof, and all share certificates and dividend mandates which have been cancelled or have ceased to have effect at any time after the expiration of one (1) year from the date of cancellation or cessation thereof, and all notifications of change of name or address after the expiration of one (1) year from the date they were recorded, and in favour of the Company it shall conclusively be presumed that every entry in the register which purports to have been made on the basis of an instrument of transfer or other document so destroyed was duly and properly made and every share certificate so destroyed was a valid certificate duly and properly cancelled and every other document hereinbefore mentioned so destroyed was a valid and effective document in accordance with the recorded particulars thereof in the books or records of the Company provided that:-

(a) the foregoing provisions of this Paragraph shall apply only to the destruction of a document in good faith and without express notice that the preservation of such document was relevant to a claim;

162. (b) nothing contained in this Paragraph shall be construed as imposing upon the Company any liability in respect of the destruction of any such document earlier than as aforesaid or in any other circumstances which would not attach to the Company but for the provisions of this Paragraph; and

(c) reference in this Paragraph to the destruction of any document include references to its disposal in any manner.

Authentication of Documents

163. Any Director or the Secretary or any person appointed by the Directors for the purpose shall have power to authenticate any documents affecting the constitution of the Company and any resolution passed by the Company or the Directors, and any books, records, documents and financial statements relating to the business of the Company, and to certify copies thereof or extracts therefrom as true copies or extracts; and, where any books, records, documents or financial statements are kept elsewhere other than in the Office, the local manager or other officer of the Company having the custody thereof shall be deemed to be a person appointed by the Directors as aforesaid.

164. A documents purporting to be a copy of a resolution of the Board or an extract from the minutes of a meeting of the Directors which is certified as such in accordance with Paragraph 163 hereof shall be conclusive evidence in favour of all persons dealing with the Company upon the faith thereof that such resolution has been duly passed or, as the case may be, that such extract is a true and accurate record of a duly constituted meeting of the Board.

Notices

165. Any notice or document required to be sent to Members may be given by the Company or the Secretary to any Member:-

(a) in hard copy, either personally or sent by post to him in a prepaid letter addressed to him at his last known address;

(b) in electronic form, and sent by the following electronic means:-
(i) transmitting to his last known electronic mail address; or
(ii) publishing the notice or document on the Company's website provided that a notification of the publication of the notice or document on the website via hard copy or electronic mail or short messaging service has been given in accordance with Section 320 of the Act and the Listing Requirements; or
(iii) using any other electronic platform maintained by the Company or third parties that can host the information in a secure manner for access by Members provided that a notification of the publication or availability of the notice or document on the electronic platform via hard copy or electronic mail or short messaging service has been given to them accordingly.

166. Any notice or document shall be deemed to have been served by the Company to a Member:-

(a) Where the notice or document is sent in hard copy by post, on the day the prepaid letter, envelope or wrapper containing such notice or document is posted.

In providing service by post, a letter from the Secretary certifying that the letter, envelope or wrapper containing the notice or document was addressed and posted to the Member shall be sufficient to prove that the letter, envelope or wrapper was so addressed and posted.

(b) Where the notice or document is sent by electronic means:-
(i) via electronic mail, at the time of transmission to a Member's electronic mail address pursuant to Paragraph 165(b)(i), provided that the Company has record of the electronic mail being sent and that no written notification of delivery failure is received by the Company;
(ii) via publication on the Company's website, on the date the notice or document is first made available on the Company's website provided that the notification on the publication of notice or document on website has been given pursuant to Paragraph 165(b)(ii); or

166. (b) (iii) via electronic platform maintained by the Company or third parties, on the date the notice or document is first made available thereon provided that the notification on the publication or availability of the notice or document on the relevant electronic platform has been given pursuant to Paragraph 165(b)(iii).

In the event that service of a notice or document pursuant to Paragraph 166(b) is unsuccessful, the Company must, within two (2) market days from discovery of delivery failure, make alternative arrangements for service by serving the notice or document in hard copy in accordance with Paragraph 165(a) hereof.

167. A Member's address, electronic mail address and any other contact details provided to the Company and/or Bursa Depository shall be deemed as the last known address, electronic mail address and contact details respectively for purposes of communication including but not limited to service of notices and/or documents to the Member.

168. A notice and/or document required to be sent to Members may be given by the Company to the persons entitled to a share in consequence of the death or bankruptcy of a Member by sending it through representatives of the deceased or assignee of the bankrupt or by any like description, at his last known address, in any manner in which the same might have been served if the death or bankruptcy has not occurred. Every person who by operation of law, transfer, transmission or other means whatsoever shall become entitled to any share, shall be bound by every notice and/or document in respect of such share which, prior to his name and/or address being entered in the Register as the registered holder of such share have been duly given to the person from whom he derives the title to such share.

169. (1) Notice of every meeting of Members shall be given in any manner hereinbefore specified to:-

(i) every Member;
(ii) every person entitled to a share in consequence of the death or bankruptcy of a Member who but for his death or bankruptcy would be entitled to receive notice of the meeting;
(iii) the Auditors of the Company; and
(iv) the Directors of the Company.

(2) All notices served for and on behalf of the Company or the Directors shall only be effectual if it bears the name of a Director or the Secretary or a duly authorised officer of the Company and which are issued by order of the Board pursuant to a resolution duly passed by the Directors.

170. Any notice and/or document required by a court of law or otherwise required or allowed to be given by the Company to the Members or any of them, and not expressly provided for by this Constitution or which cannot for any reason be served in the manner referred to in Paragraphs 165 and 166 hereof, shall be sufficiently given if given by advertisement, and any notice and/or document required to be or which may be given by advertisement, shall be deemed to be duly advertised once advertised in a widely circulated newspaper in Malaysia in the national language and in a widely circulated newspaper in Malaysia in the English language.

Winding up

171. If the Company is wound up (whether the liquidation is voluntary, under supervision, or by the court), the liquidator may after the payment or satisfaction of all liabilities of the Company including preferred payments under the Act, with the sanction of a special resolution of the Company divide amongst the Members in kind the whole or any part of the assets of the Company (whether they consist of property of the same kind or not) and may for that purpose set such value as he deems fair upon any property to be divided as aforesaid and may determine how the division shall be carried out as between the Members or different classes of Members. The liquidator may, with the like sanction, vest the whole or any part of any such assets in trustees upon such trusts for the benefit of the contributories as the liquidator, with the like sanction, think fit, but so that no Member shall be compelled to accept any shares or other securities whereon there is any liability.

172. Save that this Paragraph shall be without prejudice to the rights of holders of shares issued upon special terms and conditions the following provisions shall apply:-

(a) If the Company shall be wound up and the assets available for distribution among the Members as such shall be insufficient to repay the whole of the paid up capital such assets shall be distributed so that as nearly as may be the losses shall be borne by the Members in proportion to the capital paid up or which ought to have been paid up at the commencement of the winding up, on the shares held by them respectively.

(b) If in the winding up the assets available for distribution among the Members shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed among the Members in proportion to the capital paid up, at the commencement of the winding up, on the shares held by them respectively.

(c) If the Company shall be wound up and the assets distributed, the holders of preference shares shall be entitled to the return of capital in preference to holders of ordinary shares.

173. On the voluntary liquidation of the Company, no commission or fee shall be paid to the liquidator unless it shall have been approved by Members. The amount of such payment shall be notified to all Members at least seven (7) days prior to the meeting at which it is to be considered.

Secrecy Clause

174. Save as may be provided by the Act, no Member shall be entitled to enter into or upon or inspect any premises or property of the Company nor to require discovery of any information respecting any detail of the Company's trading, manufacturing or any matter which is or may be in the nature of a trade secret or secret process which may relate to the conduct of the business of the Company and which in the opinion of the Directors, it would be inexpedient in the interest of the Members of the Company to communicate to the public.

Indemnity

175. Subject to the provisions of the Act, every Director, Managing Director, agent, auditor, Secretary and other officer for the time being of the Company shall be indemnified out of the assets of the Company against any liability incurred by him in defending any proceedings, whether civil or criminal, in which judgement is given in his favour or in which he is acquitted or in connection with any application under the Act in which relief is granted to him by the Court in respect of any negligence, default, breach of duty or breach of trust applicable to his duties to the Company.

Reconstruction

176. On the sale of the undertaking of the Company, the Board or the liquidators on a winding up may, if authorised by a special resolution, accept fully paid or partly paid-up shares, debentures or securities of any other company, either incorporated in Malaysia or not, either then existing or to be formed for the purchase in whole or in part of the property of the Company, and the Board (if the profits of the Company permit), or the liquidators (on a winding up), may distribute such shares or securities, or any property of the Company amongst the Members without realisation, or vest the same in trust for them and any special resolution may provide for the distribution or appropriation of the cash, shares or other securities, benefits or property, otherwise than in accordance with the strict legal rights of the Members or contributories of the Company, and for valuation of any such securities or property at such price and in such manner as the meeting may approve, and all holders of shares shall be bound to accept and shall be bound by any valuation or distribution so authorised, and waive all rights in relation thereto, save only in the case of the Company which is proposed to be or is in the course of being wound up, such statutory rights (if any) under Section 457 of the Act as are incapable of being varied or excluded by this Constitution. In case any of the shares to be divided as aforesaid involves a liability to calls or otherwise any person entitled to such division to any of the said shares may, within ten (10) days after the passing of the special resolution, by notice in writing, direct the Board or the liquidator to sell his proportion and pay him the net proceeds and the Board or the liquidator shall, if practicable, act accordingly.

Compliance with Statutes, Regulations and Rules

177. The Company shall comply with the provisions of the relevant governing statutes, regulations and rules as may be amended, modified or varied from time to time or any other directive or requirement imposed by the Bursa Securities, the Bursa Depository and other appropriate authorities, to the extent required by law, notwithstanding any provision in this Constitution to the contrary.

Effects of the Listing Requirements

178. (1) Notwithstanding anything contained in this Constitution, if the Listing Requirements prohibit an act being done, the act shall not be done.

(2) Nothing contained in this Constitution prevents an act being done that the Listing Requirements require to be done.

(3) If the Listing Requirements require an act to be done or not to be done, authority is given for that act to be done or not to be done (as the case may be).

(4) If the Listing Requirements require this Constitution to contain a provision and it does contain such a provision, this Constitution is deemed to contain that provision.

(5) If the Listing Requirements require this Constitution not to contain a provision and it contains such a provision, this Constitution is deemed not to contain that provision.

(6) If any provision of this Constitution is or becomes inconsistent with the Listing Requirements, this Constitution is deemed not to contain that provision to the extent of the inconsistency.

General

179. The Company may from time to time without the consent or sanction of the shareholders make modifications to this Constitution which is in the opinion of the Company is not materially prejudicial to the interest of the shareholders or is to correct a manifest error or to comply with mandatory provisions of the applicable laws of Malaysia and the relevant regulations.