MILUX CORPORATION BERHAD

[199401027937 (313619-W)]

2019 ANNUAL REPORT

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Datuk Dr. Wong Lai Sum
Independent Non-Executive Chairman
(appointed w.e.f. 5 July 2019)

Datuk Wira Ling Kah Chok
Executive Vice Chairman
(appointed w.e.f. 5 July 2019)

Datuk Khoo Teck Kee
Group Managing Director
(appointed w.e.f. 5 July 2019)

Tan Chee How
Executive Director

Ho Pui Hold
Independent Non-Executive Director

Datuk Haw Chin Teck
Independent Non-Executive Director
(appointed w.e.f. 5 July 2019)

Datuk Yap Kheng Fah
Independent Non-Executive Director
(appointed w.e.f. 5 July 2019)

Gan Boon Lay
Non-Independent Non-Executive Director
(appointed w.e.f. 5 July 2019)

Yee Carine
Non-Independent Non-Executive Director
(appointed w.e.f. 5 July 2019)

Teh Sok Hoon
Non-Independent Non-Executive Director
(appointed w.e.f. 5 July 2019)

Haji Mohd Anuar Bin Haji Mohd Hanadzlah
Independent Non-Executive Chairman
(resigned w.e.f. 5 July 2019)

Koh Pee Seng
Group Managing Director
(resigned w.e.f. 5 July 2019)

Ng Tek Che
Executive Director
(resigned w.e.f. 5 July 2019)

Dato' Mohamed Salleh Bin Bajuri
Independent Non-Executive Director
(resigned w.e.f. 5 July 2019)

Ang Joo Seng
Non-Independent Non-Executive Director
(retired w.e.f. 17 June 2019)

Chua Seong Seng
Non-Independent Non-Executive Director
(retired w.e.f. 17 June 2019)

Yap Seng Siang
Non-Independent Non-Executive Director
(retired w.e.f. 17 June 2019)

AUDIT AND RISK COMMITTEE

Ho Pui Hold - Chairman
Independent Non-Executive Director

Datuk Haw Chin Teck - Member
Independent Non-Executive Director
(appointed w.e.f. 5 July 2019)

Datuk Yap Kheng Fah - Member
Independent Non-Executive Director
(appointed w.e.f. 5 July 2019)

Ang Joo Seng - Member
Non-Independent Non-Executive Director
(ceased w.e.f. 17 June 2019)

Haji Mohd Anuar Bin Haji Mohd Hanadzlah – Member
Independent Non-Executive Chairman
(ceased w.e.f. 5 July 2019)

NOMINATION AND REMUNERATION COMMITTEE

Datuk Haw Chin Teck - Chairman
Independent Non-Executive Director
(appointed w.e.f. 5 July 2019)

Datuk Dr. Wong Lai Sum - Member
Independent Non-Executive Chairman
(appointed w.e.f. 5 July 2019)

Ho Pui Hold - Member
Independent Non-Executive Director

Ang Joo Seng - Member
Non-Independent Non-Executive Director
(ceased w.e.f. 17 June 2019)

Haji Mohd Anuar Bin Haji Mohd Hanadzlah – Chairman
Independent Non-Executive Chairman
(ceased w.e.f. 5 July 2019)

COMPANY SECRETARIES

Chua Siew Chuan (MAICSA 0777689)
(SSM PC NO. 201908002648)

Cheng Chia Ping (MAICSA 1032514)
(SSM PC NO. 202008000730)

REGISTERED OFFICE

Level 7, Menara Milenium,
Jalan Damanlela,
Pusat Bandar Damansara,
Damansara Heights,
50490 Kuala Lumpur
Tel : 03 – 2084 9000
Fax : 03 – 2094 9940

PRINCIPAL PLACE OF BUSINESS

No. 31, Lorong Jala 14/KS10,
Off Jalan Telok Gong,
42000 Pelabuhan Klang,
Selangor Darul Ehsan
Tel : 03 – 3134 1254
Fax : 03 – 3134 1193

SHARE REGISTRAR

Boardroom Share Registrars Sdn. Bhd.
[199601006647 (378993-D)]
11th Floor, Menara Symphony,
No. 5, Jalan Prof. Khoo Kay Kim,
Seksyen 13,
46200 Petaling Jaya,
Selangor Darul Ehsan
Tel : 03 – 7890 4700
Fax : 03 – 7890 4670

BANKERS

AmBank (M) Berhad
Malayan Banking Berhad
United Overseas Bank (Malaysia) Berhad
CIMB Bank Berhad

AUDITORS

CAS Malaysia PLT
(LLP0009918-LCA) & (AF1476)
Chartered Accountants
B-5-1, IOI Boulevard,
Jalan Kenari 5,
Bandar Puchong Jaya,
47170 Puchong,
Selangor Darul Ehsan
Tel : 03 – 8075 2300
Fax : 03 – 8600 5463

STOCK EXCHANGE LISTING

Main Market
Bursa Malaysia Securities Berhad

Stock Code : 7935
Stock Name : Milux

CORPORATE WEBSITE

www.milux.com.my

CORPORATE STRUCTURE

MILUX CORPORATION BERHAD
Holding Company

Subsidiaries of Milux Corporation Berhad

- 100% — **T.H. Hin Sdn. Bhd.**
  Dealer in gas cookers, electrical household appliances and their related products
- 100% — **T.H. Hin Home Tech Sdn. Bhd.**
  Manufacturing of gas cookers, electrical household appliances and their related products
- 100% — **Brightyield Sdn. Bhd.**
  Manufacturing of gas cookers component parts and their related products
- 100% — **Enamel Products Sdn. Bhd.**
  Manufacturing of enamel products
- 100% — **Milux Sales & Service Sdn. Bhd.**
  Dealer in gas cookers, electrical household appliances and their related products
- 100% — **Eurobay Industries Sdn. Bhd.**
  Manufacturing and supplying of home electrical appliances
- 100% — **Milux International Sdn. Bhd.**
  Investment holding
- 100% — **Pansprint Consolidated Sdn. Bhd.**
  Construction of buildings (Inactive)
- 100% — **Milux GreenTech Resources Sdn. Bhd.**
  Carry out the business of agriculture farming, poultry farming, animal husbandry and related plantations and crop activities (Inactive)
- 100% — **Milux Properties Sdn. Bhd.**
  Engage in the business of acquiring land and building, to undertake the business of property development and other management consultant activities (Inactive)
- 99% — **Milux Home Appliances (India) Private Limited**
  Within process of striking off

Joint Venture Company

- 60% — **Phoenix Pentagon Sdn. Bhd.**
  Project management and advisory services (Ceased operation)

Subsidiary of T.H. Hin Sdn. Bhd.

- 100% — ***Milux Industry (Zhong Shan) Co. Ltd.***
  Ceased operation

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW OF THE GROUP'S BUSINESS AND OPERATION

Our Group is principally involved in the manufacturing of gas appliances, assembly of instant water heaters and gas regulators and the trading of gas and electrical home appliances. Our operations are carried out at four (4) locations of which two (2) are located in Prai, Penang, one (1) in Klang, Selangor Darul Ehsan and a sales office in Johor Bahru, Johor Darul Takzim.

Our Group's vision is to be a market leader in the manufacturing of gas cookers and distribution of gas and home electrical appliances through a continuous process of product innovation, stringent quality standards, competitive pricing strategy and excellent customer service.

Manufacturing segment

The Group's manufacturing segment acts as an Original Equipment Manufacturer ("**OEM**") of gas cookers and related appliances for both local and overseas customers. Among its products are gas cookers, cooker hobs and cooker hoods. In addition to being an OEM, it also manufactures gas cookers, cooker hobs and cooker hoods under the Group's MILUX brand which are distributed by the Group's trading division. The operation is carried out at the Group's own factory in Prai, Penang. 49% (2018 – 53%) of the output for this segment was for the export market with the remaining 51% (2018 – 47%) for the local market. The key export countries and their respective contribution to revenue for financial year 2019 are Vietnam (61%), Indonesia (9%) Cambodia (8%), Thailand (7%), Sri Langka (7%), and Nepal (3%). Other export destinations include Kuwait, Oman, Philippines, United Arab Emirates, Singapore and Hong Kong.

For the financial year under review, the Group's manufacturing segment contributed RM20.32 million to the Group's revenue compared to RM30.41 million in the preceding year. Of this, RM10.41 million were from export sales compared to RM16.07 million in the preceding year. The decrease in export sales was mainly due to lower demand from its customer across all the countries except for Vietnam, Cambodia and Sri Langka. Meanwhile, local OEM sales decreased to RM9.91 million from RM14.34 million in the preceding year. This segment recorded a loss before tax ("**LBT**") of RM2.12 million compared to LBT of RM1.0 million in the preceding year. With the decline in sales, production volume and capacity utilisation fell resulting in this segment recording a higher LBT during the financial year under review.

The year ahead will be challenging for this segment in view of the impending slowdown in the world economy as a result of the Coronavirus pandemic and the yet to be resolved trade war. Production volume and capacity utilisation is expected to remain low in the first half of the year.

The Management has initiated cost containment measures to ensure costs commensurate with the level of production activity. However, we will ensure that we do not sacrifice on our product quality and will continue to ensure timely delivery of our products and constantly improve our after sales service as expected of us by our customers. Measures including higher frequency of visits to overseas customers to increase sales will also be carried out.

Trading segment

The Group's trading segment is housed in two (2) rented offices cum warehouse in Klang, Selangor Darul Ehsan with a sales & service center each in Prai, Penang and Johor Bahru, Johor. This segment is involved in the distribution of gas and home electrical appliances to the local market under the MILUX and MILLE brand. During the year, the trading segment introduced a third brand, "EXENTIAL" to the local market. Among the gas products distributed are cast iron stoves, gas canisters, gas cookers, gas cooker hobs, and cooker hoods, gas rice cookers and gas regulators. The home electrical appliances are segmented into small electrical appliances, fans and water heaters. The small electrical appliances include among others electric oven, blender, multi cooker, food steamer, thermo pot, stand mixer, induction cooker, food processor, rice cooker, hair dryer, coffee maker, air cooler and iron while fans include ceiling fan, table fan, stand fan, wall fan, floor fan and industrial fan.

The gas product is the major contributor to this segment's revenue at 46% (2018 – 40%) followed by home electrical appliance at 41% (2018 - 45%), fan at 11% (2018 - 12%) and water heater and others at 2% (2018 - 3%).

For the financial year under review, this segment contributed RM42.21 million to the Group's revenue which was 11% lower compared to RM47.24 million in the preceding year. The decline in revenue was due to heightened competition in a slower domestic economy and the lack of new product launches during the year compared to that of the previous year.

This segment recorded a LBT of RM1.06 million compared to a PBT of RM0.17 million in the preceding financial year. The loss incurred was mainly due to lower revenue registered.

Trading segment (cont'd)

Going forward, the trading segment will introduce a range of new products in the current financial year to increase its sales. It has just launched MILUX brand of chest freezers and are in the process of launching MILUX range of ventilation fan and washing machine. Plans are afoot to refresh its current range of rice cookers during the year. The main focus of this segment is to continue to ensure that its product range and mix remain competitive both in design, quality and pricing to meet market requirement which is very important if the segment is to remain relevant in this competitive business. It will continue to work towards building up and solidifying its relationships with chain store and hypermarkets as it currently relies mainly on a network of independent dealers throughout Peninsular and East Malaysia to retail its products.

Assembly segment

The Group's assembly segment is involved in the assembly of gas regulator and instant water heater. These two products are wholly distributed by the Group's trading segment. The instant water heaters are assembled in the Group's factory in Prai, Penang while the gas regulators are assembled in Klang, Selangor Darul Ehsan. This segment had registered losses in the past years due to lack of economy of scale. Arising from actions taken to downsize its operation to a more sustainable level in the previous years, the water heater assembly operation which returned to profitability in the previous financial year remained profitable during the financial year under review. However, the gas regulator assembly operation remained loss-making and management has taken steps to wind down the assembly of gas regulator and concentrate on providing packing services to the trading operation in the current financial year.

For the financial year under review, this segment registered a LBT of RM0.47 million compared to a LBT of RM0.51 million in the preceding year. An amount of RM0.15 million of impairment was made on property, plant and equipment for this segment during the financial year.

Project management segment

On 7 September 2016, the Group completed the subscription of 60% of the shares in a joint-venture company for the purpose of providing project management services in relation to a project which entails the development of residential property on a piece of land known as Pentagon Genting Highlands. This new business segment which the Group had diversified into has not generated any revenue up to the end of the financial year under review due to the delayed commencement of the development of the said residential property. On 26 November 2019, the Board of Directors of the company have announced to Bursa Securities of the Revocation of the Joint Venture cum Shareholders' Agreement and that the Joint Venture Company, Phoenix Pentagon Sdn Bhd will undergo a members' voluntary winding up. The LBT for this joint venture for the financial year under review amounted to RM0.0013 million compared to a LBT of RM0.004 million in the preceding year.

Segment "Others"

This segment consists most notably of the Company which is an investment holding company providing management services to its subsidiaries. It also includes dormant companies in the Group with no operating revenue. This segment registered a LBT of RM1.12 million compared to RM0.51 million in the preceding year. The higher loss is mainly due to professional fees incurred by the Company for corporate exercises undertaken during the financial year under review. Costs incurred for the dormant companies are restricted to those required to comply with statutory requirements.

Review of financial results and financial condition

The Group's revenue for financial year ended 31 December 2019 of RM62.53 million recorded a decrease of RM15.12 million or 19.5% over the preceding year's revenue of RM77.65 million. The lower revenue in the current financial year in review arose mainly from lower sales registered by both the manufacturing and trading segment.

The Group recorded a LBT of RM4.77 million in the current financial year compared to a LBT of RM2.14 million in the preceding year. The LBT was arrived at after the impairment of slow-moving inventories of RM0.82 million, impairment loss on trade receivables of RM0.37 million and impairment losses on property, plant & equipment of RM0.15 million.

Administration expenses increased by RM0.87 million to RM11.08 million during the financial year compared to RM10.21 million in the preceding financial year while other operating expenses decreased to RM0.53 million from RM2.14 million in the preceding financial year.

Selling and distribution expenses decreased to RM5.35 million from RM5.70 million, a reduction of RM0.35 million or 6.1%. This was mainly due to lower carriage outwards as a result of lower sales.

Management Discussion and Analysis (cont'd)

Review of financial results and financial condition (cont'd)

Finance costs increased by RM0.09 million to RM0.53 million from RM0.44 million in the preceding financial year. The increase was due to other imputed interest of RM0.09 million.

Trade receivables as at 31 December 2019 decreased by 10.0% to RM14.49 million from RM16.12 million as at the end of the previous financial year. This is in line with the lower revenue registered during the financial year under review.

Inventories as at 31 December 2019 amounted to RM18.68 million compared to RM20.81 million as at end of the previous financial year. The decrease in inventories by 10.2% is line with the lower revenue registered during the financial year under review.

The Group's cash and bank balances increased by 47.2% to RM8.45 million from RM5.74 million while fixed deposits with licensed banks at RM3.00 million was lower by RM0.63 million as at the end of the financial year compared with RM3.63 million as at end of preceding financial year. The increase in cash and bank balances was due to the completion of the private placement in December 2019.

Trade payables decreased by 9.2% to RM5.11 million from RM5.63 million as a result of lower purchases of raw material and stock in trade in line with the lower sales during the financial year under review. Other payables, accruals and deposits received decreased to RM1.61 million from RM2.12 million as at the end of the preceding financial year.

The Group's loans and borrowings decreased by RM0.88 million or 15.7% to RM4.74 million from RM5.62 million, due the lower utilisation of bank overdraft and lower lease liabilities (secured).

The Group's gearing ratio (total group borrowings over total group equity) stood at 0.11 times as at 31 December 2019 compared to 0.13 times as at 31 December 2018.

Anticipated or known risks

The Group relies on a single customer for the sale of its OEM gas appliances which amounted to 22.1% of the Group's revenue (2018 – 26.3%). There is a risk that this single customer may not continue to purchase the Group's products. However, this single customer has been our customer since December 2007. Nonetheless, the Group is cognisant that order flow from this single customer has been on a declining trend. The Group's manufacturing segment is conscious of the need to diversify its OEM customer base and has been making effort towards this end. The Group also takes cognisance of potential currency volatility which could pose a major challenge to both its manufacturing and trading segments. The trading segment has the largest exposure to exchange rate fluctuation as its stock in trade is imported. However, the Group's exposure to exchange rate fluctuation is mitigated by the manufacturing segment's export sales. Where appropriate, the Group will mitigate this further through hedging activities.

Looking ahead

The Group's manufacturing operation with 49.9% of its revenue derived from exports in financial year 2019 will see another challenging year. Revenue is expected to decline further due to uncertainties in the global and domestic economies as a result of the current coronavirus pandemic. Bank Negara Malaysia ("**BNM**") in its Economic and Monetary Review released on 3 April 2020 has said that the unprecedented containment measures taken by numerous countries have triggered a concurrent supply and demand shock and that the latest economic indicators suggest a sharp contraction in economic activities. Prospects for both the advance and emerging economies are deteriorting as the pandemic escalates. Malaysia's export of goods and services, dragged by weak global demand and supply chain disruptions is forecast to contract by 8.7% in year 2020. In view of this, the Group will look at various options available to minimise the expected loss from this segment.

The trading operation where revenue is generated wholly from domestic sales is also expected to face a gloomy scenario at least in the first half of financial year 2020 where uncertainties still weigh amid the Coronavirus pandemic and the recent sharp drop in oil price resulting in weakening of Malaysian Ringgit as a substantial amount of the trading segment's stock in trade are imported. Private consumption domestically is expected to be affected by lower income and containment measures implemented but supported to a certain extend by policy measures taken by the Government. BNM has forecasted Malaysia's real Gross Domestic Product ("**GDP**") for year 2020 of between -2.0% to 0.5%.

Management Discussion and Analysis (cont'd)

Looking ahead (cont'd)

Notwithstanding the multitude of issues facing both the Group's operating segment, the Group will continue to serve its existing customers better by maintaining a high standard of quality for its products complemented by an efficient after sales service.

The Group will continue to focus on realising operational efficiencies to ensure that it will remain competitive in a highly competitive industry. Failure to do so will have a negative impact on its sales and, hence the Group's financial performance.

Dividend policy

The Group had not paid dividends for the last five (5) years due to poor financial performance and hence a dividend payout policy has not been established.

Datuk Khoo Teck Kee
Group Managing Director

20 April 2020

SUSTAINABILITY STATEMENT

BOARD STATEMENT

Dear Shareholders,

The Board is pleased to present Milux Corporation Berhad ("**Milux**")'s 2019 Sustainability Report. Milux and its subsidiaries ("**Group**") aims to be the trusted investment choice in the gas and electrical home appliance industry through delivering excellence and creating value for our stakeholders. We strive to integrate sustainability into our operations. This report details how we identify and manage economic, environmental, social, and governance (**EESG**) issues that are important to our stakeholders and us.

Board Assurance

We believe strong sustainability governance is critical to our success. The Board plays an important role in the selection and review of EESG factors that are material to us and oversees the management and the performance relating to these factors. This report is in compliance with the Main Market Listing Requirements ("**Main LR**") of Bursa Malaysia Securities Berhad ("**Bursa Securities**") [paragraph 9.45(2) and paragraph (29), Part A of Appendix 9C of the Main LR (supplemented by Practice Note 9) and references the internationally recognised Global Reporting Initiative (**GRI**) Standards (2016), Integrated Reporting <IR>.

Sustainability Initiatives

As an established group, we are committed to contribute to Quality, Safety & Reliability in the gas and electrical home appliances by using innovative technologies and adopting sustainable practices. We have adopted measures that will safeguard the interest of society and the environment.

These measures include establishing comprehensive monitoring systems, streamlining our work processes, adopting efficient and sustainable manufacturing methods as well as utilising sustainable materials. To reduce our environmental footprint, we encourage our employees to use recyclable materials, to reduce the noise generated by our activities, to use less paper in the workplace and to decrease the utilisation of water. We also work closely with our stakeholders to identify opportunities for improving our sustainability performance.

We strive to contribute to local communities by supporting various meaningful initiatives. We actively pursue our social responsibility through sponsorships and campaigns carried out with other charitable organisations and associations.

In order to improve our environmental and occupational health and safety standards in our workplace, we provide relevant occupational safety and health ("OHS") training to staff and workers, either through in-house or external trainings.

We will continue to report on our sustainability journey as we continue to create sustainable value for our stakeholders in the coming years.

ABOUT THIS REPORT

The Group is devoted to creating a business that contributes towards convenient living for the global society. This sustainability report demonstrates the best practices, effort and initiatives that the Group had undertaken to address our organisation's impacts on the local economy, society, environment and governance.

Reporting Scope

The scope of reporting for this sustainability statement covers the activities of our trading and manufacturing operations for our gas and electrical home appliances. Details of the Group's trading and manufacturing facilities are shown in the table below:

Type of Property	No. of Properties	Location
Office Building	2	Port Klang, Selangor Johor Bahru, Johor
Warehouse	2	Port Klang, Selangor
Factory cum Warehouse	1	Perai, Pulau Pinang
Factory cum Office	1	Perai, Pulau Pinang

This report has been prepared for the reporting period from 1 January 2019 to 31 December 2019.

Reporting Framework

The Group prepared Sustainability Statement in year 2017 and 2018 in accordance with Bursa Securities' Sustainability Reporting Guide. The format adopted is in line with the recommended Global Reporting Initiatives (GRI) 4.0 Sustainability Reporting Guidelines. This year the Group also decided to adopt Sustainable Development Goals (SDGs) as part of the report.

DEFINING OUR SUSTAINABILITY STRATEGY

Milux places strong emphasis on "Quality, Safety and Reliability" and strives to deliver top-quality and innovative products, services and content through sustainable business practices. As such, we continuously seek opportunities to incorporate sustainability into our Group's long-term growth and development goals.

In embedding sustainability practices into our day-to-day business operations, in financial year ended 31 December 2019 ("**FY2019**"), we have shifted the Group's vision that is based on these four pillars- Marketplace, Workplace, Environment, and Community to Six Capitals mention in Integrated Reporting.

Marketplace
Implementing sustainability through product safety and quality.

Workplace
Creating a safe and supportive working environment.

Environment
Improving our environment by utilising greener alternatives.

Community
Contributing to local community development.

Sustainability Statement (cont'd)

SIX CAPITALS OF MILUX

At Milux, we understand the sustainability initiative since 2017 when the board began to recognise the 4 Pillars model ("**ESG**").

To address the fast-changing environmental and business landscape, Milux decided to embrace the framework by the International Integrated Reporting Council (**IIRC**) to make business and financial sense of Sustainability performance via the Six Capitals model. This model has reinforce our sustainability strategy, policies and practices and is aligned to global best standard including the UN Sustainable Development Goals (**SDGs**). The shift from 4 Pillars' interaction model to Six Capitals model will allow us to create sustained value for our business and stakeholders.

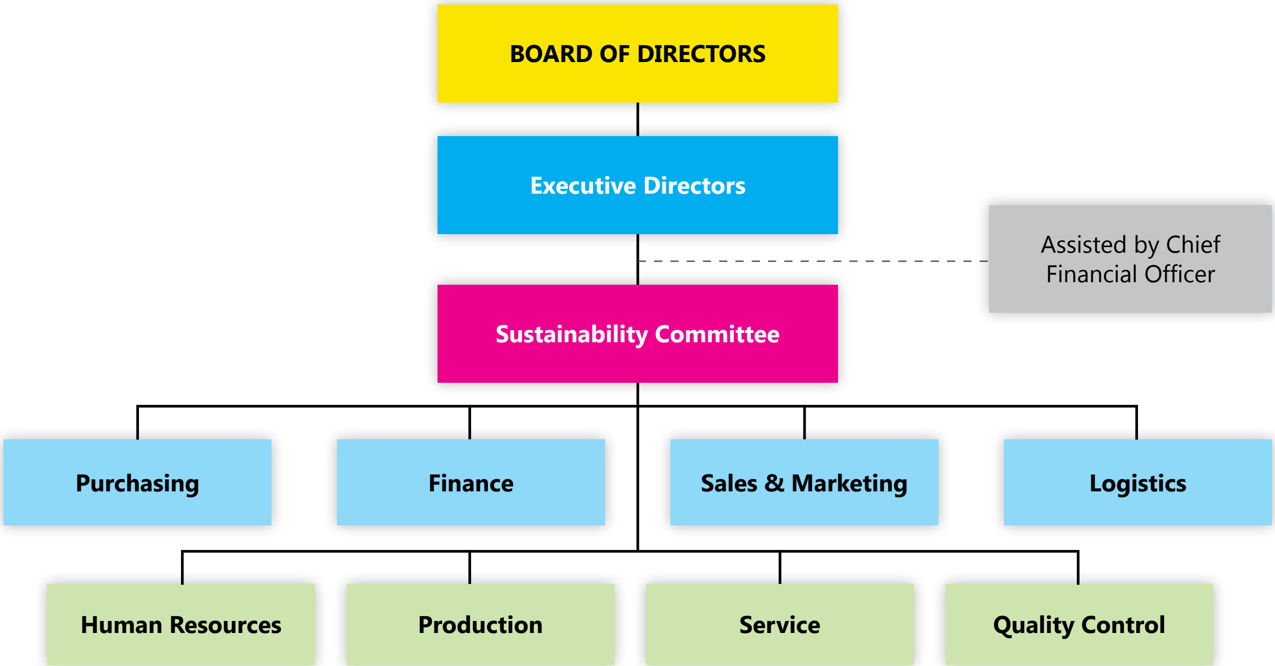
Financial	Manufactured	Organisational
Funds available to firm from operations and financing	Manufactured physical objects used in value creation	Governance, Internal control system and procedures
Financial Highlight Resources to support the Group's operation and implement other Capitals	**Marketplace** Implementing sustainability through product quality and safety	**Governance** Board engagement on strategy, internal control to enhance the sustainability initiative

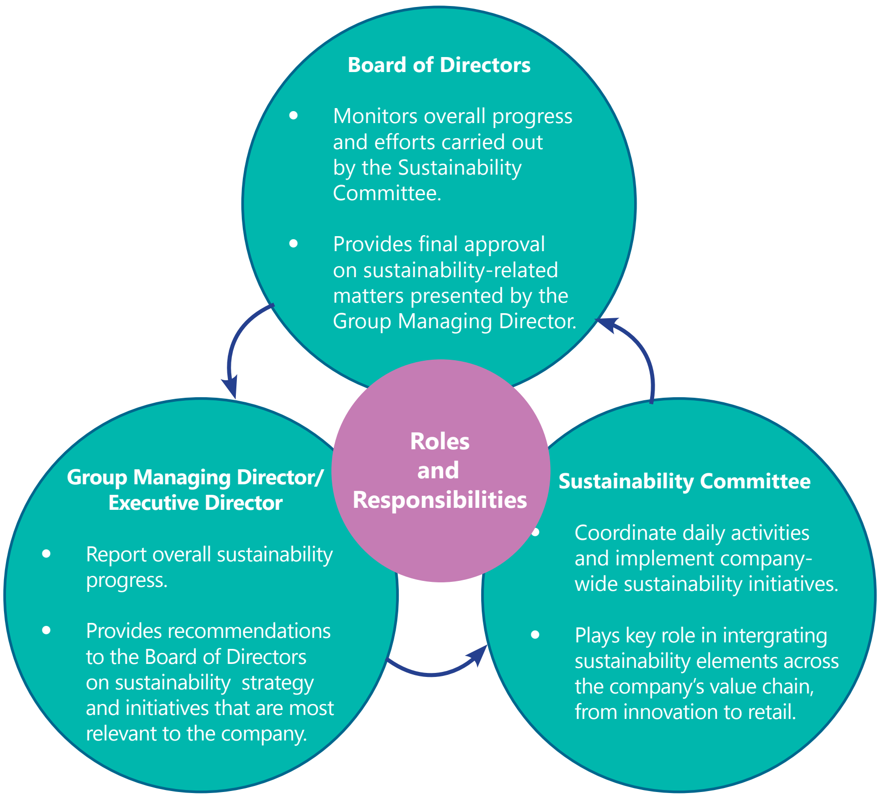
Human	Social	Natural
Skills, motivation, alignment with organisational goals	Relations with key institutions, stakeholder groups, shared norms and values, trust and confidence, and its social license to operate	Renewable and non-renewable natural elements, and the eco-system, used as inputs by the firm now or in the past or future, and impact of firm on them
Workplace Creating a safe and supportive working environment, training and self-development	**Community** Contributing to local community development	**Environment** Improving our environment by utilising greener alternatives

Sustainability Statement (cont'd)

SUSTAINABILITY GOVERNANCE

Milux views sustainability as an important aspect in our Group. The Group has established a systematic and comprehensive governance structure to ensure successful attainment of all our sustainability targets and goals.





During financial year 2018 ("**FY2018**"), Milux formed a two-tier governance structure whereby the Executive Director, assisted by the Chief Financial Officer, reports directly to the Board of Directors. The Board of Directors leads the structure in determining the sustainability journey and overseeing the execution of sustainability within the Group.

We have also established a dedicated Sustainability Committee as part of the governance structure, with the key function of developing and implementing the Group's sustainability strategy.

During FY2019, the structure has been modified whereby the Executive Director charged with leading the Sustainability Committee reports directly to the Group Managing Director who in turn reports to the Board of Directors.

STAKEHOLDER ENGAGEMENT TABLE

As part of our commitment to build sustainable business, we strive to build good relationships with our stakeholders as they offer valuable insights into the business, allowing us to identify areas and opportunities for improvement. Therefore, it is important for us to engage them on a regular basis in order to gather their feedback and address any concerns they may have.

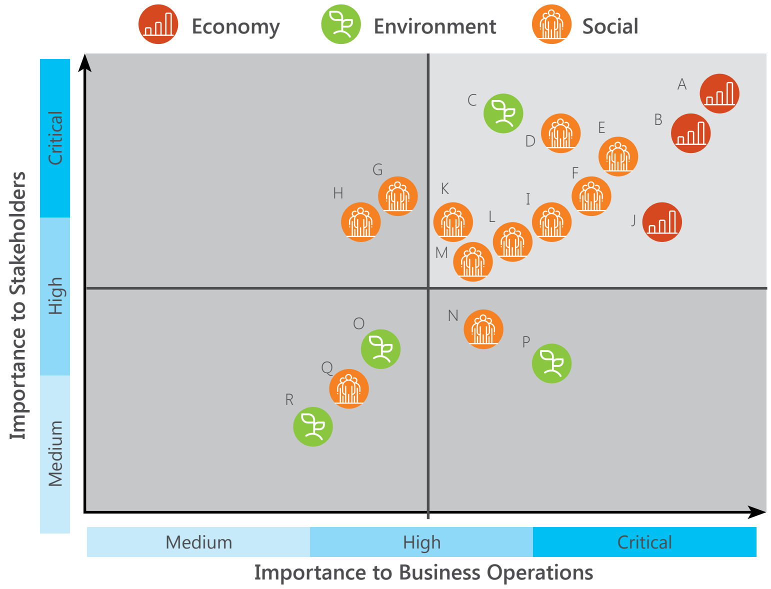
We have identified our key stakeholder groups and seek to engage them through various methods and channels, which are summarised in the table below:

Stakeholder	Interest/Expectation	Engagement methods (Frequency)
Investors	• Group financial performance • High financial return • Global business strategy • Sustainable and stable distribution	- Annual general meetings (Annually) - Annual reports (Annually) - Quarterly interim financials (Quarterly)
Consumers (End users)	• Best practices in product pricing • Licensed manufacturing • Product quality • Prompt after sales service • Efficient complaints resolution	- Roadshows and product demo (Monthly) - Pricing product to commensurate with product quality (Ad hoc, upon new product or model launch) - Prompt after sales service (Daily, via service team) - Prompt response to calls for service (Daily, via hotline, e-mail, Facebook, Company's website)
Consumers (Dealers)	• Efficient complaints resolution • Customer-Company relationship management • Safety and security • Timely product delivery	- Regular client meetings through sales team (Monthly visit) - Feedback channel through sales team (Face-to face meeting on monthly visit and feedback via annual survey/Participate in all regional electrical associations dinner/gatherings) - Community and networking events (Annually, attend state association electrical and electronics annual dinners to build rapport) - Direct access of the logistic team to our customers during the delivery process to ensure prompt delivery (Daily, update of delivery details for outstation customers to sales personnel)
Local Communities	• Social issues • Impact of business operations	- Community engagement (Annually) - Corporate Social Responsibility programmes (Annually)
Regulatory and Statutory Agencies	• Governance compliance • Labour practices • Occupational safety and health • Environmental management and compliance	- Inspection by local authority (Annually) - Annual report (Annually) - General meeting between management and regulators (Ad hoc when required) - Direct meetings (Ad Hoc)
Suppliers	• Transparent procurement practices • Payment schedule • Pricing of services • Timely delivery of materials/ products	- Evaluation and performance (Annual supplier review) - Contract negotiation (Ad hoc, when applicable) - Vendor registration (Ad hoc, upon vendors' appointment) - Timely delivery (Per delivery basis) - Payment to supplier (Per delivery & on agreed terms)
Industry Peers	• Best practices in the industry • Utilising current technology and systems	- Collaboration programs (Monthly informal gathering) - Sharing of best practices (Participate in electrical & home fairs locally and overseas)
Employees	• Work-life balance • Career development	- Training (On-going) - Appraisal (Annually) - Annual dinner (Annually) - Safety Training (Annually, Ad hoc when required)

MATERIALITY MATRIX

We conducted materiality assessment during 2017 and 2018 to identify sustainability topics that were of significant relevance to our business and stakeholders. In 2019, we carried out a review to reassess the material topics identified in 2017 that were narrowed down in 2018. While conducting the review, we examined trends and developments within the industry as well as global and local sustainability issues.

The material topics in 2019 remain unchanged from those identified in 2017 and 2018 and they are listed in the table below:



Material Sustainability Matters	Relevant Stakeholders	Applicable GRI indicators
D- Product Quality Management	Supplier and Customers	Product Service and Labelling
E- Product Safety	Supplier and Customers	Product Services and Labelling
H- Training and Development	Employees	Training and Education
L- Occupational health and Safety	Employees and Regulatory Agencies	Occupational Health and Safety
O- Energy Consumption	Regulatory Agencies and Local Communities	Energy
P- Effluents and Waste	Regulatory Agencies and Local Communities	Waste and Effluence

Financial Highlight - Resources to support the Group's operations and implement other Capitals

For FY2019, the Group's revenue saw a decrease of 19.5% to RM62.53 million from RM77.64 million in the previous corresponding period. It registered a loss after tax of RM4.43 million compared to RM2.05 million in the preceding corresponding period. The higher loss after tax was due to lower revenue and gross profit margin due to stiff competition in the industry that the Group operates in.

However, the Group remains cash positive with cash and bank balances of RM8.45 million as at 31 December 2019.

Please refer to Milux's Annual Report 2019 for our full Financial Performance Report.

Sustainability Statement (cont'd)

Marketplace - Implementing sustainability through product quality and safety

As a Malaysia-based internationally recognised Original Equipment Manufacturer of gas household appliances and a local distributor of Milux brand gas & electrical household appliances, Milux has contributed towards the growth of both local and global market place.

Product Safety

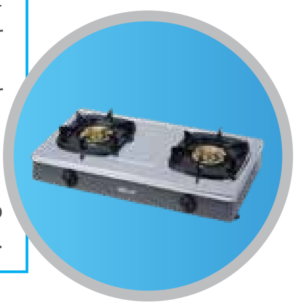
To best define on the Quality, Milux focuses on ensuring its product is safe to use and not cause harm to users, those around them and to the environment. It also ensures its product features are user-friendly.

PRODUCT SAFETY

STAGE	HOW TO ENSURE	RESULT
Production	We make sure all our operators are well-trained and able to follow Standard Operating Procedures & work instructions to avoid any unwanted incidents during the production.	High Quality, Safe and Reliable finished goods.
Consumer	We ensure every product come with easy to understand User Manuals with clear instructions and also stickers to provide proper guidance to our users.	Customer satisfaction and able to enjoy the Quality, Safe and Reliable product.

Below are samples of guidances/instructions on precautions that are included together with our appliances.

Gas Appliance
- ✔ Hot surface warning;
- ✔ Dimension via hob cut-out to ensure proper installation;
- ✔ Guidance on proper placing of wok & pots, air ventilation for gas burners to ensure proper usage to prevent burn or explosions.



Electrical Appliances
- ✔ Hot surface warning;
- ✔ Proper placement and installation procedures;
- ✔ Guidance on proper usage to prevent shocks/ electrocution.

We also provide visual versions of proper product use. Besides that, customers can also check other features and demonstrations of appliances via Milux official YouTube Channel at: https://www.youtube.com/channel/UCU_mv2QKbp9GPPa6soAct0Q.

PRODUCT QUALITY MANAGEMENT

Each of Milux product is manufactured in accordance to the highest standard of quality. Our product quality is consistently well maintained. We ensure that work instructions and Standard Operating Procedures are adhered to by our manufacturing team based in our manufacturing and assembly factory in Perai.

This manufacturing and assembly factory owned by our subsidiary, T.H. Hin Home Tech Sdn Bhd which is engaged in the production and assembly processes, have obtained quality certification for our products that comply with ISO 9001:2015 and/or SIRIM Certification.

Product Certificate:

Certificate	Award Body
Certificate of Approval to Import Gas Fitting/Gas Appliances/Gas Equipment	Energy Commission
Certificate of Approval to Import electrical appliances	Energy Commission
Product certificate License to use the Certification Mark on Electric Rice Cookers	SIRIM QAS international
Product certificate License to use Certification Mark on Electric Stationary Instantaneous Water Heaters	SIRIM QAS international
ISO 9001:2015	IQNet & SIRIM QAS international

Governance - Board engagement on strategy, internal control to enhance the sustainability initiative

In Milux, we are aware of the importance of good governance. The Board recognises the importance of a sound risk management framework and internal control system for good corporate governance. Disclosure of relevant information concerning sustainability will improve the transparency of its management which will provide its customers and other stakeholder as well as communities and the public as a whole – greater confidence in Milux.

Please also refer to SUSTAINABILITY GOVERNANCE, STAKEHOLDER ENGAGEMENT TABLE & MATERIALITY MATRIX.

Sustainability Statement (cont'd)

Workplace - Creating a safe and supportive working environment

Occupational Safety and Health

An occupational safety and health (OSH) policy is in place to protect all employees against possible occupational risks and prevent accidents from happening in the workplace. Information on the OSH policy is provided to all employees and new employees are informed of the policy during the OSH induction programme. For new employees, the First-Day OSH induction programme provides an overview of the OSH policy implemented by the Group.

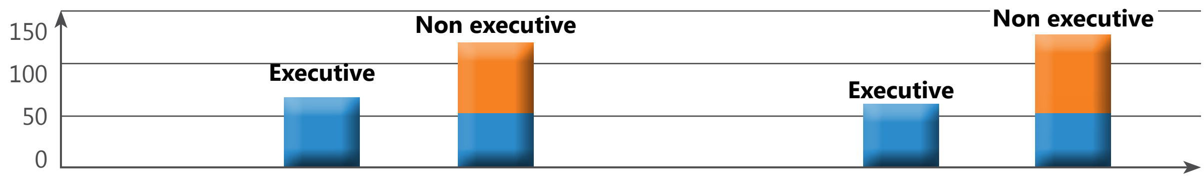
This year we did not receive any staff complaint or dispute. However, there were five cases of injury recorded in its manufacturing and assembly plant. The Company had reviewed the incidents and have taken steps to reduce such incidences by reminding operators the importance of adherence to Standard Operating Procedures.

Employment

In Milux, we are committed to providing our employees with a working environment free from unlawful discrimination, irrespective of race, colour, sex/gender, religion, national origin, age, disability, genetic information, marital status, or any other classification protected by law. We seek to support women, minorities, veterans and individuals with disabilities and strive to empower all our employees to reach their full potential.

The number of employees in the Group as at 31 December 2019 remained unchanged from the previous year at 194. There is no longer any foreign executive. The number of local executive has increased from 62 to 66. At the non-executive level, the number of foreigners has declined from 80 to 76 while the number of locals has increased from 51 to 52. Our monthly new-hire rate during the year was 12% while our monthly turnover rate was 10%.

Number of Employees 2019 **Number of Employees 2018**



	Executive	Non executive
Foreigners	0	76
Local	66	52

	Executive	Non executive
Foreigners	1	80
Local	62	51

Diversity and Equal Opportunity

We strive to create a culture that promotes diversity and equality in the workplace. Having a diverse and inclusive workforce allows us to attract the best of the talent pool and, in turn, helps us to improve our bottom line. Improving diversity and equality is also crucial to the achievement of social and economic development goals.

All our employees are employed based on skills and experience through fair selection processes. Each year, our employees receive feedback on their performance through performance reviews, which are conducted in a fair and transparent manner.

Training and Development

In Milux, we provide various learning opportunities throughout the employees' careers to ensure that they develop the skills needed to perform their responsibilities. We believe that our people play an important role in ensuring that we achieve operational and safety excellence. Therefore, we continue to invest in our human capital and support employee development to meet changing business needs.

Our employees receive training from both internal & external sources. These training includes those that are mandatory or on a voluntary basis to ensure they are equipped with relevant skills to perform their jobs. They are also encouraged to obtain certifications that allow them to perform specific tasks or to operate particular machines. In 2019, employees received a total of 92 hours of training.

Environment - Improving our environment by utilising greener alternatives

Energy Efficiency & CO_2 Emission

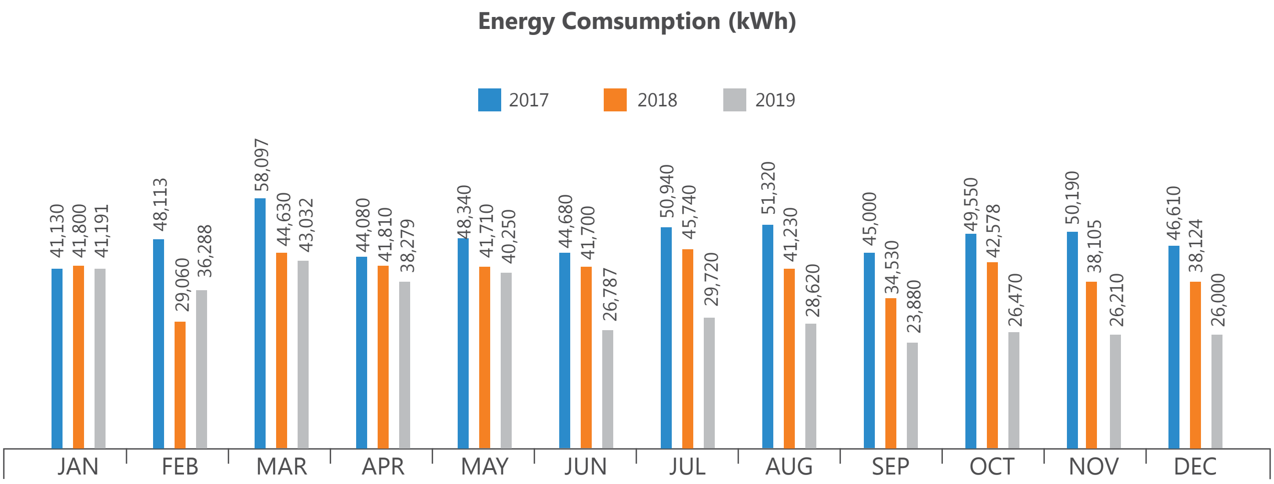
2019's Highlight (Manufacturing division)

Indicator	**Performance**
Energy Consumption (Electricity)	386,727 kWh of electricity Last year : 481,017 kWh
Energy Consumption (Diesel & Petrol)	2,449 litre of Diesel 1,429 litre of Petrol
GHG emissions	8,921.08[2] tCO_2e from D&P*

Diesel and electricity account for a large proportion of our total energy consumption, resulting in the production of greenhouse gas (GHG) emission such as carbon dioxide (CO_2) which can have a detrimental impact on the environment. Therefore, we strive to reduce our energy consumption and carbon footprint by promoting the use of renewable energy and improving our energy efficiency.

T.H. Hin Home Tech Sdn Bhd (Manufacturing division) currently utilises two forklifts, one truck, one lorry and one van in its operation that contribute to GHG emissions. We take the initiative to monitor and reduce the CO_2 emissions. This is the first year we monitor this indicator. Total GHG emission is derived using the factor of 1L of gasoline produces approximately 2.3 kg of CO_2.

Our electricity consumption was 386,727 kWh in 2019, a decrease of 19.6% from 481,017kWh in 2018. The decrease was due to a change in the energy mix upon the installation of a solar power system during the second half of 2019. We are pleased that we reached our goal to reduce the energy consumption.



Water

High level of water usage put significant strains on water resources and result in wastewater pollution that could lead to the degradation of water quality. Poor water quality and water stress can compromise important ecosystem services and affect the quality of the life of local communities.

In Milux, although there is no significant water usage, we are still committed to reduce our total water consumption by promoting the water-saving.

Effluent and Waste

Improper disposal of effluents, which contain substantial quantities of chemical and nutrients (principally nitrogen, phosphorous or potassium) affects water quality and has significant impact on the ocean's biodiversity and aquatic ecosystems. Similarly, poor waste management can lead to air, water and soil pollution, which poses a threat to the environment and human health. The generation of excessive waste from manufacturing activities can put strains on our natural resources and ultimately leads to environmental degradation.

In compliance with the requirement outlined by Department of Environment (DOE) in the Environmental Quality (Scheduled Wastes) Regulation 2005, we manage our scheduled waste through record keeping, monitoring, proper storage and disposal by licensed contractors at designated landfills. Scheduled wastes generated from our operations are spent hydraulic oil (SW306) and non-halogenated organic solvents, which are sent for recycling or recovery facilities by our licensed contractors.

Type of Waste	Total Amount of Waste	Method of Disposal
SW 306	209 kg x 2 drums = 418 kg	Recycled
SW 322	209 kg x 3 drums = 627 kg	Recovery

The Group advocates reducing, reusing and recycling especially in our office and facilities towards efficient waste management practices.

Community - Contributing to local community development

CUSTOMER SERVICES

Milux's management philosophy "Quality, Safety and Reliability", has been to contribute to society through its products and services while always putting the customer first. Based on this philosophy, the Company strives to improve customer satisfaction and offers products, solutions, and services that enrich the lives of people around the world.

When providing customer service, our customer service officer strives for sincerity, accuracy, and speed, and acts with humility and appreciation. This finds its basis in the principle of "Quality, Safety and Reliability" in line with the Group's vision. The Company's fundamental stance is thus to provide customers with trusted products, hence contributing to peace of mind, and satisfaction.

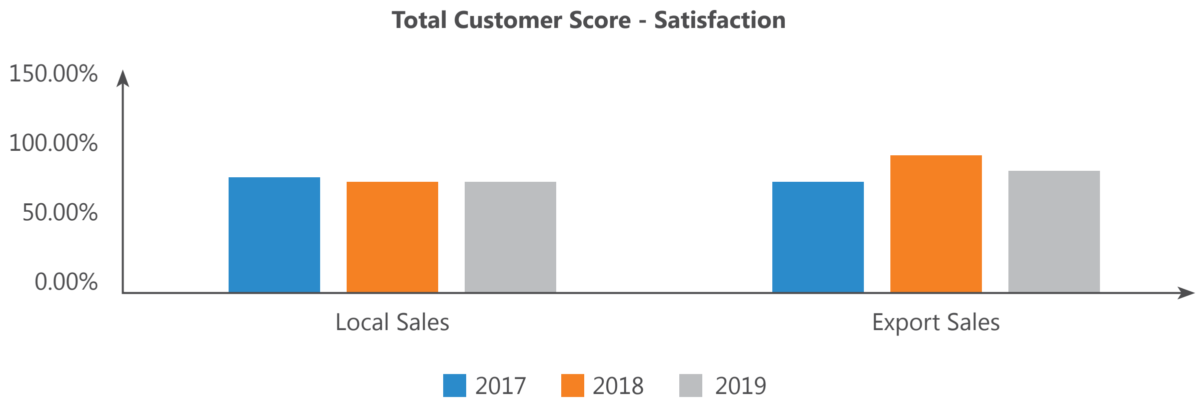
We conduct customer satisfaction survey to understand our customer. Based on analysis of the survey results, the Company follows a cycle of improvement as follows: Draft plans for improvement initiatives → Execute these initiatives → Verify progress → Survey (evaluate) customer satisfaction. The Company works to improve customer satisfaction by implementing improvements to product, system solution and services by making the most of the results of the survey, in cooperation with manufacturing division through improve product planning, design, engineering and quality, and also through customer support divisions such as marketing and sales.

We have friendly staff waiting at service centres in Port Klang, Perai and Johor Bahru. Customers can reach us via various media such as email: customercare@milux.com.my, leave messages on webpage, https://www.milux.com.my or Milux's Facebook page: https://www.facebook.com/milux.my/.

Generally, our customer satisfaction score for the manufacturing division export segment decrease to 82.48% in FY2019 from 96.73% in FY2018. Its local segment customer satisfaction score increased from of 77.38% in FY2018 to 77.78% in FY2019.

We have no recorded cases related to customer's dissatisfaction for our trading division as customers walk in or call in for service involving products under warranty and beyond the warranty period since FY2018.

Below is the chart on customer satisfaction score for our manufacturing division.



COMMUNITY ENGAGEMENT

We recognise that our business success is also dependent on support from the local community. Therefore, we are committed to giving back to the community via various programmes and channels such as product roadshows to demonstrate proper use of our products, donations and sponsorship to charity bodies in the form of products and cash to keep our negative impacts to a minimum and to improve our positive impacts to local communities.

For FY2019, we have disbursed RM61,387 in community sponsorships to associations, school and many others including Rotary Club for their programme involving special children.

As part of its CSR programme for FY2019, Milux together with Persatuan Tan Klang Dan Pantai Klang organised a family Christmas baking competition for the community in Sunsuria Forum @ 7th Avenue on 24th November 2019. A total of RM3,000 collected during this event was donated to "Pertubuhan Kebajikan Kanak-Kanak Selangor".

Milux and Persatuan Tan's joint Family Christmas Baking Competition at Sunsuria Forum @ 7th Avenue on 24th November 2019

We seek to build good relationships with the community and the public by sharing our experiences at industry events and forums. We also aim to help increase the pool of talent in the industry by sharing our expertise.

Sustainability Statement (cont'd)

Relationship with SDGs

SDGs	Main Activity	Detailed information
No Poverty	-	-
Zero Hunger	-	-
Good Health and Well-being	Milux provide safe working environment	- Governance Capital - Marketplace - Workplace
Quality Education	Training and development for staff	- Workplace
Gender Equality	No Employment policy discrimination	- Workplace
Clean Water and Sanitation	Promoting water saving	- Marketplace
Affordable and Clean Energy	Using LED & Solar power system	- Environment
Decent Work and Economic Growth	Quality control and management	- Marketplace
Industry, Innovation, and Infrastructure	Non-toxic Product innovation	- Marketplace
Reducing Inequality	Employment policy of no discrimination	- Workplace
Sustainable Cities and Communities	Community relationship and engagement	- Community
Responsible Consumption and Production	Promise to deliver product that are of quality and safe for use	- Marketplace - Community
Climate Action	Reduce CO_2 emission	- Governance - Environment
Life Below Water	-	-
Life On Land	-	-
Peace, Justice, and Strong Institutions	-	-
Partnerships for the Goals	Sustainability report initiative	- Governance - Environment

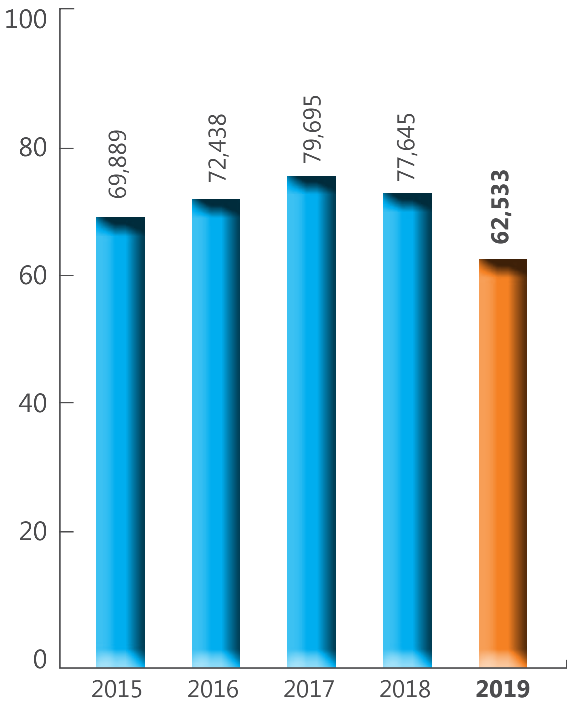
Sustainability Report provide alternative channel to communicate and disclose information to our stakeholders. We are committed to operate our business in an ethical and transparent manner as a public listed company. We have a zero-tolerance policy towards fraud, bribery, corruption, money laundering and the financing of terrorism. We are currently exploring the area of Anti-Corruption, which would help us to conduct our business with the highest integrity and transparency by trying to establish the appropriate Anti-corruption and Whistleblowing policies and procedures aimed at promoting better governance culture and ethical behaviour within the Group.

Milux strives to continuously update and improve our sustainability initiative in order to accomplish our goal of becoming a sustainable industry leader.

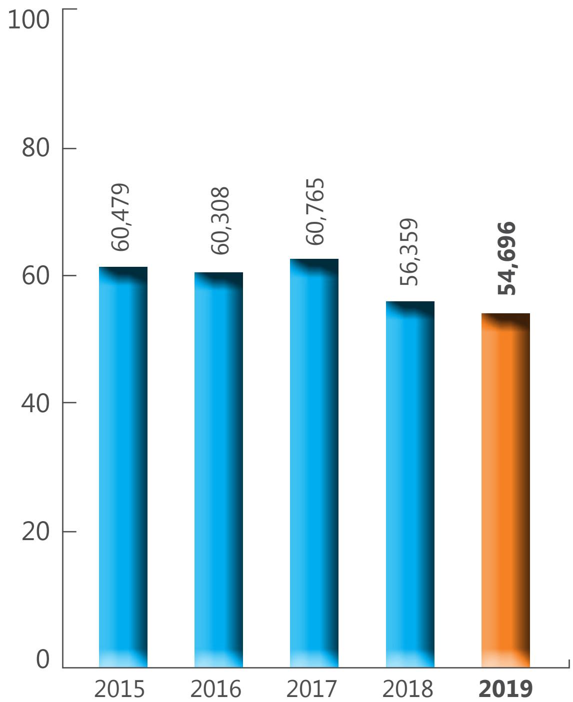
5 - YEAR GROUP FINANCIAL HIGHLIGHTS

	2019 RM ' 000	2018 RM ' 000	2017 RM ' 000	2016 RM ' 000	2015 RM ' 000
Revenue	**62,533**	77,645	79,695	72,438	69,889
Profit/(Loss) Before Income Tax	**(4,767)**	(2,138)	(616)	(1,540)	1,587
Profit/(Loss) for the year	**(4,430)**	(2,049)	(839)	(2,665)	323
Net Earnings/(Loss) Per Share (sen)	**(8.13)**	(3.77)	(1.54)	(4.90)	0.59
Net Assets Per Share (RM)	**0.76**	0.78	0.82	0.83	0.88
Shareholders' Funds	**41,548**	42,496	44,551	45,386	48,051
Total Assets	**54,696**	56,359	60,765	60,308	60,479
Total Liabilities	**13,148**	13,862	16,214	14,922	12,428
Gross Dividend Per Ordinary Share (sen)	-	-	-	-	-

REVENUE
RM'000



TOTAL ASSETS
RM'000



DIRECTORS' PROFILE

Datuk Dr. Wong Lai Sum
Independent Non-Executive Chairman
Malaysian, Female, Aged 64

Date of appointment as Director :

5 July 2019

Board Committees Membership(s) :

- Member of Nomination and Remuneration Committee

Academic/ Professional Qualification(s) :

- PhD Business, University Malaya
- Master in Public Administration, University Malaya
- Bachelor of Science (Hons) Biochemistry, University Malaya

Present Directorship(s)

(i) Other Listed Entities :

- PRG Holdings Berhad
- Sam Engineering & Equipment (M) Berhad
- Tasco Berhad

(ii) Other Public Companies :

NIL

Working experience :

Datuk Dr. Wong Lai Sum has a diversified background, both academically and professionally. Her areas of expertise include international business, taxation, financial and corporate management, and strategic planning.

Her illustrious career saw 36 years in civil service, of which 24 years were with the Malaysia External Trade Development Corporation (MATRADE). As its former Chief Executive Officer, she has invaluable insights on what it takes to advance businesses across borders.

Datuk Dr. Wong was also a Conjoint Professor of practice with the University of Newcastle, Australia.

Datuk Dr. Wong is presently the Independent Non-Executive Directors of PRG Holdings Berhad, Sam Engineering & Equipment (M) Berhad and Tasco Berhad.

Board meeting attendance in 2019 :

2/2

Datuk Wira Ling Kah Chok
Executive Vice Chairman
Malaysian, Male, Aged 39

Date of appointment as Director :

5 July 2019

Board Committees Membership(s) :

Nil

Academic/ Professional Qualification(s) :

- Executive Diploma in Business Management, West College Scotland

Present Directorship(s)

(i) Other Listed Entities :

Nil

(ii) Other Public Companies :

Nil

Working experience :

Datuk Wira Ling Kah Chok is a successful Johor – born entrepreneur who proudly owns a highly diversified portfolio of investments, including property development, construction, consultancy, education and skills development, and retail businesses.

Datuk Wira Ling has 5 years of experience in the property development industry. He acted as the advisor (whereby he was primarily involved in the area of project planning, marketing and sales) to Northstar Frontier Sdn. Bhd., a real estate developer in Southern of Johor.

Datuk Wira Ling is currently the sole shareholder and the Chief Executive Officer of Linbaq Holding Sdn. Bhd., a property developer with a mixed development project in Iskandar Malaysia. Whilst property development is his main business, he is also involved in other businesses in construction, trading and services industry. Linbaq Construction Sdn. Bhd., the construction arm for Linbaq Holding Sdn. Bhd. undertakes construction projects for the Linbaq group while Linbaq Trading Sdn. Bhd. supplies building materials to both external customers as well as the Linbaq group. His service line business, includes amongst others, the provision of pest control services for both household and industrial purposes through Pest React Sdn. Bhd., a 67% subsidiary of Linbaq Holding Sdn. Bhd.

Datuk Wira Ling is also a director and shareholder of several private limited companies in Malaysia.

Board meeting attendance in 2019 :

2/2

Directors' Profile (cont'd)

Datuk Khoo Teck Kee
Group Managing Director
Malaysian, Male, Aged 45

Date of appointment as Director :

5 July 2019

Board Committees Membership(s) :

Nil

Academic/ Professional Qualification(s) :

- Fellow Member of the Association of Chartered Certified Accountants (FCCA)
- Bachelor's Degree with Honours in Accounting Studies, University of Portsmouth, United Kingdom

Present Directorship(s)

(i) Other Listed Entities :

Nil

(ii) Other Public Companies :

Nil

Working experience :

Datuk Khoo Teck Kee was previously involved with one of the 4 biggest auditing firms in the world. His auditing experience stretches to multinational companies including Nestle Group, ICI Paints Group, OYL Group, KUB Group and other listed corporations in Malaysia. He was able to extract and combine all the benefits and successes of those multinational companies as well as recommend them appropriate service channels.

Datuk Khoo is also very skilled in secretarial work, internal control, auditing, due diligence and investigative work, taxation, procedures, accounting policies and accounting standards.

Datuk Khoo leads and guides companies in becoming well-controlled, structured organisations.

Board meeting attendance in 2019 :

2/2

Directors' Profile (cont'd)

Tan Chee How
Executive Director
Malaysian, Male, Aged 39

Date of appointment as Director :

30 May 2013

Board Committees Membership(s) :

Nil

Academic/ Professional Qualification(s) :

- Bachelor's Degree in Marketing and Management from Curtin University, Perth Australia
- Chartered Institute of Marketing Certificate
- ABE Diploma from Sunway College

Present Directorship(s)

(i) Other Listed Entities :

Nil

(ii) Other Public Companies :

Nil

Working experience :

Mr. Tan Chee How was appointed as Non-Independent Non-Executive Director on 30 May 2013 and subsequently on 12 October 2016, he was re-designated as an Executive Director.

Upon graduating in 2002, Mr. Tan joined Chin Huat Trading Sdn Bhd as a Sales & Marketing Executive and was promoted to Assistant General Manager in 2007. In February 2009, he joined T.H. Hin Sdn Bhd, a subsidiary of the Company, as a Sales & Marketing Executive and was promoted to General Affairs Manager, Service & Logistics in January 2010. In June 2010, Mr. Tan was transferred to Euro Uno Sales & Service Sdn Bhd, now known as Milux Sales & Service Sdn Bhd, another subsidiary of the Company, as General Manager, Sales. In November 2011, he was redesignated to General Manager, Operations to oversee the running of the Company's subsidiaries namely, T.H. Hin Sdn Bhd, Milux Sales & Service Sdn Bhd, Brightyield Sdn Bhd and Eurobay Industries Sdn Bhd.

Mr. Tan currently sits on the Board of the Company's subsidiaries. In addition, he also sits on the Board of several family-owned private limited companies.

Board meeting attendance in 2019 :

6/7

Directors' Profile (cont'd)

Ho Pui Hold
Independent Non-Executive Director
Malaysian, Male, Aged 37

Date of appointment as Director :

25 August 2016

Board Committees Membership(s) :

- Chairman of Audit and Risk Committee
- Member of Nomination and Remuneration Committee

Academic/ Professional Qualification(s) :

- Fellowship of the Association of Chartered Certified Accountants (FCCA)
- Member of the Malaysian Institute of Accountants (MIA)
- Member of the ASEAN Chartered Professional Accountant (ACPA)

Present Directorship(s)

(i) Other Listed Entities :

- HB Global Limited
- Malaysia Pacific Corporation Berhad
- Multi-Usage Holdings Berhad
- Permaju Industries Berhad

(ii) Other Public Companies :

Nil

Working experience :

Mr. Ho Pui Hold was appointed as Independent Non-Executive Director of the Company on 25 August 2016.

Mr. Ho has accumulated more than 13 years of working experience in the accounting, auditing and banking industry. During the period from 2006 to 2009, he worked as Senior Audit Associate in Messrs Ernst & Young, responsible for auditing of public listed companies and privately owned companies of the firm. Thereafter, he joined Ambank (M) Berhad - Corporate and Institutional Banking as Senior Executive and promoted to Assistant Manager during the period from 2009 to 2011.

Board meeting attendance in 2019 :

7/7

Directors' Profile (cont'd)

Datuk Haw Chin Teck
Independent Non-Executive Director
Malaysian, Male, Aged 49

Date of appointment as Director :

5 July 2019

Board Committees Membership(s) :

- Chairman of Nomination and Remuneration Committee
- Member of Audit and Risk Committee

Academic/ Professional Qualification(s) :

- Certificate in Legal Practice
- Bachelor of Laws Honours Degree, University of London

Present Directorship(s)

(i) Other Listed Entities :

Nil

(ii) Other Public Companies :

Nil

Working experience :

Datuk Haw Chin Teck is an advocate and solicitors, who has been in practice for 20 consecutive years and is a managing partner of a legal firm since 2002 and currently, the firm has 2 offices.

Board meeting attendance in 2019 :

2/2

Directors' Profile (cont'd)

Datuk Yap Kheng Fah
Independent Non-Executive Director
Malaysian, Male, Aged 45

Date of appointment as Director :

5 July 2019

Board Committees Membership(s) :

- Member of Nomination and Remuneration Committee
- Member of Audit and Risk Committee

Academic/ Professional Qualification(s) :

- Master in Business Administration, Charles Sturt University
- Bachelor's Degree in Commerce, University of Auckland, New Zealand

Present Directorship(s)

(i) Other Listed Entities :

Nil

(ii) Other Public Companies :

Nil

Working experience :

Datuk Yap Kheng Fah is the founder and chairman of Censuria Capital, an advisory and investment firm based in Kuala Lumpur, Malaysia. He has extensive experience in entrepreneurship, strategic planning, corporate finance, venture capital and property investment.

Datuk Yap is a seasoned entrepreneur, investor and corporate adviser who has led, completed or been involved in reverse takeovers (RTO), mergers and acquisitions (M&A) and debt transactions. He currently sits on the boards of private businesses in Malaysia.

Datuk Yap also manages his family's controlling interest in an established property group that owns and manages real estates totalling approximately 4.8 million square feet in Malaysia. He also spearheaded the reverse takeover of a Bursa listed company by the group in 2011.

Datuk Yap was conferred the Panglima Gemilang Darjah Kinabalu (PGDK) by the T.Y.T. Governor of Sabah in 2014 which carry the title "Datuk".

Board meeting attendance in 2019 :

2/2

Directors' Profile (cont'd)

Gan Boon Lay
Non-Independent Non-Executive Director
Malaysian, Male, Aged 43

Date of appointment as Director :

5 July 2019

Board Committees Membership(s) :

Nil

Academic/ Professional Qualification(s) :

- Secondary School

Present Directorship(s)

(i) Other Listed Entities :

Nil

(ii) Other Public Companies :

Nil

Working experience :

Mr. Gan Boon Lay is an entrepreneur with experience in the real estate industry. His career started as a consultant whereby he provided brokerage and consultancy service to his clients. He subsequently invested and owns shares in Zestino Marketing Sdn. Bhd. which supplies building materials, equipment and other services for the construction industry. He also ventured into the agriculture industry and hold shares in Wondrous Enterprise Sdn. Bhd., a company involved in the planting and cultivation of durian.

Mr. Gan is also a director and shareholder of several private limited companies in Malaysia.

Board meeting attendance in 2019 :

1/2

Directors' Profile (cont'd)

Yee Carine
Non-Independent Non-Executive Director
Malaysian, Female, Aged 30

Date of appointment as Director :

5 July 2019

Board Committees Membership(s) :

- Nil

Academic/ Professional Qualification(s) :

- Master of Finance, The University of Melbourne
- Bachelor of Commerce, Major in Accounting and Finance, Deakin University

Present Directorship(s)

(i) Other Listed Entities :

Nil

(ii) Other Public Companies :

Nil

Working experience :

Ms. Yee Carine started her career as administration assistant in Fira Pty Ltd whereby she was tasked with handling the daily operation of the company in 2015.

In 2016, she joined IAE Edu Pty Ltd as education consultant and she was involved in the administration of students' affair, student enrollment, marketing strategy, and handling students visa application in Australia.

Ms. Yee currently holds the position of administration manager in an education agent company, Avotrio Education Pty Ltd in Australia.

Ms. Yee is the sister-in-law of Ms. Teh Sok Hoon, a Non-Independent Non-Executive Director and a major shareholder of the Company.

Board meeting attendance in 2019 :

2/2

Directors' Profile (cont'd)

Teh Sok Hoon
Non-Independent Non-Executive Director
Malaysian, Female, Aged 38

Date of appointment as Director :

5 July 2019

Board Committees Membership(s) :

- Nil

Academic/ Professional Qualification(s) :

- Bachelor in Information Technology, Asia Pacific Institute of Information Technology

Present Directorship(s)

(i) Other Listed Entities :

Nil

(ii) Other Public Companies :

Nil

Working experience :

Ms. Teh Sok Hoon started her career in 2004 as a programmer with Bumi Intan Maju Sdn. Bhd. In 2017, she ventured into the property management business by setting up Chrisenbel Management Services.

Ms. Teh is the sister-in-law of Ms. Yee Carine, a Non-Independent Non-Executive Director and a major shareholder of the Company.

Board meeting attendance in 2019 :

2/2

Notes:-

(1) Family relationship
Save as disclosed above, none of the Directors have family relationship with any Directors and/or major shareholders of the Company.

(2) Conflict of Interests
Other than permitted related party transactions, none of the Directors have any conflict of interests with the Company.

(3) Conviction of offences, Public sanction or penalty imposed by relevant regulatory bodies
None of the Directors have been convicted of any offence within the past five (5) years other than traffic offences (if any), and any public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

PROFILE OF SENIOR MANAGEMENT

Datuk Wira Ling Kah Chok, 39
Executive Vice Chairman
Malaysian, Male

Datuk Wira Ling was appointed as the Executive Vice Chairman on 5 July 2019.

His profile is listed in the Profile of Directors set out in this Annual Report.

Datuk Khoo Teck Kee, 45
Group Managing Director
Malaysian, Male

Datuk Khoo was appointed as the Group Managing Director on 5 July 2019.

His profile is listed in the Profile of Directors set out in this Annual Report.

Tan Chee How, 39
Executive Director
Malaysian, Male

Mr. Tan was re-designated from Non-Independent Non-Executive Director to Executive Director on 12 October 2016.

His profile is listed in the Profile of Directors set out in this Annual Report.

Wong Wai Keong, 60
Chief Financial Officer
Malaysian, Male

Mr. Wong is an Associate Member of the Chartered Institute of Management Accountant and also a member of Malaysian Institute of Accountants.

Mr. Wong started his career in the financial services industry as a Credit and Marketing officer/Branch Manager in Arab Malaysian Credit Berhad from 1982 to 1989. In 1989, he joined Sogelease (Malaysia) Berhad as an Assistant Manager. He left his position as Senior Manager in Sogelease (Malaysia) Berhad in 1993 to join Artwright Marketing Sdn. Bhd. as Head of Finance and was subsequently appointed General Manager, Finance of Artwright Holdings Berhad. He left Artwright Holdings Berhad in 2000 to pursue his own interest. He joined Milux Corporation Berhad as General Manager, Finance and Administration in 2006 and was re-designated as Chief Financial Officer in 2008.

Lim Hock Seng, 56
General Manager, T.H. Hin Home Tech Sdn. Bhd. & Enamel Products Sdn. Bhd
Malaysian, Male

Mr. Lim who completed his Standard 5 education has more than 30 years of experience in the manufacturing of gas appliances. He started his career in T.H. Hin Home Tech Sdn. Bhd. , a wholly-owned subsidiary of the Company in 1984 as a Store cum Delivery personnel. In 1986, he was transferred to the Production Department as an operator and was promoted to the position of Production Supervisor in 1988. In 1996, Mr. Lim was transferred to the Project Department as a Project cum Quality Control Executive and was appointed as a Senior Project Executive in 1999. He was re-designated as Head of Project Department in 2001 and was appointed Project Assistant Manager in 2005 and became the Acting Head of Research & Development in the same year. He was appointed to his current position in 2006.

Notes:-

Save as disclosed above, none of the Senior Management has:-

(a) any other directorship in public companies and listed issuers;

(b) any family relationship with any Director/major shareholder of the Company;

(c) any conflict of interests with the Company; and

(d) been convicted of any offences within the past five (5) years other than traffic offences (if any) and any public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors of Milux Corporation Berhad ("**Board**") ("**Milux**" or "**the Company**") is committed to ensure high standard of corporate governance practices are implemented and maintained throughout the Company and its subsidiaries ("**the Group**"). The Board believes that a robust corporate governance ("**CG**") framework is a cornerstone of a successful and sustainable company as well as is a fundamental part of discharging its responsibilities to safeguard the long-term interest of its shareholders and other stakeholders.

This Corporate Governance Overview Statement ("**CG Statement**") provides an overview on how Milux has applied each Practice as set out in the Malaysian Code on Corporate Governance ("**MCCG**") during the financial year ended 31 December 2019 ("**FYE 2019**") as well as the key focus areas and future priorities in relation to the CG practices that are described under each CG principle, as below.

This CG Statement also serves to comply with Paragraph 15.25 of the Main Market Listing Requirements ("**Main LR**") of Bursa Malaysia Securities Berhad ("**Bursa Securities**") and is to be read together with the Corporate Governance Report ("**CG Report**") as published in the Company's website at www.milux.com.my/investor-relations.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

I. Board Responsibilities

The Board is responsible for the overall corporate governance, strategic direction and corporate goals and therefore monitors the achievement of these goals. The Board provides effective leadership and manages overall control of the Group's affairs through the discharge of the following principal duties and responsibilities:-

- Reviewing and adopting a strategic plan for the Company/Group;
- Overseeing the conduct of the Company/Group's business;
- Identification of principal risks and implementation of appropriate internal controls and mitigation measures;
- Succession Planning;
- Overseeing the development and implementation of a shareholder communications policy for the company; and
- Reviewing the adequacy and the integrity of the Group's internal control systems and management information systems.

To ensure effectiveness in discharging its responsibilities, the Board has established a CG structure whereby specific powers of the Board are delegated to the relevant Board Committees and the Group Managing Director ("**Group MD**") of the Company.

The Chairman provides leadership to the Board and ensures that all Directors receive sufficient and relevant information on financial and non-financial matters to enable them to participate actively in Board's deliberations. The Group MD is responsible for the overall day-to-day business operations of the Group and to oversee the implementation of strategies directed by the Board.

The position of the Chairman of the Board and the Group MD are held by different individuals. Datuk Dr. Wong Lai Sum ("**Datuk Dr. Wong**") is the Independent Non-Executive Chairman of the Company while Datuk Khoo Teck Kee ("**Datuk Khoo**") is the Group MD of the Company. The roles of Chairman and Group MD are held by separate persons and this facilitates a clear segregation of roles and responsibilities between them and a balance of power and authority as intended in the Board Charter.

The Board members have full access to the two (2) Company Secretaries who are members of the Malaysian Institute of Chartered Secretaries and Administrators (MAICSA) and are qualified to act as Company Secretary under Section 235(2) of the Companies Act 2016. The Company Secretaries provide advisory services to the Board, particularly on corporate administrative and governance issues including compliance to the relevant rules/procedures, laws and regulatory requirements.

All Board members are supplied with information on a timely manner, where possible. The agenda of the Board Meeting is set in consultation with the Chairman and the Group MD. Apart from the ad-hoc meetings, due notice of at least seven (7) days is given to the Directors. This will allow the Directors to plan ahead and to maximise their participation.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

I. Board Responsibilities (cont'd)

Board papers are circulated at least three (3) days prior to Board meetings and the materials provide, amongst others, financial and corporate information, significant financial and corporate issues, the Group's performance and any management proposals which require the approval of the Board. Technology and Information Technology are effectively used in Board Meetings and communications with the Board.

All Board members, in order to enable them to discharge their duties effectively, has full and unrestricted access to the Management and Company Secretaries for all information pertaining to the businesses and corporate affairs of the Group. If need arises, the Board may also seek appropriate external independent professional advice at the Group's expense.

In discharging its duties, the Board is guided by its Board Charter which outlines the duties and responsibilities of the Board, the Board Committees as well as those of Management. The objectives of this Board Charter are to ensure that all Board members acting on behalf of the Company are aware of their duties and responsibilities as the Board members and the various legislations and regulations affecting their conduct and that the principles and practices of good corporate governance are applied in all their dealings in respect, and on behalf of the Company.

The Board has adopted a Code of Ethics and Conduct ("**the Code**") which sets forth the values, expectations and standards of business ethics and conduct to guide the Board, the Management and employees of the Group. The Code is adopted to maintain the highest level of integrity and ethical conduct of the Board, Management and employees of Milux Group.

The Code is established to promote a corporate culture which engenders ethical conduct that permeates throughout the Company and Group.

The Group's Whistle-Blowing practices have been encapsulated in the Code. It is a specific means by which an employee/officer or stakeholder can report or disclose through established channels, concerns about any violations of the Code, unethical behaviour, malpractices, illegal acts or failure to comply with regulatory requirements that is taking place/has taken place/may take place in the future.

The aforesaid Board Charter and the Code are available at the Company's corporate website at www.milux.com.my.

II. Board Composition

During the FYE 2019, there was an unconditional mandatory take-over offer by the Joint Offerors through AmInvestment Bank Berhad, to acquire all the remaining ordinary shares in Milux not already owned by the Ultimate Offerors, Joint Offerors and the persons acting in concert with them at a cash consideration of RM0.80 per offer share ("**Offer**") and the Offer had closed at 5.00 p.m. on 14 June 2019.

Upon completion of the Offer, with the recommendation of the Joint Offerors (also major shareholders of the Company) and approved by the Board collectively, the following persons were appointed as Directors of the Company effective from 5 July 2019:-

No.	Name	Designation
1.	Datuk Dr. Wong Lai Sum	Independent Non-Executive Chairman
2.	Datuk Wira Ling Kah Chok	Executive Vice Chairman
3.	Datuk Khoo Teck Kee	Group Managing Director
4.	Datuk Haw Chin Teck	Independent Non-Executive Director
5.	Datuk Yap Kheng Fah	Independent Non-Executive Director
6.	Gan Boon Lay	Non-Independent Non-Executive Director
7.	Yee Carine	Non-Independent Non-Executive Director
8.	Teh Sok Hoon	Non-Independent Non-Executive Director

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

II. Board Composition (cont'd)

Contingent upon the appointment of abovesaid Directors, the following persons resigned as Directors of the Company effective from 5 July 2019:-

No.	Name	Designation
1.	Haji Mohd Anuar Bin Haji Mohd Hanadzlah	Independent Non-Executive Chairman
2.	Koh Pee Seng	Group Managing Director
3.	Ng Tek Che	Executive Director
4.	Dato' Mohamed Salleh Bin Bajuri	Independent Non-Executive Director

As at FYE 2019, the Board consists of ten (10) members comprising three (3) Executive Directors and seven (7) Non-Executive Directors. Out of the seven (7) Non-Executive Directors, four (4) are independent and therefore the prescribed requirement for one third (1/3) of the membership of the Board to be independent Board members is fulfilled. This independent element brings an objective and independent judgement to the decision-making process of the Board. The biographical details of the Board members are set out in the Directors' Profile of this Annual Report.

The tenure of an Independent Director shall not exceed a cumulative term of nine (9) years. However, if the Board wishes to retain an Independent Director who has served beyond the 9-year tenure, the Board shall provide justification, upon the recommendation of the Nomination and Remuneration Committee ("**NRC**") and thereafter to obtain the relevant Shareholders' approval. If the Board continues to retain the Independent Director after the 12th year, the Board must seek shareholders' approval annually through a 2-tier voting process. There were no Independent Directors whose tenure exceeds a cumulative term of nine (9) years in the Company thus far.

During the FYE 2019, all the Independent Non-Executive Directors ("**INEDs**") of the Company have confirmed their own independence pursuant to the requirements of the Main LR of Bursa Securities and that they have undertaken to inform the Company immediately should there be any change which could interfere with the exercise of their independent judgement or ability to act in the best interest of the Company.

The Board through the NRC have conducted the annual assessment on effectiveness of the Board, the Board Committees and the individual Directors of the Company for the FYE 2019.

Based on the outcome of the Directors' self-assessment and peer assessment evaluation; the evaluation on the effectiveness of the Board as a whole, as well as the additional assessment on the independence of the INEDs, the Board is satisfied with the level of independence demonstrated by the INEDs and their ability to act in the best interest of the Company.

All INEDs are independent of management and free from any relationship. The Board considers that its INEDs are able to provide an unbiased and independent and objective judgement to facilitate a balanced leadership in the Group as well as providing effective check and balance to safeguard the interest of the minority shareholders and other stakeholders.

The Board has delegated certain duties and responsibilities to its two (2) board committees, namely the Audit and Risk Committee ("**ARC**") and the NRC (collectively referred to as "**the Board Committees**"), to assist the Board in overseeing the Company's affairs and in deliberation of issues within their respective functions and terms of reference ("**TOR**"), which outline clearly their objectives, duties and powers.

The TOR of the ARC and the NRC are available at the Company's corporate website at www.milux.com.my.

Audit and Risk Committee

The composition of the ARC and a summary of its activities during the FYE 2019, including an evaluation of the independent audit process, are set out in the ARC Report of this Annual Report.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

II. Board Composition (cont'd)

Nomination and Remuneration Committee

The NRC comprises exclusively of the following INEDs:-

Name	Designation	Directorship	Number of NRC Meetings attended / held in the FYE 2019
Datuk Haw Chin Teck (appointed on 5 July 2019)	Chairman	Independent Non-Executive Director	1/1
Datuk Dr. Wong Lai Sum (appointed on 5 July 2019)	Member	Independent Non-Executive Chairman	1/1
Ho Pui Hold	Member	Independent Non-Executive Director	2/2
Tuan Haji Mohd Anuar Bin Haji Mohd Hanadzlah ("**Tuan Haji Anuar**") (ceased on 5 July 2019)	Chairman	Independent Non-Executive Chairman	1/1
Ang Joo Seng (ceased on 17 June 2019)	Member	Non-Independent Non-Executive Director	1/1

The NRC met two (2) times during the FYE 2019.

The NRC is governed by its TOR and its principal objectives are:-

- to assist the Board of Directors in their responsibilities in nominating and selecting new nominees to the Board of Directors and to assess the Directors of the Company on an on-going basis; and

- to assist the Board of Directors in their responsibilities in assessing the remuneration packages of the executive and non-executive directors.

For the FYE 2019, the NRC has undertaken the following activities:-

(i) Conducted the Peer-to-Peer Performance Evaluation in accordance with the following four (4) major criteria:-
  - Contribution to Board Meeting(s);
  - Quality of input;
  - Understanding of role; and
  - Arising from the peer-to-peer review, reviewed the contribution of each Director.

(ii) Conducted the Effectiveness of the Board Evaluation to assess the effectiveness of the Board and the Board Committees;

(iii) Reviewed the Independence of the Independent Directors;

(iv) Reviewed and recommended to the Board, the re-election of the Directors who will be retiring at the forthcoming Annual General Meeting ("**AGM**") of the Company;

(v) Reviewed and recommended to the Board on the amount of directors' fees;

(vi) Reviewed and recommended to the Board on the amount of directors' benefit payable; and

(vii) Reviewed the remuneration packages of the Executive Vice Chairman, the Group MD and the Executive Director of the Company.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

II. Board Composition (cont'd)

Nomination and Remuneration Committee (cont'd)

Re-election of Directors

Clause 117 of the Constitution of the Company states that one-third (1/3) of the Directors shall retire from office and shall be eligible for re-election at each AGM. All Directors shall retire from office at least once in each three (3) years but shall be eligible for re-election. Pursuant to Clause 117, Mr. Ho Pui Hold is subject to retirement by rotation at the forthcoming Twenty-Fifth AGM of the Company.

Clause 116 of the Constitution of the Company states that any Director who is appointed either to fill a casual vacancy or as an addition to the existing Directors, shall hold office until the next AGM and shall be eligible for re-election but shall not be taken into account in determining the Directors who are to retire by rotations at that meeting.

Pursuant to Clause 116, the following Directors are subject to retirement at the forthcoming Twenty-Fifth AGM of the Company:-

(1) Datuk Dr. Wong;
(2) Datuk Wira Ling Kah Chok;
(3) Datuk Khoo;
(4) Datuk Haw Chin Teck;
(5) Datuk Yap Kheng Fah;
(6) Mr. Gan Boon Lay;
(7) Ms. Yee Carine; and
(8) Ms. Teh Sok Hoon.

The NRC has conducted the following assessment for all the retiring Directors based on the criteria as prescribed by the Main LR of Bursa Securities:-

- Mix of skills;
- Character;
- Experience;
- Integrity;
- Competence; and
- Time commitment to discharge their roles.

Upon review, the NRC were satisfied with the performance of all the retiring Directors. The Board has then concurred the same and resolved that the retiring Directors be recommended to the shareholders for approval at the forthcoming Twenty-Fifth AGM.

The NRC conducted the following assessments annually:-

(i) Directors' self-assessment and Peer assessment evaluation

In conducting the evaluation, the following main criteria were adopted by the NRC:-

- Contribution to interaction;
- Quality of Input; and
- Understanding of role.

Based on the evaluation conducted for the FYE 2019, the NRC was satisfied with the performance of the individual members of the Board.

(ii) Evaluation on the effectiveness of the Board as a Whole and Board Committees

Based on the evaluation conducted for the FYE 2019, the NRC was satisfied with the performance of the Board as a whole as well as the Board Committees.

Corporate Governance Overview Statement (cont'd)

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

II. Board Composition (cont'd)

Nomination and Remuneration Committee (cont'd)

Board Diversity

Currently, the Board does not have any formalised Board Diversity Policy or Gender Diversity Policy. Women representation on the Board as well as in senior management will be taken into consideration when vacancies arise and suitable candidates are identified, underpinned by the overriding primary aim of selecting the best candidate to support the achievement of the Company's strategic objectives.

As at FYE 2019, the diversity in the race/ethnicity of the existing Directors is as follows:-

Diversity	Race/Ethnicity				Gender		
	Malay	Chinese	Indian	Total	Male	Female	Total
Number of Directors	0	10	0	10	7	3	10

The existing Directors' age distribution falling within the respective age group is as follows:

Age Group (Years)	21-30	31 - 40	41 - 50	61 - 70	Total
Number of Directors	1	4	4	1	10

The Board requires its members to devote sufficient time to the workings of the Board, to effectively discharge their duties as Directors of the Company, and to use their best endeavours to attend meetings.

For the FYE 2019, the Board had convened a total of seven (7) Board Meetings for the purposes of deliberating on the Company's quarterly financial results and discussing important matters which demanded immediate attention and decision-making. During the Board Meetings, the Board reviewed the operation and performance of the Group and other strategic issues that may affect the Group's business. Relevant persons in-charge were invited to attend the Board Meetings to provide the Board with their views and clarifications on issues raised by the Directors.

The attendance record of each Director for all the Board of Directors' Meetings held for the FYE 2019 is as follows:-

Directors	Attendance	%
Datuk Dr. Wong Lai Sum *(appointed on 5 July 2019)*	2 out of 2	100
Datuk Wira Ling Kah Chok *(appointed on 5 July 2019)*	2 out of 2	100
Datuk Khoo Teck Kee *(appointed on 5 July 2019)*	2 out of 2	100
Tan Chee How	6 out of 7	86
Ho Pui Hold	7 out of 7	100
Datuk Haw Chin Teck *(appointed on 5 July 2019)*	2 out of 2	100
Datuk Yap Kheng Fah *(appointed on 5 July 2019)*	2 out of 2	100
Gan Boon Lay *(appointed on 5 July 2019)*	1 out of 2	50
Yee Carine *(appointed on 5 July 2019)*	2 out of 2	100
Teh Sok Hoon *(appointed on 5 July 2019)*	2 out of 2	100

Corporate Governance Overview Statement (cont'd)

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

II. Board Composition (cont'd)

Nomination and Remuneration Committee (cont'd)

Board Diversity (cont'd)

Directors	**Attendance**	**%**
Tuan Haji Anuar (resigned on 5 July 2019)	5 out of 5	100
Koh Pee Seng (resigned on 5 July 2019)	5 out of 5	100
Ng Tek Che (resigned on 5 July 2019)	5 out of 5	100
Dato' Mohamed Salleh Bin Bajuri ("**Dato' Salleh**") (resigned on 5 July 2019)	4 out of 5	80
Ang Joo Seng (retired on 17 June 2019)	4 out of 4	100
Chua Seong Seng (retired on 17 June 2019)	4 out of 4	100
Yap Seng Siang (retired on 17 June 2019)	4 out of 4	100

Board members are expected to achieve at least 50% attendance of total Board Meetings in any applicable financial year with appropriate leave of absence be notified to the Chairperson of the Board and/or Company Secretaries, where applicable.

The Board will also meet on an ad-hoc basis to deliberate urgent issues and matters that require expeditious Board direction or approval. In the intervals between Board meetings, any matters requiring urgent Board decisions and/or approval are sought via circular resolutions which are supported with all the relevant information and explanations required for an informed decision to be made.

In facilitating the schedule of the Directors, the Company Secretaries will prepare and circulate in advance an annual meeting schedule, which includes all the proposed meeting dates of the Board and the Board Committee Meetings for the next financial year, as well as the AGM. Upon the concurrence by all the Board members, the annual meeting schedule will be adopted for the applicable financial year.

Any Director is, while holding office, at liberty to accept other Board appointment(s) in other companies so long as the appointment is not in conflict with the Company's business and does not affect the discharge of his duty as a Director of the Company.

Prior to the acceptance of new Board appointment(s) in other companies, the Directors should notify the Chairperson of the Board and/or the Company Secretaries in writing.

For the FYE 2019 and up to the date of this Annual Report, the Company Secretaries have received a total of three (3) such notification from two (2) Independent Non-Executive Directors on their new appointments in other companies.

Directors' Training

The Board acknowledges the importance of continuous education and training to equip themselves for the effective discharge of its duties. New appointees to the Board undergo a familiarisation programme, which includes visits to the Group's business operations and meetings with key management to facilitate their understanding of the Group's operations and businesses.

All members of the Board have attended the Mandatory Accreditation Programme prescribed by Bursa Securities. The newly appointed Directors had completed the Mandatory Accreditation Programme, within the timeframe i.e. four (4) months from the date of appointment as prescribed by Bursa Securities.

Corporate Governance Overview Statement (cont'd)

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

II. Board Composition (cont'd)

Nomination and Remuneration Committee (cont'd)

Directors' Training (cont'd)

The details of the trainings attended by the Directors during the FYE 2019 are as below:-

Name	**Training(s) Attended**
Datuk Dr. Wong Lai Sum	• Digital Ethics and Sustainability in a New Economy of Privacy • Business Innovation Re-imagined • Financial Language in a Board Room • Bursa Thought Leadership Series - The Convergence of Digitalisation & Sustainability • Cyber Security Awareness • Bursa Thought Leadership Series - Sustainability Inspired Innovations: Enablers of the 21st Century • Corporate Liability on Corruption
Datuk Wira Ling Kah Chok	Mandatory Accreditation Programme
Datuk Khoo Teck Kee	Mandatory Accreditation Programme
Tan Chee How	• Malaysia Institute of Accountants ("MIA") International Accountants Conference 2019
Ho Pui Hold	• Unclaimed Money Act 1965 • MIA's Engagement Session with Audit Committee Members on Integrated Reporting • Kursus Integriti & Kod Etika Kontraktor • Sustainability Report Awareness • Evaluating Effective Internal Audit Function – Audit Committee's Guide on How to ..... • MIA International Accountants Conference 2019 • Session on Corporate Governance & Anti-Corruption
Datuk Haw Chin Teck	Enterprise Development E-Commerce Sharing Session
Datuk Yap Kheng Fah	Mandatory Accreditation Programme
Gan Boon Lay	Mandatory Accreditation Programme
Yee Carine	Mandatory Accreditation Programme
Teh Sok Hoon	Mandatory Accreditation Programme

III. Remuneration

Presently the Company does not have formalised remuneration policies and procedures for the Directors and Senior Management.

The objectives of the Group on Directors' remuneration are to attract and retain Directors of the calibre needed to manage the Group successfully. In the case of the Group MD and the Executive Directors, the component parts of their remuneration are structured to link rewards to corporate and individual performances. For Non-Executive Directors, their level of remuneration reflects the experience, expertise and level of responsibilities undertaken by the particular Non-Executive Director concerned.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

III. Remuneration (cont'd)

The details of the remuneration for Directors for the FYE 2019 are as follows:

Summary of total remuneration of Directors for the FYE 2019						
	Fee	**Salary**	**EPF**	**Benefit-In-Kind**	**Other Emoluments**	**Total**
	(RM)	**(RM)**	**(RM)**	**(RM)**	**(RM)**	**(RM)**
COMPANY						
Executive Director						
Datuk Wira Ling Kah Chok *(appointed on 5 July 2019)*	14,712.33	-	-	-	1,500.00	16,212.33
Datuk Khoo Teck Kee *(appointed on 5 July 2019)*	-	191,977.10	25,251.00	7,866.33	17,612.90	242,707.33
Koh Pee Seng *(resigned on 5 July 2019)*	-	159,600.00	6,387.00	13,970.81	18,387.10	198,344.91
Subtotal	**14,712.33**	**351,577.10**	**31,638.00**	**21,837.14**	**37,500.00**	**457,264.57**
Non-Executive Directors						
Datuk Dr. Wong Lai Sum *(appointed on 5 July 2019)*	24,520.55	-	-	-	2,000.00	26,520.55
Ho Pui Hold	35,000.00	-	-	-	8,750.00	43,750.00
Datuk Haw Chin Teck *(appointed on 5 July 2019)*	17,164.38	-	-	-	3,000.00	20,164.38
Datuk Yap Kheng Fah *(appointed on 5 July 2019)*	14,712.33	-	-	-	2,500.00	17,212.33
Gan Boon Lay *(appointed on 5 July 2019)*	14,712.33	-	-	-	750.00	15,462.33
Yee Carine *(appointed on 5 July 2019)*	14,712.33	-	-	-	-	14,712.33
Teh Sok Hoon *(appointed on 5 July 2019)*	14,712.33	-	-	-	-	14,712.33
Tuan Haji Anuar *(resigned on 5 July 2019)*	20,273.97	-	-	-	5,750.00	26,023.97
Dato' Salleh *(resigned on 5 July 2019)*	15,205.48	-	-	-	3,000.00	18,205.48
Ang Joo Seng *(retired on 17 June 2019)*	13,726.03	-	-	-	5,000.00	18,726.03
Chua Seong Seng *(retired on 17 June 2019)*	13,726.03	-	-	-	3,000.00	16,726.03
Yap Seng Siang *(retired on 17 June 2019)*	13,726.03	-	-	-	3,000.00	16,726.03
Subtotal	**212,191.79**	**-**	**-**	**-**	**36,750.00**	**248,941.79**
TOTAL	**226,904.12**	**351,577.10**	**31,638.00**	**21,837.14**	**74,250.00**	**706,206.36**

Corporate Governance Overview Statement (cont'd)

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

III. Remuneration (cont'd)

The details of the remuneration for Directors for the FYE 2019 are as follows: (cont'd)

Summary of total remuneration of Directors for the FYE 2019						
	Fee	**Salary**	**EPF**	**Benefit-In-Kind**	**Other Emoluments**	**Total**
	(RM)	**(RM)**	**(RM)**	**(RM)**	**(RM)**	**(RM)**
GROUP						
Executive Directors						
Datuk Wira Ling Kah Chok *(appointed on 5 July 2019)*	14,712.33	-	-	-	1,500.00	16,212.33
Datuk Khoo Teck Kee *(appointed on 5 July 2019)*	-	191,977.10	25,251.00	7,866.33	17,612.90	242,707.33
Tan Chee How	-	218,292.00	28,392.00	11,100.00	18,191.00	275,975.00
Koh Pee Seng *(resigned on 5 July 2019)*	-	159,600.00	6,387.00	13,970.81	18,387.10	198,344.91
Ng Tek Che *(resigned on 5 July 2019)*	-	73,548.39	2,943.00	-	30,645.16	107,136.55
Subtotal	**14,712.33**	**643,417.49**	**62,973.00**	**32,937.14**	**86,336.16**	**840,376.12**
Non-Executive Director						
Datuk Dr. Wong Lai Sum *(appointed on 5 July 2019)*	24,520.55	-	-	-	2,000.00	26,520.55
Ho Pui Hold	35,000.00	-	-	-	8,750.00	43,750.00
Datuk Haw Chin Teck *(appointed on 5 July 2019)*	17,164.38	-	-	-	3,000.00	20,164.38
Datuk Yap Kheng Fah *(appointed on 5 July 2019)*	14,712.33	-	-	-	2,500.00	17,212.33
Gan Boon Lay *(appointed on 5 July 2019)*	14,712.33	-	-	-	750.00	15,462.33
Yee Carine *(appointed on 5 July 2019)*	14,712.33	-	-	-	-	14,712.33
Teh Sok Hoon *(appointed on 5 July 2019)*	14,712.33	-	-	-	-	14,712.33
Tuan Haji Anuar *(resigned on 5 July 2019)*	20,273.97	-	-	-	5,750.00	26,023.97
Dato' Salleh *(resigned on 5 July 2019)*	15,205.48	-	-	-	3,000.00	18,205.48
Ang Joo Seng *(retired on 17 June 2019)*	13,726.03	-	-	-	5,000.00	18,726.03
Chua Seong Seng *(retired on 17 June 2019)*	13,726.03	-	-	-	3,000.00	16,726.03
Yap Seng Siang *(retired on 17 June 2019)*	13,726.03	-	-	-	3,000.00	16,726.03
Subtotal	**212,191.79**	**-**	**-**	**-**	**36,750.00**	**248,941.79**
TOTAL	**226,904.12**	**643,417.49**	**62,973.00**	**32,937.14**	**123,086.16**	**1,089,317.91**

Note: Other emoluments consist of bonus and travelling allowance.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

III. Remuneration (cont'd)

The remuneration of the top senior management (including salary, bonus, benefit-in kind and other remuneration) in each band of RM50,000 during the FYE 2019 is as follows:-

Remuneration Range (RM)	Top Two Senior Management
300,001 – 350,000	2

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

I. Audit and Risk Committee

The composition and details of activities carried out by the ARC during the FYE 2019 are set out in the ARC Report of this Annual Report.

For the FYE 2019, the ARC has assessed the suitability and independence of external auditors vide an annual assessment of the suitability and independence of the external auditors. The requirement for such assessment has also been encapsulated in the Board Charter by the Board.

Upon completion of its assessment of the external auditors of the Company, the ARC was satisfied with CAS Malaysia PLT's technical competency and audit independence during the financial year.

None of the members of the Board were former key audit partners and notwithstanding that in order to uphold the utmost independence, the Board has no intention to appoint any former key audit partner as a member of the Board.

The Board had on 27 March 2019 adopted the Policy on the Provision of Non-Audit Services by External Auditors and the Policies and Procedures to Assess the Suitability, Objectivity and Independence of External Auditors.

II. Risk Management and Internal Control Framework

The Board affirms the importance of maintaining a sound system of internal controls and risk management practices to good corporate governance. The ARC has been entrusted by the Board to ensure effectiveness of the Group's internal control systems. The activities of the outsourced Internal Auditors are reported regularly to the ARC which provides the Board with the required assurance in relation to the adequacy and integrity of the Group's internal control systems. It acknowledges its overall responsibility in this area and also the need to review its effectiveness regularly.

The Statement on Risk Management and Internal Control of the Group as set out in this Annual Report provides an overview of the state of risk management and internal controls within the Group.

The outsourced Internal Auditors communicate regularly with and report directly to the ARC. The outsourced Internal Auditors' representatives met up four (4) times with the ARC during the FYE 2019.

The Internal Audit Review of the Group's operations encompasses an independent assessment of the Company's compliance with its internal controls and recommendations are made for improvement.

For the FYE 2019, the ARC has assessed the performance of internal auditors vide an annual assessment of the suitability of the internal auditors.

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT (cont'd)

II. Risk Management and Internal Control Framework (cont'd)

In its assessment, the ARC considered, inter alia, the following factors:-

- Understanding;
- Charter and structure;
- Skills and experiences;
- Communication; and
- Performance;

Upon completion of its assessment, the ARC was satisfied with the outsourced Internal Auditor, PKF Advisory Sdn. Bhd.'s technical competency and audit independence during the financial year under review.

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

I. Communication with Stakeholders

The Company is committed to ensuring that communications to the investing public regarding the business, operations and financial performance of the Company are accurate, timely, factual, informative, consistent, broadly disseminated and where necessary, information filed with regulators is in accordance with applicable legal and regulatory requirements.

In line with that, the Board has adopted a Corporate Disclosure Policy to develop and maintain an established framework for making corporate disclosures.

A copy of this policy is available for viewing on the Company's corporate website at www.milux.com.my.

The Company recognises the value of transparent, consistent and coherent communications with the investment community consistent with commercial confidentiality and regulatory considerations.

In line with that, the Board has adopted a Shareholders' Communication Policy to ensure that all shareholders have ready and timely access to all publicly available information of the Company, to fairly and accurately represent the Company so that investors and potential investors can make properly informed investment decisions and can have a balanced understanding of the Company and its objectives.

The Board has adopted the following measures with regards to communication with the Company's shareholders:-

(i) Announcements to Bursa Securities

Material information, updates and periodic financial reports are published on a timely basis through announcements to Bursa Securities.

Shareholders and Investors can obtain the Company's latest announcements such as quarterly financial results in the dedicated website of Bursa Securities at http://www.bursamalaysia.com.my.

(ii) Corporate Website

The Company's corporate website (http://www.milux.com.my) provides all relevant information on the Company and is accessible by the public. It includes the announcements made by the Company and annual reports. The Board discloses to the public all material information necessary for informed investment and takes reasonable steps to ensure that all shareholders enjoy equal access to such information.

(iii) Annual Reports

The Company's Annual Reports to the shareholders remain the central means of communicating to the shareholders, amongst others, the Company's operations, activities and performance for the past financial year as well as the status of compliance with applicable rules and regulations.

Corporate Governance Overview Statement (cont'd)

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

I. Communication with Stakeholders (cont'd)

(iv) AGMs/General Meetings

The AGMs/General Meetings which are used as the main forum of dialogue for shareholders to raise any issues pertaining to the Company.

(v) Designated Contact Person for Investor Relations

Any enquiry regarding investor relations from the shareholders may be conveyed to the designated contact person, the information of which has been published on the Company's corporate website.

II. Conduct of General Meetings

The AGM provides an opportunity for the shareholders to seek and clarify any issues pertaining to the Group and to have a better understanding of the Group's activities and performance. Both individuals and institutional shareholders are encouraged to meet and communicate with the Board at the AGM and to vote on all resolutions.

All Board members, Senior Management and the Group's external auditors as well as the Company's advisers are available to respond to shareholders' questions during the general meetings of the Company as the case may be.

The notice of AGM together with the Annual Report is despatched to shareholders at least twenty-eight (28) days prior to the meeting date. Sufficient notice period is given to the shareholders in order for them to schedule their time to attend the Company's AGM.

At the 24th AGM of the Company held on 17 June 2019, all members of the Board save for Mr. Ang Joo Seng (a former Director), were present at the meeting to respond to the questions raised by the shareholders or proxies. The Chairman of the Board chaired the 24th AGM in an orderly manner and allowed the shareholders or proxies the opportunity to speak at the meeting.

In line with paragraph 8.29A of the Main LR of Bursa Securities on the requirement for poll voting for any resolution set out in the notice of general meetings, at the 24th AGM held last year, electronic poll voting was used to facilitate the voting process for resolutions tabled. An independent scrutineer was also appointed to scrutinise the polling process.

The Company has not adopted, but will continue to explore, the practice of using technology to enable voting in absentia and remote shareholder participation at shareholders' meetings.

KEY FOCUS AREAS AND FUTURE PRIORITIES

Looking ahead to financial year ending 2020 and 2021, the Board and its respective Board Committees will:-

- Focus on major strategic issues to ensure sustainability and growth;
- Continue to monitor succession planning for the senior leadership team, to ensure a healthy pipeline of talent is emerging for future senior executive management;
- Consider variety of approaches and independent sources to identify suitable candidates for appointment as Directors, should the need arise; and
- Continue to review the balance, experience & skills of the Board.

This Corporate Governance Overview Statement is made in accordance with a resolution of the Board of Directors dated 20 April 2020.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Introduction

Pursuant to paragraph 15.26(b) of Main Market Listing Requirements ("**Main LR**") of Bursa Malaysia Securities Berhad ("**Bursa Securities**"), the Board of Directors of Milux Corporation Berhad is pleased to provide the following Statement on Risk Management and Internal Control of the Group, which has been prepared in accordance with the Malaysian Code on Corporate Governance ("**MCCG**"), the Corporate Governance Guide and the Statement on Risk Management and Internal Control: Guidance for Directors of Listed Issuers.

Board Responsibility

The Board recognises the importance of a sound risk management framework and internal control system for good corporate governance, and acknowledges its primary responsibility for the adequacy and integrity of the Group's systems of risk management and internal control including the identification of principal risks in the Group, measured and managed with appropriate internal control measures, as well as review of its effectiveness, particularly the financial, operational, and compliance aspects of the Group throughout the financial year.

However, the Board also acknowledges that such risk management and internal control system is designed to manage the Group's risks within an acceptable risk parameter, rather than eliminate the risk of failure to achieve the business objectives of the Group. Accordingly, they can only provide reasonable but not absolute mitigation against material misstatement of management and financial information, financial losses or fraud.

The Group has established an on-going process to identify, evaluate and manage significant risks faced by the Group and its achievement of objectives and strategies. The process involves, amongst others, updating the risk register and internal control documentation whenever there are changes to business environment or regulatory guidelines.

The Audit and Risk Committee ("**ARC**") has been established to assist the Board in their responsibilities to identify, assess and monitor key risks and implement adequate internal control system to safeguard shareholders' investments and the company's assets. ARC is supported by internal audit function which conduct periodic assessment on the efficiency and effectiveness of the internal control system of the Group in mitigating risk.

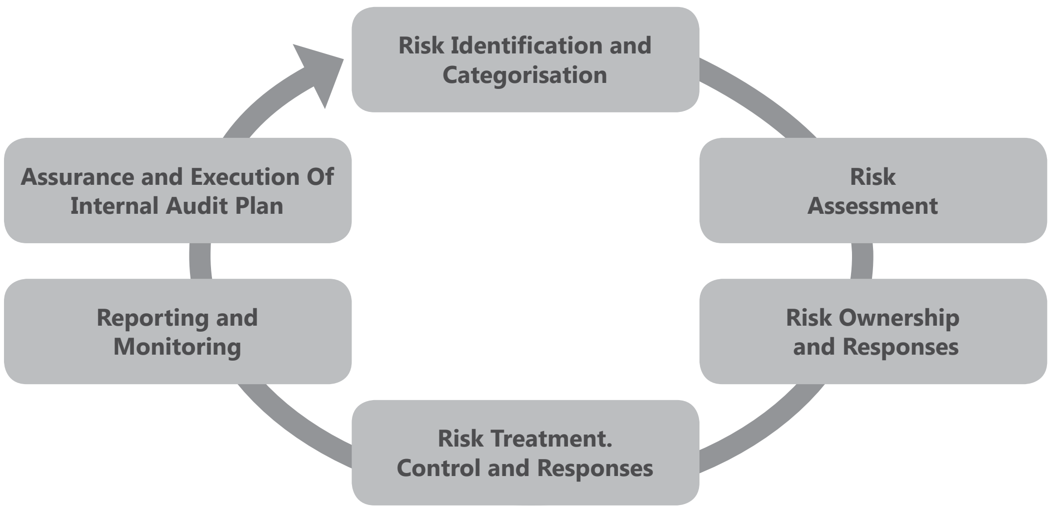
Another Board Committee that was established by the Board is the Nomination and Remuneration Committee ("NRC") which also have clearly defined accountabilities and responsibilities to oversee various key business activities within the Group.

Risk Management

The risk management processes in identifying, evaluating and managing significant risks facing the organisation are embraced in the operating and business processes. The effectiveness of the risk management is monitored and evaluated by all levels of management on an ongoing basis.

The Group through its ARC reviews these processes on a quarterly basis, along with progress updates on the mitigation measures implemented on the identified inherent risks. Adequacy and effectiveness of the mitigation measures will be assessed and further enhanced where necessary.

The key aspects of the risk management framework are:



Statement on Risk Management and Internal Control (cont'd)

Generally, the Board is accountable for the Group's overall risk profile and has delegated the oversight of the risk management function to the ARC comprising three (3) Independent Non-Executive Directors. There were five (5) meetings held for year 2019 with ARC members' attendance details as follows:

Members	Attendance
Mr. Ho Pui Hold - Chairman	5 out of 5
Datuk Haw Chin Tek - Member *(Appointed on 5 July 2019)*	2 out of 2
Datuk Yap Kheng Fah - Member *(Appointed on 5 July 2019)*	2 out of 2
Tuan Haji Mohd Anuar Bin Mohd Hanadzlah - Member *(Ceased on 5 July 2019)*	3 out of 3
Mr. Ang Joo Seng - Member *(Ceased on 17 June 2019)*	3 out of 3

The ARC notes that the risk management and internal control practices are adequately implemented in the Group and effective in its execution. In addition, the ARC ensures the policies and framework in place are able to manage the risks to which the Group are exposed, especially in areas of high-risk concentration identified.

The likelihood of occurrence and magnitude of the impact of such risks are captured on an established risk matrix based on the risk assessment results. The exercise was facilitated by PKF Risk Management Sdn Bhd to facilitate a systematic identification of significant business risks, establishment of responsibilities for managing these risks and an objective assessment of key controls to manage the identified risks.

All record of information about identified risks was recorded in a Risk Register that was tabled to the Board. Eventually, a risk-based annual internal audit plan was proposed and approved by the ARC prior to commencement.

Internal Control System

The Board recognises the criticality of a sound internal control system in ensuring effectiveness and efficiency when managing the Group's business, which it approaches in a top-down manner with internal control concepts cascaded right from the strategic management level down to the foundation operations level.

The Board meets quarterly to discuss a schedule of matters that requires its attention, to ensure accountability for the conduct and performance within their assigned business units/support functions.

The Board too has established the ARC and the NRC as part of the Board Committees in accordance to the Bursa Securities' Main LR and Securities Commission Malaysia's MCCG.

The Group maintains a formal organisation structure with well-defined delegation of responsibilities and accountability. The internal control system of the company's various operating division is enhanced by implementing roles and responsibilities, appropriate limits of authority, continuous review and enhancement of policies and procedures.

Internal Audit Function

The Board places importance on the Internal Audit function and has engaged an independent professional accounting and consulting firm, PKF Risk Management Sdn Bhd, to provide professional assessment of the adequacy, efficiency and effectiveness of the Group's internal control system.

The Internal Audit function reports directly to the ARC, conducts periodic audits to assess the effectiveness of the risk management and internal control procedures; recommends actions to Management for improvement and reports the status of management control procedures to the ARC.

Since the adoption of the Enterprise Risk Management framework, the Internal Audit function has taken a risk-based approach when preparing its audit strategy and plans, after having considered the risk profiles of the operations of the Group.

The Internal Audit function reviews the internal controls of the key activities of the Group based on the annual audit plan approved by the ARC and carry out its function in accordance to the International Standards for the Professional Practice of Internal Auditing which covers the process of audit planning, execution, documentations, communication of findings and consultation with Senior Management and the Board on the audit concerns.

Follow up review were conducted to determine all agreed control measures were implemented on a timely manner.

Statement on Risk Management and Internal Control (cont'd)

Review of Effectiveness

The Board is of the view that the systems of risk management and internal control are in place for the year under review and up to the date of approval of this statement. The risk management and internal control systems are sound and sufficient to safeguard the shareholders' investment, the interests of customers, regulators and employees, and the Group's assets. Notwithstanding this, the Board is vigilant and continues to review the effectiveness and adequacy of the systems of risk management and internal control, in view of the dynamic and changing business environment.

Review of Statement on Internal Control by External Auditors

The External Auditors have reviewed the Statement on Risk Management and Internal Control and reported to the ARC that nothing has come to their attention that causes them to believe the statement is inconsistent with their understanding of the process adopted by the ARC and the Board in reviewing the adequacy and integrity of the Group's internal controls.

Board Assessment

The Board has received assurances from the Group Managing Director, the Executive Director and the Chief Financial Officer 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 systems of the Group.

The Board is of the view that the risk management and internal control system of the Group for the financial year under review and up to the date of issuance of the financial statements is adequate and effective. Nevertheless, the Board recognises the fact that the Group's risk management and internal control system must continuously evolve to meet the changing business environment. Therefore, the Board will when necessary put in place appropriate action plans to further enhance the system of internal controls and risk management practices.

This Statement is made in accordance with the approval and resolution of the Board of Directors dated 20 April 2020.

AUDIT AND RISK COMMITTEE REPORT

The Audit and Risk Committee ("**ARC**" or "**the Committee**") is pleased to present the report of the ARC for the financial year ended 31 December 2019 ("**FYE 2019**"). The Board has approved this report by a resolution dated 20 April 2020.

Constitution

The ARC of Milux Corporation Berhad ("**Milux**") has been established since 11 March 1997.

Composition

The Committee comprises of three (3) members, which consist of three (3) Independent Non-Executive Directors ("**INEDs**"). This meet the requirements of Paragraph 15.09(1)(a) and (b) of the Main Market Listing Requirements ("**Main LR**") of Bursa Malaysia Securities Berhad ("**Bursa Securities**").

The Chairman of the ARC is Mr. Ho Pui Hold who is an INED of the Company and as such the requirement of Paragraph 15.10 of the Main LR of Bursa Securities has been complied with.

Meetings

The Committee held a total of five (5) meetings during the FYE 2019.

The details of attendance of the Committee Meetings during the financial year under review were as below:-

Members	Number of meetings attended / held in the financial year under review	%
Ho Pui Hold – Chairman *Independent Non-Executive Director*	5/5	100
Datuk Haw Chin Teck - Member *Independent Non-Executive Director* *(appointed w.e.f. 5 July 2019)*	2/2	100
Datuk Yap Kheng Fah – Member *Independent Non-Executive Director* *(appointed w.e.f. 5 July 2019)*	2/2	100
Tuan Haji Mohd Anuar Bin Haji Mohd Hanadzlah - Member *Independent Non-Executive Chairman* *(ceased w.e.f. 5 July 2019)*	3/3	100
Ang Joo Seng – Member *Non-Independent Non-Executive Director* *(ceased w.e.f. 17 June 2019)*	3/3	100

Mr. Ho Pui Hold, is a fellow member of the Association of Chartered Certified Accountants (FCCA), a member of the Malaysian Institute of Accountants (MIA) and a member of the ASEAN Chartered Professional Accountant (ACPA). In view thereof, the Company has met the minimum requirement as set forth under Paragraph 15.09(1)(c) of the Main LR of Bursa Securities.

For the FYE 2019, the ARC held five (5) meetings on the following dates:-

No.	ARC Meeting	Date of Meeting	Meeting with the External Auditors without presence of the Executive Board and Management
(1)	(1/2019) ARC Meeting	26 February 2019	
(2)	(2/2019) ARC Meeting	27 March 2019	√
(3)	(3/2019) ARC Meeting	23 May 2019	
(4)	(4/2019) ARC Meeting	21 August 2019	
(5)	(5/2019) ARC Meeting	22 November 2019	√

Meetings (cont'd)

The External Auditors are encouraged to raise with the Committee any matters they considered important to bring to the Committee's attention. For the FYE 2019, two (2) meetings were held with the External Auditors without the presence of the Executive Board members and Management. The lead audit engagement partner of the External Auditors attended two (2) Committee meeting held in the FYE 2019.

The ARC Chairman also sought information on the communication flow between the External Auditors and the Management which is necessary to allow unrestricted access to information for the External Auditors to effectively perform their duties. For the FYE 2019, the External Auditors confirmed to the ARC that there were neither restrictive nor non-co-operative behaviour exhibited by the Management during the course of their audit.

Notices of ARC meetings were distributed to the Committee at least seven (7) days before the meeting while the meeting papers were disseminated to the Committee at least three (3) days in advance prior to the meeting to enable the Committee Members to peruse and provide their feedbacks/comments at the meeting.

All deliberations during the Committee meetings were duly minuted. Minutes of the ARC meetings were tabled for confirmation at every succeeding ARC meeting.

The ARC Chairman presented the Committee's recommendations together with the respective rationale to the Board for approval of the annual audited financial statements and the unaudited quarterly financial results. As and when necessary, the ARC Chairman would convey to the Board matters of significant concern raised by the Internal Auditors and/or External Auditors. At every ARC meeting since 3 May 2016, the Committee also reviewed the significant matters highlighted including financial reporting issues, significant judgements made by Management, significant and unusual events or transactions, and how these matters were addressed at those ARC meetings.

Terms of Reference

The Terms of Reference ("**TOR**") of the ARC is available on the Company's website at www.milux.com.my.

Summary of Works undertaken by the ARC

During the financial year under review, the works undertaken by the Committee included the discharged of the following five (5) main oversight roles:-

(a) Financial Reporting

(i) Reviewed the Audited Financial Statements of the Group before recommending them for the Board's approval.

(ii) Reviewed the quarterly financial results to ensure compliance with the Main LR of Bursa Securities before recommending them for Board's approval.

(iii) Reviewed any related party transactions entered into by the Company and the Group on a quarterly basis.

(iv) Reviewed, if any, the significant assumptions made in preparing the financial statements, including accounting estimates that have been identified as having high estimation uncertainty. The following significant matters in relation to the preparation of unaudited quarterly financial results were identified by the ARC during the FYE 2019:-

- Impairment of Asset;
- Impairment of Trade Receivables;
- Inventory obsolescence;
- Depreciation method or asset useful life;
- Provision against the carrying amount of an investment;
- Costs arising from litigation settlements and judgements; and
- Fair value accounting estimates.

(b) Corporate Reporting

(i) Reviewed the *draft* Annual Report of the Company before recommending for the Board's approval.

(ii) Reviewed the ARC Report and Statement on Risk Management and Internal Control before recommending the same to the Board for approval and for inclusion in the Company's Annual Report.

Audit and Risk Committee Report (cont'd)

(c) External Audit

(i) Reviewed the Audit Planning Memorandum with CAS Malaysia PLT, the External Auditors of the Company.

(ii) Received written assurance from CAS Malaysia PLT confirming that they were, and have been, independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements.

(iii) Reviewed and assessed the performance, suitability and independence of the External Auditors for the FYE 2019 before making any recommendation for their re-appointment to the Board.

(iv) Reviewed the audit and non-audit fees payable to the External Auditors for the FYE 2019 to ensure the level of non-audit services rendered by the External Auditors would not impair their independence.

(v) Received updates on the Malaysian Financial Reporting Standards by the representative of CAS Malaysia PLT.

(vi) Met and discussed with the External Auditors two (2) times during the financial year without the presence of the Management of the Company.

(d) Internal Audit

(i) Reviewed the Internal Audit Reports tabled by PKF Risk Management Sdn. Bhd. ("**PKF**") at the quarterly Committee Meetings to ensure that all recommendations and corrective actions were taken by Management based on the audit findings and recommendations of the Internal Auditors.

(ii) Conducted an Internal Audit Assessment to review the adequacy of the scope, functions, competency and resources of the internal audit function to ensure that it has the necessary authority to carry out its work and to perform its function effectively in accordance with relevant professional standards.

(e) Risk Management

(i) Reviewed the effectiveness of the Company's internal audit function in the context of the Company's overall risk management system vide the annual Internal Audit Assessment.

(ii) Assessed Milux Group's business strategies and plans from a risk-based perspective.

(iii) Systematic identification of significant business risks and objective assessment of key controls to manage the identified risks, with the assistance of the outsourced Internal Auditors.

Internal Audit

(1) Internal Audit Function

Internal Auditing is an independent objective assurance and consulting activity that is guided by a philosophy of adding value to improve the operations of Milux Corporation Berhad and its subsidiaries ("**Milux**" or "**the Group**"). It assists Milux in accomplishing Milux's vision and mission by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of the Company's risk management, control, and governance processes.

The Group has appointed PKF, an internal audit service provider to carry out the internal audit function. The outsourced Internal Auditors report directly to the Committee, providing the Board with a reasonable assurance of adequacy of the scope, functions and resources of the Internal Audit function. The purpose of the Internal Audit function is to provide the Board, through the Committee, assurance of the effectiveness of the system of internal control in the Group.

The Internal Audit function is independent and performs audit assignments with impartiality, proficiency and due professional care.

Audit and Risk Committee Report (cont'd)

(2) Internal audit activities:-

(a) <u>Audit Conducted for the FYE 2019</u>

For the FYE 2019, PKF has conducted the following audits:-

Audit activities	**Audit entity/area**
Review of Inventory Management	• Milux Headquarters • T.H. Hin Home Tech Sdn. Bhd. ("**Home Tech**")
Review of Service Management (Warranty and Repair)	Milux Headquarters
Review of Procurement & Payment Management	Milux Headquarters
Review of Sales, Credit Control & Accounts Receivables	Home Tech

(b) <u>Adoption of Internal Audit Plan for year 2019 and 2020</u>

At the ARC meeting held on 26 February 2019, PKF has presented the Internal Audit Plan for years 2019 and 2020 and the ARC has agreed to the proposed timing and audited areas as tabled.

(c) <u>Internal Audit Review and assurance</u>

During the Internal Auditors' course of audit, PKF has reviewed compliance with regard to policies, procedures and standards, relevant external rules and regulations, as well as assessed the adequacy and effectiveness of the Group's system of internal control and recommended appropriate actions to be taken where necessary.

The internal audits performed met the objective of highlighting to the Committee the audit findings which required follow-up actions by the Management, any outstanding audit issues which required corrective actions to be taken to ensure an adequate and effective internal control system is in place within the Group, as well as to rectify any weaknesses in the Group's internal control system. It ensured that those weaknesses were appropriately addressed and that recommendations from the Internal Audit Reports and corrective actions on reported weaknesses were taken appropriately within the required timeframe by the Management.

(d) <u>Internal Audit Charter</u>

The Committee has adopted an Internal Audit Charter in order to formalise the remit of the Internal Audit function and the process to review the adequacy of scope, functions, competency, and resources of the internal audit function.

The Internal Audit Charter comprises the following items:-

(i) Role;
(ii) Professionalism;
(iii) Authority;
(iv) Organisation;
(v) Independence and Objectivity;
(vi) Responsibility;
(vii) Internal Audit Plan;
(viii) Reporting and Monitoring;
(ix) Periodic Assessment;
(x) Oversight Functions of the ARC in relation to Internal Audit Functions; and
(xi) Review of Internal Audit Charter.

The Internal Audit Charter is available for viewing on the Company's website at <u>www.milux.com.my</u>.

Audit and Risk Committee Report (cont'd)

(e) <u>Internal Audit Function Review</u>

On a yearly basis, the ARC would conduct an Internal Audit function review in order to assess the adequacy and performance of the Internal Audit Function and its comprehensive coverage of the Group's activities ("the IA Review").

The IA Review has been conducted by the ARC on 24 February 2020. The Committee has conducted the IA Review based on the following criteria:-

- Understanding;
- Charter and Structure;
- Skills and experiences;
- Communication; and
- Performance.

Upon review, the Committee was satisfied with the performance and the conduct of PKF.

(3) Total costs incurred for FYE 2019

The total fees incurred for the outsourced internal audit function of the Group for the FYE 2019 amounted to RM64,000/- (FYE 2018: RM59,200/-).

ADDITIONAL COMPLIANCE INFORMATION

The information disclosed below is in compliance with Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

1. Utilisation of Proceeds raised from Corporate Proposal

The Company's Private Placement exercise was completed upon the subscription and listing of the 4,352,903 Placement Shares at RM0.80 per Placement Share on the Main Market of Bursa Malaysia Securities Berhad on 27 December 2019. The gross proceeds raised from the Private Placement exercise was RM3,482,322.40 and the current utilisation status is as set out below:-

	Notes	Proposed utilisation (RM'000)	Actual utilisation (RM'000)	Intended time frame for utilisation	Balance (RM'000)	Status of Utilisation
Purpose						
Working capital	(a)	3,382	3,382	Within 3 months	-	Fully utilised
Estimated expenses related to Proposals	(b)	100	100	Within 1 month	-	Fully utilised
TOTAL		**3,482**	**3,482**		**-**	

Notes:-

(a) *The proceeds earmarked for working capital of Milux and its subsidiaries are intended to be utilised as follows:*

(i) *Payment of trade creditors for the Group's trading segment;*
(ii) *Administrative expenses such as logistics, promotion, advertising and marketing expenditures for the Group's trading segment;*
(iii) *Staff costs which include staff salary, Directors' remuneration and contributions to the Employees Provident Fund Board and the Social Security Organisation; and*
(iv) *Office related expenses such as rental, utilities and maintenance of property, plant and equipment.*

(b) *The estimated expenses consist of professional fees, placement fees, fees payable to the authorities and miscellaneous expenses relating to the Private Placement exercise. Any variation to the amount of estimated expenses relating to the Private Placement exercise will be adjusted to/from the portion being earmarked for the general working capital for the Milux Group.*

2. Audit and Non-Audit Fees

For the financial year ended 31 December 2019, CAS Malaysia PLT, the External Auditors has rendered audit and non-audit services to the Company and the Group as follows:-

	Group (RM)	Company (RM)
Audit services rendered	110.500	16,500
Non-audit services rendered		
(1) Non-Audit fees - fees for review of Statement on Risk Management and Internal Control	5,000	5,000
TOTAL	**115,500**	**21,500**

3. Material Contracts

There were no material contracts entered into by the Company or its subsidiaries which involve directors and major shareholders, either still subsisting at the end of the financial year ended 31 December 2019 or entered into since the end of the previous financial year.

DIRECTORS' RESPONSIBILITY STATEMENT
IN RELATION TO PREPARATION OF FINANCIAL STATEMENT

This statement is prepared as required by the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

The Directors are required to prepare annual financial statements which are in accordance with applicable approved accounting standards; to give a true and fair view of the state of affairs of the Group and the Company as at the end of the financial year; and of their results and their cash flows for that year then ended.

The Directors consider that in preparing the financial statements of the Group and the Company for the financial year ended 31 December 2019,

- the Group and the Company have adopted appropriate accounting policies and applied them consistently;
- the statements are supported by reasonable and prudent judgements and estimates;
- all applicable approved accounting standards in Malaysia, including but not limited to Malaysian Financial Reporting Standards and International Financial Reporting Standards have been followed; and
- prepared the financial statements on a going concern basis.

The Directors are also responsible for ensuring that the Group and the Company keep proper accounting records which disclose the financial position of the Group and of the Company with reasonable accuracy at any time, thus enabling the financial statements to be complied with the requirements of the Companies Act 2016 and have been made out in accordance with applicable Malaysian Financial Reporting Standards, International Financial Reporting Standards and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

The Directors are also responsible for taking the necessary steps as are reasonably open to them to ensure appropriate systems are in place to safeguard the assets of the Group and of the Company, and to detect and prevent fraud and other irregularities. The systems, by their nature, can only provide reasonable and not absolute assurance against material misstatements, whether due to fraud or error.

FINANCIAL STATEMENTS

DIRECTORS' REPORT

The directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2019.

PRINCIPAL ACTIVITIES

The principal activities of the Company are that of an investment holding company and the provision of management services.

The information on the name, place of incorporation, principal activities and percentage of issued and paid-up share capital held by the holding company in each subsidiary is as disclosed in Note 8 to the financial statements.

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

FINANCIAL RESULTS

	Group 2019 RM	Company 2019 RM
Loss for the financial year	(4,430,376)	(1,052,346)

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

RESERVES AND PROVISIONS

There were no material transfers to or from reserves and provisions during the financial year except as disclosed in the financial statements.

DIVIDENDS

No dividend has been paid or declared during the financial year. The directors do not recommend that a dividend to be paid in respect of the current financial year.

SHARES AND DEBENTURES

During the financial year, the Company increased its share capital from RM55,584,379 to RM59,066,701 by way of the issuance of 4,352,903 new ordinary shares at an issue price of RM0.80 per share for the purpose of working capital. The shares were issued for cash consideration.

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

There were no debentures issued during the financial year.

OPTIONS GRANTED OVER UNISSUED SHARES

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

DIRECTORS' REPORT (cont'd)

DIRECTORS

The names of the Directors of the Company in office during the financial year and during the period from the end of the financial year to the date of this report are:

Datuk Dr. Wong Lai Sum	(appointed on 5th July 2019)
Datuk Wira Ling Kah Chok	(appointed on 5th July 2019)
Datuk Khoo Teck Kee	(appointed on 5th July 2019)
Datuk Haw Chin Teck	(appointed on 5th July 2019)
Datuk Yap Kheng Fah	(appointed on 5th July 2019)
Tan Chee How	
Ho Pui Hold	
Gan Boon Lay	(appointed on 5th July 2019)
Yee Carine	(appointed on 5th July 2019)
Teh Sok Hoon	(appointed on 5th July 2019)
Ang Joo Seng	(retired on 17th June 2019)
Chua Seong Seng	(retired on 17th June 2019)
Yap Seng Siang	(retired on 17th June 2019)
Haji Mohd Anuar Bin Haji Mohd Hanadzlah	(resigned on 5th July 2019)
Koh Pee Seng	(resigned on 5th July 2019)
Ng Tek Che	(resigned on 5th July 2019)
Dato' Mohamed Salleh Bin Bajuri	(resigned on 5th July 2019)

DIRECTORS' INTERESTS

According to the register of Directors' shareholdings, the interests of directors in office at the end of the financial year in the ordinary shares of the Company and its related corporations during the financial year were as follows:

	Number of ordinary shares			
Shareholdings in the name of directors	**As at 01.01.2019/ Date of appointment**	**Acquired**	**Sold**	**As at 31.12.2019**
<u>Direct interest</u>				
Tan Chee How	1,980,570	-	-	1,980,570
<u>Indirect interest</u>				
Datuk Wira Ling Kah Chok* (appointed on 5th July 2019)	18,628,385	1,080,000	-	19,708,385
Gan Boon Lay* (appointed on 5th July 2019)	18,628,385	1,080,000	-	19,708,385
Yee Carine ** (appointed on 5th July 2019)	21,084,754	-	(3,256,500)	17,828,254
Teh Sok Hoon ** (appointed on 5th July 2019)	21,084,754	-	(3,256,500)	17,828,254

* Deemed interested by virtue of his shareholdings in Topspike Holding Sdn. Bhd. pursuant to Section 8(4) of the Companies Act 2016.

** Deemed interested by virtue of her shareholdings in Asia New Venture Capital Holdings Sdn. Bhd. pursuant to Section 8(4) of the Companies Act 2016.

By virtue of their interest in the shares of the Company, the above Directors are also deemed to have interests in the shares of the subsidiary companies to the extent the Company has an interest.

Other than disclosed above, the other Directors in office at the end of the financial year did not have any interest in the shares of the Company or its related corporations during the financial year.

DIRECTORS' REPORT (cont'd)

DIRECTORS' REMUNERATIONS

The details of the directors' remuneration paid or payable to the directors of the Group and of the Company during the financial year are disclosed in Note 27 to the financial statements.

The details of the other benefits otherwise than in cash received or receivable from the Group and the Company by the directors of the Group and of the Company during the financial year are disclosed in Note 27 to the financial statements.

No payment has been paid to or payable to any third party (other than a payment included in the aggregate amount of professional fees paid to a company which a director has substantial interest as shown in Note 30 to the financial statements) in respect of the services provided to the Group and the Company by the directors of the Group and of the Company during the financial year.

INDEMNITY AND INSURANCE COSTS

No indemnities have been given or insurance premiums paid, during or since the end of the financial year, for any person who is or has been the director, officer or auditor of the Company.

DIRECTORS' BENEFITS

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

Since the end of the previous financial year, none of the directors of the Company has received or become entitled to receive a benefit (other than a benefit included in the aggregate amount of remuneration received or due and receivable by the directors shown in the financial statements or the fixed salary of a full-time employee of the Company as shown in Note 27 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 other than as disclosed in Note 30 to the financial statements.

OTHER STATUTORY INFORMATION

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

(i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and have satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and

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

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

(i) which would render the amount written off for bad debts or the amount of the provision for doubtful debts inadequate to any substantial extent in respect of the financial statements of the Group and of the Company; or

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

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

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

DIRECTORS' REPORT (cont'd)

OTHER STATUTORY INFORMATION (cont'd)

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

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

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

No contingent or other liability has become enforceable, or is likely to become enforceable, within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may substantially affect the ability of the Group and of the Company to meet its obligations as and when they fall due.

In the opinion of the directors, 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 operations of the Group and of the Company for the financial year in which this report is made.

SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

There is no significant event during the financial year.

SIGNIFICANT EVENT SUBSEQUENT TO THE FINANCIAL YEAR

In March 2020, the World Health Organisation declared the outbreak of a novel coronavirus ("Covid-19") as a global pandemic, which continues to spread throughout Malaysia and around the world. On 16 March 2020, the Malaysia Prime Minister announced Movement Control Order ("MCO") which includes closure of all government and private premises except those involved in essential services effective 18 March 2020, through 14 April 2020 which was further extended to 12 May 2020 thereafter. The MCO may impact the Group's and the Company's operations and overall businesses due to the inability to conduct any business activities during this period. There is uncertainly as to the duration and hence potential impact. The directors of the Group and the Company are still assessing the potential impact on their business as of the date of this financial statements and therefore the financial statements do not include any adjustments that might result from the out come of this uncertainty.

AUDITORS

The auditors, CAS Malaysia PLT, Chartered Accountants have indicated their willingness to continue in office.

The auditors' remuneration is disclosed in Note 27 to the financial statements.

Signed on behalf of the Board of Directors in accordance with a resolution of the directors dated 15 May 2020.

....

DATUK KHOO TECK KEE
Director

....

TAN CHEE HOW
Director

STATEMENT BY DIRECTORS
Pursuant to Section 251(2) of the Companies Act 2016

We, **DATUK KHOO TECK KEE** and **TAN CHEE HOW**, being two of the directors of **MILUX CORPORATION BERHAD**, do hereby state that, in the opinion of the directors, the accompanying financial statements as set out on pages 66 to 133 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 2019 and of their financial performance and cash flows for the financial year then ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the directors dated 15 May 2020.

....
DATUK KHOO TECK KEE
Director

....
TAN CHEE HOW
Director

STATUTORY DECLARATION
Pursuant to Section 251(1)(b) of the Companies Act 2016

I, **DATUK KHOO TECK KEE**, being the director primarily responsible for the accounting records and financial management of **MILUX CORPORATION BERHAD**, do solemnly and sincerely declare that the accompanying financial statements set out on pages 66 to 133 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by)
DATUK KHOO TECK KEE
at Puchong in the state of Selangor Darul Ehsan)
on 15 May 2020)

....
DATUK KHOO TECK KEE

Before me,

KHOR HAN GHEE
Commissioner for Oath

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF MILUX CORPORATION BERHAD (Registration No. 199401027937 (313619-W)
(Incorporated in Malaysia)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Milux Corporation Berhad, which comprise the statements of financial position as at 31 December 2019 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 66 to 133.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

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

Independence and Other Ethical Responsibilities

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

Key Audit Matters

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

Key audit matters	How our audit addressed the key audit matters
(a) Inventories valuation	
Refer to Note 3.9 - Significant Accounting Policies, Note 4.2.3 - Significant Accounting Judgements, Estimates and Assumptions and Note 12 - Inventories.	Our audit procedures included, among others:
Inventories are significant to the Group as these represent approximately 34% (2018: 37%) of the total assets. The key associated risk is the valuation of the inventories due to possible slow moving and obsolete inventories. Obsolete inventories may be due to phasing out of older models or inventories that are no longer saleable.	i) obtained an understanding of: - the Group's inventory management process; - the Group's identification and assessment of inventory writedowns; - the Group's accounting estimates for inventory writedowns.
The valuation of inventories is a key audit matter because management exercise their judgement in determining appropriateness of methods used. The Group's manufacturing segment uses standard costing in measuring its finished goods, which includes an element of estimation in the allocation of overhead costs.	ii) reviewed the consistency of the application of management's methodology in determining and estimating the provision from year to year;
	iii) attended year end stock count to observe the stock count procedures and identify damaged and obsolete inventories;
	iv) checked samples of individual stock items for appropriateness of allocation and calculation of direct attributable costs and to the invoice value;

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF MILUX CORPORATION BERHAD (Registration No. 199401027937 (313619-W) **(cont'd)**
(Incorporated in Malaysia)

Report on the Audit of the Financial Statements (cont'd)

Key Audit Matters (cont'd)

Key audit matters	How our audit addressed the key audit matters
(a) Inventories valuation (cont'd) Judgement is also required in determining the accuracy of provisions for slow moving and obsolete goods and in making an assessment of its adequacy, involving determination of appropriate provision percentage.	Our audit procedures included, among others: (cont'd) v) reviewed and tested the net realisable value of inventories on sampling basis; vi) made inquiries of management pertaining to their plans to clear the slow moving and obsolete inventories; and vii) evaluated the reasonableness and adequacy of the inventories writedowns.
(b) Impairment of trade receivables *Refer to Note 3.12 - Impairment of financial assets, Note 4.2.6 - Significant Accounting Judgements, Estimates and Assumptions and Note 13 - Trade Receivables.* Trade receivables are significant to the Group as these represent approximately 26% (2018: 29%) of the total assets. The key associated risk is the recoverability of the invoiced trade receivables as the recoverability of trade receivables required management judgment and estimation in determining the adequacy of the impairment loss associated with each individual trade receivables.	Our audit procedures included, among others: i) reviewed the receivables aging analysis and testing the reliability thereof; ii) evaluated subsequent year end receipts and recoverability of outstanding trade receivables; iii) made inquiries of management pertaining to the recoverabilitiy of significant and overdue debts; iv) evaluated the basis and evidence used by management for the impairment test and adequacy of allowance for impairment made; v) assessed the reasonableness of the Group's expected credit loss (ECL) model by reviewing the probability of default using historical data and forward-looking information adjustment applied by the Group; vi) identified any loss events subsequent to the end of reporting period for indications of increase in credit risk; and vii) made inquiries of management to assess the rationale underlying the relationship between the forward-looking information and expected credit losses.

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, which we obtained prior to the date of this auditors' 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.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF MILUX CORPORATION BERHAD (Registration No. 199401027937 (313619-W) **(cont'd)**
(Incorporated in Malaysia)

Report on the Audit of the Financial Statements (cont'd)

Responsibilities of the Directors for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF MILUX CORPORATION BERHAD (Registration No. 199401027937 (313619-W) (cont'd) (Incorporated in Malaysia)

Report on the Audit of the Financial Statements (cont'd)

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

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 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.

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 8 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 content of this report.

....

CAS MALAYSIA PLT
[No. (LLP0009918-LCA) & (AF 1476)]
Chartered Accountants

....

CHEN VOON HANN
[No. 02453/07/21(J)]
Chartered Accountant

Date: 15 May 2020
Puchong

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

	Note	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
NON-CURRENT ASSETS					
Property, plant and equipment	5	4,897,911	6,930,652	863	1,033
Right-of-use assets	6	2,861,195	-	-	-
Investment properties	7	322,402	335,361	-	-
Investment in subsidiary companies	8	-	-	5,912,769	5,912,769
Investment in a joint venture	9	237,889	239,202	-	-
Other investments	10	46,560	45,323	8,214	8,144
Intangible assets	11	221,652	221,652	-	-
Other receivables	14	124,779	-	-	-
		8,712,388	7,772,190	5,921,846	5,921,946
CURRENT ASSETS					
Inventories	12	18,680,630	20,813,197	-	-
Trade receivables	13	14,485,299	16,118,931	-	-
Other receivables	14	927,696	1,709,771	12,051	4,147
Amount due from subsidiary companies	15	-	-	1,012,785	1,079,401
Amount due from a joint venture	16	40	-	-	-
Tax recoverable		440,395	570,983	10,916	10,916
Fixed deposits with licensed banks	17	3,004,205	3,632,161	582,447	574,050
Cash and bank balances		8,445,824	5,741,325	3,445,283	40,656
		45,984,089	48,586,368	5,063,482	1,709,170
TOTAL ASSETS		54,696,477	56,358,558	10,985,328	7,631,116

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019 (cont'd)

	Note	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
EQUITY AND LIABILITIES					
EQUITY					
Share capital	18	59,066,701	55,584,379	59,066,701	55,584,379
Fair value adjustment reserve	18	415	345	415	345
Accumulated losses	19	(17,518,804)	(13,088,428)	(50,890,713)	(49,838,367)
Total equity attributable to owners of the Company		41,548,312	42,496,296	8,176,403	5,746,357
Non-controlling interest		1	1	-	-
TOTAL EQUITY		41,548,313	42,496,297	8,176,403	5,746,357
NON-CURRENT LIABILITIES					
Loans and borrowings	20	-	651,133	-	-
Lease liabilities	6	798,231	-	-	-
Deferred taxation	21	-	263,178	-	-
		798,231	914,311	-	-
CURRENT LIABILITIES					
Trade payables	22	5,107,232	5,625,178	-	-
Other payables	22	1,613,721	2,116,346	304,553	202,239
Amount due to subsidiary companies	23	-	-	2,504,372	1,682,520
Amount due to a joint venture	16	-	424	-	-
Provision	24	402,575	239,280	-	-
Loans and borrowings	20	4,235,471	4,966,722	-	-
Lease liabilities	6	989,934	-	-	-
Provision for taxation		1,000	-	-	-
		12,349,933	12,947,950	2,808,925	1,884,759
TOTAL LIABILITIES		13,148,164	13,862,261	2,808,925	1,884,759
TOTAL EQUITY AND LIABILITIES		54,696,477	56,358,558	10,985,328	7,631,116

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
Revenue	25	62,532,499	77,645,427	526,574	526,574
Cost of sales		(50,324,796)	(61,807,071)	-	-
GROSS PROFIT		12,207,703	15,838,356	526,574	526,574
Other operating income		507,794	520,554	8,497	14,656
Selling and distribution expenses		(5,349,578)	(5,701,889)	-	-
Administrative expenses		(11,076,989)	(10,213,167)	(1,612,690)	(1,015,648)
Other operating expenses		(529,144)	(2,136,984)	25,273	(91,216)
Finance costs	26	(525,916)	(441,084)	-	-
Share of loss from a joint venture	9	(1,313)	(3,992)	-	-
LOSS BEFORE TAXATION	27	(4,767,443)	(2,138,206)	(1,052,346)	(565,634)
Taxation	28	337,067	89,043	-	-
LOSS AFTER TAXATION		(4,430,376)	(2,049,163)	(1,052,346)	(565,634)
Other comprehensive income/(expense) for the financial year, net of tax:					
Item that will not be reclassified subsequently to profit or loss:					
Equity instrument measured at fair value through other comprehensive income/ (expense)		70	(5,381)	70	(5,381)
TOTAL COMPREHENSIVE EXPENSE FOR THE FINANCIAL YEAR		(4,430,306)	(2,054,544)	(1,052,276)	(571,015)
LOSS AFTER TAXATION ATTRIBUTABLE TO:					
Owners of the Company		(4,430,376)	(2,049,163)		
TOTAL COMPREHENSIVE EXPENSE ATTRIBUTABLE TO:					
Owners of the Company		(4,430,306)	(2,054,544)		
Basic and diluted loss per share attributable to owners of the Company (sen)	29	(8.13)	(3.77)		

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

Group

	Attributable to owners of the Company						
	Non-distributable						
2019	**Share capital RM**	**Share premium RM**	**Fair value adjustment reserve RM**	**Accumulated losses RM**	**Total RM**	**Non-controlling interest RM**	**Total equity RM**
Balance as at 1 January 2019	55,584,379	-	345	(13,088,428)	42,496,296	1	42,496,297
Issue of ordinary shares	3,482,322	-	-	-	3,482,322	-	3,482,322
Loss for the financial year	-	-	-	(4,430,376)	(4,430,376)	-	(4,430,376)
Other comprehensive expense	-	-	70	-	70	-	70
Total comprehensive expense for the financial year	3,482,322	-	70	(4,430,376)	(947,984)	-	(947,984)
Balance as at 31 December 2019	59,066,701	-	415	(17,518,804)	(41,548,312)	1	(41,548,313)

	Attributable to owners of the Company						
	Non-distributable						
2018	**Share capital RM**	**Share premium RM**	**Fair value adjustment reserve RM**	**Accumulated losses RM**	**Total RM**	**Non-controlling interest RM**	**Total equity RM**
Balance as at 1 January 2018	54,411,294	1,173,085	5,726	(11,039,265)	44,550,840	1	44,550,841
Adjustment for the effects of Companies Act 2016	1,173,085	(1,173,085)	-	-	-	-	-
Loss for the financial year	-	-	-	(2,049,163)	(2,049,163)	-	(2,049,163)
Other comprehensive expense	-	-	(5,381)	-	(5,381)	-	(5,381)
Total comprehensive expense for the financial year	1,173,085	(1,173,085)	(5,381)	(2,049,163)	(2,054,544)	-	(2,054,544)
Balance as at 31 December 2018	55,584,379	-	345	(13,088,428)	42,496,296	1	42,496,297

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (cont'd)

Company

	Attributable to owners of the Company				
	Non-Distributable				
2019	**Share capital RM**	**Share premium RM**	**Fair value adjustment reserve RM**	**Accumulated losses RM**	**Total equity RM**
Balance as at 1 January 2019	55,584,379	-	345	(49,838,367)	5,746,357
Issue of ordinary shares	3,482,322	-	-	-	3,482,322
Loss for the financial year	-	-	-	(1,052,346)	(1,052,346)
Other comprehensive expense	-	-	70	-	70
Total comprehensive expense for the financial year	3,482,322	-	70	(1,052,346)	2,430,046
Balance as at 31 December 2019	59,066,701	-	415	(50,890,713)	8,176,403

	Attributable to owners of the Company				
	Non-Distributable				
2018	**Share capital RM**	**Share premium RM**	**Fair value adjustment reserve RM**	**Accumulated losses RM**	**Total equity RM**
Balance as at 1 January 2018	54,411,294	1,173,085	5,726	(49,272,733)	6,317,372
Adjustment for the effects of Companies Act 2016	1,173,085	(1,173,085)	-	-	-
Loss for the financial year	-	-	-	(565,634)	(565,634)
Other comprehensive expense	-	-	(5,381)	-	(5,381)
Total comprehensive expense for the financial year	1,173,085	(1,173,085)	(5,381)	(565,634)	(571,015)
Balance as at 31 December 2018	55,584,379	-	345	(49,838,367)	5,746,357

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	Group 2019 RM	Group 2018 RM Restated	Company 2019 RM	Company 2018 RM
CASH FLOWS FROM OPERATING ACTIVITIES					
Loss before taxation		(4,767,443)	(2,138,206)	(1,052,346)	(565,634)
Adjustments for:					
Depreciation					
Property, plant and equipment	5	729,633	1,279,875	170	170
Right-of-use assets	6	1,100,945	-	-	-
Investment properties	7	12,959	12,959	-	-
Dividend income		(100)	-	(100)	-
Gain on disposal of right-of-use asset	27	(70,821)	-	-	-
Impairment loss					
Property, plant and equipment	5	145,736	128,926	-	-
Amount due from subsidiary companies	15	-	-	-	35,817
Investment in subsidiaries	8	-	-	-	3,577,434
Trade receivables	13	371,196	1,305,473	-	-
Other receivables	27	12,482	-	-	-
Interest expenses	26	525,916	441,084	-	-
Interest income	27	(95,068)	(116,403)	(8,397)	(14,656)
Property, plant and equipment written off	27	1	49,758	-	-
Bad debts written off	27	3,557	-	-	
Provision for warranty	24	216,358	245,482	-	-
Provision for incentive	24	188,702	-	-	-
Reversal of impairment loss on					
Trade receivables	13	(99,051)	(46,997)	-	-
Amount due from subsidiary companies	15	-	-	(25,273)	(3,522,035)
Reversal of provision for warranty	24	(113,669)	-	-	-
Share of loss from a joint venture	9	1,313	3,992	-	-
Slow moving and obsolete inventories written down	12	819,550	756,120	-	-
Slow moving and obsolete inventories written back	12	(366,456)	(303,023)	-	-
Unrealised gain on foreign exchange	27	(46,603)	(156,535)	-	-
Unrealised loss on foreign exchange	27	24	-	-	-
Operating (loss)/profit before working capital changes		(1,430,839)	1,462,505	(1,085,946)	(488,904)
Decrease in inventories		1,679,473	1,645,310	-	-
Decrease/(increase) in receivables		1,959,286	3,203,813	(7,904)	(887)
(Decrease)/increase in payables		(980,813)	(890,017)	102,314	(18,256)
Cash generated from/(used in) operations		1,227,107	5,421,611	(991,536)	(508,047)
Interest paid		(140,272)	(154,170)	-	-
Income tax refund		366,707	6,664	-	-
Income tax paid		(161,228)	(328,836)	-	-
Warranty paid	24	(128,096)	(216,766)	-	-
Net cash generated from/(used in) operating activities		1,164,218	4,728,503	(991,536)	(508,047)

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (cont'd)

	Note	Group 2019 RM	Group 2018 RM Restated	Company 2019 RM	Company 2018 RM
CASH FLOWS FROM INVESTING ACTIVITIES					
Change in fixed deposits with maturity of more than 3 months		315,230	(59,541)	-	-
Interest received	27	95,068	116,403	8,397	14,656
Dividends received		100	-	100	-
Purchase of other investment		(1,167)	(1,358)	-	-
Purchase of property, plant and equipment	5	(976,004)	(824,828)	-	-
Proceeds from disposal of right-of-use asset	6	230,000	-	-	-
Net cash (used in)/generated from investing activities		(336,773)	(769,324)	8,497	14,656
CASH FLOWS FROM FINANCING ACTIVITIES					
Interest paid		(367,924)	(286,914)	-	-
Repayment of multi currency trade loan		-	(202,392)	-	-
Net changes in bankers' acceptances		202,000	546,000	-	-
Repayment of finance lease liabilities		-	(329,129)	-	-
Repayment of lease liabilities		(1,177,198)	-	-	-
Advance from subsidiary companies		-	-	913,741	515,219
Proceeds from issuance of share capital	18	3,482,322	-	3,482,322	-
Net cash generated from/(used in) financing activities		2,139,200	(272,435)	4,396,063	515,219
Net increase in cash and cash equivalents		2,966,645	3,686,744	3,413,024	21,828
Effect of exchange rate fluctuations on cash held		32,094	(28,071)	-	-
Cash and cash equivalents as at beginning of the financial year		5,984,217	2,325,544	614,706	592,878
Cash and cash equivalents as at end of the financial year		8,982,956	5,984,217	4,027,730	614,706
Cash and cash equivalents comprise of:					
Fixed deposits with licensed banks		3,004,205	3,632,161	582,447	574,050
Cash and bank balances		8,445,824	5,741,325	3,445,283	40,656
		11,450,029	9,373,486	4,027,730	614,706
Fixed deposits with maturity of more than 3 months		(1,939,602)	(2,254,832)	-	-
Bank overdraft		(527,471)	(1,134,437)	-	-
		8,982,956	5,984,217	4,027,730	614,706

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

1. GENERAL INFORMATION

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

The Company's registered office is located at Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur, Wilayah Persekutuan.

The principal place of business of the Company is located at No. 31, Lorong Jala 14/KS10, Off Jalan Telok Gong, 42000 Pelabuhan Klang, Selangor Darul Ehsan.

The consolidated financial statements of the Company as at and for the financial year ended 31 December 2019 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in joint venture. The financial statements of the Company as at and for the financial year ended 31 December 2019 do not include other entities.

The principal activities of the Company are that of an investment holding company and the provision of management services.

The information on the name, place of incorporation, principal activities and percentage of issued and paid-up share capital held by the holding company in each subsidiary is as disclosed in Note 8 to the financial statements.

There have been no significant changes in the nature of these principal 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 15 May 2020.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

2.1 Statement of compliance

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

The accounting policies adopted by the Group and the Company are consistent with those adopted in the previous year except for the changes stated in Note 2.4.

2.2 Adoption of Amendments to MFRSs and Annual Improvements

At the beginning of the financial year, the Group and the Company adopted the following Amendments to MFRSs and Annual Improvements which are mandatory for the financial periods beginning on or after 1 January 2019:

Amendments to MFRS 3	Business Combinations
Amendments to MFRS 9	Prepayment Features with Negative Compensation
Amendments to MFRS 11	Joint Arrangements
MFRS 16	Leases
Amendments to MFRS 112	Income Taxes
Amendments to MFRS 119	Plan Amendment, Curtailment or Settlement
Amendments to MFRS 123	Borrowing Costs
Amendments to MFRS 128	Long-term Interests in Associates and Joint Ventures
IC Interpretation 23	Uncertainty over Income Tax Treatments
Annual Improvements to MFRS Standards 2015-2017 Cycle	

The adoption of the above pronouncements did not have any material impact on the financial statements of the Group and of the Company.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (Cont'd)

2.3 Standards issued but not yet effective

The Group and the Company have not adopted the following Standards, Amendments and Annual Improvements that have been issued but are not yet effective by the Malaysian Accounting Standards Board ("MASB").

Effective for financial periods beginning on or after 1 January 2020

Amendments to MFRS 2	Share-Based Payments
Amendments to MFRS 3	Business Combinations
Amendments to MFRS 6	Exploration for and Evaluation of Mineral Resources
Amendments to MFRS 7	Financial Instruments: Disclosure
Amendments to MFRS 9	Financial Instruments
Amendments to MFRS 14	Regulatory Deferral Accounts
Amendments to MFRS 101	Presentation of Financial Statements
Amendments to MFRS 108	Accounting Policies, Changes in Accounting Estimates and Errors
Amendments to MFRS 134	Interim Financial Reporting
Amendments to MFRS 137	Provisions, Contingent Liabilities and Contingent Assets
Amendments to MFRS 138	Intangible Assets
Amendments to MFRS 139	Financial Instruments: Recognition and Measurement
Amendments to IC Interpretation 12	Service Concession Arrangements
Amendments to IC Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments
Amendments to IC Interpretation 20	Stripping Costs in the Production Phase of a Surface Mine
Amendments to IC Interpretation 22	Foreign Currency Transactions and Advance Consideration
Amendments to IC Interpretation 132	Intangible Assets - Web Site Cost

Annual Improvements to MFRS Standards 2015-2017 Cycle

Effective for financial periods beginning on or after 1 January 2021

MFRS 17	Insurance Contracts

Effective date to be determined by Malaysian Accounting Standards Board

Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The Group and the Company will adopt the above mentioned standards, amendments or interpretations, if applicable, when they become effective in respective financial periods. The Directors do not expect any material impact to the financial statements of the above pronouncements.

2.4 Changes in accounting policies and disclosures

In the current year, the Group and the Company have applied MFRS 16 which is effective for an annual period that begins on or after 1 January 2019. Several other amendments and interpretations are also applied for the first time in 2019, but do not have a material effect on the financial statements of the Group and the Company. The Group and the Company have not early adopted any standards, interpretations or amendments that have been issued but not yet effective.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (Cont'd)

2.4 Changes in accounting policies and disclosures (Cont'd)

The changes of the new standard are described below:

2.4.1 MFRS 16 Leases

The Group and the Company changed their accounting policies on leases at the date of initial application of 1 January 2019 by applying modified retrospective approach. As permitted by the Standard, the Group and the Company have elected not to restate comparative information, which continues to be reported under MFRS 117. Under this method, the cumulative effect of adopting MFRS 16 where the Group is a lessee is recognised in equity as an adjustment to the opening balance of retained earnings as at 1 January 2019.

As a lessor, the Group will continue to classify leases as either operating or finance leases using similar principales as in MFRS 117 at the date of initial application. The Group is not required to make any adjustment on transition, except for the reassessment of existing operating subleases at the date of initial application.

Under MFRS 16, it eliminates the classification of leases by the lessee as either finance leases or operating leases. It requires a lessee to recognise a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligations to make lease payments. The details of the changes in accounting policies are disclosed below.

(a) Definition of a lease

Under MFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative standalone prices.

(b) The Group as a lessee

The Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership.

Under MFRS 16, it requires lessee to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under MFRS 117. The Group recognises right-of-use assets and lease liabilities for those leases which had previously been classified as operating leases under the principles of MFRS 117. However, the Group has elected not to recognise right-of-use assets and liabilities for leases of low-value assets. The Group also made use of the transition practical expedient in the standard to not recognise lease arrangements for which the lease term ends within 12 months from the date of initial application. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The Group and the Company has elected, on a lease-by-lease basis, to recognise the right-of-use assets at the amount equal to the lease liabilities, hence there were no impact to the retained earnings brought forward as at 1 January 2019.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (Cont'd)

2.4 Changes in accounting policies and disclosures (Cont'd)

2.4.1 MFRS 16 Leases (Cont'd)

For the first time application of MFRS 16, the Group has elected to apply the following practical expedients on a lease-by-lease basis:

(i) The use of single discount rate to those portfolio of leases with reasonably similar characteristics;

(ii) Lease contracts with lease term not exceeding 12 months at the date of initial application are not recognised under MFRS 16;

(iii) The exclusion of initial direct costs from the measurement of right-of-use asset at the date of initial application; and

(iv) The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

(c) Property, plant and equipment

Leasehold land and motor vehicle recognised previously under finance lease (within property, plant and equipment) have been reclassified to right-of-use assets.

The adoption of MFRS 16 impacts the Group's performance in the current financial year as follows:-

(i) Statement of profit and loss and other comprehensive income

Leasing expenses that previously being included under operating cost within Earnings before Interest, Tax, Depreciation and Amortisation ("EBITDA") were replaced by interest expense in respect of lease liability and amortisation of right-of-use asset.

(ii) Statement of financial position

Under MFRS 16, for those leases which has previously been classified as operating leases under the principles of MFRS 117, in relation to single on-balance sheet model, assets and liabilities are increased due to the recognition of right-of-use asset and lease liabilities as at the date of initial application.

(iii) Statement of cash flows

The rental payments paid for operating lease which are previously recorded within cash flow from operating activities were reclassified as cash flow from financing activities for repayment of principal and interest portion of lease liabilities.

As at 1 January 2019, the right of use assets is measured at RM4,121,320 with no restatement to prior year comparative information. This includes the lease assets recognised previously under finance lease of RM2,133,375 that were reclassified from Property, plant and equipment. Additional lease liabilities of RM977,418 (included in loans and borrowings) were recognised.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (Cont'd)

2.4 Changes in accounting policies and disclosures (Cont'd)

2.4.1 MFRS 16 Leases (Cont'd)

In summary, the adoption of MFRS 16 Leases has the following impact:

(a) To the opening balance as at 1 January 2019:

Statement of Financial Position

	Note	MFRS 16 adjustments RM	As previously reported RM	After adjustments RM
Non-current assets				
Property, plant and equipment	5	(2,133,375)	6,930,652	4,797,277
Right-of-use assets	6	4,121,320	-	4,121,320
Non-current liabilities				
Finance lease lialibilities	20	(651,133)	651,133	-
Lease liabilities	6	1,936,237	-	1,936,237
Current Liabilities				
Finance lease lialibilities	20	(326,285)	326,285	-
Lease liabilities	6	1,029,126	-	1,029,126

(b) To the Statement of Profit or Loss and Other Comprehensive Income for the financial year ended 31 December 2019:

	2019 RM
Depreciation of right-of-use assets (included in cost of goods sold and administrative expenses)	1,100,945
Interest on lease liabilities (included in finance cost)	123,242
	1,224,187

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (Cont'd)

2.4 Changes in accounting policies and disclosures (Cont'd)

2.4.1 MFRS 16 Leases (Cont'd)

(c) To the Statement of Cash Flows for the financial year ended 31 December 2019:

At the end of the financial year, the Group had total cash outflow for leases of RM1,300,440.

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018, as follows:

Assets	RM
Operating lease commitments as at 31 December 2018	2,166,200
(Less): low-value leases recognised on a straight-line as expense	(46,200)
	2,120,000
Incremental low-value borrowing rate as at 1 January 2019	8.07%
Discounted operating lease commitments as at 1 January 2019	1,987,945
Add:	
Commitments relating to leases previously classified as finance lease	977,418
Lease liabilities as at 1 January 2019	2,965,363

2.5 Basis of measurement

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

2.6 Functional and presentation currency

These financial statements are presented in Ringgit Malaysia ("RM"), which is the Group's and the Company's functional currency. All financial information are presented in RM, unless otherwise stated.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2019.

The financial statements of the Company's subsidiaries are prepared for the same reporting date as the Company, using consistent accounting policies to like transactions and events in similar circumstances.

Subsidiaries are consolidated using the acquisition method of accounting. Under the acquisition method of accounting, subsidiaries are fully consolidated from the date on which control is transferred to the Group and de-consolidated from the date that control ceases.

All intercompany balances, income and expenses and unrealized gain or loss transactions between Group and subsidiary Companies are eliminated.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

3.1 Basis of consolidation (Cont'd)

A change in the ownership interest of a subsidiary, without loss of control, is accounted for as an equity transaction. If the Group losses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts;
- Derecognises the carrying amount of any non-controlling interest in the former subsidiary;
- Derecognises the cumulative foreign exchange translation differences recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained in the former subsidiary;
- Recognises any surplus or deficit in the profit or loss; and
- Reclassifies the parent's share of components previously recognised in other comprehensive income ("OCI") to profit or loss or retained earnings, if required in accordance with other MFRSs.

All of the above will be accounted for from the date when control is lost.

The accounting policies for business combination and goodwill are disclosed in Note 3.3.

Non-controlling interests ("NCI") represent the portion of profit or loss and net assets in subsidiaries not owned, directly and indirectly by the Company. NCI are presented separately in the consolidated statements of profit or loss and other comprehensive income and within equity in the consolidated statement of financial position, but separate from parent shareholders' equity. Total comprehensive income is allocated against the interest of NCI, even if this results in a deficit balance. Changes in the Company owners' ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the parent.

3.2 Investment in subsidiaries

Subsidiaries are entities over which the Company has the power to govern the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company has such power over another entity.

In the Company's separate financial statements, investments in subsidiaries are stated at cost less impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.7 below. On disposal of such investments, the difference between the net disposal proceeds and their carrying amounts is recognised in profit or loss.

3.3 Business combination and goodwill

Business combinations involving entities under common control are accounted for by applying the pooling of interest method. The assets and liabilities of the combining entities are reflected at their carrying amounts reported in the consolidated financial statements of the controlling holding company. Any difference between the consideration paid and the share capital of the "acquired" entity is reflected within equity as merger reserve. The statement of profit or loss and other comprehensive income reflects the results of the combining entities for the full year, irrespective of when the combination takes place. Comparatives are presented as if the entities have always been combined since the date the entities had come under common control.

All other business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at fair value on the date of acquisition and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquirer's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

3.3 Business combination and goodwill (Cont'd)

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, any previously held equity interest is remeasured at fair value on the date of acquisition and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of MFRS 9 Financial Instruments, is measured at fair value with changes in fair value recognised in either profit or loss or as a change to OCI. If the contingent consideration is not within the scope of MFRS 9, it is measured in accordance with the appropriate MFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.7.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

3.4 Investment in joint venture

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control, where the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control.

It involves the establishment of a corporation, partnership or other entity in which each venturer has an interest. The entity operates in the same way as other entities, except that a contractual arrangement between the venturers establishes joint control over the economic activity of the entity.

Investment in joint venture is accounted for in the consolidated financial statements using the equity method of accounting.

Under the equity method, the investment in a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Company's share of net assets of the joint venture since the acquisition date.

The financial statements of the joint venture is prepared as of the same reporting date as the Group. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

3.4 Investment in joint venture (Cont'd)

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying value, then recognises the loss in profit or loss.

In the Company's separate financial statements, investments in joint ventures are stated at cost less impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.7. On disposal of such investments, the difference between the net disposal proceeds and their carrying amounts is recognised in profit or loss.

3.5 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Cost also includes borrowing costs that are directly attributable to the acquisition, construction, or production of a qualifying asset.

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

When an asset's carrying amount is increased as a result of a revaluation, the increase is recognised in other comprehensive income as a revaluation surplus reserve. When the asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in profit or loss. However, the decrease is recognised in other comprehensive income to the extent of any credit balance existing in the revaluation surplus reserve of that asset.

Depreciation on the property, plant and equipment is calculated so as to write off the cost or valuation of the assets to their residual values on a straight line basis over the expected useful lives of the assets, summarised as follows:

Leasehold land	Over the period of lease
Buildings	2 - 10%
Plant, machinery and moulds	10 - 20%
Furniture, fittings, office equipment and renovations	10 - 50%
Motor vehicles	10 - 20%

Depreciation of an asset begins when it is ready for its intended use.

Residual values and useful lives of assets are reviewed, and adjusted if appropriate, at each reporting date.

At each reporting date, the Group and the Company assess whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount. See accounting policy Note 3.7 on impairment of non-financial assets.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gains and losses on disposals are determined by comparing proceeds with carrying amounts and are included in the profit or loss. On disposal of revalued assets, amounts in the revaluation reserve relating to those assets are transferred to retained earnings.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

3.6 Investment properties

Investment properties are properties which are owned or held under a leasehold interest to earn rental income or for capital appreciation or both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment properties are initially measured at cost. Cost includes expenditure that is directly attributable to the acquisition of the investment property. Subsequent to the initial recognition, investment properties are carried at cost less accumulated depreciation and impairment losses. Depreciation is charged to profit and loss on a straight-line basis over the estimated useful lives of the investment properties of 50 years. The useful lives and residual values of the investment properties are reassessed annually.

Investment property is derecognised when either it has been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of an investment property is recognised in profit or loss in the year of retirement or disposal.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property 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, the property is accounted for in accordance with the accounting policy for property, plant and equipment up to the date of change in use.

3.7 Impairment of non-financial assets

The Group and the Company assess at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment assessment for an asset is required, the Group and the Company make an estimate of the asset's recoverable amount.

For goodwill, property, plant and equipment that are not yet available for use, the recoverable amount is estimated at each financial year end or more frequently when indicators of impairment are identified.

An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units ("CGU")).

In assessing value in use, the estimated future cash flows expected to be generated by the assets 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 assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

Impairment losses are recognised in profit or loss except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

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. A previously recognised impairment loss is reversed only when there has been a change in the estimates used to determine the assets recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of that asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognised previously. 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. Impairment loss on goodwill is not reversed in a subsequent period.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

3.8 Intangible asset

Research expenditure is recognised as an expense when it is incurred.

Development expenditure is recognised as an expense except that expenditure incurred on development projects relating to the design and testing of new or improved products or process are recognised as intangible assets if, and only if an entity can demonstrate all of the following:-

(i) its ability to measure reliably the expenditure attributable to the assets under development;
(ii) the product or process is technically and commercially feasible;
(iii) its future economic benefits are probable;
(iv) its ability to use or sell the developed assets; and
(v) the availability of adequate technical, financial and other resources to complete the assets under development.

Capitalised development expenditures are measured at cost less accumulated amortisation and impairment losses, if any. Development expenditure initially recognised as an expense is not recognised as assets in the subsequent period.

Development expenditures are amortised on a straight-line basis over its useful life. Impairment is assessed whenever there is an indication of impairment and the amortisation period and method are also reviewed at the end of each reporting period. See accounting policy Note 3.7 on impairment of non-financial assets.

3.9 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of raw materials, packing materials and consumables are determined on the weighted average basis. Cost of raw materials comprises the cost of purchase plus the cost of bringing the inventories to their present location and condition. Cost of finished goods and work-in-progress includes raw materials, direct labour and appropriate proportion of production overheads based on normal operating capacity. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

3.10 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand, demand deposits, and short term, highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value with original maturities of three months or less, and are used by the Group and the Company in management of their short term funding requirements. These also include bank overdrafts that form an integral part of the Group's cash management.

3.11 Financial assets

Financial assets are recognised in the statement of financial position when, and only when, the Company has become a party to the contractual provisions of the financial instruments.

Financial assets are classified, at initial recognition, and subsequently measured at amortised cost, fair value through other comprehensive income (FVOCI), and fair value through profit or loss (FVTPL).

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company have applied the practical expedient, the Company initially measure a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company have applied the practical expedient are measured at the transaction price determined under MFRS 15.

The Company's business model for managing financial assets refer to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

3.11 Financial assets (Cont'd)

For the purpose of subsequent measurement under MFRS 9, financial assets are classified as follows:

3.11.1 Financial assets at amortised cost

Financial assets shall be measured at amortised cost if both of the following conditions are met:

(a) the financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and

(b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's and the Company's financial assets at amortised cost includes trade receivables, other receivables, amount owing from subsidiaries, amount owing from a joint-venture, fixed deposits with licensed banks and cash and bank balances.

3.11.2 Financial assets at FVOCI

Debt instruments

Debt instruments are measured at FVOCI if both of the following conditions are met:

(a) the financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and

(b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt instruments at FVOCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of 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 OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

The Group and the Company did not hold any debt instruments at FVOCI in the current and previous financial year.

Equity instruments

This category comprises investment in equity that is not held for trading, and the Group and the Company irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of investment. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are not reclassified to profit or loss.

The Group's and the Company's financial assets at fair value through other comprehensive income includes investment in quoted shares.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

3.11 Financial assets (Cont'd)

3.11.3 Financial assets at FVTPL

Financial assets at FVTPL include financial assets held for trading, financial assets designated upon initial recognition at FVTPL, 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 separately 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 FVTPL, 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 categorised as fair value through profit or loss are measured in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments and listed equity investments which the Group and the Company had not irrevocably elected to classify at FVOCI. Dividends on listed equity investments are also recognised as other income in the statement of profit or loss when the right of payment has been established.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if:

(a) the economic characteristics and risks are not closely related to the host;

(b) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and

(c) hybrid contract is not measured at fair value through profit or loss.

Embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

The Group's and the Company's financial assets at fair value through profit or loss includes investment in joint venture.

Derecognition

A financial asset or part of it is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expired or transferred, 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 other party. On derecognition of a financial asset, the difference between the carrying amount of the financial asset and the sum of consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss.

3.12 Impairment of financial assets

The Group and the Company recognise an allowance for expected credit losses ("ECL") for all financial assets measured at amortised cost, debt instruments measured at fair value through other comprehensive income, contract assets and lease receivables. ECL are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group and the Company expect to receive, discounted at an approximation of the original effective interest rate.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

3.12 Impairment of financial assets (Cont'd)

The Group and the Company measure loss allowance at an amount equal to lifetime expected credit loss, except for debt securities that are determined to have low credit risk at the reporting date, cash and bank balances and other debt securities for which credit risk has not increased significantly since initial recognition, which are measured at 12-month expected credit loss. For trade receivables, contract assets and lease receivables, loss allowance are measured based on lifetime expected credit losses at each reporting date. The Group and the Company estimate the expected credit losses on trade receivables using a provision matrix with reference to historical credit loss experience, adjusted for forward looking factor specific to the debtors and the economic environment.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of the asset, while the 12-month expected credit losses are the portion of the expected credit losses that result from default events that are possible within the 12 months after the reporting date.

In 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.

An impairment loss in respect of the financial assets measured at amortised cost and debt investments measured at fair value through other comprehensive income are recognised in profit or loss. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows of the financial asset.

At each reporting date, the Group and the Company assess whether the financial assets carried at amortised cost and debt securities carried at fair value through other comprehensive income 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.

3.13 Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

The categories of financial liabilities at an initial recognition are as follows:

3.13.1 Financial liabilities at FVTPL

On initial recognition, the Group and the Company may irrevocably designate a financial liability that otherwise meets the requirements to be measured at amortised cost at fair value through profit or loss:

(a) if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise;

(b) a group of financial liabilities or assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the Group's and the Company's key management personnel; or

(c) if a contract contains one or more embedded derivative and the host is not a financial asset in the scope of MFRS 9, where the embedded derivative significantly modifies the cash flows and separation is not prohibited.

Financial liabilities categorised as FVTPL are subsequently measured at fair value with gains or losses, including any interest expense are recognised in the profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

3.13 Financial liabilities (Cont'd)

3.13.1 Financial liabilities at FVTPL (Cont'd)

For financial liabilities where it is designated as FVTPL upon initial recognition, the Group and the Company recognise the amount of change in fair value of the financial liability that is attributable to change in credit risk in the other comprehensive income and remaining amount of the change in fair value in profit or loss, unless the treatment of the effects of changes in the liability's credit risk would create or enlarge an accounting mismatch.

The Group and the Company do not have financial liabilities at FVTPL in the current and previous financial year.

3.13.2 Amortised cost

Other financial liabilities not categorised as FVTPL are subsequently measured at amortised cost using the effective interest method.

Interest expense and foreign exchange gains and losses are recognised in the profit or loss. Any gains or losses on derecognition are also recognised in the profit or loss.

3.13.3 Financial guarantee contracts

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

Financial guarantees issued are initially measured at fair value. Subsequently, they are measured at higher of:

(a) the amount of the loss allowance; and

(b) the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance to the principles of MFRS 15, *Revenue from Contracts with Customers*.

Liabilities arising from financial guarantees are presented together with other provisions.

Derecognition

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. A financial liability is also derecognised when its terms are modified and the cash flows of the modified liability are substantially different, in which case, a new financial liability based on modified terms is recognised at fair value. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

3.14 Share capital

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Ordinary shares are equity instruments.

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)

3.15 Leases

<u>**Current financial year**</u>

3.15.1 Leases in which the Group is a lessee

At inception of a contract, the Group and the Company assess whether a contract is, or contains, a lease based on whether the contract conveys to the user the right to control the use of an identified asset for a period of time in exchange for consideration. If a contract contains more than one lease component, or a combination of leasing and servicing elements, the consideration is allocated to each of the lease and non-lease components and on each subsequent re-measurement of the contract on the basis of their relative stand-alone selling prices. For a contract that is, or contains, a lease, an entity shall account for each lease component within the contract as a lease separately from non-lease components of the contract.

(a) Right-Of-Use Assets

The Group and the Company recognise right-of-use assets at the commencement date of the lease. Right-of-use assets are measured at cost, less accumulated depreciation and impairment losses, and adjusted for any remeasurement of the lease liability. The cost of the right-of-use assets comprises of the amount of lease liabilities adjusted for the lease payments that are paid at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to be incurred for dismantling and removing the underlying asset or restoring the underlying assets or the site on which it is located, less any lease incentives received. If the Group and the Company are reasonably certain that the ownership of the underlying asset will be transferred to them by the end of the lease term, the right-of-use assets are depreciated from the commencement date to the end of the useful life of the underlying asset. Otherwise, the right-of-use assets are depreciated on a straight-line basis from the commencement date to the earlier of the end of its useful life or the end of the lease term.

Depreciation on the right-of-use assets are calculated using straight-line basis over the earlier of the estimated useful lives of the right-of-use assets or the end of the lease term. The lease terms of right-of-use assets are as follows:

Leasehold land	43 - 51 years
Buildings	2 - 3 years
Motor vehicles	5 years

(b) Lease Liabilities

The Group and the Company recognise lease liability, which is measured at the present value of the lease payments to be made over the lease term, at the commencement date. The lease payments include fixed payments including in-substance fixed payments, variable lease payments that depend on an index or a rate, amounts expected to be payable by the lessee under residual value guarantees, less lease incentives receivable. The lease payments also include the exercise price of purchase option if the Group and the Company are reasonably certain to exercise, and payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

The lease payments are discounted using incremental borrowing rate if the interest rate implicit in the lease cannot be readily determined. After the commencement date, the Group and the Company measure the lease liability by increasing the carrying amount to reflect interest on the lease liability and reducing the carrying amount to reflect the lease payments made. The carrying amount of lease liabilities is remeasured in order to reflect any reassessment or lease modifications.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

3.15 Leases (Cont'd)

Current financial year (Cont'd)

3.15.1 Leases in which the Group is a lessee (Cont'd)

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

The Group and the Company elected to apply exemption to those short term leases in which the lease term is 12 months or less from the commencement date and without purchase option. Besides, exemption is also applied for the lease of low value assets. The lease payments incurred on the exempted leases are recognised as expenses on a straight-line basis over the lease term.

(d) Lease term

The lease term includes non-cancellable period of a lease together with periods covered by an option to extend or terminate the lease if the Group and the Company are reasonably certain to exercise that option.

Under some of the leases, the Group and the Company are offered with the option to extend the lease term for additional one to two years. The Group and the Company apply judgement in considering all relevant facts and circumstances that create an economic incentive to exercise the extension option or not to exercise the termination option, to evaluate whether it is reasonably certain that the option will be exercised. After the commencement date, the Group and the Company reassess the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise the option to renew or not to terminate.

Previous financial year

(a) Finance lease

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense 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 accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

(b) Operating lease

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

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

3.15 Leases (Cont'd)

3.15.2 Leases in which the Group is a lessor

As a lessor, the Group and the Company determine whether a lease is finance lease or operating lease. The assessment are based on if the lease transfers substantially all the risks and rewards incidental to ownership of an underlying asset to them. Examples of indicators for finance lease are:-

(i) Ownership is transferred at the end of lease term;
(ii) Purchase option is offered at a price that is expected to be sufficiently lower than the fair value at the date the option becomes exercisable;
(iii) The lease term is for the major part of the economic life of the underlying asset;
(iv) The present value of the lease payments amounts to at least substantially all of the fair value of the underlying asset;
(v) The underlying asset is of such a specialised nature that only the Group and the Company can use it.

Operating lease

Lease payment from operating lease are recognised as income by the Group and the Company on straight line basis over the lease term of the lease. Initial direct costs incurred in obtaining the assets that are leased out are included in the carrying amount of the underlying assets, and the subsequent costs incurred is recognised as expense for the period of earning the income. Assets leased out under operating leases are presented on the statement of financial position according to the nature of the assets.

3.16 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred with any difference between the initial fair value and proceeds (net of transaction costs) being charged to profit or loss at initial recognition. In subsequent periods, borrowings are stated at amortised cost using the effective interest method with the difference between the initial fair value and the redemption value recognised in the profit or loss over the period of the borrowings.

Profit, interest, dividends, losses and gains relating to a financial instrument, or a component part, classified as a liability is reported within finance cost in the profit or loss.

Borrowings are classified as current liabilities unless the Group and the Company have an unconditional right to defer settlement of the liability for at least 12 months after the financial position date.

Borrowing costs incurred to finance the construction of property, plant and equipment are capitalised as part of the cost of the asset during the period of time that is required to complete and prepare the asset for its intended use. All other borrowing costs are expensed.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

3.17 Income tax

3.17.1 Current tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Current taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

3.17.2 Deferred tax

Deferred tax is provided using the liability method on temporary differences at the financial year end between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except for the deferred tax liability that arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred tax assets are recognised for all deductible temporary differences, unutilised tax losses and unused tax credits, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unutilised tax losses and unused tax credits can be utilised except where the deferred tax asset arises from the initial recognition of an asset or liability in a transaction that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred tax assets are reviewed at each financial year end and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilised.

Unrecognised deferred tax assets are reassessed at each financial year end 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 assets and liabilities are measured at the tax rates that are expected to apply to the year 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 financial year end.

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 in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offsetted, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

3.18 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.

Provisions are reviewed at each financial year end 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. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

3.18 Provisions (Cont'd)

The Group and the Company typically provide warranties for general repairs of defects that existed at the time of sale. These assurance-type warranties are accounted for under MFRS 137 *Provisions, Contingent Liabilities and Contingent Assets* when the product is sold to the customer. Initial recognition is based on historical experience. The initial estimate of warranty-related costs is revised annually.

3.19 Revenue recognition and other income

Revenue is measured at the fair value of consideration received or receivable. The Group and the Company recognise revenue as follows:

3.19.1 Sale of goods and services

Revenue from sales of goods is recognised at the point in time when the customer obtains control of goods, which is generally at the time of delivery. Revenue is measured at the fair value of the consideration received or receivable, net of discounts and taxes applicable to the revenue. Revenue from services is recognised upon services rendered.

3.19.2 Contract income

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

3.19.3 Management fees

Management fee is recognised on an accrual basis when service is rendered.

3.19.4 Dividend income

Dividend income is recognised when the shareholders' rights to receive payment is established.

3.19.5 Interest income

Interest income is recognised as it accrues, taking into account the principal outstanding and the effective rate over period of maturity.

3.19.6 Rental income

Rental income is recognised on a straight-line basis over the term of the tenancy agreement subject to revision of rental rate.

3.20 Employee benefits

3.20.1 Short term employee benefits

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

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

3.20 Employee benefits (Cont'd)

3.20.2 Defined contribution plans

Defined contribution plans are post-employment benefits plans under which the Group and the Company pays fixed contributions into separate entities or funds and will have no legal or constructive obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years. The contributions are charged as an expense in the financial year in which the employees render their services. As required by law, the Group and the Company make such contributions to the Employees Provident Fund ("EPF").

3.21 Contingencies

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

Contingent liabilities and assets are not recognised in the statements of financial position of the Group and of the Company in the current and previous financial year end.

3.22 Foreign currency

3.22.1 Functional and presentation currency

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

3.22.2 Foreign currency transactions

Transactions in currencies other than the Group's and the Company's functional currency ("foreign currencies") are recorded in the functional currency using the exchange rates prevailing at the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are translated at the rates prevailing on the reporting date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not translated. Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in profit or loss for the period. Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity.

3.23 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. Additional disclosures on each of these segments are disclosed in Note 32, including the factors used to identify the reportable segments and the measurement basis of segment information.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

3.24 Fair value measurement

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

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

The Group and the Company use valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy based on the lowest level input that is significant to the fair value measurement as a whole.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group and the Company determine whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the financial year end.

3.25 Related parties

A party is related to an entity if:-

(i) directly, or indirectly through one or more intermediaries, the party:-
- controls, is controlled by, or is under common control with, the entity (this includes parents, subsidiaries and fellow subsidiaries);
- has an interest in the entity that gives it significant influence over the entity; or
- has joint control over the entity;

(ii) the party is an associate of the entity;
(iii) the party is a joint venture in which the entity is a venturer;
(iv) the party is a member of the key management personnel of the entity or its parent;
(v) the party is a close member of the family or any individual referred to in (i) or (iv);
(vi) the party is an entity that is controlled, joint controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or
(vii) the party is a post-employment benefit plan for the benefit of employees of the entity, or of any entity that is a related party of the entity.

Close members of the family of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with entity.

3.26 Earnings per ordinary share

The Group presents basic and diluted earnings per share data for its ordinary shares ("EPS").

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.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's and the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reporting amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (Cont'd)

4.1 Judgements made in applying accounting policies

In the process of applying the Group's accounting policies, there were no critical judgements made by management on the amounts recognised in the consolidated financial statements.

4.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

4.2.1 Depreciation

The costs of property, plant and equipment and investment properties are depreciated on a straight-line basis over the asset's estimated economic useful lives. Management estimates the useful lives of these property, plant and equipment and investment properties to be within a range of 2 to 50 years. These are common life expectancies applied in this industry.

Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets and therefore future depreciation charges could be revised. The carrying amounts of the Group's and the Company's property, plant and equipment and investment properties at the reporting date are disclosed in Note 5 and Note 7 to the financial statements.

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

The Group determines the lease term as non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised.

The Group has several lease contracts that include extension option. The Group applies judgement in evaluating whether it is reasonbly certain whether or not to exercise the option to renew the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew.

The Group included the renewal period as part of the lease term for leases of building with shorter non-cancellable period (i.e., one to two years). The Group typically exercises its option to renew for these leases because there will be a significant negative effect on profit if a replacement building for rent is not readily available.

4.2.3 Write down for obsolete or slow moving inventories

The Group writes down its obsolete or slow moving inventories based on assessment of their estimated net selling price. Inventories are written down when events or changes in circumstances indicate that the carrying amounts could not be recovered. Reviews are made periodically by management to evaluate the adequacy of the write down for obsolete or slow moving inventories. Where expectations differ from the original estimates, the differences would impact the carrying amount of inventories.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (Cont'd)

4.2 Key sources of estimation uncertainty (Cont'd)

4.2.4 Deferred tax assets

Deferred tax assets are recognised for all unused tax losses, unabsorbed capital allowances and other deductible temporary differences to the extent that it is probable that future taxable profits would be available against which the tax losses, capital allowances and other deductible temporary differences could be utilised. Significant management judgement is required to determine the amount of deferred tax assets that could be recognised, based on the likely timing and extent of future taxable profits together with future tax planning strategies. Total carrying value of unrecognised tax losses, unabsorbed capital allowances and other taxable temporary differences of the Group and the Company are disclosed in Note 21.

4.2.5 Income taxes

There are certain transactions and computations for which the ultimate tax determination may be different from the initial estimate. The Group and the Company recognised tax liabilities based on its understanding of the prevailing tax laws and estimates of whether such taxes will be due in the ordinary course of business. Where the final outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax and deferred tax provisions in the year in which such determination is made.

4.2.6 Provision for expected credit losses of trade receivables and other receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geographical region, product type, customer type and rating).

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

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in Note 13.

4.2.7 Impairment of non-financial assets

When recoverable amount of an asset is determined based on the estimate of the value-in-use of the cash generating unit to which the asset is allocated, the management is required to make an estimate of the expected future cash flows from the cash generating unit and also to apply a suitable discount rate in order to determine the present value of those cash flows.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

5. PROPERTY, PLANT AND EQUIPMENT

Group

2019	Short term leasehold land RM	Buildings RM	Plant, machinery and moulds RM	Furniture, fittings, office equipment and renovations RM	Motor vehicles RM	Total RM
At cost						
Balance as at 1 January 2019, as previously stated	2,163,035	6,056,684	12,235,735	3,119,719	2,489,892	26,065,065
Adjustment on initial adoption of MFRS 16	(2,163,035)	-	-	-	(1,739,307)	(3,902,342)
Change in comparative figures	-	-	(262,465)	-	-	(262,465)
Balance as at 1 January 2019, as restated	-	6,056,684	11,973,270	3,119,719	750,585	21,900,258
Additions	-	7,534	635,567	332,903	-	976,004
Disposal/written off	-	-	(1,200)	-	-	(1,200)
Balance as at 31 December 2019	-	6,064,218	12,607,637	3,452,622	750,585	22,875,062
Less: Accumulated depreciation						
Balance as at 1 January 2019, as previously stated	1,025,778	3,188,984	10,633,709	2,330,448	1,468,922	18,647,841
Adjustment on initial adoption of MFRS 16	(1,025,778)	-	-	-	(743,189)	(1,768,967)
Change in comparative figures	-	-	(226,686)	-	-	(226,686)
Balance as at 1 January 2019, as restated	-	3,188,984	10,407,023	2,330,448	725,733	16,652,188
Change for the financial year	-	113,627	361,501	243,744	10,761	729,633
Disposal/written off	-	-	(1,199)	-	-	(1,199)
Balance as at 31 December 2019	-	3,302,611	10,767,325	2,574,192	736,494	17,380,622
Less: Accumulated impairment losses						
Balance as at 1 January 2019, as previously stated	-	-	389,829	96,743	-	486,572
Change in comparative figures	-	-	60,964	(96,743)	-	(35,779)
Balance as at 1 January 2019, as restated	-	-	450,793	-	-	450,793
Charge for the financial year	-	44,148	98,773	2,815	-	145,736
Balance as at 31 December 2019	-	44,148	549,566	2,815	-	596,529
Net carrying amount						
Balance as at 31 December 2019	-	2,717,459	1,290,746	875,615	14,091	4,897,911

5. **PROPERTY, PLANT AND EQUIPMENT (Cont'd)**

Group

2018	**Short term leasehold land RM**	**Buildings RM**	**Plant, machinery and moulds RM**	**Furniture, fittings, office equipment and renovations RM**	**Motor vehicles RM**	**Total RM**
At cost						
Balance as at 1 January 2018	2,163,035	6,056,684	11,570,317	3,227,339	2,489,892	25,507,267
Additions	-	-	665,418	159,410	-	824,828
Disposal/written off, as restated	-	-	(262,465)	(267,030)	-	(529,495)
Balance as at 31 December 2018	2,163,035	6,056,684	11,973,270	3,119,719	2,489,892	25,802,600
Less: Accumulated depreciation						
Balance as at 1 January 2018	978,988	3,075,571	10,217,683	2,250,836	1,097,939	17,621,017
Charge for the financial year	46,790	113,413	416,026	332,663	370,983	1,279,875
Disposal/written off, as restated	-	-	(226,686)	(253,051)	-	(479,737)
Balance as at 31 December 2018	1,025,778	3,188,984	10,407,023	2,330,448	1,468,922	18,421,155
Less: Accumulated impairment losses						
Balance as at 1 January 2018	-	-	321,867	-	-	321,867
Charge for the financial year, as restated	-	-	128,926	-	-	128,926
Balance as at 31 December 2018	-	-	450,793	-	-	450,793
Net carrying amount						
Balance as at 31 December 2018	1,137,257	2,867,700	1,115,454	789,271	1,020,970	6,930,652

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

5. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

Company

2019	Furniture, fittings and office equipment RM
At cost	
Balance as at beginning and end of the financial year	1,699
Less: Accumulated depreciation	
Balance as at 1 January 2019	666
Charge for the financial year	170
Balance as at 31 December 2019	836
Net carrying amount	
Balance as at end of the financial year	863
2018	
At cost	
Balance as at beginning and end of the financial year	1,699
Less: Accumulated depreciation	
Balance as at 1 January 2018	496
Charge for the financial year	170
Balance as at 31 December 2018	666
Net carrying amount	
Balance as at end of the financial year	1,033

Group

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

	2019 RM	2018 RM
Motor vehicles	-	996,118

The Group has pledged the following property, plant and equipment to licensed banks to secure banking facilities granted to a subsidiary company as referred to in Note 20:

NOTES TO THE FINANCIAL STATEMENTS (cont'd)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

5. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

	2019 RM	2018 RM
Net carrying amount		
Short term leasehold land	-	660,465
Buildings	2,373,520	2,464,298
	2,373,520	3,124,763

Purchase of property, plant and equipment

	2019 RM	2018 RM
Cost of property, plant and equipment purchased	976,004	824,828
Cash disbursed for purchase of property, plant and equipment	976,004	824,828

6. LEASES

The Group as lessee

Right-of-use assets

2019	Short term leasehold land RM	Buildings RM	Motor vehicles RM	Total RM
At cost				
Balance as at 1 January 2019	2,163,035	1,987,945	1,739,307	5,890,287
Disposal	-	-	(397,948)	(397,948)
Balance as at 31 December 2019	2,163,035	1,987,945	1,341,359	5,492,339
Less: Accumulated depreciation				
Balance as at 1 January 2019	1,025,778	-	743,189	1,768,967
Charge for the financial year	46,790	732,264	321,891	1,100,945
Disposal	-	-	(238,768)	(238,768)
Balance as at 31 December 2019	1,072,568	732,264	826,312	2,631,144
Net carrying amount				
Balance as at 31 December 2019	1,090,467	1,255,681	515,047	2,861,195

NOTES TO THE FINANCIAL STATEMENTS (cont'd)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

6. LEASES (Cont'd)

The Group as lessee (Cont'd)

Lease liabilities	**Buildings RM**	**Motor vehicles RM**	**Total RM**
Carrying amount			
Balance as at 1 January 2019	1,987,945	977,418	2,965,363
Lease payments	(780,000)	(520,440)	(1,300,440)
Interest expense	77,161	46,081	123,242
Balance as at 31 December 2019	1,285,106	503,059	1,788,165

Represented by:

	2019 RM	**2018 RM**
Current liabilities		
Secured		
Lease liability	253,289	-
	253,289	-
Unsecured		
Lease liability	736,645	-
	989,934	-
Non-current liabilities		
Secured		
Lease liability	249,770	-
	249,770	-
Unsecured		
Lease liability	548,461	-
	798,231	-
Total lease liabilities		
Secured		
Lease liability	503,059	-
	503,059	-
Unsecured		
Lease liability	1,285,106	-
	1,788,165	-

Rates of interest charged per annum:

	2019 %	**2018 %**
Lease liabilities owing to financial institutions	3.96% - 7.06%	-
Lease liabilities owing to non-financial institutions	8.07%	-

6. LEASES (Cont'd)

The Group as lessee (Cont'd)

	2019 RM	**2018 RM**
Minimum lease payment		
- Not later than one year	1,051,650	-
- Later than one year and not later than five years	817,469	-
	1,869,119	-
Future finance charges on lease liabilities	(80,954)	-
Present value of lease liabilities	1,788,165	-

Present value of lease liabilities is analysed as follows:

	2019 RM	**2018 RM**
Current liabilities		
- Not later than one year	989,934	-
Non-current liabilities		
- Later than one year and not later than five years	798,231	-
	1,788,165	-

(a) Included in right-of-use assets of the Group, certain leasehold land with a carrying amount of RM632,558 are subject to fixed charges created to secure certain banking facilities of the Group.

(b) The Group has certain low value leases of office equipment of RM20,000 and below. The Group applies the "lease of low-value assets" exemptions for these leases.

(c) The following are the amounts recognised in profit or loss:

	2019 RM
Depreciation of right-of-use assets (included in cost of goods sold and administrative expenses)	1,100,945
Interest on lease liabilities (included in finance cost)	123,242
Expense relating to lease of low-value assets (included in cost of goods sold and administrative expenses)	13,820
	1,238,007

(d) At the end of the financial year, the Group had total cash outflow for leases of RM1,300,440.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

7. INVESTMENT PROPERTIES

Group

	2019 RM	2018 RM
Freehold building, at cost		
Balance as at beginning and end of the financial year	609,040	609,040
Less: Accumulated depreciation		
Balance as at beginning of the financial year	273,679	260,720
Charge for the financial year	12,959	12,959
Balance as at end of the financial year	286,638	273,679
Net carrying amount		
Balance as at end of the financial year	322,402	335,361

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

	2019 RM	2018 RM
Rental income	24,000	24,000
Direct operating expenses		
Income generating investment properties	12,021	11,741
Non-income generating investment properties	4,459	4,469

The fair value of the investment properties was estimated at RM689,000 (2018: RM622,000) based on the directors' estimate by comparing the Group's investment properties with similar properties that were listed for sale within the same location. The fair value of investment property is within level 3 of the fair value hierarchy.

The directors estimated fair values of the leasehold buildings by taking into account sales price of comparable properties in close proximity adjusted for the differences in key attributes such as property size. The most significant input into this valuation approach is price per square foot of comparable properties which was derived from limited market activity for comparable properties as at the reporting date.

At the reporting date, the carrying amount of the Group's investment properties amounting to RM30,556 (2018: RM33,333) has been pledged to a licensed financial institution for banking facilities granted to a subsidiary company as referred to in Note 20 to the financial statements.

8. INVESTMENT IN SUBSIDIARY COMPANIES

	Company	
	2019 RM	2018 RM
Unquoted shares, at cost		
Balance as at beginning of the financial year	38,347,827	34,847,827
Addition	-	3,500,000
Balance as at end of the financial year	38,347,827	38,347,827

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

8. INVESTMENT IN SUBSIDIARY COMPANIES (Cont'd)

	Company 2019 RM	Company 2018 RM
Less: Accumulated impairment losses		
Balance as at beginning of the financial year	32,435,058	28,857,624
Impairment losses recognised during the financial year	-	3,577,434
Balance as at end of the financial year	32,435,058	32,435,058
Net carrying amount		
Balance as at end of the financial year	5,912,769	5,912,769

The subsidiary companies, which are incorporated in Malaysia, are as follows:-

Name of subsidiaries	Effective equity interest 2019	Effective equity interest 2018	Principal activities
T.H. Hin Sdn. Bhd.	100%	100%	Dealer in gas cookers, electrical household appliances and their related products
T.H. Hin Home Tech Sdn. Bhd.	100%	100%	Manufacturing of gas cookers, electrical household appliances and their related products
Brightyield Sdn. Bhd.	100%	100%	Manufacturing of gas cookers component parts and their related products
Enamel Products Sdn. Bhd.	100%	100%	Manufacturing of enamel products
Milux Sales & Service Sdn. Bhd.	100%	100%	Dealer in gas cookers, electrical household appliances and their related products
Eurobay Industries Sdn. Bhd.	100%	100%	Manufacturing and supplying of home electrical appliances
Milux International Sdn. Bhd.	100%	100%	Investment holding
Milux Properties Sdn. Bhd.	100%	100%	Engage in the business of acquiring land and building and to undertake the business of property development and other management consultancy activities (Inactive)
Pansprint Consolidated Sdn. Bhd.	100%	100%	Construction of buildings (Inactive)
Milux Greentech Resources Sdn. Bhd.	100%	100%	Carry out business of agriculture farming, poultry farming, animal husbandry and related plantations and crops activities (Inactive)

NOTES TO THE FINANCIAL STATEMENTS (cont'd)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

8. INVESTMENT IN SUBSIDIARY COMPANIES (Cont'd)

The subsidiary companies, which are incorporated outside Malaysia, are as follows:-

Name of subsidiaries	Effective equity interest 2019	Effective equity interest 2018	Principal activities
Milux Home Appliances (India) Private Limited *# (Incorporated in India)	99%	99%	Within process of striking off
<u>Subsidiary company of T. H. Hin Sdn. Bhd.</u>			
Milux Industry (Zhong Shan) Co. Ltd. *# (Incorporated in China)	100%	100%	Ceased operation

* Not audited as the subsidiary had ceased and discontinued operation prior to 1 September 2011. Consolidated based on management accounts where all the assets had been written off and all the liabilities had been settled.

Not audited by CAS Malaysia PLT

During the financial year, the management performed an impairment test on the investment in certain subsidiaries as these subsidiaries have been persistently making losses. No impairment loss (2018: RM3,577,434) was recognised for the financial year to write down the cost of investment in these subsidiaries to their recoverable amount. The recoverable amount of investment in these subsidiaries has been determined based on their net assets.

9. INVESTMENT IN A JOINT VENTURE

Group

	2019 RM	2018 RM
Unquoted shares, at cost		
Balance as at beginning and end of the financial year	252,000	252,000
Less: Share of post-acquisition loss		
Balance as at beginning of the financial year	12,798	8,806
Share of loss during the financial year	1,313	3,992
Balance as at end of the financial year	14,111	12,798
Net carrying amount		
Balance as at beginning and end of the financial year	237,889	239,202

The details of the joint venture company, which is incorporated in Malaysia, is as follow:

Name of joint venture	Effective equity interest 2019	Effective equity interest 2018	Principal activities
Phoenix Pentagon Sdn. Bhd.	60%	60%	Project management and advisory services (Ceased operation)

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

9. INVESTMENT IN A JOINT VENTURE (Cont'd)

The Group's share of assets, liabilities, income and expenses are as follows:

	2019 RM	2018 RM
Assets and liabilities		
Total assets	240,991	240,882
Total liabilities	(3,102)	(1,680)
	237,889	239,202
Financial results		
Operating expenses	(5,359)	(3,992)
Loss for the financial year	(1,313)	(3,992)

On 26 November 2019, the Group's wholly-owned subsidiary, Milux Properties Sdn. Bhd. entered into a Deed of Revocation with RGF Cabaran Sdn. Bhd. and the joint venture company, Phoenix Pentagon Sdn. Bhd. for the purpose of revoking the Joint Venture cum Shareholders' Agreement dated 16 October 2015 subject to the terms and conditions as stipulated in the Deed. Both parties will maintain the spirit of the original agreement on the board member appointment. Therefore, Phoenix Pentagon Sdn. Bhd. will continued be treated as a joint venture company.

10. OTHER INVESTMENTS

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Non-current				
Fair value through profit or loss				
- Unit trust fund	38,346	37,179	-	-
Financial assets at fair value through other comprehensive income				
-quoted shares in Malaysia	8,214	8,144	8,214	8,144
	46,560	45,323	8,214	8,144

The average effective interest rates of the placement with an unit trust fund management company is 3.05% (2018: 3.05%) and is readily convertible to cash with insignificant risk of changes in value.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

11. INTANGIBLE ASSETS

Group

2019	Goodwill on consolidation RM	Development expenditure RM	Total RM
At cost			
Balance as at beginning and end of the financial year	221,652	-	221,652
Less: Accumulated amortisation			
Balance as at beginning and end of the financial year	-	-	-
Less: Accumulated impairment loss			
Balance as at beginning and end of the financial year	-	-	-
Net carrying amount			
Balance as at beginning and end of the financial year	221,652	-	221,652
2018			
At cost			
Balance as at beginning of the financial year	1,963,029	876,465	2,839,494
Written off	(1,741,377)	(876,465)	(2,617,842)
Balance as at end of the financial year	221,652	-	221,652
Less: Accumulated amortisation			
Balance as at beginning of the financial year	421,047	876,465	1,297,512
Written off	(421,047)	(876,465)	(1,297,512)
Balance as at end of the financial year	-	-	-
Less: Accumulated impairment loss			
Balance as at beginning of the financial year	1,320,330	-	1,320,330
Written off	(1,320,330)	-	(1,320,330)
Balance as at end of the financial year	-	-	-
Net carrying amount			
Balance as at end of the financial year	221,652	-	221,652

11. INTANGIBLE ASSETS (Cont'd)

Goodwill on consolidation

The Group's goodwill on consolidation arises from its subsidiary, Enamel Products Sdn. Bhd.

The recoverable amounts of a CGU is determined based on the fair value to sell calculation. The fair value to sell is derived by the Directors based on indicative market value of the property.

The management carried out an annual review of the recoverable amounts of its goodwill at each financial year. The impairment loss provided was attributable to the subsidiaries that were suffering significant loss in current and previous year.

The Group believes that any reasonable possible change in the above key assumptions applied are not likely to materially cause the recoverable amounts to be lower than their carrying amounts.

12. INVENTORIES

	Group	
	2019	**2018**
	RM	**RM**
At cost		
Raw materials	4,054,394	4,849,871
Work-in-progress	64,723	476,983
Finished goods	11,932,539	11,892,061
Good in transit	1,273,987	2,102,099
Consumables	51,242	95,798
	17,376,885	19,416,812
At net realisable value		
Raw materials	877,330	839,417
Finished goods	398,937	531,986
Consumables	27,478	24,982
	1,303,745	1,396,385
	18,680,630	20,813,197
Recognised in profit or loss		
Inventories recognised as cost of sales	46,728,242	60,651,559
Slow moving and obsolete inventories written down	819,550	756,120
Slow moving and obsolete inventories written back*	(366,456)	(303,023)

Slow moving and obsolete inventories written down and written back are included in cost of sales.

* During the financial year, the Group managed to rework and sell some of the slow-moving inventories which have been written down in previous financial years. As a result, the inventories written down had been reversed during the financial year.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

13. TRADE RECEIVABLES

Group

	2019 RM	2018 RM
Trade receivables - gross	16,729,112	18,090,599
Less: Allowance for impairment losses	(2,243,813)	(1,971,668)
Trade receivables - net	14,485,299	16,118,931

Group

Movement in the allowance for impairment losses

The allowance account in respect of the trade receivables are used to record impairment losses. The creation and release of allowance for impaired receivables have been included in 'other operating expenses' in the profit or loss. Unless the Group is satisfied that recovery of the amount is possible, then the amount considered irrecoverable is written off against the receivable directly.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, customer type and rating). The calculation reflects the probability-weighted outcome and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

The movement in the allowance for impairment losses of trade receivables during the financial year are as follows:

2019	Lifetime ECL RM	Credit impaired RM	Total RM
Balance as at beginning of the financial year	176,706	1,794,962	1,971,668
Provision for impairment losses	70,292	303,987	374,279
Write off	-	(3,083)	(3,083)
Reversal of allowance for impairment losses	(76,969)	(22,082)	(99,051)
Balance as at end of the financial year	170,029	2,073,784	2,243,813
2018			
Balance as at beginning of the financial year	-	1,107,082	1,107,082
Provision for impairment losses	176,706	1,128,767	1,305,473
Write off	-	(393,890)	(393,890)
Reversal of allowance for impairment losses	-	(46,997)	(46,997)
Balance as at end of the financial year	176,706	1,794,962	1,971,668

The allowance for impairment losses of trade receivables are those trade receivables that are individually impaired. These trade receivables are in significant difficulties and have defaulted on payments. They are not secured by any collateral or credit enhancement.

Based on the Group's historical collection experience, the amounts of trade receivables presented on the statements of financial position represent the amount exposed to credit risk. The management believes that no additional credit risk beyond the amounts provided for collection losses is inherent in the net trade receivables.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

13. TRADE RECEIVABLES (Cont'd)

Group

The ageing of the receivables and allowance for impairment losses provided for above are as follows:

2019		**Provision for impairment losses**		
	Gross carrying amount RM	**ECL (Collectively assessed) RM**	**ECL (Individually assessed) RM**	**Net balance RM**
Neither past due	7,833,458	-	-	7,833,458
Past due 1 - 30 days	3,503,238	-	-	3,503,238
Past due 31 - 60 days	1,969,631	(450)	-	1,969,181
Past due 61 - 90 days	1,000,708	-	-	1,000,708
More than 90 days past due	348,293	(169,579)	-	178,714
	14,655,328	(170,029)	-	14,485,299
Credit Impaired				
More than 90 days past due	2,073,784	-	(2,073,784)	-
	16,729,112	(170,029)	(2,073,784)	14,485,299

2018		**Provision for impairment losses**		
	Gross carrying amount RM	**ECL (Collectively assessed) RM**	**ECL (Individually assessed) RM**	**Net balance RM**
Neither past due	12,655,043	-	-	12,655,043
Past due 1 - 30 days	2,086,233	-	-	2,086,233
Past due 31 - 60 days	1,096,618	(17,742)	-	1,078,876
Past due 61 - 90 days	200,535	(103,689)	-	96,846
More than 90 days past due	55,275	(55,275)	-	-
	16,093,704	(176,706)	-	15,916,998
Credit Impaired				
Neither past due	22,037	-	(20,733)	1,304
Past due 1 - 30 days	120,785	-	(44,722)	76,063
Past due 31 - 60 days	78,834	-	(77,138)	1,696
More than 90 days past due	1,775,239	-	(1,652,369)	122,870
	18,090,599	(176,706)	(1,794,962)	16,118,931

The maximum exposure of credit risk at the reporting date is the carrying value of receivables mentioned above. The Group does not hold any collateral as security.

The Group's normal trade credit term range from 30 to 120 days (2018: 30 to 120 days). Other credit terms are assessed and approved on a case by case basis.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

14. OTHER RECEIVABLES

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Non-current				
Deposits	124,779	-	-	-
	124,779	-	-	-
Current				
Other receivables	133,972	723,638	100	-
Deposits	132,766	250,995	5,500	1,000
Prepayments	617,658	694,143	6,451	3,147
Interest receivables	43,300	40,995	-	-
	927,696	1,709,771	12,051	4,147
	1,052,475	1,709,771	12,051	4,147

15. AMOUNT DUE FROM SUBSIDIARY COMPANIES

Company

	2019 RM	2018 RM
Amount due from subsidiary companies	30,453,157	30,545,046
Less: Allowance for impairment losses	(29,440,372)	(29,465,645)
Amount due from subsidiary companies - net	1,012,785	1,079,401

The amount due from subsidiary companies represented non-trade transactions which are unsecured, interest free and repayable on demand.

The movement in the allowance for impairment losses of amount due from subsidiary companies during the financial year are as follows:

	2019 RM	2018 RM
Balance as at beginning of the financial year	29,465,645	32,951,863
Impairment losses recognised during the financial year	-	35,817
Reversal of allowance for impairment losses	(25,273)	(3,522,035)
Balance as at end of the financial year	29,440,372	29,465,645

16. AMOUNT DUE FROM/(TO) A JOINT VENTURE

The amount due from/(to) a joint venture represented non-trade transactions which are unsecured, interest free and repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

17. FIXED DEPOSITS WITH LICENSED BANKS

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Fixed deposits				
With maturity of 1 to 3 months	1,064,603	1,377,329	582,447	574,050
With maturity of more than 3 months	1,939,602	2,254,832	-	-
	3,004,205	3,632,161	582,447	574,050

The effective interest rates and maturity period of the fixed deposits with licensed banks at the reporting date are as follows:

	Group	
	2019	2018
Effective interest rates	2.80% - 3.10%	2.55% - 3.15%
Maturity period	one month to one year	one month to one year

	Company	
	2019	2018
Effective interest rates	2.90%	3.15%
Maturity period	one month	one month

18. CAPITAL AND RESERVES

	Group and Company			
	2019 Number of shares	2018 Number of shares	2019 RM	2018 RM
Issued and fully paid:				
Balance as at beginning of the financial year	54,411,294	54,411,294	55,584,379	54,411,294
Transfer from share premium	-	-	-	1,173,085
Issued for cash under private placement	4,352,903	-	3,482,322	-
Balance as at end of the financial year	58,764,197	54,411,294	59,066,701	55,584,379

During the financial year, the Company increased its share capital from RM55,584,379 to RM59,066,701 by way of issuance of 4,352,903 new ordinary shares at an issue price of RM0.80 per share for the purpose of working capital. The shares were issued for cash consideration.

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

NOTES TO THE FINANCIAL STATEMENTS (cont'd)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

18. CAPITAL AND RESERVES (Cont'd)

Share premium

The share premium arose from the issuance of ordinary share above its par value of RM1 per ordinary share net of share issuance expenses and is non-distributable by way of dividends.

During the financial year 2018, the credit standing in share premium account has been transfered to share capital account pursuant to the Companies Act 2016.

Fair value adjustment reserve

The fair value adjustment reserve comprises the cumulative net change in the fair value of financial assets through other comprehensive income until the investments are derecognised or impaired.

19. ACCUMULATED LOSSES

The Group and the Company are in an accumulated losses position as at reporting date.

20. LOANS AND BORROWINGS

Group

	2019 RM	2018 RM
Current liabilities		
Secured		
Bank overdraft	527,471	1,134,437
Bankers' acceptance	3,708,000	3,506,000
Finance lease liabilities	-	326,285
	4,235,471	4,966,722
Non-current liabilities		
Secured		
Finance lease liabilities	-	651,133
	-	651,133
	4,235,471	5,617,855

NOTES TO THE FINANCIAL STATEMENTS (cont'd)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

20. LOANS AND BORROWINGS (Cont'd)

Group (Cont'd)

	2019 RM	**2018 RM**
Total borrowings		
Secured		
Bank overdraft	527,471	1,134,437
Bankers' acceptance	3,708,000	3,506,000
Finance lease liabilities	-	977,418
	4,235,471	5,617,855

Rates of interest charged per annum:

	2019 %	**2018 %**
Bank overdraft	BLR + 2.00	BLR + 2.00
Bankers' acceptance	6.38 - 6.49	6.90 - 7.07
Finance lease liabilities	-	3.96 - 7.06

Group

(a) Bankers' acceptance and bank overdraft

The bankers' acceptances and bank overdraft are secured by the following:

(i) a first legal charge over certain land and buildings of subsidiaries as disclosed in Note 5, Note 6 and Note 7 to the financial statements;

(ii) corporate guarantee by the Company.

(b) Finance lease liabilities

	2019 RM	**2018 RM**
Minimum lease payment		
- Not later than one year	-	365,964
- Later than one year and not later than five years	-	683,595
	-	1,049,559
Future finance charges on finance lease	-	(72,141)
Present value of finance lease liabilities	-	977,418

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

20. LOANS AND BORROWINGS (Cont'd)

(b) Finance lease liabilities (Cont'd)

Present value of finance lease is analysed as follows:

	2019 RM	2018 RM
Current liabilities		
- Not later than one year	-	326,285
Non-current liabilities		
- Later than one year and not later than five years	-	651,133
	-	977,418

Upon adoption of MFRS 16, the maturity analysis and present value of finance lease commitment is included within lease liabilities in Note 6 and Note 33.

21. DEFERRED TAXATION

Group

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are offsetted when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same taxation authority.

The following amounts, determined before appropriate offsetting, are shown in the statements of financial position.

	2019 RM	2018 RM
Deferred tax assets, net	(493,768)	(203,684)
Deferred tax liabilities, net	493,768	466,862
	-	263,178

The following are the movements of deferred tax liabilities:

	2019 RM	2018 RM
Balance as at beginning of the financial year	263,178	121,526
Recognised in profit or loss (Note 28)	(263,178)	141,652
Balance as at end of the financial year	-	263,178

NOTES TO THE FINANCIAL STATEMENTS (cont'd)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

21. DEFERRED TAXATION (Cont'd)

Recognised deferred tax assets and liabilities (Cont'd)

The components of the deferred tax at the end of the financial year comprise tax effects of:

	2019 RM	2018 RM
Deferred tax assets		
Provisions	493,768	203,684
Unrealised foreign exchange loss	-	-
Deferred tax assets (before offsetting)	493,768	203,684
Offsetting	(493,768)	(203,684)
Deferred tax assets (after offsetting)	-	-
Deferred tax liabilities		
Excess of capital allowances over corresponding depreciation	464,913	431,535
Unrealised foreign exchange gain	28,855	35,327
Deferred tax liabilities (before offsetting)	493,768	466,862
Offsetting	(493,768)	(203,684)
Deferred tax liabilities (after offsetting)	-	263,178

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Unabsorbed capital allowances and unutilised tax losses	43,494,079	61,396,093	1,640,752	1,337,242
Other temporary differences	29,540,550	9,974,780	(864)	(1,033)
	73,034,629	71,370,873	1,639,888	1,336,209
Unrecognised deferred tax assets at 24% (2018: 24%)	17,528,311	17,129,010	393,573	320,690

The unabsorbed capital allowances can be carried forward indefinitely and unutilised tax losses can be carried forward for a maximum period of seven(7) consecutive years of assessment effective from year 2019 and it can only be utilised against income from the same business source. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profits will be available against which the Group and the Company can utilise the benefits. The unabsorbed capital allowances and unutilised tax losses are subject to the agreement of the tax authorities.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

22. TRADE AND OTHER PAYABLES

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Trade payables	5,107,232	5,625,178	-	-
Add:				
Other payables	953,209	1,445,637	10,696	-
Accruals	625,950	633,212	293,857	202,239
Deposits received	34,562	37,497	-	-
	1,613,721	2,116,346	304,553	202,239
Total financial liabilities carrying at amortised costs	6,720,953	7,741,524	304,553	202,239

The trade payables are non-interest bearing and the normal trade credit terms received by the Group range from 30 to 90 days (2018: 30 to 90 days).

23. AMOUNT DUE TO SUBSIDIARY COMPANIES

The amount due to subsidiary companies represented non-trade transactions which are unsecured, interest free and repayable on demand.

24. PROVISION

Group

2019	Warranty RM	Incentives RM	Total RM
Balance as at beginning of the financial year	239,280	-	239,280
Charge for the financial year	216,358	188,702	405,060
Utilised during the financial year	(128,096)	-	(128,096)
Reversal of provision	(113,669)	-	(113,669)
Balance as at end of the financial year	213,873	188,702	402,575

2018	Warranty RM	Incentives RM	Total RM
Balance as at beginning of the financial year	210,564	-	210,564
Charge for the financial year	245,482	-	245,482
Utilised during the financial year	(216,766)	-	(216,766)
Balance as at end of the financial year	239,280	-	239,280

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

25. REVENUE

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Sales of goods	62,532,499	77,645,427	-	-
Management fee income	-	-	526,574	526,574
	62,532,499	77,645,427	526,574	526,574

26. FINANCE COSTS

Group

	2019 RM	2018 RM
Interest expenses on		
Finance lease liabilities	-	56,893
Bank overdraft	140,272	154,170
Lease liabilities	123,242	-
Bankers' acceptances	244,682	230,021
Unwinding of discount on other receivables	17,720	-
	525,916	441,084

NOTES TO THE FINANCIAL STATEMENTS (cont'd)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

27. LOSS BEFORE TAXATION

	Group		Company	
	2019 RM	2018 RM Restated	2019 RM	2018 RM
Loss before taxation is arrived at:				
after charging				
Auditors' remuneration:				
Statutory audit	110,500	110,500	16,500	16,500
Non-statutory audit	5,000	5,000	5,000	5,000
Depreciation:				
Property, plant and equipment	729,633	1,279,875	170	170
Right-of-use asset	1,100,945	-	-	-
Investment properties	12,959	12,959	-	-
Directors' remuneration:				
Fees	226,904	167,219	226,904	167,219
Salaries and other benefits	766,504	837,117	425,827	391,500
Employee's provident fund	62,973	56,828	31,638	19,526
Social security costs	1,220	1,516	-	-
Impairment loss:				
Amount due from subsidiary companies	-	-	-	35,817
Investment in subsidiaries	-	-	-	3,577,434
Trade receivables	371,196	1,305,473	-	-
Other receivables	12,482	-	-	-
Property, plant and equipment	145,736	128,926	-	-
Bad debts written off	3,557	-	-	-
Interest expenses	525,916	441,084	-	-
Property, plant and equipment written off	1	49,758	-	-
Provision for warranty	216,358	245,482	-	-
Provision for incentives	188,702	-	-	-
Rental of:				
Office equipment	17,420	19,136	-	-
Premises	4,875	783,369	-	-
Loss on foreign exchange:				
Realised	94,855	443,631	-	-
Unrealised	24	-	-	-
Slow moving and obsolete inventories written down	819,550	756,120	-	-
Staff costs:				
Salaries and other benefits	6,428,194	6,188,186	129,214	115,189
Employee's provident fund	695,541	687,138	17,883	14,157
Social security costs	78,204	72,271	3,223	2,687
after crediting				
Gain on disposal of right-of-use asset	70,821	-	-	-
Gain on foreign exchange:				
Realised	67,205	109,627	-	-
Unrealised	46,603	156,535	-	-
Interest income	95,068	116,403	8,397	14,656
Reversal of provision for warranty	113,669	-	-	-
Rental income	24,000	24,000	-	-
Reversal of impairment loss on:				
Trade receivables	99,051	46,997	-	-
Amount due from a subsidiary company	-	-	25,273	3,522,035
Slow moving and obsolete inventories written back	366,456	303,023	-	-

The estimated monetary value of benefits-in-kind received by the directors of the Group amounted to RM32,937 (2018: RM35,050).

NOTES TO THE FINANCIAL STATEMENTS (cont'd)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

28. TAXATION

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Income tax				
Provision for current financial year	3,000	12,220	-	-
Overprovision in previous financial year	(76,889)	(242,915)	-	-
	(73,889)	(230,695)	-	-
Deferred taxation (Note 21)				
Recognised in the income statement	(117,389)	(5,141)	-	-
(Over)/underprovision in previous financial year	(145,789)	146,793	-	-
	(263,178)	141,652	-	-
Tax credit for current financial year	(337,067)	(89,043)	-	-

Domestic current income tax is calculated at the statutory tax rate of 24% (2018: 24%) of the estimated assessable profit for the year.

The reconciliation of income tax expense applicable to the loss before taxation at the statutory tax rate to income tax expense at the effective tax rate of the Group and of the Company is as follows:

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Loss before taxation	(4,767,443)	(2,138,206)	(1,052,346)	(565,634)
Tax at the statutory tax rate of 24% (2018: 24%)	(1,144,186)	(513,169)	(252,563)	(135,752)
Non-deductible expenses	675,181	765,054	185,745	114,024
Non-taxable income	(44,685)	(80,852)	(6,065)	-
Deferred tax assets not recognised during the financial year	416,686	207,369	72,883	21,728
Utilisation of previously unrecognised deferred tax assets	(17,385)	(371,323)	-	-
Overprovision of taxation in previous financial year	(76,889)	(242,915)	-	-
(Over)/Underprovision of deferred taxation in previous financial year	(145,789)	146,793	-	-
Tax expenses for the current financial year	(337,067)	(89,043)	-	-

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

29. LOSS PER SHARE

(a) Basic loss per ordinary share

The calculation of basic loss per ordinary share at 31 December 2019 is based on the loss attributable to owners of the Company and divided by weighted average number of ordinary shares outstanding, calculated as follows:

	Group	
	2019	**2018**
Loss attributable to owners of the Company (RM)	(4,430,376)	(2,049,163)
Weighted average number of ordinary shares (units)	54,482,849	54,411,294
Basic loss per ordinary share attributable to owners of the Company (sen)	(8.13)	(3.77)

(b) Diluted loss per ordinary share

The diluted loss per ordinary share of the Company is similar to the basic loss per ordinary share as the Company has no potential dilutive ordinary shares for the current and previous financial year. The Company does not have outstanding warrant and option which may dilute its basic loss per ordinary share.

30. RELATED PARTY DISCLOSURES

(a) In addition to the information detailed elsewhere in the financial statements, the Group and the Company carried out the following transactions with its related parties during the financial year:

	Group		Company	
	2019 RM	**2018 RM**	**2019 RM**	**2018 RM**
Subsidiary companies				
Management fee	-	-	526,574	526,574
Other related parties				
Rental expenses paid to a company in which a director has substantial interest	756,000	702,000	-	-
Salaries paid to persons connected to certain directors	68,816	128,028	-	-
Professional fees paid to a company in which a director has substantial interest	2,420	-	-	-

(b) The key management personnel comprised all the directors of the Group and of the Company whose remuneration during the year are disclosed in Note 27.

The directors of the Group and of the Company are of the opinion that the related party transactions have been entered into in the normal course of business on an arm's length basis and have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

31. CONTINGENCIES AND COMMITMENTS

Contingent liabilities

Group

	2019 RM	2018 RM
Unsecured		
Bank guarantee issued to third parties	143,050	143,050

Company

	2019 RM	2018 RM
Unsecured (Note 20)		
Corporate guarantee granted to subsidiary companies	4,378,521	4,783,488

Commitments

Group

Non-cancellable operating lease commitments

	As reported under MFRS 117 2018 RM
Future minimum rentals payable:	
- Not later than one year	789,480
- Later than one year and not later than five years	1,376,720
	2,166,200

Upon adoption of MFRS 16, the present value of future minimum lease payments for operating leases have been accounted for as part of lease liabilities on statement of financial position as disclosed in Note 6.

32. SEGMENT INFORMATION

The Board of Directors is the Group's chief operating decision maker. For management purposes, the segment information is presented in respect of the Group's business segments. The primary format, business segment, is based on the Group's management and internal reporting structure.

Segment revenues, expenses and result included transfers between segments. The prices charged on intersegment transactions are at arm's length and not materially different for similar goods to parties outside of the economic entity. These transfers are eliminated on consolidation.

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

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

32. SEGMENT INFORMATION (Cont'd)

(a) Geographical segments

Segmental reporting by geographical regions has only been prepared for revenue as the Group's assets are located in Malaysia. Sales to external customers disclosed in geographical segments are based on the geographical location of its customers.

	Group	
	2019 RM	2018 RM
Revenue		
Malaysia	52,119,324	61,409,000
Asian countries	10,413,175	16,236,427
	62,532,499	77,645,427

(b) Business segments

The Group comprises the following main business segments:

Home appliance - Manufacturer and dealer in household appliances and their related products.

Others - Investment holding and provision of management services.

Segment revenue, loss before taxation and the assets employed are as follows:

Group

2019	Home appliances RM	Others RM	Total operations RM	Elimination RM	Total RM
Revenue					
External revenue	62,532,499	-	62,532,499	-	62,532,499
Inter-segment revenue	2,561,930	526,574	3,088,504	(3,088,504)	-
Total revenue	65,094,429	526,574	65,621,003	(3,088,504)	62,532,499
Results					
Segment results	(3,064,525)	(1,100,278)	(4,164,803)	(170,479)	(4,335,282)
Finance income	86,671	8,397	95,068	-	95,068
Finance costs	(525,916)	-	(525,916)	-	(525,916)
Share of loss in joint venture	-	(1,313)	(1,313)	-	(1,313)
Loss before taxation	(3,503,770)	(1,093,194)	(4,596,964)	(170,479)	(4,767,443)
Income tax expenses	340,022	(2,955)	337,067	-	337,067
Loss after taxation	(3,163,748)	(1,096,149)	(4,259,897)	(170,479)	(4,430,376)
Assets					
Segment assets	55,578,624	7,587,430	63,166,054	(20,597,890)	42,568,164
Investment in a joint venture	-	237,889	237,889	-	237,889
Tax recoverable	429,479	10,916	440,395	-	440,395
Fixed deposits with licensed banks	2,421,758	582,447	3,004,205	-	3,004,205
Cash and bank balances	4,965,713	3,447,900	8,413,613	32,211	8,445,824
Total assets	63,395,574	11,866,582	75,262,156	(20,565,679)	54,696,477

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

32. SEGMENT INFORMATION (Cont'd)

(b) Business segments (Cont'd)

Group

2019	Home appliances RM	Others RM	Total operations RM	Elimination RM	Total RM
Liabilities					
Segment liabilities	85,697,094	3,223,136	88,920,230	(81,796,702)	7,123,528
Tax payable	-	1,000	1,000	-	1,000
Borrowings	6,023,636	-	6,023,636	-	6,023,636
Total liabilities	91,720,730	3,224,136	94,944,866	(81,796,702)	13,148,164
Other information					
Capital expenditure	976,004	-	976,004	-	976,004
Depreciation	1,833,186	10,351	1,843,537	-	1,843,537
Impairment loss:					
Trade receivables	371,196	-	371,196	-	371,196
Property, plant and equipment written off	1	-	1	-	1
Bad debts written off	3,557	-	3,557	-	3,557
Provision for warranty	216,358	-	216,358	-	216,358
Provision for incentives	188,702	-	188,702	-	188,702
Reversal of impairment loss on:					
Trade receivables	99,051	-	99,051	-	99,051
Share of loss from a joint venture	-	1,313	1,313	-	1,313
Slow moving and obsolete inventories written down	819,550	-	819,550	-	819,550
Slow moving and obsolete inventories written back	366,456	-	366,456	-	366,456
Realised foreign exchange loss	94,855	-	94,855	-	94,855
Unrealised foreign exchange loss	24	-	24	-	24
Realised foreign exchange gain	67,205	-	67,205	-	67,205
Unrealised foreign exchange gain	46,603	-	46,603	-	46,603
2018					
Revenue					
External revenue	77,645,427	-	77,645,427	-	77,645,427
Inter-segment revenue	3,373,855	526,574	3,900,429	(3,900,429)	-
Total revenue	81,019,282	526,574	81,545,856	(3,900,429)	77,645,427
Results					
Segment results	(847,417)	(4,103,372)	(4,950,789)	3,141,256	(1,809,533)
Finance income	101,747	14,656	116,403	-	116,403
Finance costs	(441,084)	-	(441,084)	-	(441,084)
Share of loss from a joint venture	-	(3,992)	(3,992)	-	(3,992)
Loss before taxation	(1,186,754)	(4,092,708)	(5,279,462)	3,141,256	(2,138,206)
Income tax expenses	91,697	(2,654)	89,043	-	89,043
Loss after taxation	(1,095,057)	(4,095,362)	(5,190,419)	3,141,256	(2,049,163)

NOTES TO THE FINANCIAL STATEMENTS (cont'd)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

32. SEGMENT INFORMATION (Cont'd)

(b) Business segments (Cont'd)

Group

2018	**Home appliances RM**	**Others RM**	**Total operations RM**	**Elimination RM**	**Total RM**
Assets					
Segment assets	57,687,083	8,267,797	65,954,880	(19,779,993)	46,174,887
Investment in a joint venture	-	239,202	239,202	-	239,202
Tax recoverable	559,421	11,562	570,983	-	570,983
Fixed deposits with licensed banks	3,058,111	574,050	3,632,161	-	3,632,161
Cash and bank balances	5,694,965	45,293	5,740,258	1,067	5,741,325
Total assets	66,999,580	9,137,904	76,137,484	(19,778,926)	56,358,558
Liabilities					
Segment liabilities	86,279,755	6,369,434	92,649,189	(84,667,961)	7,981,228
Tax payable	-	-	-	-	-
Deferred tax liabilities	263,178	-	263,178	-	263,178
Borrowings	5,617,855	-	5,617,855	-	5,617,855
Total liabilities	92,160,788	6,369,434	98,530,222	(84,667,961)	13,862,261
Other information					
Capital expenditure	824,828	-	824,828	-	824,828
Depreciation	1,282,483	10,351	1,292,834	-	1,292,834
Impairment loss:					
Investment in subsidiaries	-	3,577,434	3,577,434	(3,577,434)	-
Trade receivables	1,305,473	-	1,305,473	-	1,305,473
Property, plant and equipment written off	49,758	-	49,758	-	49,758
Provision for warranty	245,482	-	245,482	-	245,482
Reversal of impairment loss on:					
Trade receivables	46,997	-	46,997	-	46,997
Share of loss from a joint venture	-	3,992	3,992	-	3,992
Slow moving and obsolete inventories written down	756,120	-	756,120	-	756,120
Slow moving and obsolete inventories written back	303,023	-	303,023	-	303,023
Realised foreign exchange loss	443,631	-	443,631	-	443,631
Unrealised foreign exchange gain	156,535	-	156,535	-	156,535

(c) Major customer

During the financial year, major customer with revenue equal to or more than 10% of Group revenue are as follows:

	2019 RM	**2018 RM**
All common control companies of Customer A	13,834,336	20,386,277

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's and the Company's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's and the Company's businesses whilst managing its risks.

The main areas of the financial risks faced by the Group and the Company and the policy in respect of the major areas of treasury activity are set out as follows:

33.1 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and of the Company's financial instruments will fluctuate because of the changes in market interest rates. The Group's and the Company's exposure to interest rate risk relates to interest-bearing financial assets and liabilities. Interest-bearing financial assets includes fixed deposits with licensed banks. Interest-bearing liabilities includes bank overdraft, finance lease liabilities and bankers' acceptance.

The bank overdraft at floating rates expose the Group to cash flow interest rate risk whilst finance lease liabilities and bankers' acceptance at fixed rates expose the Group to fair value interest rate risk.

The interest rates per annum on the financial liabilities are disclosed in Note 20.

The Group adopts a strategy of mixing fixed and floating rate borrowing to minimise exposure to interest rate risk. The Company also reviews its debt portfolio to ensure favourable rates are obtained.

Sensitivity analysis for interest rate risk

If the interest rate had been 100 basis point higher/lower and all other variables held constant, the Group's loss before taxation would increase/decrease by approximately RM18,000 (2018: RM10,000) as a result of exposure to floating rate borrowings.

33.2 Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk mainly arises from its receivables below. For bank balances, the Group and the Company minimises credit risk by dealing exclusively with reputable financial institution.

(a) Trade receivables

Credit risk is minimised by monitoring the financial standing of the debtors on an ongoing concern basis. The Group has significant exposure to several customers and as such a concentration of credit risks. At the reporting date, approximately 26% (2018: 35%) of the Group's trade receivables were due from one (1) (2018: 1) major customer. The maximum exposure to credit risk is disclosed in Note 13 to the financial statements, representing the carrying amount of the trade receivables recognised on the statement of financial position.

(b) Advances to subsidiaries

The Company provides unsecured advances to its subsidiaries and monitors the results of the subsidiaries regularly. The maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position. As at 31 December 2019, the Company had made sufficient allowance for impairment loss on advances to its subsidiaries. The Company does not specifically monitor the ageing of the advances to its subsidiaries.

(c) Financial guarantees

The Company provides unsecured financial guarantees to financial institutions in respect of banking facilities granted to certain subsidiaries and the default is remote. The maximum exposure to credit risk is disclosed in Note 31 and Note 33.5 to the financial statements, representing the outstanding banking facilities of the subsidiaries as at the reporting date.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Cont'd)

33.3 Foreign currency risk

The Group and the Company are not significantly exposed to foreign currency risk as the majority of the Group's and of the Company's transactions, assets and liabilities are denominated in Ringgit Malaysia. The currency giving rise to this risk is primarily United States Dollar ("USD").

Foreign currency exposures in transactional currencies other than functional currencies are kept to an acceptable level. The Group has not entered into any derivative financial instruments such as forward foreign exchange contracts.

The net unhedged financial assets/(liabilities) of the Group at year end that are not denominated in Ringgit Malaysia are as follows:

Group

2019	USD RM	EURO RM	Others RM	Total RM
Cash and bank balances	633,785	6,264	27,001	667,050
Trade and other receivables	2,562,643	-	-	2,562,643
Trade and other payables	(2,095,516)	-	-	(2,095,516)
	1,100,912	6,264	27,001	1,134,177
2018				
Cash and bank balances	743,011	1,632	33,386	778,029
Trade and other receivables	4,347,729	-	-	4,347,729
Trade and other payables	(2,901,574)	-	-	(2,901,574)
	2,189,166	1,632	33,386	2,224,184

<u>Sensitivity analysis for foreign currency risk</u>

If the above foreign currencies had strengthened/weakened by 10 percent and all other variables held constant, the Group's loss before taxation would increase/(decrease) by approximately RM113,000 (2018: RM222,000).

33.4 Liquidity and cash flow risk

Liquidity risk is the risk that the Group and the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities.

The Group and the Company manage liquidity risk by maintaining sufficient cash. In addition, the Group and the Company maintain bank facilities such as working capital lines deemed adequate by the management to ensure it will have sufficient liquidity to meet its liabilities when they fall due.

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Cont'd)

33.4 Liquidity and cash flow risk (Cont'd)

The following table sets out the maturity profile of the Group's and the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual cash flows.

Group

2019	Carrying amount RM	Contractual interest rate	Contractual cash flow RM	Not later than 1 year RM	Later than 1 year but not later than 5 years RM	More than 5 years RM
Trade and other payables	6,720,953	-	6,720,953	6,720,953	-	-
Bank overdraft	527,471	6.38 - 6.82	527,471	527,471	-	-
Bankers' accceptances	3,708,000	6.38 - 6.49	3,708,000	3,708,000	-	-
Lease liabilities	1,788,165	3.96 - 8.07	1,869,119	1,051,650	817,469	-
	12,744,589		12,825,543	12,008,074	817,469	-
2018						
Trade and other payables	7,741,524	-	7,741,524	7,741,524	-	-
Amount due to a joint venture	424	-	424	424	-	-
Bank overdraft	1,134,437	6.90 - 7.07	1,134,437	1,134,437	-	-
Finance lease liabilities	977,418	3.96 - 7.06	1,049,559	365,964	683,595	-
Bankers' accceptances	3,506,000	6.90 - 7.07	3,506,000	3,506,000	-	-
	13,359,803		13,431,944	12,748,349	683,595	-

Company

2019	Carrying amount RM	Contractual interest rate	Contractual cash flow RM	Not later than 1 year RM	Later than 1 year but not later than 5 years RM	More than 5 years RM
Other payables	304,553	-	304,553	304,553	-	-
Amount due to subsidiary companies	2,504,372	-	2,504,372	2,504,372	-	-
	2,808,925		2,808,925	2,808,925	-	-
2018						
Other payables	202,239	-	202,239	202,239	-	-
Amount due to subsidiary companies	1,682,520	-	1,682,520	1,682,520	-	-
	1,884,759		1,884,759	1,884,759	-	-

NOTES TO THE FINANCIAL STATEMENTS (cont'd)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Cont'd)

33.5 Classification of financial instruments

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Financial assets				
Financial assets at fair value through profit or loss	38,346	37,179	-	-
Financial assets at fair value through other comprehensive income	8,214	8,144	8,214	8,144
	46,560	45,323	8,214	8,144
Amortised costs				
Trade receivables	14,485,299	16,118,931	-	-
Other receivables	434,817	1,015,628	5,600	1,000
Amount due from subsidiary companies	-	-	1,012,785	1,079,401
Amount due from a joint-venture	40	-	-	-
Fixed deposits with licensed banks	3,004,205	3,632,161	582,447	574,050
Cash and bank balances	8,445,824	5,741,325	3,445,283	40,656
	26,370,185	26,508,045	5,046,115	1,695,107
	26,416,745	26,553,368	5,054,329	1,703,251
Financial liabilities				
Amortised costs				
Trade payables	5,107,232	5,625,178	-	-
Other payables	987,771	1,483,134	10,696	-
Amount due to subsidiary companies	-	-	2,504,372	1,682,520
Amount due to a joint venture	-	424	-	-
Loans and borrowings	4,235,471	5,617,855	-	-
Lease liabilities	1,788,165	-	-	-
	12,118,639	12,726,591	2,515,068	1,682,520

NOTES TO THE FINANCIAL STATEMENTS (cont'd)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Cont'd)

33.6 Fair value of financial instruments

The carrying amounts of cash and cash equivalents, short term receivables and payables approximate fair values due to the relatively short term nature of these financial instruments.

The table below analyses financial instruments that are carried at fair value.

	Financial instruments that are carried at fair value			
	Level 1	Level 2	Level 3	Total
Group	**RM**	**RM**	**RM**	**RM**
2019				
Financial assets				
Investments at FVTPL	-	38,346	-	38,346
Investments at FVOCI	8,214	-	-	8,214
	8,214	38,346	-	46,560
2018				
Financial assets				
Investments at FVTPL	-	37,179	-	37,179
Investments at FVOCI	8,144	-	-	8,144
	8,144	37,179	-	45,323
Company				
2019				
Financial asset				
Investments at FVOCI	8,214	-	-	8,214
2018				
Financial asset				
Investments at FVOCI	8,144	-	-	8,144

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Cont'd)

33.6 Fair value of financial instruments (Cont'd)

Group	Financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value			
	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
2019				
Financial asset				
Amount due from a joint venture	-	-	40	40
Financial liability				
Lease liabilities	-	-	1,788,165	1,788,165
2018				
Financial liabilities				
Finance liabilities	-	-	977,418	977,418
Amount due to a joint venture	-	-	424	424
	-	-	977,842	977,842
Company				
2019				
Financial asset				
Amount due from subsidiary companies	-	-	1,012,785	1,012,785
Financial liability				
Amount due to subsidiary companies	-	-	2,504,372	2,504,372
2018				
Financial asset				
Amount due from subsidiary companies	-	-	1,079,401	1,079,401
Financial liability				
Amount due to subsidiary companies	-	-	1,682,520	1,682,520

NOTES TO THE FINANCIAL STATEMENTS (cont'd)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Cont'd)

33.6 Fair value of financial instruments (Cont'd)

Policy on transfer between levels

The fair value of an asset or liability to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

Level 1 fair value

Level 1 fair value is derived from quoted price (unadjusted) in active markets for identical financial assets or liabilities that the entity can access at the measurement date.

Level 2 fair value

Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the financial assets or liabilities, either directly or indirectly.

Transfer between Level 1 and Level 2 fair values

There has been no transfer between Level 1 and 2 fair values during the financial year (2018: no transfer in either directions).

Level 3 fair value

Level 3 fair value is estimated using unobservable inputs for the financial assets or liabilities.

Amount due from/(to) subsidiary companies, amount due from/(to) a joint venture, loans and borrowings

The fair value of these financial instruments which is determine for disclosure purposes, are estimated by discounting expected future cash flows at market increment lending rate for similar types of lending, borrowing or leasing arrangements at the reporting date.

The responsibility for managing the above risks is vested in the directors.

34. SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

There is no significant event during the financial year.

35. SIGNIFICANT EVENT SUBSEQUENT TO THE FINANCIAL YEAR

In March 2020, the World Health Organisation declared the outbreak of a novel coronavirus ("COVID-19") as a global pandemic, which continues to spread throughout Malaysia and around the world. On 16 March 2020, the Malaysian Prime Minister announced Movement Control Order ("MCO") which includes closure of all goverment and private premises except those involved in essential services effective 18 March 2020, throught 14 April 2020 which was further extended to 12 May 2020 thereafter. The MCO may impact the Group's and the Company's operations and overall businesses due to the inability to conduct any business activities during this period. There is uncertainty as to the duration and hence potential impact. The directors of the Group and the Company are still assessing the potential impact on their business as at the date of this financial statements and therefore the financial statements do not include any adjusments that might result from the outcome of this uncertainty.

36. CAPITAL MANAGEMENT

The primary objective of the Group's and of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group and the Company manage the capital structure and makes adjustments to it, in light of changes in economic conditions. No changes were made in the objectives, policies or processes during the financial year ended 31 December 2019.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

36. CAPITAL MANAGEMENT (Cont'd)

The Group and the Company monitor capital using a net debt equity ratio, which is net debts divided by total capital. The Group's and the Company's net debts include total liabilities less cash and cash equivalents. Total capital comprises share capital and reserves attributable to owners of the Group and of the Company. The Group and the Company are not subject to externally imposed capital requirements.

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Net debt	3,637,737	6,743,607	(1,218,805)	1,270,053
Total equity attributable to owners of the Company	41,548,312	42,496,296	8,176,403	5,746,357
Net debt against equity ratio	0.09	0.16	*	0.22

* The Company is in net cash position

37. COMPARATIVE FIGURE

The presentation and classification of items in current year's financial statements are consistent with the previous financial year and the following comparative figure which have been reclassed to conform with current year's presentation and to reflect appropriately the nature of the transactions:

GROUP	As previously classified RM	Reclassification RM	As reclassified RM
Statement of Financial Position			
As at 31 December 2018			
Property, plant and equipment			
At Cost			
Disposal/writen off			
- Plant, machinery and mould	-	(262,465)	(262,465)
Accumulated depreciation			
Disposal/writen off			
- Plant, machinery and mould	-	226,686	226,686
Accumulated impairment losses			
Charged for the financial year			
- Plant, machinery and mould	(67,962)	(60,964)	(128,926)
- Furniture, fittings, office equipment and renovations	(96,743)	96,743	-
Statement of Profit or Loss and Other Comprehensive Income			
For the financial year ended 31 December 2018			
Other operating expenses			
Impairment losses on property, plant and equipment	164,705	(35,779)	128,926
Property, plant and equipment written off	13,979	35,779	49,758

ANALYSIS OF SHAREHOLDINGS
AS AT 30 APRIL 2020

ISSUED SHARE CAPITAL

Total number of Issued Shares : 58,764,197 ordinary shares

Voting right : One (1) vote per ordinary share

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
Less than 100	135	17.35	1,728	0.00
100 - 1,000	175	22.49	97,401	0.17
1,001 - 10,000	355	45.63	1,176,826	2.00
10,001 - 100,000	82	10.54	2,535,300	4.31
100,001 to less than 5%	29	3.73	18,496,303	31.48
5% and above	2	0.26	36,456,639	62.04
TOTAL	**778**	**100.00**	**58,764,197**	**100.00**

DIRECTORS' SHAREHOLDINGS

The Directors' shareholdings based on the Register of Directors' Shareholdings of the Company as at 30 April 2020 are as follows:-

Name of Directors	Direct Interest		Indirect Interest	
	No. of shares	%	No. of shares	%
Datuk Dr. Wong Lai Sum	-	-	-	-
Datuk Wira Ling Kah Chok	-	-	19,708,385[(1)]	33.54
Datuk Khoo Teck Kee	-	-	-	-
Tan Chee How	1,980,570	3.37	-	-
Ho Pui Hold	-	-	-	-
Datuk Haw Chin Teck	-	-	-	-
Datuk Yap Kheng Fah	-	-	-	-
Gan Boon Lay	-	-	19,708,385[(1)]	33.54
Yee Carine	-	-	17,828,254[(2)]	30.34
Teh Sok Hoon	-	-	17,828,254[(2)]	30.34

Notes:

(1) Deemed interested by virtue of his shareholdings in Topspike Holding Sdn. Bhd. pursuant to Section 8(4) of the Companies Act 2016.

(2) Deemed interested by virtue of her shareholdings in Asia New Venture Capital Holdings Sdn. Bhd. pursuant to Section 8(4) of the Companies Act 2016.

ANALYSIS OF SHAREHOLDINGS (cont'd)
AS AT 30 APRIL 2020

SUBSTANTIAL SHAREHOLDERS

The substantial shareholders' shareholdings based on the Register of Substantial Shareholders of the Company as at 30 April 2020 are as follows:-

Name	Direct Interest No. of shares	Direct Interest %	Indirect Interest No. of shares	Indirect Interest %
Topspike Holding Sdn. Bhd.	19,708,385	33.54	-	-
Asia New Venture Capital Holdings Sdn. Bhd.	17,828,254	30.34	-	-
Datuk Wira Ling Kah Chok	-	-	19,708,385[1]	33.54
Gan Boon Lay	-	-	19,708,385[1]	33.54
Yee Carine	-	-	17,828,254[2]	30.34
Teh Sok Hoon	-	-	17,828,254[2]	30.34

Notes:
(1) Deemed interested by virtue of his shareholdings in Topspike Holding Sdn. Bhd. pursuant to Section 8(4) of the Companies Act 2016.
(2) Deemed interested by virtue of her shareholdings in Asia New Venture Capital Holdings Sdn. Bhd. pursuant to Section 8(4) of the Companies Act 2016.

THIRTY (30) LARGEST SECURITIES ACCOUNT HOLDERS AS AT 30 APRIL 2020

No.	Shareholders	Number of Shares	%
1.	Maybank Nominees (Tempatan) Sdn. Bhd. - Pledged Securities Account for Topspike Holding Sdn. Bhd.	18,628,385	31.70
2.	Asia New Venture Capital Holdings Sdn. Bhd.	17,828,254	30.34
3.	Maybank Nominees (Tempatan) Sdn. Bhd. - Pledged Securities Account for Tan Chee Meng	2,600,950	4.43
4.	Kenanga Nominees (Tempatan) Sdn. Bhd. - Pledged Securities Account for Liew Yoon Peck	2,255,751	3.84
5.	Tan Chee How	1,980,570	3.37
6.	Tan Chee Siang	1,320,380	2.25
7.	Maybank Nominees (Tempatan) Sdn. Bhd. - Topspike Holding Sdn. Bhd.	1,080,000	1.84
8.	Tiong Chung Meng	725,500	1.23

ANALYSIS OF SHAREHOLDINGS (cont'd)
AS AT 30 APRIL 2020

THIRTY (30) LARGEST SECURITIES ACCOUNT HOLDERS AS AT 30 APRIL 2020 (Cont'd)

No.	Shareholders	Number of Shares	%
9.	Vivatsurakit Mr. Tossavorn	700,000	1.19
10.	Lau Kim San	647,500	1.10
11.	Yong Fook Ming	625,000	1.06
12.	Wan Kin Kee	590,700	1.01
13.	Goh Ling Yau	500,000	0.85
14.	See Chioh Lean	472,152	0.80
15.	Ang Joo Kang	376,800	0.64
16.	Hoe Mee Ling	376,500	0.64
17.	Hoon Tai Woei	376,000	0.64
18.	Kenanga Nominees (Tempatan) Sdn. Bhd. - Pledged Securities Account for Lim Ai Ling	375,000	0.64
19.	Public Nominees (Tempatan) Sdn. Bhd. - Pledged Securities Account for Tan King Tai @ Tan Khoon Hai (E-BMM)	368,800	0.63
20.	Gan Kong Hwong	362,750	0.62
21.	Lee Heng Pui	362,750	0.62
22.	Ng Meow San	362,750	0.62
23.	Soh Kok Leong	362,750	0.62
24.	Gan Mei Lian	312,500	0.53
25.	Phua Kai Hoo	312,500	0.53
26.	Ang Chee Ho	208,300	0.35
27.	Paridah Binti Mohd Nor	200,000	0.34
28.	Nurjannah Binti Ali	180,000	0.31
29.	Koh Low @ Koh Kim Toon	160,200	0.27
30.	Tan King Tai @ Tan Khoon Hai	157,800	0.27
	TOTAL	**54,810,542**	**93.28**

LIST OF GROUP PROPERTIES

Location	Description	Approximate size	Approximate age of building	Tenure	Existing use	Net Book Value as at 31.12.2019 RM' 000	Year of acquisition
T.H. Hin Home Tech Sdn. Bhd.							
Plot 100(I), MK 1, Tingkat Perusahaan 2A, Prai Industrial Complex 13600 Prai, Penang	2-storey factory building/ office	Land 86,017 sq ft Built-up 4,125 sq ft	28 years	Leasehold (60 years expiring 15/12/2042)	Office cum Factory	1,741	1990
	3-storey factory building adjoining to above factory	Built-up 39,644 sq ft	25 years	Leasehold (60 years expiring 15/12/2042)	Factory cum warehouse	1,265	1993
Block C 4-1, 4-2, 4-3, 4-4 & 4-5 Mukim 6, District of Seberang Perai Tengah, Penang	Apartments						
	C4-1	65 sq metre	21 years	Freehold	Worker's hostel	-	1999
	C4-2	64 sq metre	21 years	Freehold		-	1999
	C4-3	64 sq metre	21 years	Freehold		-	1999
	C4-4	64 sq metre	21 years	Freehold		-	1999
	C4-5	64 sq metre	21 years	Freehold		-	1999
T.H. Hin Sdn. Bhd.							
Lot 5.31, 4th Floor, Imbi Plaza, Jalan Imbi Kuala Lumpur	one unit office lot	345 sq ft	39 years	Freehold	Vacant / for sale	31	1981
Brightyield Sdn. Bhd.							
Apartment Sri Semarak Jalan Semarak 3A, Section BB7 Bandar Bukit Beruntung, 48300 Rawang	Low cost flats						
	A4-10	650 sq. ft	20 years	Freehold	Vacant	-	2008
	C4-8	650 sq. ft	20 years				
	D4-15	650 sq. ft	20 years				
	D4-16	650 sq. ft	20 years				
	E4-9	650 sq. ft	20 years				
Milux International Sdn. Bhd.							
BG-1,Ground Floor, Jalan 2/57b, Segambut 51200 Kuala Lumpur	1 unit of Shoplot	1,128 sq ft	31 years	Leasehold (99 years expiring 19-01-2077)	Let out/ For sale	154	1990
B1-4, First Floor Jalan 2/57b, Segambut 51200 Kuala Lumpur	1 unit of Shoplot	1,296 sq ft	31 years	Leasehold (99 years expiring 19-01-2077)	Let out/ For sale	138	1990
Enamel Products Sdn. Bhd.							
2605 Tingkat Perusahaan 6, Prai Industrial Estate 13600 Prai, Penang	3-storey office block with single storey factory	Land 43,560 sq ft Built-up 15,240 sq ft	27 years	Leasehold (60 years expiring 23 Jan 2045)	Office cum factory	802	2003

MILUX CORPORATION BERHAD
[199401027937 (313619-W)]

No. 31, Lorong Jala 14/KS10,
Off Jalan Telok Gong,
42000 Pelabuhan Klang, Selangor Darul Ehsan
Tel : 03 – 3134 1254
Fax : 03 – 3134 1193

www.milux.com.my