CHAIRMAN'S STATEMENT

DEAR SHAREHOLDERS,

On behalf of the Board of Directors, I am pleased to present the Annual Report and the Audited Financial Statements of Salutica Berhad (the "Company") for the financial year ended 30 June 2018 ("FYE"). The Company and its subsidiary, Salutica Allied Solutions Sdn Bhd (together with the Company, the "Salutica Group" or the "Group") continue to record growth in revenue despite the challenging global economic condition and uncertainties by continuing to solidify our relationships with our customers as their manufacturing, design or R&D business partner.

James Lim and his team have continuously shown their tenacity and gumption in steering the Salutica Group to new heights, and I believe that their passion and dedication to the Group will continue to drive the growth of the Group. The management team has taken key transformative initiatives to better serve and meet the needs of existing customers and also to secure new customers for the long term.

BUSINESS OVERVIEW

During the financial year in review, the Group has weathered through the ever changing global political, economical and technological landscape as it continues to expand its capabilities as an integrated manufacturer with design, development and manufacturing capabilities in its facility in Ipoh. Such diverse yet integrated capabilities have enabled the Group to continue to play a niche and integral role in product development for its multinational corporation ("MNC") customers by adapting to new technologies that is strategic to this role.

As such, the Group remains committed to invest in and enhance its R&D capabilities to compete in the global market. I am proud that we as a Malaysian company have the talents and skill set not only to develop our products and provide our services to our MNC customers, but also to meet if not to exceed their expectations.

The trust and confidence that our MNC customers have in our Group, are not given but earned by the years of dedication and hardwork of the management team in building on the Group's engineering expertise and manufacturing capabilities within the Group as the Group continues to be strategic partners with our MNC customers.

FINANCIAL OVERVIEW

As at FYE2018, the Group recorded higher revenue of RM261.5 million compared to RM247.1 million in FYE2017. This was mainly attributable to the increased demand for Bluetooth headsets globally. However, the Group's Profit before Tax ("PBT") decreased from RM25.3 million in FYE2017 to RM15.1 million in FYE2018 due to various external circumstances beyond the control of the Group as elaborated in the Financial Performance review section of the Management Discusion and Analysis ("MDNA") of this Annual Report.

As at FYE2018, the Group has increased its equity attributable to the owners of the Company (also known as shareholders' fund) by 1.3% to RM167.1 million compared to RM165.0 million for FYE2017. The Group continues to be in a net cash position with a neglible gearing ratio. I believe that the financial strength, the Group is well placed to implement its strategies through transformative steps in its own internal manufacturing processes, R&D capabilities as well as strategic collaboration and partnership with technological partners globally.

I am pleased to note that the Company has paid a total of RM9.3 million as interim single-tier dividend for FYE2018, representing approximately 81.9% of its total net profit for the financial year in review. The Group has again exceeded its dividend policy pay-out of 30% of its annual net profit as the Group strives to bring greater value to our shareholders. In addition, another interim single-tier dividend of RM2.3 million was paid on 28 September 2018 for FYE2019.

MOVING FORWARD

With the ever-changing world of technology wrought with political and economical challenges, the Group has been relentless in maintaining its competitive edge against its larger competitors in the industry and I am confident that the Group, under the stewardship of James Lim and his team, will not only weather through the headwind ahead but will emerge stronger and resilient as we embark on the next chapter of our corpotate history.

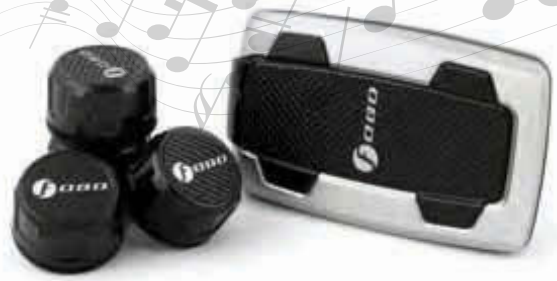
The transformative actions introduced and implemented by the management team will be key for the Group to meet and overcome the challenges ahead.

For the years ahead, the Group plans to intensify its effort to diversify its revenue bases by seeking collaboration opportunities with other technological partners globally to enhance our product and service offerings of the Group and grow the Group's business sustainably. Such diversification in revenue bases will also be bolstered by the Group's continuing efforts to develop its own brand of FOBO products internationally and this will further deepen the Group's foray in the automotive market as seen in the recently launched of the next generation Bluetooth tire pressure monitoring sensors for motorcycles.

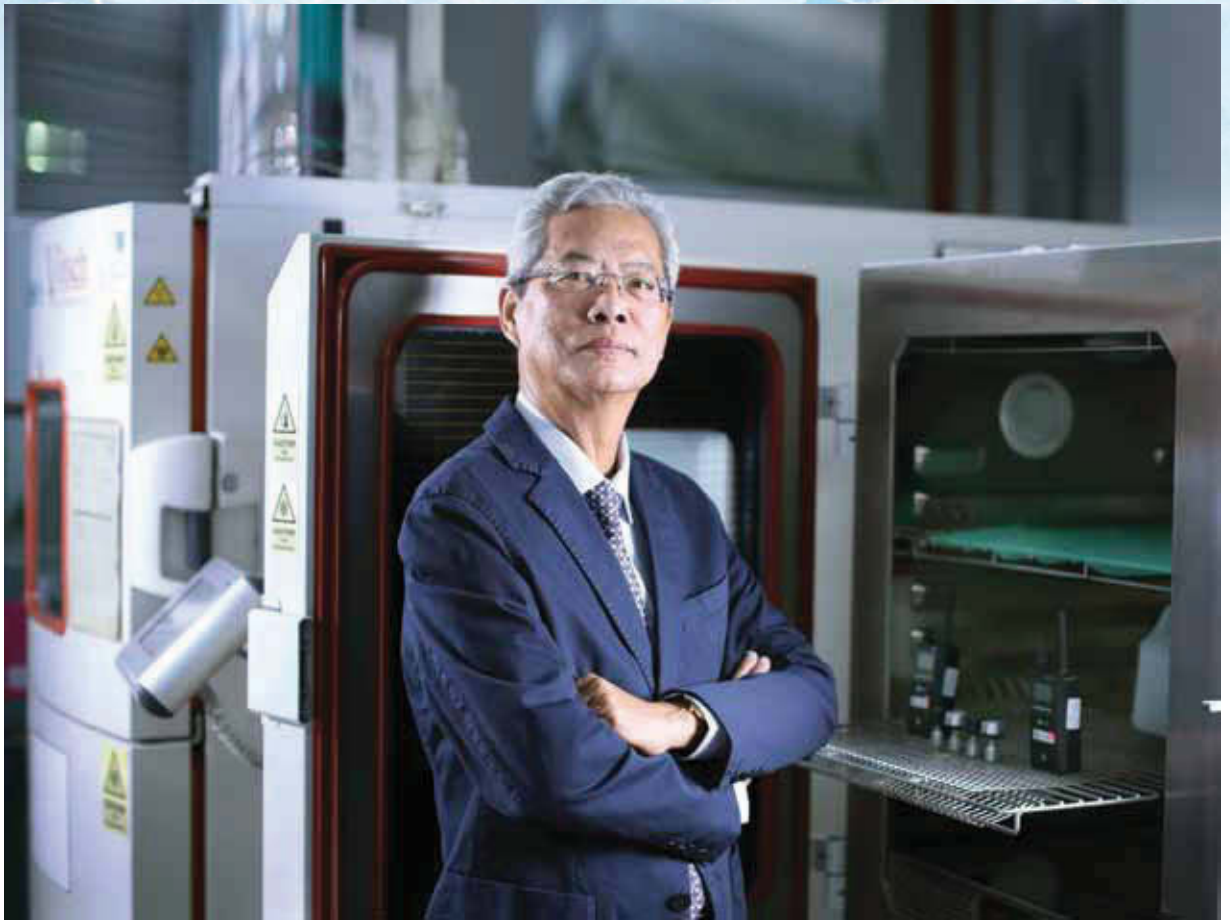
ACKNOWLEDGMENT

I would like to take this opportunity to thank our customers, shareholders, partners and various governmental agencies and regulatory bodies their continuing support to the Group. On behalf of the Board, I would also like to thank James and his team for their hard work, dedication and loyalty to the Group.

Chia Chee Hoong
Chairman / Independent Non-Executive Director



CEO'S MESSAGE



GENERAL OVERVIEW

The fiscal year end of 2018 has brought new heights and challenges for the Group which I am proud of my team who have faced these challenges with me through passion and dedication in bringing the Group to another level in this competitive industry. We are in a business that does not favour the big or small and we are constantly judged and measured by the delivery of the performance and solutions demanded by our multinational corporation customers. Which is why I am always grateful to the support given by our Board of Directors and the families of our employees that has enabled us to continuingly focus on achieving our goals and objectives that we have set out in Salutica.

In the constant drive for the Group to grow and expand in the OEM and ODM industry for consumer electronics, it is not a choice but necessity that we continue to evolve in the way we do business to achieve not only our financial goals but also from a technological and capability perspective to do things that we never thought we could before. It is an understatement to say that we are only in the Bluetooth headset business that some may still only see its importance in making a phone call. But the role and impact of audio and voice is ever changing as we move into a world that is beginning to be dominated by voice-based interaction with our everyday devices. Speed dial is a thing of the past and so is pulling out your phone to check the weather. What we say and hear has starting to become the primary method of how we instruct devices and obtain the information that we want.

In order to achieve this seamless form of interaction with technology, it is crucial that the device which captures our voice and also provides audio response which are easy and comfortably worn on our ears as well as having excellent connectivity with other devices. An important key to this is the miniaturization of today's headsets with improved performance from battery life to skip free connectivity. And for Salutica to play an essential role in this evolution is to continuingly transform itself not only to have the skillset to develop such products but also the mindset of our people to believe that we can do it as Malaysians.

At the same time, touch technology will also continue to change our lives as we rely more and more on our gestures to operate machines and equipment whether in our personal space or professionally. Therefore, touch technology is no longer merely restricted to a display but also to activate functions through gestures in vehicles, appliances or machinery which makes physical contact undesirable or inconvenient. Salutica's continues to put effort in the development of this technology including the modulization of such technology to enable touch or gesture control.

At the same time, we preserve our goal of creating a Malaysian brand which products that are designed and made in Malaysia. As such, FOBO is always close to our hearts as we continue to drive the development of our own home-grown products which we deliver across the globe to satisfied customers. Not only are our Bluetooth tyre pressure monitoring system ("TPMS") used in daily commutes but also in the logistics and mining industry which is a testament to the performance and robustness of a product that is accepted internationally. We have recently launched our next generation FOBO products which is the all new FOBO Tag utilizing Bluetooth 5 as well as a new form factor sensor for TPMS that is 30% smaller. This is where I salute our people who have braved the technological challenges not only in terms of design and development but also our internal process and manufacturing.

Since Salutica Berhad's initial public offering ("IPO") and listing on the ACE Market of Bursa Securities on 18 May 2016, the Group has utilized 78.6% mainly for R&D expenditure, capital investment and working capital. We will continue to utilize our IPO proceeds for our business expansion and transformation which are key to our competitiveness in this industry. Which is why the continual commitment of the Group to technology that we obtain whether through machinery, expertise as well as strategic collaboration with technology partners globally will drive the Group's transformation to bring our business to the next level which I believe will bring value to our shareholders in a sustainable manner.

OPERATIONAL REVIEW

The operational review is presented under the Management Discussion and Analysis ("MDNA") section of the Annual Report.

BUSINESS FORWARD

It is important not to lose sight of the big picture or to sacrifice it for short term gain at the expense of the Group's genuine prospects. Salutica's principle in whichever path that the management has planned and taken is to build a business on strong foundations in the interest not only of our shareholders but also our employees, partners and all stakeholders that are connected to us in one way or another.

Which is why despite facing the everyday challenge of our business in this competitive industry, we must also look forward and commit our resources in the development of our capabilities internally and also seek out available technologies that will bolster our competitiveness in the global market. As no man is an island, we must at the same time acknowledge that there are technologies and expertise out there that we must obtain through collaboration with partners globally that would fuel the Group's growth so that we can deliver the performance and solutions for the ever-increasing demand by customers across the globe.

At the same time, we must also foster the development of local talents at an early stage to be able to absorb from such strategic collaboration. Which is why Salutica will be increasing its involvement with local varsities in hopes to strengthen the relation between the academia world and our industry so that aspiring local talents would be able to join us and have a progressive career with us in the long term. This will promote a local talent pool for the Group to increase its resources as business grow.

CONCLUSION

In light of the local and global economic and political conditions, the Group has managed to deliver a positive result for FYE2018 with a growth in the Group's revenue. Rest assure that my team and I at Salutica will continue our dedication and perseverance for the growth of the Group for the continuing creation of value to our shareholders for years to come and I look forward to a positive growth into FYE2019. As such, I am always grateful for the support by our customers, employees, shareholders, investors, suppliers, governmental agencies, regulatory bodies and stakeholder alike who have continued to be with us in this journey.

Lim Chong Shyh
Managing Director / Chief Executive Officer

MANAGEMENT DISCUSSION AND ANALYSIS ("MDNA")

The information in the MDNA should be read in conjunction with the audited financial statements of the Group for FYE2018 as set out in the Reports and Statutory Financial Statements on page 53 to 120 of the Annual Report.

BUSINESS OVERVIEW

Through its subsidiary, Salutica Allied Solutions Sdn.Bhd ("Salutica Allied"), the Group has evolved to become a vertically integrated manufacturer with a full range of manufacturing services. Salutica Allied commenced its operations as a contract manufacturing and an original equipment manufacturer principally involved in the manufacture of precision plastic parts and components for the electronics industry. We have now evolved to become a vertically integrated manufacturer, primarily focused on Bluetooth wireless devices with capabilities and expertise to carry out a full product development lifecycle, from product design, product development, product testing/ prototyping, product commissioning to manufacturing and assembly as well as sales and marketing.

The setting up of the R&D division back in 2004 to focus on the R&D of Bluetooth wireless technology was a turning point for the Group in terms of its growth strategy. This was critical for a manufacturer of technology-related products to ensure long term sustainability given the anticipated rise of Bluetooth as a standard communication protocol for many electronic devices.

Bluetooth headsets continue to be the main revenue contributor for the Group. During the FYE2018, the Group has embarked on a co-development project with a design partner in Europe for the latest generation Bluetooth headset product. We envisaged the success of this co-development will strengthen our technology offering to the market.

The touch enabling functionality application to other various industry segments such as automotive and electronic appliances will be one of the segment which our Group will continue to focus in order to generate additional revenue stream, albeit at a slower pace.

Recognising the opportunities for Bluetooth technology in the automotive and consumer electronics industry, Salutica has leveraged on over ten (10) years of expertise in Bluetooth technology and have developed its own in-house brand, FOBO. The development of FOBO stems from the Group's ambition to diversify its source of revenue, as well as to build and develop brand identity and brand equity for the Group.

The FOBO products comprise of automotive accessories such as Bluetooth-enabled TPMS and other consumer electronic products such as Bluetooth-enabled electronic sensors, tracking devices and beacon transmitters. Given the increasing regulation and recommendations by various country authorities on the use of tire pressure monitoring system ("TPMS"), Bluetooth-enabled TPMS has a significant growth potential as there is a large number of vehicles in use that do not have TPMS installed as a factory specification, opening new and untapped markets for the TPMS industry players.

The Group has patents granted, amongst others, for CrossPair™ in Singapore, Russian, Korea and Japan, WebSearchMe™ in Malaysia and USA and SafeZone™ in Malaysia and USA.

CrossPair™ is a system of storing the pairing keys of multiple Bluetooth devices separately from phone native Bluetooth manager. The pairing can then be transferred to other third party mobile device through cloud or wireless protocol. This enables multiple third party mobile devices to communicate with the same multiple Bluetooth devices seamlessly without having to be re-paired.

WebSearchMe™ is a crowd searching tracking function to locate lost Bluetooth device through third party mobile devices that has the app installed. This search is performed in the background without user intervention and creates a network of scouts listening for a signal broadcast from the lost Bluetooth device.

SafeZone™ activates a function when a user enters the set of radius of a GPS coordinate. The alert system is enable or disable when the user enters a selected proximity of a GPS coordinate.

The Group will continue to pursue growth and put effort in developing new products and new processes (including automation) through its R&D capabilities. Based on its years of experience in manufacturing small form factor and high precision plastic parts, the Group has a distinct competitive advantage in developing innovative products for both its existing customers and potential new customers alike.

OPERATIONAL OVERVIEW

Our Group strives to meet our customers' expectations and working in tandem with their requirements to further improve our product and service offering. Our Group's growth strategy will focus on, amongst others, keeping abreast with the latest technology and process know-how by proprietary solutions and improving process technology. In tandem with this, the Group has embarked on automation processes to improve yield, cycle time and manpower requirement. The continuous efforts by the Group to improve process efficiencies through automation and prudent cost management are expected to continue to mitigate the impact of the any potential rise in raw materials or production costs.

Leveraging on the Group's experience and expertise in Bluetooth technology and R&D capabilities, we had begun developing Bluetooth-enabled personal healthcare related products under our in-house brand FOBO. Currently, we are at the proof of concept stage base on engineering prototypes. If our venture into healthcare related products are successful, they will contribute to additional revenue and earnings stream for the Group.

The Minimum Wage Order 2016 had provided for a minimum wage of RM1,000 per month for Peninsula Malaysia and RM950 per month for Sabah, Sarawak and Labuan. With effect from 1 January 2019, the minimum wage will increase to RM1,050 nationwide. With the impending increase in the minimum wage, the Group has taken initiatives to identify additional production processes suitable for automation to reduce the reliance on labour and further improve productivity.

Efforts are on-going to improve the sales of FOBO Ultra (tire pressure monitoring system for multi-axle vehicles) in both the local and overseas markets such as collaboration with distributors for road shows and marketing events including on-going field test. Meanwhile, FOBO Tire (tire pressure monitoring system for cars), has been adopted by a well-known local car brand owner as its after-market accessories sales kit.

FINANCIAL PERFORMANCE REVIEW

REVENUE

The Group operates in Malaysia under one operating segment – Consumer Electronics. Operating segment information has therefore not been prepared as the Group's revenue and operating profit before taxation are mainly confined to this operating segment.

In presenting information on the operating segment, an analysis of the revenue by geographical regions is shown below where revenue is based on geographical markets where the goods are delivered rather than the origin of the customer.

Countries	FYE 2018 (RM'000)	%	FYE 2017 (RM'000)	%	Increase/ (Decrease) (RM'000)	%
North America	161,746	61.9	187,169	75.7	(25,423)	(13.6)
Europe	46,634	17.9	30,998	12.6	15,636	50.4
Australia *(including New Zealand and Oceania)*	2,979	1.1	1,578	0.6	1,401	88.8
Asia *(excluding Malaysia)*	48,079	18.4	24,632	10.0	23,447	95.2
Africa *(including Middle East)*	108	^	24	^	84	350
Malaysia	1,928	0.7	2,690	1.1	(762)	(28.3)
TOTAL	**261,474**	**100**	**247,091**	**100**	**14,383**	**5.8**

^ negligible

The Group's revenue for FYE2018 was at RM261.5 million showing an increase of 5.8% from previous FYE2017 of RM247.1 million. The increase was mainly contributed by Bluetooth headsets which represented approximately 98% of the total revenue while the balance was from in-house brand FOBO and non-Bluetooth products.

FINANCIAL PERFORMANCE REVIEW (CONT'D)

REVENUE (CONT'D)

In FYE2018, the Group's revenue was mainly derived from North America, of which more than 80% of revenue was attributable to United States of America. The Group continues to provide one-stop solutions to the customer until retail packaging assembly service.

The sales from our FOBO products especially FOBO Bike to Australia had seen an increase in that region.

PROFIT BEFORE TAX ("PBT")

	FYE 2018	FYE2017	Increase/(Decrease)
PBT (RM'000)	15,097	25,333	(10,236)
% over revenue	5.8	10.3	40.4

The Group recorded PBT for FYE2018 of RM15.1 million, a decrease by approximately 40% or RM10.2 million compared to FYE2017 of RM25.3 million. This was mainly due to the following:-

- Different product mix – maiden venture into cable-less headset product (cordless) compared to corded headset product. We have spent approximately RM 2.3 million on additional manpower costs (more headcount, overtime and working on public holidays) due to higher learning curve to comply with stricter design parameter compared to corded headset product.
- Raw materials cost percentage over revenue have increased by approximately 4% (approximately RM 10.5 million).
- Marketing and research activities of approximately RM1.7 million for in-house brand FOBO and with a European design partner to co-develop the latest generation Bluetooth-related product.
- Imposition of levy and insurance scheme (EIS) on employers starting in January 2018 and the unscheduled public holidays in 2018 of approximately RM 0.6 million.

The full impact of the unexpected costs above has been partially off-set by cost savings arising from efficiency improvements in the Group's operation due to the management's continuous effort to remain competitive.

PROFIT AFTER TAX ("PAT")

	FYE 2018	FYE2017	Increase/(Decrease)
PAT (RM'000)	11,362	19,354	(7,992)
% over revenue	4.3	7.8	41.3

In tandem with the lower PBT, the corresponding PAT for the Group for the FYE2018 was also lower at RM11.4 million compared to previous FYE2017 of RM19.4 million. The effective tax rate of the Group was slightly higher in FYE2018 mainly due to certain expenses being non-deductible for tax purposes.

LIQUIDITY

The Group's trade and other receivables as at 30 June 2018 stand at RM21.4 million compared to FYE2017 of RM28.8 million, a decrease of RM7.4 million or 25.7%. There are no trade receivables that are impaired during the financial year under review. Substantial amount due are within the credit terms granted to the customers.

The Group's trade and other payables as at 30 June 2018 stand at RM23.5 million compared to FYE2017 of RM32.4 million, a decrease of RM8.9 million or 27.5%.

The Group's borrowings had decreased as a result of repayment of hire purchases and term loans leaving a balance of RM0.9 million as at 30 June 2018 compared to RM3.4 million a year ago. Our current ratio continued to improve from 4.4 times as at 30 June 2017 to 6.2 times as at 30 June 2018.

As at 30 June 2018, the Group has a total of RM91.1 million in deposits, bank, cash balances and short term investments. The short term investments are in respect of investments in Islamic money market and a cash fund.

Other key financial indicators are listed on the "Financial Highlights" of the Annual Report.

FINANCIAL PERFORMANCE REVIEW (CONT'D)

CAPITAL EXPENDITURE

During the current financial year, the addition to the Group's property, plant & equipment ("PPE") was RM3.2 million and the closing new book value ("NBV") of the Group's PPE for the FYE2018 was RM41.4 million. The major capital spending in FYE2018 comprising, amongst others, a computer numerical control ("CNC") machine, a moulding machine, testing/reliability equipment and computers/software's purchases.

POTENTIAL RISKS AND MITIGATING FACTORS

Our competitive strengths, amongst others, are being a vertically integrated manufacturer with the ability to provide a full range of manufacturing services, our R&D capabilities, an experienced management team and our ability to comply with strict design and manufacturing requirements set by our customers. Nonetheless, there are a number of risk factors, both specific to our Group and those relating to general business environment, which may impact the operating performance and financial performance of our Group.

Risks relating to the industry:

(i) Competitive industry;
(ii) Changes and uncertainties in the electronics industries; and
(iii) Political, economic and regulatory factors.

We operate in the consumer electronics industry and are subject to competition given that we manufacture and sell products to multinational companies in the global marketplace. Our Group's success and competitiveness largely depends on our production and R&D capabilities, our technical expertise, our ability to keep abreast with the latest technology, our understanding and ability to respond to the constantly changing economic conditions and changing consumer trends and demand for consumer electronic products, as well as our planning and marketing strategies.

The market for electronic products is inextricably linked to the continuing evolution in technology and evolving industry standards. We believe that such risk is mitigated as we have more than ten years of experience in the manufacture of consumer electronic products and we are supported by a capable and experience management team that is familiar with this competitive environment.

Our Group operates in Malaysia whilst our customers are mainly located overseas with operations mainly in North America, Europe and Asia. Like all other business entities, changes in political, economic and regulatory conditions in Malaysia and the markets in which our customers operate may affect the overall profitability of our Group. We have adopted a proactive approach in keeping abreast with the political, economic and regulatory developments in the relevant jurisdictions and will continue to ensure compliance with the legal and regulatory frameworks in the countries in which we and the customers operate.

Risks relating to our business and operations:

(i) Dependence on our major customers;
(ii) Non-availability and fluctuations in prices of raw materials;
(iii) Order delays, cancellation and product complexities and
(iv) Financial risks such as credit risks of our customers, foreign currency and interest rate risks.

Our Group's major customers comprise multinational companies. The loss of any of these customers, if not replaced, may adversely affect our financial condition and results of our operation. However, the Board is of the view that this risk is mitigated to a certain extent by the long established relationship we had with these major customers and are familiar with their respective requirements. Our track record of being able to offer quality products and services and our strength in R&D will support growth in product offerings from our existing customers for their subsequent product upgrades as well as attract new customers. Furthermore, our Group is involved in the manufacture of other electronic products (non-Bluetooth related products), precision plastic parts and components. This provides additional sources of revenue and growth opportunities. The development of our in-house brand is encouraging which we hope to leverage on to provide another revenue stream for the Group.

We rely on reputable suppliers for our raw materials to support of business activities. Our evaluation and assessment of suppliers and our quality control procedures to determine the incoming raw materials have helped to mitigate the risk of non-availability and fluctuations in prices of raw materials. We have a dedicated department which employs various inventory management techniques such as just-in-time and ship-to-stock programmes to plan material ordering with our approved suppliers to secure raw materials on a timely basis.

FINANCIAL PERFORMANCE REVIEW (CONT'D)

POTENTIAL RISKS AND MITIGATING FACTORS (CONT'D)

Our operations are subject to customer's order cancellation, postponement or scaling down of the product orders due to various reasons which may include, amongst others, change in customer's requirements and specifications, change in commercial viability of their products and change in the economic environment in which they operate. Furthermore, the underestimation of product complexities may delay the commencement of production which in turn delays the delivery of our products to customers. Nonetheless, our key management personnel always work closely with our customers to ensure that work requirements and quality expectations are met. In addition, we also have standard operating procedures in place for production management.

The Group mitigates its foreign currency exchange risk through the natural hedge of operating foreign currency accounts using the deposits from its export proceeds to pay imported purchases where both are denominated in the same foreign currency. The Group also enters into foreign currency forward exchange contracts to hedge its receivables for export proceeds, whenever considered necessary. Credit risk is mitigated on the basis that our major customers are reputable multinational companies with strong financial standing and these customers maintained good payment records in their past dealings with us. We may request for bank guarantees for new customers that have no past dealings with us or is relatively new in the industry or in their product offerings.

Our Group's exposure to changes in interest rates is minimal given that the borrowings are low. Majority of the borrowings are contracted on variable terms. The impact of fluctuation in interest rate risk on the results of the Group is not significant.

FORWARD-LOOKING STATEMENT

The Group will continue to focus on innovation in new products and new processes (including automation) as well as developing new business and customers to drive revenue and profit. This includes focus on expansion and upgrading of manufacturing facilities to cater for automation in order to improve yield, cycle time and manpower requirement.

We believe the expansion of the FOBO brand and the improvements in product features will drive the business forward while broadening our customers' base. The sales of FOBO Tire to a well-known local car brand owner is expected to improve as the distribution and marketing channels have been established country-wide.

Our Group's strong emphasis on R&D has been the cornerstone of our growth and expansion to-date and will continue to drive our product development initiatives in the future. Our R&D efforts will help us to continuously introduce new Bluetooth-enabled products to meet global market needs and improve process designs as we seek to expand our market presence.

We believe our Group will be well-positioned to capture these opportunities, which will provide us with long term sustainable growth.

DIVIDEND PAYMENT POLICY

Our Board intends to adopt a stable and sustainable dividend policy to allow our shareholders to participate in the profits of the Company whilst maintaining an optimal capital structure and ensuring sufficient funds for our future growth. In this regard, our Group have a dividend payment policy of not less than 30% of our annual net profit attributable to shareholders. However, actual dividend payment may be varied depending on the Group's financial performance and cash flow and may be waived if the payment of dividends would adversely affect our cash flow and operations.

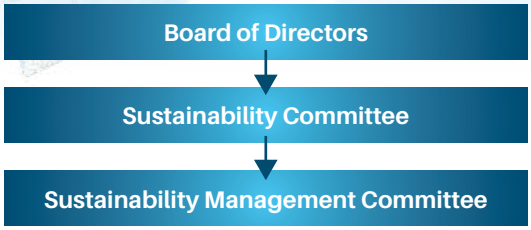
The Company had declared and paid a total of RM9.3 million dividend in FYE2018, representing approximately 81.9% of the net profit attributable to shareholders.

In addition, the Company had also paid another interim single-tier dividend of RM2.3 million on 28 September 2018 for FYE2019.

SUSTAINABILITY STATEMENT

The Board remains committed to upholding the standards of corporate governance practice throughout the Group as a fundamental part of discharging its responsibilities to safeguard shareholders and stakeholders' interests and enhanced their values.

The Group has established a Sustainability Policy ("Policy") and a committee was established on 1 January 2018 to carry out the objectives of the Policy. The Group's governance structure is as follows:



The framework of this Policy takes a holistic approach taken into account the Economic, Environmental and Social ("EES") risks and opportunities to generate long term benefits and business continuity. The framework is as follows:-

i) to have a positive impact on environmental sustainability and environmental justice by insuring that principles and core concepts of environmental sustainability are a driving force in our partnerships with the community-at-large, and a key factor in every aspect of our operations and implementations including our products throughout its life cycle; from design, procurement, production, distribution, product use through end-of-life, thus optimizing use of natural resources.

ii) to operate and manage the organization in a way that enables all people to realize their potential and improve their quality of life while protecting and enhancing the earth's natural capital.

Our Sustainability Committee will be responsible for implementing this Policy to meet its objectives as far as is reasonably practicable, ensure that all the projects are carried out in accordance with this Policy.

The Group's corporate responsibility practices focus on four areas – Environment, Workplace, Community Development and Marketplace.

ENVIRONMENT

Environmental sustainability ensures that future generations are able to enjoy Earth natural resources in abundance. Therefore, it is important to embed environmental sustainability principles into our business operations and practices. Among the approaches that the Company have embarked on to drive towards a clean and sustainable energy for a better future are as follows:

(i) Efficient use of energy. The Company have initiated the "**TURN OFF power**" campaign for all lightings, air-conditioning, computers and other equipments during lunch time, weekends and also during long festive seasons to save energy. All of the conventional fluorescent lightings at the production floor and also office areas were changed to energy efficient LED light bulbs and split units air-conditioning were set at a range of 25^0 to 26^0 Celsius to further reduced the consumption of electricity.

(ii) The implementation of ongoing product wastage elimination by process engineering to optimise materials usage, ie, automate processes wherever applicable.

(iii) The practice of 3Rs (Reduce, Recycle & Reuse) at the workplace.

(iv) We complied with the relevant occupational health, safety and environment requirements as follows:

- OHSAS 18001:2007 which specifies requirements for an organisation to develop and implement occupational health and safety management system;
- ISO14001:2015 which specifies requirements for an organisation to develop and implement an environmental management system; and
- ISO 9001:2015 which specifies requirements for an organisation to develop and implement a quality management system.

WORKPLACE

Our Group aims to enhance employees engagement at workplace to ensure staff stays loyal and grow with the Group. In pursuing this objective, we provide, amongst others, the following:

(i) medical benefits, hospitalisation, Socso-Employment Insurance Scheme ("EIS") and personal accident insurance coverage.

(ii) organises annual dinner and recognises long service staff with Long Service Award in recognition of their loyalty, dedication and commitment.

(iii) provide a working environment where our employees are treated with dignity and respect. Our Group complies with all applicable legal and other requirements and strives to maintain and improve our Labour and Ethics management system.

(iv) open communication and direct engagement between workers and management are the most effective ways to resolve workplace and compensation issued. The Group have Employees' Helpdesk, Employee Suggestion Scheme ("ESS"), Whistleblowing policy and a Collective Agreement with the workers (in-house union) to ensure that the workers have an avenue to voice their concern and provide suggestions to further improve their working conditions.

(v) emphasis on developing its employees skills and competency and are committed to ensure that each person involved in their respective work areas has a meaningful opportunity to contribute to the success of our Group. The training section of the Human Resources department prepares Training Needs Analysis ("TNA") yearly to assess and identify the needs of the employees. We contributes monthly to the Human Resources Development Fund ("HRDF") and utilises it for employees' training.

COMMUNITY DEVELOPMENT

The Group is committed to be a socially responsible corporate citizen and acknowledges the importance of sustainability within the Group and the environment it operates in and the community it serves.
The Group have made cash contributions and sponsored an event during the financial year such as:

(i) Pertubuhan Membantu Pesakit Parah Miskin Malaysia (August 2017)
(ii) Bursa Bull Charge 2017 (September 2017)
(iii) Waqaf Perak Ar-Ridzuan (October 2017)

MARKETPLACE

The Group is principally involved in the product design and development, and manufacturing of mobile communication products, wireless electronics and lifestyle devices. Therefore, the Group aims to maintain a sustainable business to continue its contribution to Malaysia's economic development. To achieve the sustainable development of the marketplace, the Group endeavours to carry out its activities in a sustainable manner and promote responsible and ethical practices among our investors and our business partners, ie, suppliers and customers alike.

(i) Investors
The Group strives to develop a good relationship with investors and its accountable for providing timely information about the Group. During the financial year, the Group have conducted investor relations activities such as one-to-one meetings, small group briefings and conference calls.

(ii) Customers
We emphasis on "**Customer First**" philosophy and therefore we provide innovative and high quality products manufactured in the most efficient manner and provide services that meet our customer's stringent demand and earn their trust. We establish customers' complaint and feedback system to ensure their complaints and feedbacks are acknowledged and resolved promptly.

(iii) Suppliers
We respect our suppliers and work closely together to foster long term relationship to realise mutual growth. Therefore, we engage with our suppliers to develop new business opportunities that will enhance each growth potentials. We conduct assessment and evaluation of existing and new suppliers wherever necessary to ensure ethical procurement practices are followed through the supply chain. Raw materials and parts supplied are in accordance with the Group's materials requirements to avoid unnecessary wastage and scraps.

COMPANY HIGHLIGHTS 2018

AWARDS

1) **MPC (Malaysia Productivity Corporation) Regional Competition 2017**

15 – 16 Aug 2017
Bayview Beach Resort Penang

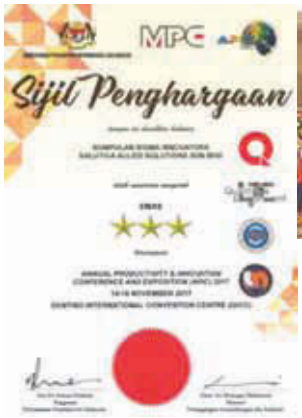
- 2 teams won Gold award



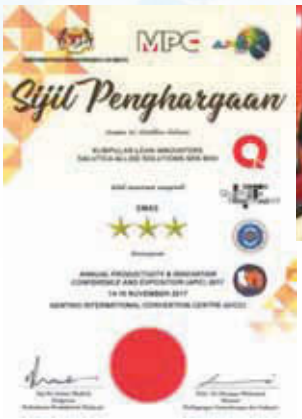


2) **National MPC (Malaysia Productivity Corporation) competition 2017**

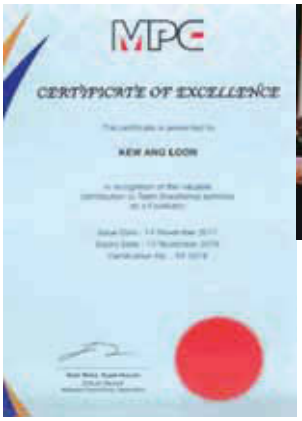
14 – 16 Nov 2017
Genting International Convention Centre (GICC)



SIGMA INNOVATORS TEAM GOLD 3 STARS AWARD



LEAN INNOVATORS GOLD 3 STARS AWARD



EXCELLENCE FACILITATOR AWARD 2017

COMPANY INTERNAL ACTIVITES

1) **Annual Dinner – Salutica Traditional Night**

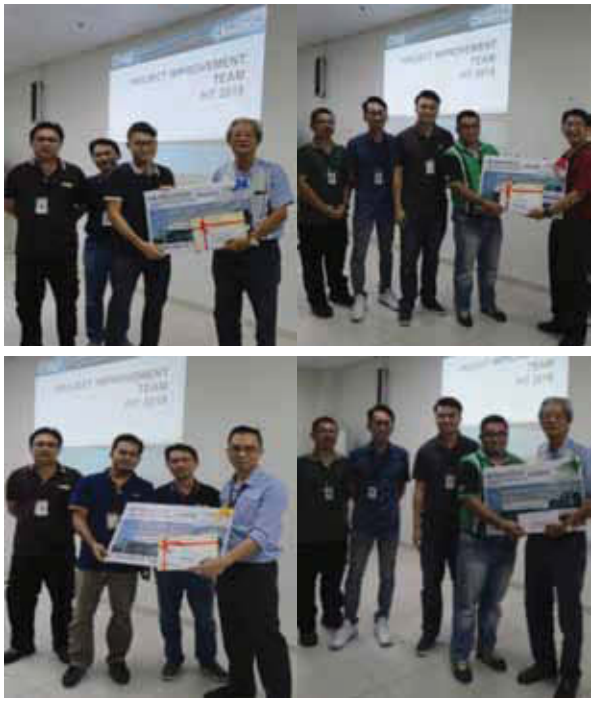
30 Nov 2017
Syeun Hotel Ipoh




2) **Project Improvement Team 2018**

20 – 21 Jun 2018

Award Winners for LEAN MANUFACTURING

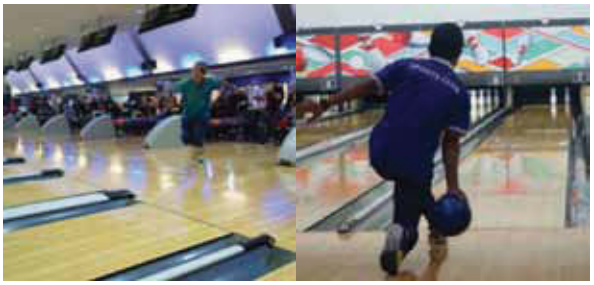


Award Winners for 6 SIGMA

Year 2018 PIT Team

3) **Sports - Bowling Tournament**

21 Jan 2018



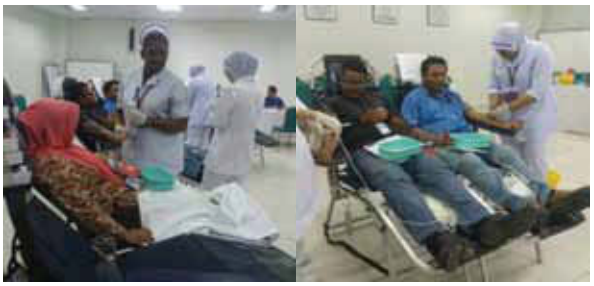
CORPORATE SOCIAL RESPONSIBILITY

1) **Blood Donation drive**

6 July 2017
Salutica Allied Solutions Sdn Bhd

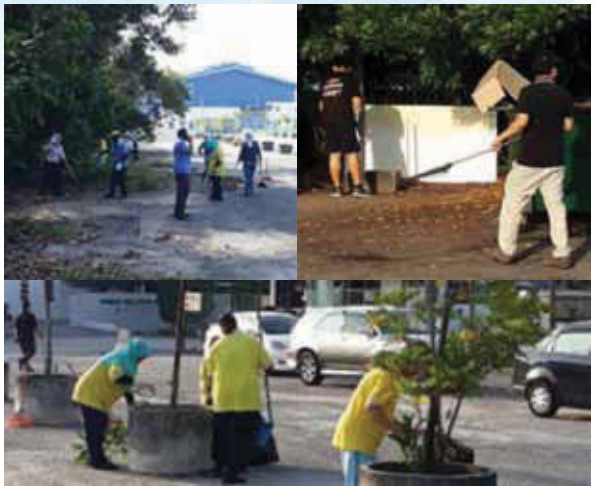
2) **Blood Donation drive**

3 May 2018
Salutica Allied Solutions Sdn Bhd



3) **EOHS Committee 5S program – "Gotong-Royong"**

22 July 2017
Salutica Allied Solutions Sdn Bhd



4) **Health Screening by an external healthcare company**

23 Jan 2018
Salutica Allied Solutions Sdn Bhd

5) **Dietary Talk by nutrition officer from Kinta District Health office**

26 Jun 2018
Salutica Allied Solutions Sdn Bhd

EXHIBITIONS & TRADE SHOWS

1) **MyPerodua Events**

13 – 14 Jan 2018
Amanjaya Mall, Kuala Lumpur

2) **ShoolEX Symposium and Exhibition**

12 – 14 Feb 2018
Oman Convention & Exhibition Centre, Oman

3) **2018 MID - America Trucking Show ("MATS")**

22 – 24 Mar 2018
The Kentucky Exposition Centre, Louisville, Kentucky, USA
MATS is the largest annual heavy-duty trucking event in the world

4) **SEMICON Southeast Asia (SEA) 2018**

22 – 24 May 2018
MITEC, Kuala Lumpur

MBO MEETINGS

Salutica practices Management by Objectives as key performance drivers to promote:

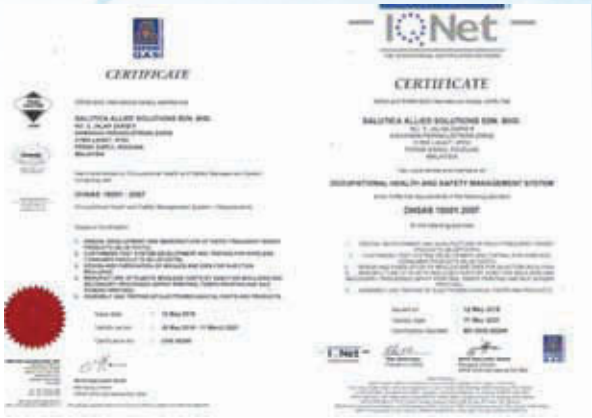
1. Coherent goal-setting and achievements
2. Commitment and leadership
3. Effective controls and appraisals

14 – 16 Jan 2018
Genting International Convention Centre, Kuala Lumpur

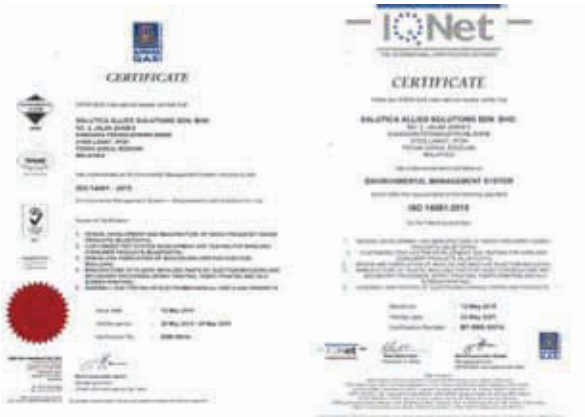
23 – 25 Jun 2018
DoubleTree Resort by Hilton, Penang

ISO CERTIFICATIONS

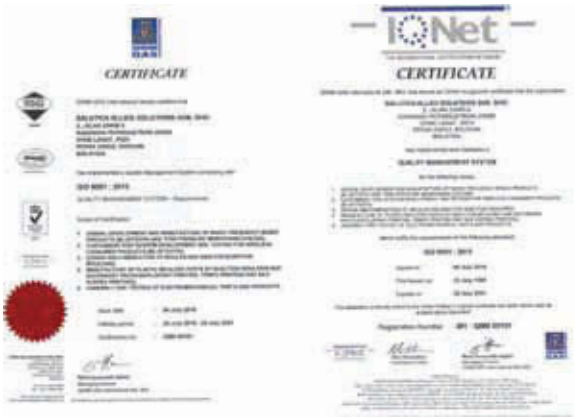
OHSAS 18001:2007 Occupational Health and Safety Management System



ISO 14001:2015 Environmental Management System



ISO 9001:2015 Quality Management System



CORPORATE GOVERNANCE
OVERVIEW STATEMENT

The Board of Salutica Berhad ("Salutica" or the "Company") acknowledges the importance of practising good corporate governance as guided by the new Malaysian Code on Corporate Governance ("MCCG").

The Statement below sets out how the Group has applied the Principles and the Recommendations of the MCCG during the FYE2018. In preparing this Statement, the Board has considered the manner in which the Group has applied the Principles of the MCCG and the extent to which it has complied with the Recommendations of the MCCG.

The Group's Corporate Governance Report ("CG Report") base on the prescribed format is available on the Company's website www.salutica.com as well as on the website of Bursa Securities.

PART 1 – BOARD RESPONSIBILITIES

1.1 Clear functions of the Board and those delegated to Management

The Board is responsible for formulating the overall strategic directions and plans to deliver long term values to stakeholders and to enhance shareholders' value. These responsibilities include the Group's overall strategy, acquisition and divestment policies, capital expenditure, annual budget, review of financial and operational performance, and internal controls as well as investment and risk management processes.

The Board has to ensure a balance of authority so that no single individual has unfettered authority. Each Director has a duty to act in the best interests of the Group. The Directors, individually and collectively, are aware of their responsibilities to the shareholders and other stakeholders for the manner in which the affairs of the Group are managed.

The Board does not actively manage but rather oversees the overall management of the Group which is delegated to the Chief Executive Officer ("CEO"), Executive Directors and other management personnel of the Group. The management supports the CEO and implements the running of the financial and general business operations of the Group.

1.2 Board's Roles and Responsibilities

As provided for in the Principles of the MCCG and also in the Board Charter, the Board recognises the key role it plays in charting the strategic direction of the Group. The Board governance role has the following principal responsibilities in discharging its fiduciary and leadership functions:

- To review and approve business strategies, plans and significant policies and ensure that the Group's goals are clearly established, and to monitor implementation and performance of the strategy, policies, plans, legal and fiduciary obligations that affect the business by adopting performance appraisal measures;

- To ensure a competent management team by establishing clear policies and objectives for strengthening the performance of the Group with a view to proactively build the business through innovation, initiative, technology, new products and the development of its business capital;

- To evaluate whether the business is being properly managed and to ensure that the solvency of the Group and the ability of the Group to meet its contractual obligations and to safeguard the Group's assets;

- To ensure the adequacy of the Group's business risk management processes, including internal control systems and management information systems, systems for compliance with applicable laws, regulations, rules, directives and guidelines and controls in areas of significant financial and business risks;

- To establish various Board Committees and ensure their effectiveness to address specific issues, by considering recommendations of the various board committees and acting on their reports;

- To ensure that the financial statements of the Group and the Company are fairly stated and conform with the relevant regulations including acceptable accounting policies that result in balanced and understandable financial statements;

PART 1 – BOARD RESPONSIBILITIES (CONT'D)

1.2 Board's Roles and Responsibilities (cont'd)

- To ensure appropriate succession plan for members of the Board and senior management;
- To establish appropriate ethical standards by ensuring that the Group adheres to high corporate behavior standard at all times including transparency in the conduct of business. In this regard, our Directors are required to comply with the Directors' Code of Best Practice which amongst others includes the declaration of any personal, professional or business interests, direct or indirect which may conflict with directors responsibilities as a Board member and to refrain from voting on such transaction with the Group; and
- To ensure a full and transparent communication and investor relations policy are in place.

1.3 Code of Ethics & Conduct

The Board has formalised a Code of Ethics & Conduct that is incorporated in the Board Charter, which sets out the standard of conduct expected of Directors, with the aim to cultivate good ethical conduct that permeates throughout the Group through transparency, integrity, and accountability behaviour.

This Code is designed to enhance the standard of corporate governance and corporate behaviour with the intention of achieving the following objectives:

- to establish a standard of ethical behaviour for directors based on acceptable beliefs and values; and
- to uphold the spirit of professionalism, objectivity, transparency, and accountability in line with the legislation, regulations and environmental and social responsibility guidelines governing the Group.

1.4 Board Charter

As an integral part of our governance process, the Board has formalised a Board Charter that sets out the roles and responsibilities, operation and processes of the Board, and is to ensure that all Board members acting on behalf of the Company are aware of their duties and responsibilities as Board members.

The Board reviews the Board Charter periodically and updates the Charter in accordance with the needs of the Company and any new regulations that may have an impact to the discharge of the Board's responsibilities to ensure its effectiveness.

A copy of the Board Charter is available at the Company's website, www.salutica.com.

1.5 Company Secretaries and Access to Information and Advice

The Company Secretaries play an important advisory role and is a source of information and advice to the Board and its committees on issues relating to compliance with laws, rules, procedures and regulations affecting the Group.

The agenda, Board collaterals and minutes of previous meetings of the Board are circulated in advance to the Board, before the meetings. The agenda for every meeting permits Board members to review the contents of meetings and enable the Chairman to better and more efficiently conduct proceedings during Board meetings.

The Board is provided with an agenda, reports and other relevant information prior to the Board meetings, so that they have a comprehensive understanding of the matters to be deliberated upon to enable them to arrive at an informed decision. The Company Secretaries attend and ensure that the deliberations and decisions at Board and its committee meetings are well documented in the minutes, including matters where Directors abstained from voting or deliberation.

PART 2 – STRENGTHEN THE COMPOSITION OF THE BOARD

2.1 Board Committees

The Board has delegated some of its responsibilities to various Committees within the Board. The Board has established three (3) committees, namely the Nomination Committee, the Remuneration Committee and the Audit and Risk Management Committee, and their primary functions are to assist the Board in overseeing the affairs of the Group and these committees have been entrusted with specific responsibilities and authority.

Nomination Committee

The Nomination Committee ("NC") is responsible for identifying, evaluating and recommending, suitable candidates to fill Board vacancies. Nominations may come from a wide variety of sources, including current directors, senior employees of Salutica, customers, shareholders, industry associations, recruiting firms and others.

The NC consists of 3 non-executive Directors with all members being independent as follows:

Name	Designation
Low Teng Lum	Chairman
Chia Chee Hoong	Member
Leow Chan Khiang	Member
Joshua Lim Phan Yih *(resigned as a member after his re-designation as an Executive Director on 2 July 2018)*	Member

As an integral element of the process of appointing new Directors, the NC will assess candidates eligibility amongst others, based on the following criteria:

- integrity of character and behaviour;
- skills, knowledge and experience;
- professionalism;
- board room diversity, ie, gender diversity; and
- candidate's ability to discharge his fiduciary and leadership functions.

The NC had convened three (3) meetings with full attendance by its members for the following agenda:

Meeting on 13 October 2017:

- discuss gender diversity as per MCCG 2017 which promotes greater internalization of corporate governance culture; and
- assess the candidate suitability and appointment of woman director.

Meeting on 2 July 2018:

- re-designation of a Director from a Non-Executive Director to an Executive Director;
- resignation and appointment of member of the NC; and
- resignation of a member from the ARMC.

Meeting on 28 August 2018:

- directors retiring at the Sixth Annual General Meeting ("AGM");
- assess the contribution of each directors to constitute an effective board; and
- evaluation process through review of board assessment and evaluation form.

PART 2 – STRENGTHEN THE COMPOSITION OF THE BOARD (CONT'D)

2.1 Board Committees (cont'd)

Remuneration Committee

The Remuneration Committee ("**RC**") is responsible for developing the Company's remuneration policy framework and determining the remuneration package of its Directors and ensure that compensation is competitive and consistent with the Company's business strategy and long-term objectives.

The remuneration packages are structured according to the skills, experience and performance of the Executive Directors to ensure the Company attracts and retains the directors needed to run the Company successfully. The remuneration package of the Non-Executive Directors depends on their contribution to the Company in terms of their knowledge and experience. The committee recommends to the Board the policy framework of executive remuneration and its cost, and the remuneration package for each Executive Director. It is, nevertheless, the ultimate responsibility of the entire Board to approve the remuneration of these directors.

The RC consists of six (6) members who are as follows:

Name	Designation
Chia Chee Hoong	Chairman
Lim Chong Shyh	Member
Joshua Lim Phan Yih	Member
Low Teng Lum	Member
Leow Chan Khiang	Member
Chan Shook Ling	Member

The RC met on 28 August 2018 with full attendance by its members and the key activities carried by RC are summarised as follows:

- remuneration package of the Managing Director/CEO, Mr. James Lim Chong Shyh;
- recommend to the Board the proposed directors' fees for the financial year ended 30 June 2018; and
- recommend to the Board the payment of benefits payable the director from 27 November 2018 until the next AGM of the Company.

PART 2 – STRENGTHEN THE COMPOSITION OF THE BOARD (CONT'D)

2.1 Board Committees (cont'd)

Directors' Remuneration

(a) Details of Directors' remuneration as at FYE2018 are set out below and in notes to the financial statements.

Company

Directors' Remuneration	Fee RM'000	Salary and Bonus RM'000	Benefits-in-kind RM'000	Other Emoluments RM'000	Total RM'000
Chia Chee Hoong	88	–	–	–	88
Low Teng Lum	55	–	–	–	55
Leow Chan Khiang	55	–	–	–	55
Lim Chong Shyh	55	–	–	–	55
Joshua Lim Phan Yih	55	–	–	–	55
Chan Shook Ling (*)	39	–	–	–	39
	347	–	–	–	347

Group

Directors' Remuneration	Fee RM'000	Salary and Bonus RM'000	Benefits-in-kind RM'000	Other Emoluments RM'000	Total RM'000
Chia Chee Hoong	88	–	–	–	88
Low Teng Lum	55	–	–	–	55
Leow Chan Khiang	55	–	–	–	55
Lim Chong Shyh	55	1,515	38	84	1,692
Joshua Lim Phan Yih	187	–	17	–	204
Chan Shook Ling (*)	39	228	14	–	281
	479	1,743	69	84	2,375

(*) the remuneration of Ms. Chan Shook Ling is apportioned from the date of her appointment on 13 October 2017.

(b) The aggregate remuneration paid to key senior management including Executive Directors for the FYE2018 are as follows:

Range of Remuneration	No of persons
RM250,001 to RM300,000	3
RM350,001 to RM400,000	1
RM1,650,000 to RM1,700,000	1

The Board is of the view that it would not be in the best interest of the Group to disclose on a named basis the senior management's remuneration component because of industry competitiveness for skilful and experienced senior management staff.

The remuneration of Joshua Lim Phan Yih was not reflected in the FYE2018 since his re-designation to Executive Director was effective after FYE2018.

Audit and Risk Management Committee

The terms of the Company's Audit and Risk Management Committee ("ARMC") and its activities during the financial year are outlined under the ARMC Report in this Annual Report.

PART 2 – STRENGTHEN THE COMPOSITION OF THE BOARD (CONT'D)

2.2 Appointment to the Board

The NC is responsible for identifying, evaluating and recommending to the Board, suitable candidates to fill Board vacancies at any given time. The NC makes the recommendations following a careful consideration of the required mix of skills, experience and diversity, as well as gender where appropriate.

Apart from assisting the Board in carrying out annual reviews on the mix of skills and experience, contributions and other qualities, including core competencies, which the Non-Executive Directors bring to the Board, the NC also carries out the process of evaluating the effectiveness of the Board as a whole, the performance and contribution of the Chairman and other Directors, including Independent Non-Executive Directors, as well as the Managing Director / Chief Executive Officer and identifies areas for improvement and change. The Company Secretary has the responsibility of ensuring that relevant procedures relating to the appointment of new Directors are properly executed. New Directors are required to undergo familiarisation programmes and briefings to get a better understanding of the Group's operations and the overall industry.

The Board has via the recommendation from the NC, approved the re-designation of Mr. Joshua Lim Phan Yih to Executive Director and his resignation from NC and ARMC on 2 July 2018. The Board had also accepted the recommendation from the NC and appointed Mr. Leow Chan Khiang as a member of NC on 2 July 2018.

2.3 Re-election of directors

Pursuant to Article 95 of the Company's Articles of Association (the "Article") and Paragraph 7.26 of the MMLR, all Directors are required to retire by rotation such that each Director will retire at least once every three (3) years at the AGM. The Articles also provide at least one third (1/3) of the Directors are subject to re-election by rotation at each AGM and retiring directors can offer themselves for re-election.

Pursuant to Article 101, new appointment is subject to retire in next AGM but shall then be eligible for re-election but shall not be taken into account in determining the directors who are to retire by rotation at the AGM.

2.4 Gender Diversity

The Board does not have a formal policy on gender diversity because the Board is of the view that Board membership should be determined based on a candidate's character, competency, skills, experience and other qualities regardless of gender.

Despite there being no formal policy, but in line with Practice Note 4.5 of MCGG, the Board has adopted the practice to improve gender diversity on the Board. On 13 October 2017, the Board had approved the appointment of Ms. Chan Shook Ling as an Executive Director to bring about more diverse perspectives and insights.

PART 3 – REINFORCE INDEPENDENCE OF THE BOARD

3.1 Annual Assessment of Independent Directors

The Board, through the NC, shall assess the independence of the Independent Directors annually. The criteria for assessing the independence of an Independent Director include the relationship between the Independent Director and the Group and his involvement in any significant transaction with the Group.

Among the criteria considered for independency includes the ability to exercise independent comments, judgment, and contribution constructively at all times to ensure that the Board functions effectively. The relationship between the Independent Directors with any substantial shareholders, any Executive Directors, any persons related to any Executive Director or major shareholder, business transactions with the Group and their tenure of office will also be reviewed.

The NC on 11 June 2018 had performed an evaluation assessment for all of the Directors. It is a peer evaluation conducted using questionnaires. A scoring mechanism is used and each Board member is provided with his/her individual assessment and comments(if any) for continuous improvement. The NC had reviewed the independence of the Independent Directors and performance of the Executive Directors and is satisfied with the independency and competency demonstrated.

3.2 Tenure of Independent Directors

The Board has adopted a nine-year policy for Independent Non-Executive Directors. None of the current independent Board members had served the Company for more than nine (9) years as per the recommendations of the MCGG.

Should the tenure of an Independent Director exceed nine (9) years, shareholders' approval will be sought at an AGM for such Director to remain as an Independent Director or alternatively, the Director concerned will be re-designated as a Non-Independent Director if his or her services are still required.

3.3 Roles of Independent Non-Executive Chairman, CEO and Executive Directors

The roles and responsibilities of the Chairman and the CEO are clearly segregated to further enhance and preserve a balance of authority, power and accountability. The Chairman is responsible for ensuring Board effectiveness and conduct and the executive function of the management of the Group's business; while the CEO leads the management team in making and implementing day-to-day decisions and manging the business operations.

The Chairman has the obligation to preside at various meetings, namely during the AGM and Board meetings in order to address issues to be highlighted by and to members independently.

Although all the Directors have equal responsibilities for the Company's operations, the role of the Independent Non-Executive Directors is particularly important in providing an independent view, advice and judgment to take into account the interests of the Company, the shareholders, the employees and other stakeholders. This is provided for with the presence of the Independent Non-Executive Directors with necessary skills, competency and experience to make Board decisions.

PART 3 – REINFORCE INDEPENDENCE OF THE BOARD (CONT'D)

3.4 Board Balance

The Board comprises a mix of qualified and experienced Directors with diverse experience, background and expertise. Currently, the Board consists of six (6) members, as designated below:

Name	Directorship
Chia Chee Hoong	Chairman / Independent Non-Executive Director
Low Teng Lum	Senior Independent Non-Executive Director
Leow Chan Khiang	Independent Non-Executive Director
Lim Chong Shyh	Managing Director / Chief Executive Officer
Joshua Lim Phan Yih	Executive Director / Deputy Chief Executive Officer *(re-designated as an Executive Director on 2 July 2018)*
Chan Shook Ling	Executive Director / Chief Financial Officer

The Independent Directors provide independent judgement and experience. This helps to ensure that the interests of all stakeholders are taken into consideration by the Board and that the relevant issues are subjected to objective and impartial consideration by the Board.

The Managing Director / Chief Executive Officer is responsible for representing the views of the management of the Company. During the meetings, active discussion and deliberations were made to ensure that the intended outcome serves the best interest of the Group.

The Company had complied with the requirement of the Paragraph 15.02 of the MMLR of Bursa Securities to have at least two (2) Directors or one third (1/3) of its Board members, whichever is higher, to be Independent Directors.

The Company has three (3) Independent Non-Executive Directors out of its six (6) Board members. The combination of diverse professionals with varied background, experience and expertise in finance and corporate affairs have also enables the Board to discharge its responsibilities effectively and efficiently. The Board through the NC and RC regularly reviews the composition of the Board and the Board Committees.

A brief profile of each Director is presented in this Annual Report.

PART 4 – FOSTER COMMITMENT OF DIRECTORS

4.1 Board Meeting and Attendance

In order to discharge its duties effectively, the Board meets at least once quarterly to review, deliberate and approved financial results prior to Bursa's announcements. Additional meeting will be held when matters arise that requires Board's deliberation and approval. During the FYE2018, the Board held five (5) meetings with the full attendance as follows:

Names of directors	No of meetings held	Attendance
Mr. Chia Chee Hoong	5	5/5
Mr. Low Teng Lum	5	5/5
Mr. Leow Chan Khiang	5	5/5
Mr. Lim Chong Shyh	5	5/5
Mr. Joshua Lim Phan Yih	5	5/5
Ms. Chan Shook Ling	5	5/5

The Board is satisfied with the level of time commitment given by the Directors towards fulfilling their duties and responsibilities.

4.2 Supply of Information

The Board members were presented with comprehensive information concerning the performance and financial status of the Company at Board Meetings. Each Director was provided with the agenda and a full set of the Board Papers prior to each Board Meeting with the aim of enabling the Directors to make fully informed decision at the Board Meetings.

All Directors have access to all information within the Company as well as the advices and services of the Company Secretary who is responsible for ensuring the Board's meeting procedures are adhered to and that applicable rules and regulations are complied with. The Board recognises that the Company Secretaries are suitably qualified and capable of carrying out the duties required. The Board is satisfied with the service and support rendered by the Company Secretaries in discharge of their functions. Where necessary, the Directors may engage independent professionals at the Company's expense on specialised issues to enable the Directors to discharge their duties with adequate knowledge on the matters deliberated.

The proceedings and resolutions passed at each Board Meeting are recorded in the minutes of the meetings, which are kept in the Minutes Book at the registered office. Besides Board meetings, the Board also exercises control on matters that require Board approval through the circulation of Director's written resolutions.

4.3 Directors' Training

The Board acknowledges the importance of continuous professional development to keep themselves abreast of current rules, regulations, industry, economic and commercial environment in enabling them to discharge their roles and responsibilities in an effective manner.

All the Directors have successfully completed their Mandatory Accreditation Programme ("MAP") as required by Bursa Securities. The Directors are also encouraged to attend training programmes which are relevant to the Company's operations and business. The Company in general and the Directors specifically are mindful that they should continue to identify and attend appropriate seminars and courses to keep abreast of changes in market trends, technological advancements and legislation and regulations affecting the Group.

PART 4 – FOSTER COMMITMENT OF DIRECTORS (CONT'D)

4.3 Directors' Training (cont'd)

During the FYE2018, all directors have attended the following training programmes as summarised below:

Name of directors	Seminar/Training Programmes attended	Date
Mr. Chia Chee Hoong	- Companies Act 2016: Post Implementation Challenges, New Corporate Rescue Mechanism Rules 2018 & Malaysian Code of Corporate Governance by Legal Logic Asia. - Deloitte International Tax Symposium 2018 by Deloitte Tax Services Sdn.Bhd.	20 April 2018 3 May 2018
Mr. Low Teng Lum	- Capital Market Conference 2017 by MIA - MIA-Oracle Breakfast Talk Series : Digital Distruption and How CFOs can stay on top by MIA - The Malaysian Code of Corporate Governance by Terus Mesra Sdn.Bhd. - MIA International Accountants Conference 2017 by MIA - MIA-SC Workshop on Malaysian Code of Corporate Governance by MIA - Goods & Services Tax by Crowe Howarth	18 July 2017 25 July 2017 25 August 2017 7 & 8 November 2017 17 November 2017 25 November 2017
Mr. Leow Chan Khiang	- KPMG Penang Tax Summit 2017 by KPMG - MFRS Updates by PWC	20 November 2017 20 & 21 September 2017
Mr. Lim Chong Shyh	- Key Amendments to Listing Requirements arising from Companies Act 2016 by MIA - Dealing in Listed Securities, Closed Period Insider Trading by MIA	17 April 2018 17 April 2018
Mr. Joshua Lim Phan Yih	- Key Amendments to Listing Requirements arising from Companies Act 2016 by MIA - Dealing in Listed Securities, Closed Period Insider Trading by MIA - Companies Act 2016: Post Implementation Challenges, New Corporate Rescue Mechanism Rules 2018 & Malaysian Code of Corporate Governance by Legal Logic Asia.	17 April 2018 17 April 2018 20 April 2018
Ms. Chan Shook Ling	- Budget 2018: Latest Updates & Tax Planning by FMM Perak Branch - Key Amendments to Listing Requirements arising from Companies Act 2016 by MIA - Dealing in Listed Securities, Closed Period Insider Trading by MIA - Goods & Services Tax (GST): Transitioning from 6% to 0% by MIA	17 November 2017 17 April 2018 17 April 2018 8 June 2018

The Board is aware of the importance of having knowledge-based management and staff force and will continue to encourage its members, management and staff to attend training, seminars and workshops to update themselves with the changes in regulatory framework, legal, accounting and governance practices.

PART 5 – UPHOLD INTEGRITY IN FINANCIAL REPORTING BY THE COMPANY

5.1 Compliance with Applicable Financial Reporting Standards

The Board is assisted by the ARMC to assess and oversee the Group's financial performance and prospects at the end of each reporting period and financial year, primarily through the quarterly announcement of the Group's results to Bursa Securities, the annual financial statements of the Group and the Company, amongst others, the Chairman's statement and review of the Group's operations in the Annual Report, where relevant.

In presenting the annual audited financial statements to the shareholders and the quarterly announcements of results to Bursa Securities, the Board takes the responsibility to present a balanced and meaningful assessment of the Group's position and prospects, and to ensure that the financial statements are drawn up in accordance with the provision of the Companies Act, 2016 and the applicable accounting standards in Malaysia. The ARMC assists the Board in scrutinising information for disclosure to ensure accuracy, adequacy and completeness. The Responsibility Statement by the Directors pursuant to the MMLR of Bursa Securities is set out in this Annual Report.

In addition to the above, the Company also undertook an independent assessment of the internal control system and the ARMC has been assured that no material issues or major deficiencies have been detected which pose a high risk to the overall internal controls under review.

5.2 Assessment of Suitability and Independence of External Auditors

The Board through its ARMC continues to maintain a good and transparent relationship with the external auditors, Messrs PricewaterhouseCoopers PLT ("PwC"). The ARMC has been explicitly accorded the power to communicate directly with the external auditors without the presence of the Executive Directors. They are also invited to attend the ARMC meetings to facilitate the exchange of view on issues requiring attention.

During the financial year under review, PwC have presented its Audit Plan Memorandum (the "Audit Plan"). The Plan includes amongst others, an analysis of the areas of audit focus, proposed audit approach and the audit and reporting timetable besides the updates on the developments in laws and regulations.

PwC had also presented their Audit Committee Report to the Board which includes summary of significant matters identified during the audit of the Group. This includes significant auditing and accounting matters, internal control recommendations, key audit matters and communication of other matters such as audit responsibilities and scope, independence, fraud, development in laws and PwC's views on the significant qualitative aspects of the Group's accounting practices.

PART 6 – RECOGNISE AND MANAGE RISKS OF THE COMPANY

The Board affirms its overall responsibility for the Group's system of internal control which includes the establishment of an appropriate control environment and framework as well as reviewing its adequacy and effectiveness. The internal control system is designed to meet the Group's needs in managing risks.

The following represent the key elements of the Company's risk management and internal control structure:

a) adopt clear and defined lines of responsibility and delegation of authority;
b) review and approve annual budget for the Group which sets out business prospects and opportunities;
c) review of the Group's business performance by the Board quarterly, which also covers the assessment of the impact of changes in business and competitive environment; and
d) adopt active participation and involvement by the Managing Director / CEO and senior management in major business decisions.

The Board is committed towards improving the risk management to meet its corporate objectives with acceptable level of risks which are aligned to the Groups' risk appetite. Therefore, the Board has formalised a clear strategy to identify and manage the major or significant operational, financial and market risks associated with the Group's business which is presented in the Statement on Risk Management and Internal Control in this Annual Report.

PART 7 – ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

7.1 Corporate Disclosure Policies

The Board acknowledges the importance of timely disclosure of material corporate information to shareholders. With this in mind, the Board had established corporate disclosure policies and procedures to enable comprehensive, accurate and timely disclosures relating to the Company and its subsidiary to be made to the regulators, shareholders and stakeholders. Accordingly, the Board has formalised pertinent corporate disclosure policies not only to comply with the disclosure requirements as stipulated in the MMLR, but also setting out the persons authorised and responsible to approve and disclose material information to the regulators, the shareholders and other stakeholders.

The Board is mindful that information which is expected to be material must be announced immediately, and that the confidential information should be handled properly to avoid leakage and improper use of such information.

This corporate disclosure policy is available at our website: www.salutica.com

7.2 Leverage on Information Technology for Effective Dissemination of Information

In line with the corporate disclosure policy, the Company has incorporated an Investor Relations section in the company website: www.salutica.com which provides all relevant information on the Company and is accessible by the public.

This Investor Relations section enhances the Investor Relations function by including all announcements made by the Company. The announcements of the quarterly financial results are also made via Bursa LINK immediately after the Board's approval. This is important in ensuring equal and fair access to information by the investing public.

The website also enable shareholders and investors to access information on the Group's products, awards recognition and business activities.

PART 8 – STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS

8.1 Encourage Shareholder Participation at General Meeting

The Board is responsible to ensure there is proper communication channel with its shareholders. The AGM is the principal forum for shareholders' dialogue which allows the shareholders to review the Company's performance via the Company's Annual Report and pose questions to the Board for clarification. At the AGM, the shareholders participate in deliberating resolutions being proposed or on the Company's operations in general.

The Notice of AGM is circulated to the shareholders at least twenty-one (21) days before the date of the meeting to enable them to go through the Annual Report and papers supporting the resolutions proposed. The outcome of the AGM is then announced to Bursa Securities on the same meeting day.

8.2 Voting by Poll

Pursuant to paragraph 8.29A of the MMLR, any resolution set out in the notice of any general meeting, or in any notice of resolution which may properly be moved and its intended to be moved at the general meeting, is voted by poll.

Hence, all resolutions as set out in the notice of the Company's forthcoming AGM will be voted by poll.

The Board appoints independent scrutineer to validate the votes cast at the general meeting.

PART 8 – STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS (CONT'D)

8.3 Investor Relations and Shareholder engagement

The Board recognises that transparency and accountability to its shareholders and investors are important. Information on the Company's performance and any significant developments on all material business matters are disseminated in a timely manner.

Different channels of communication are optimised to ensure that clear, relevant and effective communication is facilitated. Presently, the Board and management of Company communicate regularly with its shareholders and other stakeholders through the following mediums:

- **Announcements through Bursa Securities and Bursa LINK**

  The Board ensures timely announcements of financial results on a quarterly basis as well as significant corporate developments are made to Bursa Securities.

- **Analyst Briefings**

  Analyst briefings are held from time to time as a means of effective communication that enables the Board and the management to convey information relating to the Company's corporate strategy and other matters affecting the shareholders' interests, as well as provide clearer understanding of the Company's financial and operational performance.

- **Press Releases**

  Press releases are made to the media on all material and significant corporate developments and business initiatives.

- **One-to-One Meetings and conference calls**

  The Company aims to communicate fully with fund managers, investors and analysts upon request and availability. Regular, one-to-one meetings or conference calls with analysts and fund managers are held to provide updates on the Company's strategy and financial performance.

- **Annual report**

  The Board ensures that the annual report are delivered within four months from the close of the financial year and at least twenty eight (28) days before the AGM to enable the shareholders to obtain the Group's past year performance and also to provide adequate time for the shareholders to review the report.

- **Official Company Website**

  The Company has a website, www.salutica.com, which provides information on the Company and its business for both shareholders and the general public.

COMPLIANCE STATEMENT

The Board shall remain committed in attaining the highest possible standards through the continuous adoption of the principles and best practices of the MCCG and all other applicable laws and regulations.

This Statement is made in accordance with a resolution of the Board of Directors dated 15 October 2018.

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

INTRODUCTION

The Board of Directors ("the Board") of Salutica Berhad is pleased to present the Audit and Risk Management Committee ("ARMC") report for the FYE2018 in pursuant to paragraph 15.15 of the Main Market Listing Requirements ("MMLR") of Bursa Securities.

1. Composition

The members of the ARMC are appointed by the Board from amongst the Non-Executive Directors and consist of at least three (3) members, the majority of whom are Independent Directors in compliance with Paragraph 15.09 of the MMLR.

The Board shall at all the times ensure that at least one (1) member of the ARMC:

i) must be a member of the Malaysian Institute of Accountants ("MIA"); or
ii) if he is not a member of the MIA, he must have at least three (3) years' working experience and:
   a) passed the examinations specified in Part I of the First Schedule of the Accountants Act 1967;
   b) must be a member of one of the associations of accountants specified in Part II of the First Schedule of the Accountants Act 1967; or
   c) fulfils such other requirements as prescribed or approved by Bursa Securities.

No alternate director shall be appointed as a member of the ARMC.

No person who is a current partner or employee of the Group's external auditor may be appointed as a member of the ARMC.

In the event of any vacancy in the ARMC resulting in a non-compliance in respect of the composition of ARMC under the MMLR, the Company must fill the vacancy within three (3) months.

There was a change to the composition of the ARMC during the financial year under review as follows:

Name	Designation	Directorship
Leow Chan Khiang	Chairman	Independent Non-Executive Director
Chia Chee Hoong	Member	Chairman/Independent Non-Executive Director
Low Teng Lum	Member	Senior Independent Non-Executive Director
Joshua Lim Phan Yih (*)	Member	Non-Independent Non-Executive Director

2. Attendance at meetings

During the FYE2018, the ARMC held five (5) meetings, in the presence of the Company Secretaries and the Executive Directors were invited to attend such meetings. Both the external auditors and the internal auditors were also invited to some of the meetings of the ARMC to present their respective audit plan and reports and respond to queries during the meetings. The ARMC had also held two (2) meetings with the external auditors without the presence of the Executive Directors during the financial year under review.

The details of the attendance for the financial year under review are as follows:

Member	No of meetings held	Attendance
Mr. Leow Chan Khiang	5	5/5
Mr. Chia Chee Hoong	5	5/5
Mr. Low Teng Lum	5	5/5
Mr. Joshua Lim PhanYih (*)	5	4/5

(*) Mr. Joshua Lim Phan Yih resigned as a member on 2 July 2018 upon his re-designation as an Executive Director.

3. Objectives

The principal objective of the ARMC is to assist the Board in its responsibilities relating to the accounting and reporting practices of Salutica Berhad ("Company") together with its subsidiary under the Group.

In addition, the ARMC shall:

a. evaluate the quality of the audits performed by the internal and external auditors;
b. ensure financial statements comply with the applicable financial reporting standards;
c. oversee compliance with the applicable laws and regulations and ensure adherence to proper code of conduct;
d. have policies and procedures to assess the suitability and independence of external auditors; and
e. review and assess the risk management policies and procedures and internal control system.

4. Chairman

The Chairman of the ARMC shall be an Independent Non-Executive Director. In the absence of the Chairman, the members shall elect any one (1) of the members present at the meeting to be the Chairman of the meeting.

5. Secretaries

The Company Secretaries shall be the secretaries of the ARMC.

6. Quorum and Meeting Procedures

The quorum of the meeting of the ARMC shall be at least two (2) members, a majority of whom must be Independent Directors.

At least four (4) meetings shall be convened during a year. The meetings shall be scheduled regularly by the secretaries of the ARMC and proper notice shall be given to the members before the meeting together with the agenda of the meeting and supporting papers. The minutes of the meeting shall be recorded for reference and inspection purposes. The Executive Directors, or the internal or external auditors may be present in any meeting upon the invitation of the ARMC.

7. Authority

The ARMC shall have the authority to do the following:

a. to carry out its function within its terms of reference. All employees of the Group shall be directed to co-operate as requested by the ARMC;
b. have full and unlimited/unrestricted access to all information, documents and resources which are required to perform its duties;
c. be able to obtain, at the expense of the Company, any other independent professional advice, if required;
d. be able to convene meetings with external auditors, internal auditors or both, excluding the attendance of the Executive Directors and employees of the Company, whenever deemed necessary;
e. be able to make relevant reports when necessary to the relevant authorities if any breach of the rules, regulations and/or listing requirements of the Bursa Securities has occurred; and
f. have direct communication channels with the external auditors and person(s) carrying out the internal audit function.

8. Functions

The ARMC shall discharge the following duties and responsibilities and report the same to the Board:

a. to review with the external auditors:
   i. the audit plans;
   ii. its evaluation of the system of internal controls;
   iii. the audit report;
   iv. the assistance given by the employees and the management of the Company and the Group to the external auditors; and
   v. the management letter of the external auditors and the management's response.

8. Functions (cont'd)

b. to review with the internal auditors:
   i. the adequacy of the scope, functions, competency and resources of the internal audit function and that it has the necessary authority to carry out its work; and
   ii. the internal audit programs, processes, the results of the internal audit programs, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function.

c. to review the quarterly unaudited financial results and audited financial statements, prior to the approval of the Board, particularly focusing on:
   i. changes in or implementation of major accounting policies;
   ii. significant and unusual events; and
   iii. compliance with approved accounting standards and other legal requirements.

d. to monitor any related party transaction and conflict of interest situation that may arise within the Group including any transaction, procedure or course of conduct that raises questions on the integrity of the management of the Group;

e. to consider the appointment, resignation or dismissal of the external auditors;

f. to review and monitor the suitability and independence and evaluate the performance of the external auditors for re-appointment;

g. to obtain written assurance from the external auditors confirming that they are, and have been, independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements;

h. to review and report such other matters as may be delegated by the Board from time to time.

i. to review and approve the internal audit plan for the Group which covers internal control system, risk register and update as per Risk Management Policy;

j. to review and discuss the outcome of the exercise to identify, evaluate and manage significant strategic, operational and financial risks faced by the Group; and

k. to review related party transactions and conflict of interest situation that may arise within the Group.

9. Reporting

The ARMC shall report to the Board either formally in writing or verbally, as it considers appropriate, on its terms of reference at least once a year, but more frequently as it wishes.

The ARMC shall report to the Board any specific matters, as requested by the Board, for investigation.

10. Activities of the ARMC

The main activities carried out by the ARMC during the FYE2018 in discharging their duties and responsibilities were summarized as follows:

i. reviewed and approved the Audit Planning Memorandum on the statutory audit of the Group for the FYE2018 prepared by external auditors;
ii. reviewed with the external auditors the result of the audit work performed, the Audit Committee Report and the management letter or representation, including management response;
iii. reviewed the independence and competency of the external auditors and recommended to the Board on their re-appointment and the fixing of its audit fees;
iv. reviewed the terms of reference of the ARMC, the Board Charter, Code of Conduct and Ethics, Corporate Disclosure and Whistle Blowing Policies since the last financial year;
v. reviewed and approved the internal audit plan for the Group which covered internal control system, risk register and update as per Risk Management Policy and follow-up of observations reported during the internal audit performed;
vi. reviewed related party transactions and conflict of interest situation that may arise within the Company or the Group during each quarterly meetings;
vii. reviewed and recommended improvements to the existing internal controls, risk management as reported by internal auditor, NGL Tricor Governance Sdn.Bhd.;
ix reviewed the quarterly and annual financial statements of the Company and the Group together with the Managing Director/Chief Executive Officer and the management in charge of finance as well as the external auditors, focusing particularly on significant changes to accounting policies and practices, going concern assumptions, review significant accounting estimates and management judgments, adjustments arising from the audits, compliance with the relevant accounting standards and other legal requirements to ensure that the financial statements presented a true and fair view of the Group's financial performance before recommending them to the Board for approval and release of the same to Bursa Securities;

10. Activities of the ARMC (cont'd)

x reviewed the disclosure statements on the Statement on Corporate Governance, ARMC, Directors' Responsibility Statement, MDNA and Statement on Risk Management and Internal Control and recommended their adoption by the Board for inclusion in this Annual Report; and

xi reviewed the Corporate Governance report pursuant to Paragraph 15.25 of MMLR of Bursa Securities.

The objectives, authority, composition and responsibilities of the ARMC can be viewed at the Company's website www.salutica.com

11. Internal Audit Function

The Group continues to adopt a risk-based approach and prepares its audit strategy and plan based on risk profiles of the business units of the Group.

During the FYE2018, the Group had engaged an independent professional service provider, NGL Tricor Governance Sdn. Bhd. ("NGL") to provide independent assurance on the effectiveness of the Group's system of internal controls and to advise the Group in areas that requires further improvement. The work performed is in accordance with the International Professional Practices Framework for Internal Auditing from the Institute of Internal Auditors.

NGL is headed by Mr. Chang Ming Chew who is the person responsible for the outsourced internal audit function of the Group. He is also a director of NGL and has the following qualifications and memberships:

i. Certified Internal Auditor of the Institute of Internal Auditors;
ii. Professional Member of the Institute of Internal Auditors Malaysia;
iii. Member of the Association of Chartered Certified Accountants (UK); and
iv. Member of the Malaysian Institute of Accountants.

NGL has a total of seventeen (17) professional service staff providing internal audit services as at 30 June 2018.

There were two (2) internal control reviews performed during FYE2018 as follows:

i) Procurement Cycle in December 2017

The scope of the review covers the following processes:

(a) Requisitioning;
(b) Ordering;
(c) Receiving of goods;
(d) Assessment of suppliers' performance; and
(e) Supplier concentration risk.

ii) Human Resource Functions Cycle in May 2018

The scope of the review covers the following processes:

(a) Recruitment and Selection;
(b) Resignation and Clearance;
(c) Overtime ("OT") processing; and
(d) Industrial Relation.

NGL presented the internal control reviews reports to the ARMC in two separate meetings and concluded that the critical process risks have been identified and relevant control activities have been implemented accordingly.

The professional fee incurred for the internal audit performed for the FYE2018 was RM24,000.

This Statement is made in accordance with a resolution of the Board of Directors dated 15 October 2018.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

The Board of Directors ("the Board") is always mindful and committed to maintain a sound system of internal controls in which the Group operates. The Board is pleased to provide the following Statement on Risk Management and Internal Control ("SORMIC") as required under Paragraph 15.26(b) of the Main Market Listing Requirements which outlines the nature and scope of the risk management and internal control of the Group during the financial year under review until the date of approval of this Statement.

1. Board's Responsibility

The Board recognises their overall responsibilities to maintain a sound system of risk management and internal controls that covers not only financial controls but operational and compliance controls, and risk management practices throughout the Group.

In this respect, the Board and the senior management of the Group are responsible for identifying principal risks, ensuring the implementation of appropriate systems to manage these risks and reviewing the adequacy and integrity of the Group's system of internal controls. However, such systems, by their nature, can only provide reasonable, but not absolute assurance against material misstatement of financial information and records or against financial losses or fraud.

The system of internal controls covers inter alia, governance, risk management, financial, organisation, operational and compliance controls. This system is designed to manage risk appropriately rather than eliminate the risks of failure to achieve business objectives.

The Management assists the Board in the implementation of the Board's policies and procedures on risk management and internal control by identifying and assessing the risks faced, and in the design, operation and monitoring of suitable internal controls to manage these risks.

The Board is of the view that the system of internal controls in place for the financial year under review and up to the date of issuance of the financial statements is sound and sufficient to safeguard the shareholders' investment, the interests of customers, regulators and employees, and the Group's assets.

2. Risk Management Framework

The Board has established an ongoing process to identify, evaluate and manage the significant risks to which the Group is exposed by establishing a risk management framework for the Group. The Board recognises the importance of continuous review and improvement to its risk management process to keep abreast with the industry requirements and adapt to changes in its business environment.

The key elements of the Group's Risk Management Framework are described as follows:

(a) Structure

The Group adopts a decentralised approach to risk management, whereby all employees take ownership and accountability for risks at their respective levels. The process of risk management is overseen by the Heads of Department ("HOD"). Risk assessment is integrated into strategic planning and all other activities of the Group. Risk assessments are conducted on new ventures and activities, including projects, processes, systems and commercial activities to ensure that these are aligned with the Group's objectives and goals. Any risks or opportunities arising from these assessments will be identified, analysed and reported to the Risk Management Committee ("the RMC"). All employees are encouraged to contribute towards the identification of new risks and implementation of new controls.

(b) Risk Assessment

The Group maintains a register of principal risks specific to the Group together with their corresponding controls, which are categorised as follows:

- Strategic: Which are risks that affect the overall direction of the business.
- Compliance: Which are risks associated with the laws and regulations.
- Financial: Which are risks associated with financial processing and reporting.
- Operational: Which are risks that impact the delivery of the Group's products and services.

2. Risk Management Framework (cont'd)

(b) Risk Assessment (cont'd)

The Group maintains a strategic risk register whilst all departments within the Group maintain their respective operational risk registers. The Group is committed to ensuring that all staff, particularly Heads of Department are provided with adequate guidance and training on the principles of risk management and their responsibilities in order to be in compliant with the risk management framework setup.

During the financial year, the Board quarterly or when required reviews the design and monitors the operating effectiveness of the internal controls, including the development of an appropriate risk management culture across the Group.

The Board is supported by the RMC headed by its Managing Director, based on the advice from the Audit and Risk Management Committee ("ARMC"). The role of the RMC includes periodic reporting of the status of risk mitigation actions, new risks identified and risks that have changed characteristics together with the corresponding key controls. The RMC, which comprises key persons from all departments, submits its reports to the ARMC and the Board on a quarterly basis.

3. System of Internal Controls

The Board considers risk assessment and internal control to be fundamental to the Group in achieving its corporate objectives within reasonable risk profile and is committed to ensure effective and efficient internal control system is implemented across the Group.

The key elements of the Group's internal control system are described below:

(a) Control Environment

The importance of a proper control environment is emphasised throughout the organisation. Focus is directed towards the quality and abilities of the Group's employees. They are provided with continuing education and training to enhance their skills and to reinforce qualities of professionalism and integrity. Such training also includes internal briefings and external seminars for selected employees to enhance the level of awareness and knowledge on matters relating to risk management and internal control.

(b) Control Structure

The Board has established an organisation structure with clearly defined lines of accountability and delegated authority. This includes well-defined responsibilities of Board committees and various management levels, including authorisation levels for all aspects of the business.

The key elements of the Group's control structure are as follows:

- **Areas covered by Management**

  Policies and Procedures: Internal control procedures are set out in a series of standard operating policies and procedures to govern the Group's various business processes. The procedures are subject to regular review to ensure its relevancy.

  Human Capital: The Group follows a set of recruitment guidelines for hiring and termination of staff, an analysis of staff training needs and annual performance appraisals to enhance the level of staff competency in carrying out their duties and responsibilities. Each employees are given the Employee Handbook which defines the core principles, ethical standard and expected code of conduct which employees should follow in achieving the Group's vision and objectives.

  Limits of Authority: The Board approves transactions exceeding certain threshold limits, while delegating authority for transactions within those limits to authorised personnel in order to facilitate operational efficiency.

3. System of Internal Controls (cont'd)

(b) Control Structure (cont'd)

- **Areas covered by Management (cont'd)**

Related Party Transactions: The Board ensures that related party transactions are undertaken in compliance with the Group's policy – that are carried out on terms agreed between both parties, which are in the best interest of the Group.

Whistle Blowing Policy: The Board acknowledges the importance of Whistle Blowing Policy and had implemented it in 2015 and subsequent review in 2018. The policy provides an avenue for staff or any other persons including general public to raise concerns on any wrongdoing committed by staff of the Group relating to mismanagement or abuse of authority, corruption or any breach of laws and regulations. Additionally, it also provides for any complaint to be reported directly to the Chairman of the ARMC.

Communication: Information is communicated through circulars, emails, meetings and internal memos.

- **Internal Audit**

The Group has outsourced the internal audit function to NGL Tricor Governance Sdn.Bhd., an independent professional service provider ("Internal Auditors") who reports directly to ARMC. The Internal Auditors carry out its functions independently with risk-based approach and provides the ARMC and the Board with the assurance on the areas to be tested during the financial year, the adequacy and effectiveness of the system of internal controls.

The qualification, name and number of Internal Audit staff are disclosed in the ARMC report in this annual report.

During the financial year under review, the internal auditors have performed two cycles of internal control review. The scope of the internal audit focused on the key risk areas identified in the enterprise-wide risk management exercise in accordance with the internal audit plan approved by the Board.

For any significant control deficiencies noted from the reviews will be documented, communicated and recommended to management for review and corrective actions. The Internal Auditors report to the ARMC all significant non-compliance, internal control weaknesses and actions taken by management to resolve the audit issues identified.

- **ARMC**

The ARMC reviews, monitors and evaluates the effectiveness and adequacy of the Group's internal controls and financial and risk management issues raised by the External and Internal Auditors, regulatory authorities and management. The review includes reviewing written reports from the Internal and External Auditors. As part of the ongoing control improvement process, management will take appropriate action to address the control recommendations made by the Internal and External Auditors.

The ARMC also convenes meetings with External Auditors, Internal Auditors, or both without the presence of management. In addition, the ARMC reviews the adequacy of the scope, functions and competency of the Internal and External Auditors. The ARMC also reviews and evaluates the procedures established to ensure compliance with applicable legislation, the Listing Requirements and the Group's system of internal controls.

The ARMC report included in this Annual Report contains further details on the activities undertaken by the ARMC in 2018.

3. System of Internal Controls (cont'd)

(b) Control Structure (cont'd)

- **The Board**

The Board holds regularly discussions with the ARMC and management and considers their reports on matters relating to internal controls and deliberates on their recommendations for implementation. The Group is committed to conduct business fairly and ethically, and in compliance with the law and regulations. The Board's Charter and Code of Conduct and Ethics stipulates how Directors should conduct themselves in all business matters.

4. Review of the Statement by External Auditors

As required by Paragraph 15.23 of the Bursa Malaysia Listing Requirements, the external auditors have reviewed this Statement on Risk Management and Internal Control. Their limited assurance review was performed in accordance with Audit and Assurance Practice Guide ("AAPG") 3 issued by the Malaysian Institute of Accountants. AAPG 3 does not require the external auditors to form an opinion on the adequacy and effectiveness of the risk management and internal control system of the Group.

5. Conclusion

The Managing Director/Chief Executive Officer and Chief Financial Officer have provided assurance to the Board that the Group's risk management and internal control system, in all material aspects, have operated adequately and effectively.

There were no major weaknesses in internal controls which resulted in material losses during the financial year under review until the date of approval of this Statement.

The Board is of the view that the development of internal controls is an ongoing process and has taken steps to establish a sound internal control system and effective risk management framework throughout the Group. The internal control system is operating satisfactory and have not resulted in any material losses, contingencies or uncertainties that would require disclosure in the Group's annual report. The Board continues to take pertinent measures to sustain and where required, to improve the Group's risk management and internal control system in meeting the Group's strategic objectives.

This statement was made in accordance with a resolution approved by the Board on 15 October 2018.

DIRECTORS' RESPONSIBILITY STATEMENT

Directors' Responsibility Statement in respect of the preparation of the Audited Financial Statements

The Directors are responsible for the preparation of the financial statements and to ensure that the audited financial statements give a true and fair view of the state of affairs of the Group and the Company as at 30 June 2018 and the results and cash flows of the Group and the Company for the financial year ended on that date in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

During the preparation of the audited financial statements of the Group and the Company, the Directors have:-

- adopted appropriate accounting policies and have applied consistently all applicable approved accounting standards in Malaysia;
- made reasonable judgements and estimates that are reasonable and prudent; and
- prepared the financial statements on a going concern basis.

The Directors are responsible for ensuring that the Group and the Company maintain proper accounting records which disclose with reasonable accuracy the financial positions of the Group and the Company.

The Directors acknowledge their overall responsibility for maintaining a system of internal controls that provides assurance of effective and efficient operations and compliance with laws and regulations and also its internal procedures and guidelines. The system of internal controls is designed to provide reasonable but not absolute assurance against the risk of material errors, frauds or losses occurring. Audit and Risk Management Committee reviews and report to the Board the effectiveness of the system of internal controls, which not only covers financial, but also operational, compliance controls and risk management.

The Directors have considered and pursued the necessary actions to meet their responsibilities as set out in this Statement.

ADDITIONAL COMPLIANCE **INFORMATION**

1. Utilisation of proceeds

Salutica's Initial Public Offering ("**IPO**") on 18 May 2016 at an issue price of RM0.80 per share had raised gross proceeds of RM62.4 million. The utilisation of proceeds for the financial year ended 30 June 2018 was as follows:

Details of utilisation	Intended utilisation RM'000	Actual utilisation as at 30.06.2018 RM'000	Deviation RM'000	Balance RM'000	Intended timeframe for utilisation (from date) of listing	Extended timeframe for utilisation
Repayment of bank borrowing	8,500	8,500	-	-	Within 6 months	-
Capital expenditure	25,000	11,631	-	13,369	Within 24 months	Additional 18 months (i.e. until 17 November 2019) *
R&D expenditure	8,200	8,200	-	-	Within 24 months	-
Working capital	16,700	16,700	-	-	Within 24 months	-
Estimated listing expenses	4,000	4,000	-	-	Within 3 months	-
Total	**62,400**	**49,031**	**-**	**13,369**		

* The Group has yet to fully utilise the IPO proceeds. The Board has resolved to extend the timeframe for the utilisation of proceeds which have been earmarked for the capital expenditure in relation to the acquisition of new machinery and equipment for an additional 18 months.

The utilisation of the proceeds as disclosed above should be read in conjunction with the Prospectus of the Company dated 28 April 2016.

2. Statutory and non-statutory audit fees

The statutory audit and non-statutory audit fees incurred for services rendered by external auditors, Messrs. PricewaterhouseCoopers PLT to the Group and the Company for the financial year ended 30 June 2018 are as follows:

FYE2018	Company (RM'000)	Group (RM'000)
Statutory Audit	62	150
Non-statutory Audit	10	41

The non-statutory audit fees included assurance services comprises, amongst others, fees related to the review of Statement on Risk Management and Internal Control.

3. Material Contracts

There were no material contracts entered into by the Company or its subsidiary involving the interests of the Directors or major shareholders, either subsisting at the end of the financial year 30 June 2018 or, it not then subsisting, entered into since the end of previous financial year.

REPORTS AND STATUTORY FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

DIRECTORS' REPORT
for the financial year ended 30 June 2018

The directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended 30 June 2018.

DIRECTORS

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

Lim Chong Shyh
Joshua Lim Phan Yih
Chia Chee Hoong
Low Teng Lum
Leow Chan Khiang
Chan Shook Ling (appointed on 13 October 2017)

The names of directors of subsidiary are listed below (excluding directors who are also directors of the Company):

Goh Bee Chin @ Ooi Bee Chin
Ho Keat Soong

PRINCIPAL ACTIVITIES

The principal activity of the Company is that of investment holding. The principal activities of the subsidiary are shown in Note 12 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

FINANCIAL RESULTS

	Group RM'000	Company RM'000
Net profit for the financial year	**11,362**	**11,879**

RESERVES AND PROVISIONS

All material transfers to or from reserves or provisions during the financial year are shown in the financial statements.

DIRECTORS' BENEFITS

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

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than those benefits shown under Directors' Remuneration section below) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest except that certain directors received remuneration from a related company as directors or executives of the related company.

DIRECTORS' INTERESTS

According to the Register of Directors' Shareholdings required to be kept under Section 59 of the Companies Act, 2016 in Malaysia, none of the directors who held office at the end of the financial year held any interest in shares in, or debentures of, the Company or any other body corporate, being the Company's subsidiary or holding company during the financial year except as set out below:

	Number of ordinary shares			
Salutica Berhad (the Company)	**As at 1.7.2017/ date of appointment***	**Acquired**	**Disposed**	**As at 30.6.2018**
Direct interest				
Chia Chee Hoong	700,000	0	0	700,000
Low Teng Lum	700,000	0	0	700,000
Leow Chan Khiang	700,000	0	0	700,000
Chan Shook Ling	* 6,100,000	0	0	6,100,000
Indirect interest				
Lim Chong Shyh	238,390,000	350,000	(4,000,000)	234,740,000
Joshua Lim Phan Yih	238,390,000	350,000	(4,000,000)	234,740,000
Low Teng Lum	30,000	0	0	30,000

	Number of ordinary shares			
	As at 1.7.2017	**Acquired**	**Disposed**	**As at 30.6.2018**
Blue Ocean Enlightenment Sdn. Bhd. (the ultimate holding company)				
Direct interest				
Lim Chong Shyh	54	0	0	54
Joshua Lim Phan Yih	23	0	0	23

By virtue of their substantial interest in shares in Salutica Berhad as at 30 June 2018, Lim Chong Shyh and Joshua Lim Phan Yih are deemed to have interest in the shares in Salutica Allied Solutions Sdn. Bhd., the wholly owned subsidiary of the Company.

DIVIDENDS

The dividends declared and paid since the end of the Company's previous financial year are as follows:

	RM'000
In respect of the financial year ended 30 June 2018, on 388,000,000 ordinary shares:	
- First interim single-tier tax exempt dividend of 0.6 sen per share, declared on 22 August 2017 to shareholders registered in the Company's Register of Members as at 15 September 2017 and paid on 29 September 2017	2,328
- Second interim single-tier tax exempt dividend of 0.6 sen per share, declared on 23 November 2017 to shareholders registered in the Company's Register of Members as at 8 December 2017 and paid on 22 December 2017	2,328
- Third interim single-tier tax exempt dividend of 0.6 sen per share, declared on 9 February 2018 to shareholders registered in the Company's Register of Members as at 28 February 2018 and paid on 15 March 2018	2,328
- Fourth interim single-tier tax exempt dividend of 0.6 sen per share, declared on 22 May 2018 to shareholders registered in the Company's Register of Members as at 11 June 2018 and paid on 26 June 2018	2,328
	9,312

The directors do not recommend the payment of a final dividend for the financial year ended 30 June 2018.

On 28 August 2018, the directors declared a first interim single-tier tax exempt dividend to shareholders registered in the Company's Register of Members as at 18 September 2018 in respect of the financial year ending 30 June 2019 of 0.6 sen per share on 388,000,000 ordinary shares amounting to RM2,328,000, paid on 28 September 2018.

DIRECTORS' REMUNERATION

Details of directors' remuneration of the Group and of the Company are set out in Note 6 to the financial statements.

INDEMNITY AND INSURANCE FOR DIRECTORS, OFFICERS OR AUDITORS

The Group maintains a liability insurance which provides appropriate insurance cover for the directors and key management personnel of the Company and its subsidiary. The amount of insurance premium paid by the Group for the financial year ended 30 June 2018 amounted to approximately RM18,000.

No other indemnities have been given to or insurance effected for any other officer or auditor of the Company during the financial year and during the period from the end of the financial year to the date of this report.

ULTIMATE HOLDING COMPANY

The directors regard Blue Ocean Enlightenment Sdn. Bhd., a company incorporated in Malaysia, as the Company's ultimate holding company.

OTHER STATUTORY INFORMATION

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

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

(b) to ensure that any current assets, which were unlikely to realise 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:

(a) which would render the amounts written off for bad debts or the amount of allowance for doubtful debts inadequate to any substantial extent; or

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

(c) 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.

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

(a) 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

(b) any contingent liability 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 affect the ability of the Company and its subsidiary to meet their obligations when they fall due.

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

In the opinion of the directors:

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

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

SUBSIDIARY

Details of the subsidiary of the Company are set out in Note 12 to the financial statements.

AUDITORS' REMUNERATION

Details of auditors' remuneration are set out in Note 6 to the financial statements.

AUDITORS

The auditors, PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146) have expressed their willingness to accept re-appointment as auditors.

PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146) was registered on 2 January 2018 and with effect from that date, PricewaterhouseCoopers (AF 1146), a conventional partnership was converted to a limited liability partnership.

This report was approved by the Board of Directors on 15 October 2018. Signed on behalf of the Board of Directors.

LIM CHONG SHYH
Director

JOSHUA LIM PHAN YIH
Director

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

We, Lim Chong Shyh and Joshua Lim Phan Yih, being two of the directors of Salutica Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 64 to 120 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 30 June 2018 and financial performance of the Group and of the Company for the financial year ended on that date in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

Signed on behalf of the Board of Directors in accordance with a resolution of the directors dated 15 October 2018.

LIM CHONG SHYH
Director

JOSHUA LIM PHAN YIH
Director

STATUTORY
DECLARATION
pursuant to Section 251(1) of the Companies Act, 2016

I, Chan Shook Ling, being the director primarily responsible for the financial management of Salutica Berhad, do solemnly and sincerely declare that, the financial statements set out on pages 64 to 120 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 in Malaysia.

CHAN SHOOK LING

Subscribed and solemnly declared by the abovenamed, Chan Shook Ling (NRIC No.: 701219-08-5902 and MIA No.: CA 17167) before me at Ipoh, in the State of Perak Darul Ridzuan, Malaysia on 15 October 2018.

Commissioner for Oaths

INDEPENDENT
AUDITORS' REPORT
to the members of Salutica Berhad (Company No.: 1024781 T) (Incorporated in Malaysia)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of Salutica Berhad ("the Company") and its subsidiary ("the Group") give a true and fair view of the financial position of the Group and of the Company as at 30 June 2018, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

What we have audited

We have audited the financial statements of the Group and of the Company, which comprise the statements of financial position of the Group and of the Company as at 30 June 2018, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 64 to 120.

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.

Our audit approach

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements of the Group and of the Company. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Group and of the Company, the accounting processes and controls, and the industry in which the Group and the Company operate.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key audit matters

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

Key audit matters	How our audit addressed the key audit matters
Revenue recognition on services rendered in respect of product development The Group recorded revenue on services for product development totalling RM5.2 million for the financial year ended 30 June 2018. The Group recognises revenue on services rendered for product development using the stage of completion method. The stage of completion is measured by reference to the proportion of services performed to date as a percentage of total services to be performed for the respective projects of the product development activities carried out for its customers. We placed focus on this area because the determination of the extent of services performed to date and total services to be performed is subjective in nature and involved estimation by management. Services performed are affected by changes in market demand, consumers' trends and technology advancement. Refer to Note 3.20 - Significant accounting policies and Note 4 – Significant accounting estimates and judgements.	We performed the following procedures in relation to revenue recognition on services rendered in respect of product development: • We obtained an understanding of management's monitoring of the percentage of completion based on the time incurred and the total budgeted time required to complete the project. • We tested management's controls over its approval process of budget set for each product project. • We evaluated the reasonableness of management's assessment of the services performed to date to the project status records and respective minutes of meeting of the project development team. • For total estimated revenue, we checked completeness by tracing to quotations to customers and customers' purchase orders received. • We checked mathematical accuracy of the percentage of completion based on information on the time incurred up to the reporting date over the total budgeted time required to complete the project and agreed its corresponding revenue calculated based on percentage of completion to the amounts recorded in the profit or loss of the Group. Based on the procedures performed, there was no material exception noted.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key audit matters (continued)

Key audit matters	How our audit addressed the key audit matters
Capitalisation and amortisation of internal development costs As at 30 June 2018, the internal development costs of the Group amounted to RM0.4 million. The Group engages in research and development activities to develop and produce its own in-house brand of bluetooth devices. We focused on the appropriateness of capitalisation and amortisation of internal development costs because these projects may be long term in nature and there are significant judgement involved in: - distinguishing projects classified as research versus development phase; - determining whether the criteria to capitalise costs incurred for projects classified under development phase comply with MFRS 138 "Intangible Assets"; and - determining whether the useful life of the capitalised development cost is reasonable. Refer to Note 3.4(a) - Significant accounting policies and Note 4 – Significant accounting estimates and judgements.	We have performed the following procedures in relation to capitalisation and amortisation of development costs: • We tested management controls over the appropriateness of process including relevant approval of budget on internal development projects and the related development costs. • We discussed with management on the classification of each internal development project as 'research' or 'development' and independently assessed the appropriateness of the classification. • We tested samples of development costs to check whether the relevant project costs capitalised are costs directly attributable to the development projects and met all the criteria for capitalisation as set out in the accounting policies. • We tested samples of actual material costs incurred to invoices from suppliers. • For manpower costs incurred, we traced selected samples of employees involved in those projects that meets capitalisation criteria and traced to the payroll records to assess the reasonableness of the labour costs capitalised. • We discussed with management and assessed the reasonableness of the useful lives by taking into consideration of the product life cycle of existing products and similar products in the industry as well as the patented period. Based on the procedures performed, there was no material exception noted.

There are no key audit matters in relation to the financial statements of the Company.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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 Directors' Report, Chairman's Statement, CEO's Message, Financial Highlights, Corporate Governance Overview Statement, Sustainability Statement, Audit and Risk Management Committee Report, Statement on Risk Management and Internal Control, Management Discussion and Analysis, List of Properties and other contents in the annual report but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

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

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

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

Responsibilities of the directors for the financial statements

The directors of the Company are responsible for the preparation of the 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 has 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:

(a) 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.

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

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Auditors' responsibilities for the audit of the financial statements (continued)

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

(e) 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.

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

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

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

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

OTHER MATTERS

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

PRICEWATERHOUSECOOPERS PLT
[LLP0014401-LCA & AF 1146]
Chartered Accountants

LIM HUCK KHIAM
[03192/06/2019 J]
Chartered Accountant

Ipoh, Perak Darul Ridzuan

15 October 2018

STATEMENTS OF
COMPREHENSIVE INCOME
for the financial year ended 30 June 2018

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Revenue	5	**261,474**	247,091	**12,000**	12,000
Raw materials and consumables used		**(199,560)**	(178,270)	**0**	0
Changes in inventories of work in progress and finished goods		**(327)**	3,376	**0**	0
Employee benefit costs		**(25,351)**	(21,650)	**(347)**	(280)
Contract workers		**(9,211)**	(11,243)	**0**	0
Depreciation of property, plant and equipment		**(7,285)**	(6,688)	**(7)**	(7)
Amortisation of intangible assets		**(2,240)**	(1,687)	**0**	0
Utilities		**(2,688)**	(2,638)	**0**	0
Maintenance and upkeep		**(3,051)**	(3,661)	**0**	0
Interest income		**1,328**	1,431	**1**	5
Other operating income		**5,855**	4,429	**555**	316
Other operating expenses		**(3,737)**	(4,812)	**(323)**	(1,315)
Profit from operations	6	**15,207**	25,678	**11,879**	10,719
Finance costs	7	**(110)**	(345)	**0**	0
Profit before tax		**15,097**	25,333	**11,879**	10,719
Tax expense	8	**(3,735)**	(5,979)	*****	(1)
Net profit for the financial year		**11,362**	19,354	**11,879**	10,718
Other comprehensive income for the financial year, net of tax		**0**	0	**0**	0
Total comprehensive income for the financial year		**11,362**	19,354	**11,879**	10,718
Net profit/Total comprehensive income for the financial year attributable to owners of the Company		**11,362**	19,354	**11,879**	10,718
Earnings per share (RM)					
Basic/diluted	9	**0.03**	0.05		

* Amount is less than RM500

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

STATEMENTS OF FINANCIAL POSITION

as at 30 June 2018

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	10	**41,446**	45,589	**7**	14
Intangible assets	11	**1,044**	2,392	**0**	0
Investment in a subsidiary	12	**0**	0	**50,000**	50,000
Available-for-sale financial assets	13	**119**	119	**0**	0
		42,609	48,100	**50,007**	50,014
Current assets					
Inventories	14	**33,366**	39,399	**0**	0
Receivables, deposits and prepayments	15	**24,487**	30,913	**12**	18
Amount due from a subsidiary	16	**0**	0	**26,992**	30,000
Tax recoverable		**1,173**	1,160	**1**	1
Short term investments	17	**60,863**	43,034	**19,336**	13,674
Deposits, cash and bank balances	18	**30,249**	40,051	**79**	85
		150,138	154,557	**46,420**	43,778
Total assets		**192,747**	202,657	**96,427**	93,792
EQUITY					
Equity attributable to owners of the Company					
Share capital	19	**91,802**	91,802	**91,802**	91,802
Fair value reserve	20	**16**	16	**0**	0
Retained profits	21	**75,255**	73,205	**4,154**	1,587
Total equity		**167,073**	165,023	**95,956**	93,389
LIABILITIES					
Non-current liabilities					
Hire-purchase creditors	22	**0**	293	**0**	0
Term loans	23	**313**	561	**0**	0
Deferred tax liabilities	24	**1,000**	1,715	**0**	0
		1,313	2,569	**0**	0
Current liabilities					
Payable and accrued liabilities	25	**23,491**	32,419	**471**	403
Derivative financial instrument	26	**188**	15	**0**	0
Hire-purchase creditors	22	**291**	1,015	**0**	0
Term loans	23	**250**	1,502	**0**	0
Provision for warranties	27	**141**	114	**0**	0
		24,361	35,065	**471**	403
Total liabilities		**25,674**	37,634	**471**	403
Total equity and liabilities		**192,747**	202,657	**96,427**	93,792

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

STATEMENTS OF CHANGES IN EQUITY

for the financial year ended 30 June 2018

	Issued and fully paid share capital RM'000	Share premium RM'000	Fair value reserve RM'000	Retained profits RM'000	Total RM'000
Group					
At 1 July 2017	**91,802**	**0**	**16**	**73,205**	**165,023**
Total comprehensive income for the financial year					
Net profit for the financial year	**0**	**0**	**0**	**11,362**	**11,362**
Total transactions with owners, recognised directly in equity					
Dividends (Note 28)	**0**	**0**	**0**	**(9,312)**	**(9,312)**
At 30 June 2018	**91,802**	**0**	**16**	**75,255**	**167,073**
At 1 July 2016	38,800	53,002	16	63,163	154,981
Total comprehensive income for the financial year					
Net profit for the financial year	0	0	0	19,354	19,354
Total transactions with owners, recognised directly in equity					
Transition to no-par value regime on 31 January 2017 (Note 19)	53,002	(53,002)	0	0	0
Dividends (Note 28)	0	0	0	(9,312)	(9,312)
	53,002	(53,002)	0	(9,312)	(9,312)
At 30 June 2017	91,802	0	16	73,205	165,023

	Issued and fully paid share capital RM'000	Share premium RM'000	Retained profits RM'000	Total RM'000
Company				
At 1 July 2017	**91,802**	**0**	**1,587**	**93,389**
Total comprehensive income for the financial year				
Net profit for the financial year	**0**	**0**	**11,879**	**11,879**
Total transactions with owners, recognised directly in equity				
Dividends (Note 28)	**0**	**0**	**(9,312)**	**(9,312)**
At 30 June 2018	**91,802**	**0**	**4,154**	**95,956**
At 1 July 2016	38,800	53,002	181	91,983
Total comprehensive income for the financial year				
Net profit for the financial year	0	0	10,718	10,718
Total transactions with owners, recognised directly in equity				
Transition to no-par value regime on 31 January 2017 (Note 19)	53,002	(53,002)	0	0
Dividends (Note 28)	0	0	(9,312)	(9,312)
	53,002	(53,002)	(9,312)	(9,312)
At 30 June 2017	91,802	0	1,587	93,389

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

STATEMENTS OF CASH FLOWS

for the financial year ended 30 June 2018

	Group		Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Operating cash flows				
Net profit for the financial year	**11,362**	19,354	**11,879**	10,718
Adjustments for:				
Property, plant and equipment				
- depreciation	**7,285**	6,688	**7**	7
- gains on disposal	**(49)**	(28)	**0**	0
- written off	**16**	20	**0**	0
Intangible assets (Note 11)				
- capitalisation	**(892)**	(1,888)	**0**	0
- amortisation	**2,240**	1,687	**0**	0
Short term investments				
- gains on disposal	**(217)**	(97)	**(13)**	(8)
- fair value gains	**(1,106)**	(1,491)	**(542)**	(308)
Interest expense	**110**	345	**0**	0
Interest income	**(1,328)**	(1,431)	**(1)**	(5)
Dividend income	**0**	0	**(12,000)**	(12,000)
(Reversal of)/Allowance for slow moving inventories	**(12)**	3	**0**	0
Provision for warranties	**34**	49	**0**	0
Unrealised foreign currency exchange (gains)/losses	**(79)**	110	**0**	0
Fair value losses on derivative financial instruments	**173**	82	**0**	0
Tax expense	**3,735**	5,979	*****	1
	21,272	29,382	**(670)**	(1,595)
Changes in working capital:				
Inventories	**6,045**	(5,113)	**0**	0
Receivables	**6,833**	(3,941)	**6**	(14)
Payables	**(8,270)**	(9,210)	**69**	105
Intercompany	**0**	0	**8**	0
	25,880	11,118	**(587)**	(1,504)
Tax paid	**(4,463)**	(5,252)	**(1)**	(2)
Tax refunded	**0**	21	**0**	0
Net operating cash flow	**21,417**	5,887	**(588)**	(1,506)

* Amount is less than RM500

STATEMENTS OF CASH FLOWS

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Investing cash flows				
Purchase of property, plant and equipment	**(4,155)**	(9,712)	**0**	(21)
Proceeds from disposal of property, plant and equipment	**49**	45	**0**	0
Interest income received	**1,328**	1,431	**1**	5
Placements of deposit with a licensed bank (with maturity period of more than three months)	**(19,200)**	(10,000)	**0**	0
Dividend income received	**0**	0	**12,000**	12,000
Purchase of short term investments	**(108,380)**	(44,410)	**(15,050)**	(10,500)
Proceeds from sales of short term investments	**91,874**	60,697	**9,943**	5,058
Repayment of amount due from a subsidiary	**0**	0	**3,000**	3,810
Net investing cash flow	**(38,484)**	(1,949)	**9,894**	10,352
Financing cash flows				
Dividends paid (Note 28)	**(9,312)**	(9,312)	**(9,312)**	(9,312)
Repayment of hire-purchase creditors	**(1,017)**	(949)	**0**	0
Repayment of term loans	**(1,500)**	(3,452)	**0**	0
Uplift of deposits placed with bank as security	**0**	5,000	**0**	0
Interest paid	**(110)**	(345)	**0**	0
Net financing cash flow	**(11,939)**	(9,058)	**(9,312)**	(9,312)
Net change in cash and cash equivalents	**(29,006)**	(5,120)	**(6)**	(466)
Cash and cash equivalents at beginning of the financial year	**30,051**	35,163	**85**	551
Effects of exchange rate changes on cash and cash equivalents	**4**	8	**0**	0
Cash and cash equivalents at end of the financial year (Note 18)	**1,049**	30,051	**79**	85

Changes in liabilities arising from financing activities

			Movements in cash flow		Non-cash changes	
Group and Company	**Note**	**As at 01.07.2017 RM'000**	**Repayment RM'000**	**Interest paid RM'000**	**Interest expenses RM'000**	**As at 30.06.2018 RM'000**
Hire-purchase creditors	22	1,308	(1,017)	(55)	55	291
Term loans	23	2,063	(1,500)	(55)	55	563

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

1 GENERAL INFORMATION

The principal activity of the Company is that of investment holding. The principal activities of the subsidiary are shown in Note 12 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

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 addresses of the registered office and principal place of business of the Group and of the Company are as follows:

Registered office
41 Jalan Medan Ipoh 6
Bandar Baru Medan Ipoh
31400 Ipoh
Perak Darul Ridzuan

Principal place of business
3 Jalan Zarib 6
Kawasan Perindustrian Zarib
31500 Lahat, Ipoh
Perak Darul Ridzuan

2 BASIS OF PREPARATION

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

The financial statements of the Group and of the Company have been prepared under the historical cost convention unless stated otherwise in the individual policy statement set out in Note 3 to the financial statements and are presented in Ringgit Malaysia.

The preparation of financial statements in conformity with MFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. It also requires directors to exercise their judgement in the process of applying the Group's and the Company's accounting policies. Although these estimates and judgement are based on the directors' best knowledge of current events and actions, actual results may differ. The areas involving higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4 to the financial statements.

2.1 New standards, amendments to published standards and Issue Committee ("IC") interpretations to existing standards that are applicable to the Group and the Company and are effective

The new accounting standards, amendments and improvements to published standards and IC interpretations to existing standards that are effective for the Group's and Company's financial year beginning on 1 July 2017 are as follows:

- Amendments to MFRS 107 "Statement of Cash Flows – Disclosure Initiative"
- Amendments to MFRS 112 "Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses"

The adoption of the Amendments to MFRS 107 has required additional disclosure of changes in liabilities from financing activities. Other than that, the adoption of these amendments did not have any significant financial impact on the current financial year or any prior financial period and is not likely to affect future financial periods.

2.2 New standards, amendments to published standards and IC interpretations to existing standards early adopted by the Group and the Company

There are no new standards, amendments to published standards and IC interpretations to existing standards early adopted by the Group and the Company.

2 BASIS OF PREPARATION (CONT'D)

2.3 New standards, amendments to published standards and IC interpretations to existing standards that are applicable to the Group and the Company but not yet effective and not early adopted

The Group and the Company will apply the new standards, amendments to published standards and IC interpretations to existing standards in the following financial periods:

Financial year beginning 1 July 2018

- IC Interpretation 22 "Foreign Currency Transactions and Advance Consideration" (effective from 1 January 2018) applies when an entity recognises a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. MFRS 121 requires an entity to use the foreign currency exchange rate at the 'date of the transaction' to record foreign currency transactions.

  IC Interpretation 22 provides guidance on how to determine 'the date of transaction' when a single payment/receipt is made, as well as for situations where multiple payments/receipts are made.

  The date of transaction is the date when the payment or receipt of advance consideration gives rise to the non-monetary asset or non-monetary liability when the entity is no longer exposed to foreign currency exchange risk.

  If there are multiple payments or receipts in advance, the entity should determine the date of the transaction for each payment or receipt.

  An entity has the option to apply IC Interpretation 22 retrospectively or prospectively.

- MFRS 9 "Financial Instruments" (effective from 1 January 2018) will replace MFRS 139 "Financial Instruments: Recognition and Measurement"

  MFRS 9 retains but simplifies the mixed measurement model in MFRS 139 and establishes three primary measurement categories for financial assets: amortised cost, fair value through profit or loss and fair value through other comprehensive income ("OCI"). The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are always measured at fair value through profit or loss with an irrevocable option at inception to present changes in fair value in OCI (provided the instrument is not held for trading). A debt instrument is measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest.

  For liabilities, the standard retains most of the MFRS 139 requirements. These include amortised cost accounting for most financial liabilities, with bifurcation of embedded derivatives.

  The main changes are:

  - For financial liabilities classified as FVTPL, the fair value changes due to own credit risk should be recognised directly to OCI. There is no subsequent recycling to profit or loss.
  - When a financial liability measured at amortised cost is modified without this resulting in derecognition, a gain or loss, being the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate, should be recognised immediately in profit or loss.

  MFRS 9 introduces an expected credit losses model on impairment that replaces the incurred loss impairment model used in MFRS 139. The expected credit losses model is forward-looking and eliminates the need for a trigger event to have occurred before credit losses are recognised.

2 BASIS OF PREPARATION (CONT'D)

2.3 New standards, amendments to published standards and IC interpretations to existing standards that are applicable to the Group and the Company but not yet effective and not early adopted (cont'd)

Financial year beginning 1 July 2018 (cont'd)

- MFRS 9 "Financial Instruments" (effective from 1 January 2018) (cont'd)

  The Group and the Company have reviewed their financial assets and liabilities and are expecting the following impact from the adoption of the new standard on 1 July 2018:

  The financial assets held by the Group and the Company include short term investments in money market or cash funds and derivative financial instruments currently classified as 'fair value through profit or loss' and this classification will remain unchanged. The other financial assets are debt instruments that are currently carried as 'loans and receivables' and measured at amortised cost. These financial assets will satisfy the conditions for classification at amortised cost under MFRS 9. Accordingly, the Group and the Company do not expect the new standard to affect the classification and measurement of these financial assets.

  There will be no impact on the Group's and the Company's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at 'fair value through profit or loss' and the Group and the Company do not have any such liabilities. The derecognition rules have been transferred from MFRS 139 "Financial Instruments: Recognition and Measurement" and have not been changed.

  The new impairment model requires the recognition of impairment provisions based on expected credit losses ("ECL") rather than only incurred credit losses as is the case under MFRS 139. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under MFRS 15 "Revenue from Contracts with Customers", lease receivables, loan commitments and certain financial guarantee contracts. The Group and the Company are working on the impairment model, gathering data on historical collection trend as well as expanding the model to cover forward looking information. While the Group and the Company are in the process of assessing the impact with the new impairment model, the directors do not foresee it will result in significant impact to the results of the Group and of the Company as the historical collections have been prompt with insignificant bad debts noted.

  The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's and the Company's disclosures about its financial instruments particularly in the financial year of the adoption of the new standard.

  The Group will apply the new rules retrospectively from 1 July 2018, with the practical expedients permitted under the standard. Comparatives for 2018 will not be restated.

- MFRS 15 "Revenue from Contracts with Customers" (effective from 1 January 2018) replaces MFRS 118 "Revenue" and MFRS 111 "Construction Contracts" and related interpretations. The core principle in MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

  Revenue is recognised when a customer obtains control of goods or services, i.e. when the customer has the ability to direct the use of and obtain the benefits from the goods or services.

  A new five-step process is applied before revenue can be recognised:

  (i) Identify contracts with customers;
  (ii) Identify the separate performance obligations;
  (iii) Determine the transaction price of the contract;
  (iv) Allocate the transaction price to each of the separate performance obligations; and
  (v) Recognise the revenue as each performance obligation is satisfied.

2 BASIS OF PREPARATION (CONT'D)

2.3 New standards, amendments to published standards and IC interpretations to existing standards that are applicable to the Group and the Company but not yet effective and not early adopted (cont'd)

Financial year beginning 1 July 2018 (cont'd)

- MFRS 15 "Revenue from Contracts with Customers" (effective from 1 January 2018) (cont'd)

  Key provisions of the new standard are as follows:

  (i) Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements.
  (ii) If the consideration varies (such as for incentives, rebates, performance fees, royalties, success of an outcome, etc.), minimum amounts of revenue must be recognised if they are not at significant risk of reversal.
  (iii) The point at which revenue is able to be recognised may shift: some revenue which is currently recognised at a point in time at the end of a contract may have to be recognised over the contract term and vice versa.
  (iv) There are new specific rules on licenses, warranties, non-refundable upfront fees, and consignment arrangements, to name a few.
  (v) As with any new standard, there are also increased disclosures.

  The Group and the Company have assessed the effects of applying the new standard on the Group's and the Company's financial statements and have identified the following areas that will be affected:

  - Accounting for separate obligations in relation to goods sold and services rendered (including product development activities for its external customers) which could affect the timing of revenue recognition and allocation of prices to each performance obligation.
  - Accounting and presentation of contract assets and contract liabilities in the statements of financial position.
  - Expanded disclosure requirements on disaggregation of revenue into categories that depict the nature, amount, timing and uncertainty of revenue.

  Other than the above, management does not expect any significant changes to its revenue recognition upon adoption of MFRS 15.

  The Group and the Company intend to adopt the standard using the modified retrospective approach which means that the cumulative impact of the adoption will be recognised in retained profits as of 1 July 2018 and that comparatives will not be restated.

Financial year beginning 1 July 2019

- MFRS 16 "Leases" (effective from 1 January 2019) supersedes MFRS 117 "Leases" and the related interpretations.

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

  MFRS 16 eliminates the classification of leases by the lessee as either finance leases (on balance sheet) or operating leases (off balance sheet). MFRS 16 requires a lessee to recognise a "right-of-use" of the underlying asset and a lease liability reflecting future lease payments for most leases.

  The right-of-use asset is depreciated in accordance with the principle in MFRS 116 "Property, Plant and Equipment" and the lease liability is accreted over time with interest expense recognised in profit or loss.

  For lessors, MFRS 16 retains most of the requirements in MFRS 117. Lessors continue to classify all leases as either operating leases or finance leases and account for them differently.

2 BASIS OF PREPARATION (CONT'D)

2.3 New standards, amendments to published standards and IC interpretations to existing standards that are applicable to the Group and the Company but not yet effective and not early adopted (cont'd)

Financial year beginning 1 July 2019 (cont'd)

- IC Interpretation 23 "Uncertainty over Income Tax Treatments" (effective from 1 January 2019) provides guidance on how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment.

  If an entity concludes that it is not probable that the tax treatment will be accepted by the tax authority, the effect of the tax uncertainty should be included in the financial period when such determination is made. An entity shall measure the effect of uncertainty using the method which best predicts the resolution of the uncertainty.

  IC Interpretation 23 will be applied retrospectively.

- Amendments to MFRS 9 "Prepayment feature with negative compensation" (effective from 1 January 2019) allow companies to measure some prepayable financial assets with negative compensation at amortised cost. Negative compensation arises where the contractual terms permit the borrower to prepay the instrument before its contractual maturity, but the prepayment amount could be less than the unpaid amounts of principal and interest. To qualify for amortised cost measurement, the negative compensation must be reasonable compensation for early termination of the contract, and the asset must be held within a 'held to collect' business model.

  The amendments shall be applied retrospectively.

- Annual Improvements to MFRSs 2015 – 2017 Cycle:

  - Amendments to MFRS 3 'Business Combinations' (effective from 1 January 2019) clarify that when a party obtains control of a business that is a joint operation, the acquirer should account the transaction as a business combination achieved in stages. Accordingly it should remeasure its previously held interest in the joint operation (rights to the assets and obligations for the liabilities) at fair value on the acquisition date.

  - Amendments to MFRS 112 'Income Taxes' (effective from 1 January 2019) clarify that where income tax consequences of dividends on financial instruments classified as equity is recognised (either in profit or loss, other comprehensive income or equity) depends on where the past transactions that generated distributable profits were recognised. Accordingly, the tax consequences are recognised in profit or loss when an entity determines payments on such instruments are distribution of profits (that is, dividends). Tax on dividend should not be recognised in equity merely on the basis that it is related to a distribution to owners.

  - Amendments to MFRS 123 'Borrowing Costs' (effective from 1 January 2019) clarify that if a specific borrowing remains outstanding after the related qualifying asset is ready for its intended use or sale, it becomes part of general borrowings.

2 BASIS OF PREPARATION (CONT'D)

2.3 New standards, amendments to published standards and IC interpretations to existing standards that are applicable to the Group and the Company but not yet effective and not early adopted (cont'd)

Financial year beginning 1 July 2020

- Amendments to MFRS 3 "Business Combinations"
- 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"
- Amendment to MFRS 137 "Provisions, Contingent Liabilities and Contingent Assets"
- Amendment to MFRS 138 "Intangible Assets"
- Amendment to IC Interpretation 19 "Extinguishing Financial Liabilities with Equity Instruments"
- Amendment to IC Interpretation 22 "Foreign Currency Transactions and Advance Consideration"
- Amendment to IC Interpretation 132 "Intangible Assets – Web Site Costs"

The Group and the Company are in the process of assessing the impact of the above new standards, amendments to published standards and IC interpretations to existing standards on the financial statements of the Group and of the Company in the financial year of initial application which will be effective from financial year beginning 1 July 2019 and thereafter.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the financial statements are set out below. Unless otherwise stated, the following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

3.1 Basis of consolidation

(a) Subsidiary

Subsidiary is an entity over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the relevant activities of the entity. Subsidiary is fully consolidated from the date on which control is transferred to the Group. It is deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combination. The consideration transferred for acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement and fair value of any pre-existing equity interest in the subsidiary. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recognised as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 Basis of consolidation (cont'd)

(a) Subsidiary (cont'd)

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date, any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with MFRS 139 in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset.

Accounting policies of subsidiary have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the statement of comprehensive income, statement of changes in equity and statement of financial position respectively.

(b) Changes in ownership interests in subsidiary without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in equity attributable to owners of the Group.

(c) Disposal of subsidiary

When the Group ceases to consolidate because of a loss of control, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

Gains or losses on the disposal of subsidiary include the carrying amount of goodwill relating to the subsidiary sold.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.2 Investment in subsidiary in separate financial statements

In the Company's separate financial statements, investment in subsidiary is carried at cost less accumulated impairment losses. On disposal of investment in subsidiary, the differences between net disposal proceeds and the carrying amounts of the investment is recognised in profit or loss.

Where an indication of impairment exists, an analysis is performed to assess whether the carrying amount of the investment is fully recoverable. A write-down is made if the carrying amount exceeds the recoverable amount. See Note 3.5 to the financial statements on accounting policy for impairment of non-financial assets.

3.3 Property, plant and equipment

Property, plant and equipment are initially stated at cost, net of the amount of goods and services tax ('GST'), except where the amount of GST incurred is not recoverable from the government. When the amount of GST incurred is not recoverable from the government, the GST is recognised as part of the cost of acquisition of the property, plant and equipment. Property, plant and equipment are subsequently stated at historical cost less accumulated depreciation and impairment losses (if any). 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 (if applicable) that are directly attributable to the acquisition, construction or production of a qualifying asset (refer to Note 3.18(b) to the financial statements for the accounting policy on borrowing costs).

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 are recognised as expenses in profit or loss during the financial period in which they are incurred.

Leasehold land classified as finance lease (refer to accounting policy Note 3.7(a) to the financial statements on finance leases) is amortised in equal instalments over the period of the lease of 78 years, which expires in year 2092.

Other property, plant and equipment are depreciated on a straight-line method to allocate the costs to their residual values over their estimated useful lives. The annual depreciation rates are as follows:

	%
Buildings on long term leasehold land	2 - 5
Factory extension	10 - 23
Moulds, plant and machinery	10 - 50
Furniture, fittings, equipment and electrical installation	10 - 50
Motor vehicles	20

Assets under construction are carried as 'capital work in progress' and depreciation only commences when the assets are ready for their intended use.

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

Gains and losses on disposals of property, plant and equipment are determined by comparing net proceeds with carrying amount and are included in 'other operating income' or 'other operating expenses' in profit or loss.

At the end of the reporting period, 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 Note 3.5 to the financial statements on accounting policy for impairment of non-financial assets.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.4 Intangible assets

(a) Research and development

Research expenditure incurred for the Group's own products, is recognised as an expense when incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when the following criteria are fulfilled:

- it is technically feasible to complete the intangible asset so that it will be available for use or sale;
- management intends to complete the intangible asset and use or sell it;
- there is an ability to use or sell the intangible asset;
- it can be demonstrated how the intangible asset will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and
- the expenditure attributable to the intangible asset during its development can be reliably measured.

Directly attributable costs capitalised as part of the intangible assets include employee costs involved in development and an appropriate portion of relevant overheads.

Other development expenditures that do not meet these criteria are recognised as an expense when incurred. Development costs previously recognised as an expense are not recognised as an asset in subsequent period.

Capitalised development costs recognised as intangible assets are amortised from the point at which the asset is ready for use on a straight line basis over its useful life of two years.

(b) Patents

Separately acquired patents are shown at historical cost. Patents have a finite useful life and are carried at cost less accumulated amortisation and accumulated impairment losses (if any). Amortisation is calculated using the straight-line method to allocate the cost of patents over their patented period of twenty years.

See Note 3.5 to the financial statements for the accounting policy on impairment of non-financial assets.

3.5 Impairment of non-financial assets

Non-current and non-financial assets that have an indefinite useful life, for example goodwill or intangible assets not ready to use, are not subject to amortisation and are tested annually for impairment. Non-current and non-financial assets that are subject to amortisation are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-current and non-financial assets, other than goodwill that suffered an impairment are reviewed for possible reversal of impairment at each reporting date.

The impairment loss is charged to profit or loss. Impairment losses on goodwill are not reversed. In respect of other non-current and non-financial assets that are subject to amortisation, any subsequent increase in recoverable amount is recognised in profit or loss. The reversal is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.6 Non-current assets held for sale

Non-current assets (or disposal groups) are classified as assets held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

3.7 Accounting by lessee

(a) Finance leases

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in the statements of financial position as current and non-current liabilities.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate of interest on the remaining balance of the liability. The finance cost is charged to profit or loss over the lease period so as to produce a constant rate of interest on the remaining balance of the liability for each financial period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease period.

Initial direct costs incurred by the Group in negotiating and arranging finance leases are added to the carrying amount of the leased assets and recognised as an expense in profit or loss over the lease term on the same basis as the lease expense.

(b) Operating leases

Leases of assets where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on the straight-line basis over the lease period.

Initial direct costs incurred by the Group in negotiating and arranging operating leases are capitalised as prepayments and recognised in profit or loss over the lease term on a straight-line basis.

When an operating lease is terminated before the lease term has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the financial period in which termination takes place.

3.8 Financial instruments

(a) Financial instruments recognised on the statements of financial position

The particular recognition method adopted for financial instruments recognised on the statements of financial position is disclosed in the individual accounting policy statements associated with each item.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.8 Financial instruments (cont'd)

(b) Fair value estimation for disclosure purposes

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The market price used for financial assets held by the Group is the closing quoted market price. These instruments are classified under Level 1.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value the instruments are observable, these instruments are classified under Level 2.

If one or more of the significant inputs is not based on observable market data, these instruments are classified under Level 3.

3.9 Financial assets

(a) Classification

The Group and the Company classify its financial assets, in the following categories: at fair value through profit or loss, loans and receivables and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification at initial recognition.

'Financial assets at fair value through profit or loss'

The Group and the Company classify 'financial assets at fair value through profit or loss' if they are acquired principally for the purpose of selling in the short term, i.e. are held for trading. They are presented as current assets if they are expected to be sold within 12 months after the end of the reporting period; otherwise they are presented as non-current assets.

In addition, certain financial assets are designated at initial recognition at fair value through profit or loss when one of the designation criteria is met:

- Designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise;
- Its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or
- The item is a hybrid contract that contains one or more embedded derivatives.

The Group's and the Company's 'financial asset at fair value through profit or loss' comprise 'short term investments' in the statements of financial position.

'Loans and receivables'

'Loans and receivables' are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. If collection of the amounts is expected in one year or less they are classified as current assets. If not, they are presented as non-current assets. The Group's and the Company's 'loans and receivables' comprise 'receivables and deposits' (excluding prepayments), 'amount due from a subsidiary' (company level only) and 'deposits, cash and bank balances' in the statements of financial position.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.9 Financial assets (cont'd)

(a) Classification (cont'd)

'Available-for-sale financial assets'

'Available-for-sale financial assets' are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

(b) Recognition and initial measurement

Regular purchases and sales of financial assets are recognised on the trade-date, the date on which the Group and the Company commit to purchase or sell the asset.

Financial assets are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition of the financial asset for all financial assets not carried at fair value through profit or loss. 'Financial assets at fair value through profit or loss' are initially recognised at fair value, and transaction costs are expensed in profit or loss.

(c) Subsequent measurement - gains and losses

'Financial assets at fair value through profit or loss' and 'available-for-sale financial assets' are subsequently carried at fair value. 'Loans and receivables' financial assets are subsequently carried at amortised cost using the effective interest method.

Changes in the fair values of 'financial assets at fair value through profit or loss', including the effects of foreign currency translation, interest and dividend income are recognised in profit or loss in the financial period in which the changes arise.

Changes in the fair value of 'available-for-sale financial assets' are recognised in other comprehensive income, except for impairment losses (see Note 3.9(d) to the financial statements) and foreign currency exchange gains and losses on monetary assets (see Note 3.24(b) to the financial statements) which are recognised in profit or loss.

Interest and dividend income on 'available-for-sale financial assets' are recognised separately in profit or loss. Interest on available-for-sale debt securities calculated using the effective interest method is recognised in profit or loss. Dividends income on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive payments is established.

(d) Subsequent measurement - impairment of financial assets

Assets carried at amortised cost

The Group and the Company assess at the end of the reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.9 Financial assets (cont'd)

(d) Subsequent measurement - impairment of financial assets (cont'd)

Assets carried at amortised cost (cont'd)

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If 'loans and receivables' has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group and the Company may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

When an asset is uncollectible, it is written off against the related allowance account. Such assets are written off after all the necessary procedures have been completed and the amount of the loss has been determined.

Assets classified as available-for-sale

The Group and the Company assess at the end of the reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired.

For debt securities, the Group and the Company use criteria and measurement of impairment loss applicable for 'assets carried at amortised cost' above. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss.

In the case of equity securities classified as available-for-sale, in addition to the criteria for 'assets carried at amortised cost' above, a significant or prolonged decline in the fair value of the security below its cost is also considered as an indicator that the assets are impaired. If any such evidence exists for 'available-for-sale financial assets', the cumulative loss that had been recognised directly in equity is removed from equity and recognised in profit or loss. The amount of cumulative loss reclassified to profit or loss is the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss. Impairment losses recognised in profit or loss on equity instruments classified as available-for-sale are not reversed through profit or loss in subsequent periods.

(e) De-recognition

Financial assets are de-recognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group and the Company have transferred substantially all risks and rewards of ownership.

When 'available-for-sale financial assets' are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to profit or loss.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.10 Financial liabilities

(a) Classification

The Group and the Company classify the financial liabilities where applicable, in the following categories: at fair value through profit or loss, showing separately (i) those designated as such upon initial recognition, and (ii) those classified as held-for-trading; and financial liabilities measured at amortised cost as 'other financial liabilities'. Management determines the classification of its financial liabilities at initial recognition.

'Financial liabilities at fair value through profit or loss'

The Group and the Company have not designated any financial liabilities as 'financial liabilities at fair value through profit or loss'. Financial liabilities held-for-trading are derivatives entered into by the Group and the Company that do not meet the hedge accounting criteria. Liabilities in this category are classified within current liabilities if they are either held-for-trading or are expected to be settled within 12 months after the reporting date. Otherwise, they are classified as non- current liabilities.

'Other financial liabilities'

'Other financial liabilities' are non-derivative financial liabilities with fixed or determinable payments that are not quoted in an active market. 'Other financial liabilities' are recognised as current liabilities unless the Group or the Company have an unconditional right to defer repayment of the liabilities for at least 12 months after the reporting date. 'Other financial liabilities' of the Group and of the Company comprise 'payables and accrued liabilities', 'term loans' and 'hire-purchase creditors' in the statements of financial position.

(b) Recognition and initial measurement

Financial liabilities within the scope of MFRS 139 are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument.

Financial liabilities are initially recognised at fair value, plus, in the case of financial liabilities other than derivatives, directly attributable transactions costs.

(c) Subsequent measurement

'Financial liabilities at fair value through profit or loss'

'Financial liabilities at fair value through profit or loss' are subsequently carried at fair value. Changes in the fair value of 'financial liabilities at fair value through profit or loss', including the effect of foreign currency translation are recognised in profit or loss in the financial period in which the changes arise.

'Other financial liabilities'

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

(d) Derecognition

Financial liabilities are derecognised when the obligation specified in the contract is discharged or cancelled or expired.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.11 Financial guarantee contracts

Financial guarantee contracts are contracts that require the Group or the Company to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument.

The Group has issued corporate guarantee to banks for borrowings of its subsidiary. These guarantees are financial guarantees as they require the Group to reimburse the banks if the subsidiary fails to make the required repayments when due in accordance with the terms of its borrowings.

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of the amount determined in accordance with MFRS 137 "Provisions, contingent liabilities and contingent assets" and the amount initially recognised less cumulative amortisation, where appropriate.

The fair value of financial guarantees is determined as the present value of the difference in net cash flows between the contractual payments under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

3.12 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount presented in the statements of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy.

3.13 Inventories

Inventories are stated at the lower of cost and net realisable value after adequate allowance has been made for all deteriorated, damaged, obsolete or slow moving inventories. Cost is determined using the first in, first out basis. Cost of raw materials includes purchase price and any cost that is directly attributable to bringing the inventories to their present condition and location. Costs of purchased inventory are determined after deducting rebates, discounts and the amount of GST, except where the amount of GST incurred is not recoverable from the government. When the amount of GST incurred is not recoverable from the government, the GST is recognised as part of the cost of purchased inventory.

The cost of work in progress and finished goods comprises raw materials, direct labour, other direct costs and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. It excludes borrowing costs.

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

3.14 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. Other receivables generally arise from transactions outside the usual operating activities of the Group and of the Company. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value, with the amount of GST included. The net amount of GST recoverable from the government is included in 'receivables, deposits and prepayments' in the statements of financial position.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.14 Trade and other receivables (cont'd)

Cash flows are included in the statements of cash flows on a gross basis. The GST components of cash flows which are recoverable from, or payable to, the government are classified as operating cash flows.

After recognition, trade and other receivables are subsequently measured at amortised cost using the effective interest method, less allowance for impairment. See Note 3.9(d) to the financial statements on the accounting policy for impairment of financial assets.

3.15 Cash and cash equivalents

For the purpose of the statements of cash flows, cash equivalents are held for the purpose of meeting short term cash commitments rather than for investment or other purposes. Cash and cash equivalents comprise cash on hand, deposits held at call with banks, other short term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

3.16 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Other payables generally arise from transactions outside the usual operating activities of the Group and of the Company. Payables are classified as current liabilities unless payment is not due within 12 months after the reporting period. If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value, with the amount of GST included. The net amount of GST payable to the government is included in 'payables and accrued liabilities' in the statements of financial position.

Cash flows are included in the statements of cash flows on a gross basis. The GST components of cash flows which are recoverable from, or payable to, the government are classified as operating cash flows.

Trade and other payables are subsequently measured at amortised cost using the effective interest method.

3.17 Provisions

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

Where the Group expects a provision to be reimbursed by another party (for example, under an insurance contract), the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provision for warranty and claims cover estimated liability to repair or replace products resulting from customers' complaints and returns. Provision for warranty and claims is recognised when the underlying products are sold. This provision is measured at a percentage rate of historical replacements and a review of possible outcomes against the associated probabilities of returns.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.18 Borrowings and borrowing costs

(a) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between initial recognised amount and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method.

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 prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the statements of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been 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 within 'other operating income' or 'finance costs'.

Where the terms of a financial liability are renegotiated and the Group and the Company issue equity instruments to a creditor to extinguish all or part of the liability (debt for equity swap), a gain or loss is recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.

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 reporting period.

(b) Borrowing costs

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

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

All other borrowing costs are recognised in profit or loss in the financial period in which they are incurred.

3.19 Share capital

(a) Classification

Ordinary shares are classified as equity.

(b) Share issue costs

Incremental costs directly attributable to the issue of new shares or options are deducted against equity.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.19 Share capital (cont'd)

(c) Dividend distribution

Liability is recognised for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the Group or the Company, on or before the end of the reporting period but not distributed at the end of the reporting period.

Distributions to holders of an equity instrument is recognised directly in equity.

(d) Purchase of own shares

Where the Company purchases the Company's equity share capital as a result of a share buy-back, the consideration paid, including any directly attributable incremental external costs, net of tax, is deducted from equity attributable to the owners of the Company as treasury shares until the shares are cancelled, reissued or disposed of.

Where such shares are subsequently sold or reissued, the cost of treasury shares is reversed from the treasury share account and the realised gain or loss on disposal or reissue, net of any directly attributable incremental transaction costs, is recognised in the capital reserve account.

Where such shares are subsequently cancelled, the cost of treasury shares is deducted against the retained profits of the Company.

(e) Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year and excluding treasury shares.

Diluted earnings per share

Diluted earnings per share adjusts the figures in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

3.20 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's and the Company's activities. Revenue is shown net of GST, returns, rebates and discounts and amounts collected on behalf of third parties and after eliminating sales within the Group.

The Group and the Company recognise revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's and the Company's activities as described below. The Group and the Company base their estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.20 Revenue recognition (cont'd)

(a) Sales of goods are recognised upon delivery of goods to customers, when significant risks and rewards of ownership of the goods are transferred to the buyer.
(b) Service charges on contract works are recognised upon rendering of services.
(c) Revenue on fabrication of tools is recognised upon acceptance by customers.
(d) Services rendered in respect of product development are recognised by reference to the stage of completion or services rendered at the end of the reporting period when the outcome of the transaction can be estimated reliably. The stage of completion is measured by reference to the proportion of time incurred to date as a percentage of total budgeted time required to complete the project.
(e) Dividend income is recognised when the Group's or the Company's right to receive payment is established.

3.21 Other operating income

(a) Rental income is recognised on accrual basis unless collection is in doubt.
(b) Interest income is recognised using the effective interest method.
(c) Other income is recognised on an accrued basis unless collectability is uncertain.

3.22 Employee benefits

(a) Short term employee benefits

Wages, salaries, paid annual leave and sick leave, bonuses, and non-monetary benefits that are expected to be settled wholly within 12 months after the end of the financial period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as part of 'payables and accrued liabilities' in the statements of financial position.

The Group and the Company recognise a liability and an expense for bonuses, based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group and the Company recognise a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(b) Post-employment provision benefits – Defined contribution plans

A defined contribution pension plan is a pension plan under which the Group and the Company pay fixed contributions into a separate entity (a fund) on a mandatory, contractual or voluntary basis. The Group and the Company have no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior financial periods.

The Group and the Company contribute to the Employees Provident Fund (EPF), the national defined contribution plan. The contributions are charged to the profit or loss in the financial period to which they relate. Once the contributions have been paid, the Group and the Company have no further payment obligations.

3.23 Current and deferred taxes

Tax expense for the financial period comprises current and deferred tax. The income tax expense or credit for the financial period is the tax payable on the current financial period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.23 Current and deferred taxes (cont'd)

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the country where the Company and the subsidiary operate and generate taxable income.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities. This liability is measured using the single best estimate of the most likely outcome.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the amounts attributed to assets and liabilities for tax purposes (i.e. tax bases) and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences or unused tax losses can be utilised.

Deferred tax liability is recognised for all taxable temporary differences associated with investment in subsidiary, except where the timing of the reversal of the temporary difference is controlled by the parent and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised on deductible temporary differences arising from investment in subsidiary only to the extent that it is probable that the temporary difference will reverse in the future and there is sufficient taxable profit available against which the deductible temporary difference can be utilised.

Deferred and current income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

3.24 Foreign currencies

(a) Functional and presentation currency

Items included in the financial statements of the Group and of the Company are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The financial statements are presented in Ringgit Malaysia, which is the Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the foreign currency exchange rates approximating those prevailing at the dates of the transactions or valuation where items are remeasured. Foreign currency exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the end of the financial year using the foreign currency exchange rates approximating those prevailing at the reporting date, are recognised in profit or loss. Foreign currency exchange gains and losses are presented in profit or loss on net basis under 'other operating income' or 'other operating expenses'.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.24 Foreign currencies (cont'd)

(c) Principal closing rates

The principal closing rates used in the translation of major foreign currency monetary assets and liabilities as at the reporting date are as follows:

	Group and Company	
	2018	**2017**
	RM	**RM**
Assets:		
1 Euro	**4.7014**	4.9074
1 US Dollar	**4.0310**	4.2870
Liabilities:		
1 Euro	**4.7121**	4.9202
1 US Dollar	**4.0440**	4.2950

3.25 Government grants

Government grant comprises compensation receivable from the government for applicable past expenses relating to qualifying training, research related activities and modernisation of production processes incurred, which comply with conditions imposed on qualifying activities under the Domestic Investment Strategic Fund Grant obtained by the subsidiary for period from June 2013 to June 2016. The grant is recognised as income in profit or loss in the financial period the claim is approved by the relevant authorities and becomes receivable when there is no further unfulfilled condition that needs to be met subsequent to the approval by the relevant authorities.

3.26 Segment reporting

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

3.27 Contingent assets and liabilities

The Group and the Company do not recognise contingent assets and liabilities other than those arising from business combinations, but discloses its existence in the financial statements. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group and of the Company or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare case where there is a liability that cannot be recognised because it cannot be measured reliably. However, contingent liabilities do not include financial guarantee contracts.

A contingent asset is a possible asset that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group and of the Company. The Group and the Company do not recognise contingent assets but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

4 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated by the directors based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group and the Company make estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

4.1 Current and deferred taxes

Income tax is estimated based on the rules governed under the Income Tax Act, 1967 in Malaysia. Significant judgement is exercised by the directors in establishing the cost that would qualify for the industrial building allowances claim and deductibility of certain expenses during the estimation of the current and deferred taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the current and/or deferred tax provisions in the financial period in which such determination is made.

Deferred tax assets are recognised for all deductible temporary differences and unused tax losses to the extent that it is probable that future taxable profit will be available against which the unutilised deductible temporary differences and unused tax losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Assumptions about generation of future taxable profits depend on management's estimate of future cash flows. These depend on estimates of future production and sales volume, operating costs, capital expenditure, dividends and the other capital management transactions. Judgement is also required about applicable income tax incentives. These judgements and assumptions are subject to risks and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets recognised in the statements of financial position and the amount of unused tax losses and unutilised temporary differences remain unrecognised.

4.2 Intangible assets - research and development

Significant judgement is required in identifying and segregating research from the development phase of various internal projects. Costs incurred during the development phase are recognised as intangible assets when all the capitalisation criteria as set out in the accounting policies per Note 3.4(a) to the financial statements are met. All other costs are expensed to profit or loss as incurred.

Management are expected to monitor the status of the internal projects and changes to project status, market demand and technology development will affect the Group's intention and ability to complete and sell the intangible asset and impact the extent of capitalisation and subsequent amortisation.

4.3 Revenue recognition on services rendered in respect of product development

The Group recognises revenue on services rendered for product development in profit or loss using the stage of completion method. The stage of completion is measured by reference to the proportion of time incurred to date as a percentage of total budgeted time required to complete for the respective projects of the product development activities carried out for its customers.

The determination of the time incurred to date and total budgeted time required to complete the project is subjective in nature and involves estimation by management. Both are affected by changes in market demand, customers' request in specification, technical capabilities and technology advancement.

5 REVENUE

	Group		Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Dividend income	**0**	0	**12,000**	12,000
Sales of goods at invoiced value less returns	**256,079**	239,218	**0**	0
Service charges on contract works	**231**	360	**0**	0
Services rendered in respect of product development	**5,164**	7,513	**0**	0
	261,474	247,091	**12,000**	12,000

6 PROFIT FROM OPERATIONS

	Group		Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Profit from operations is stated after charging/(crediting):				
Auditors' remuneration paid/payable:				
- statutory audit				
- current year	**150**	150	**62**	62
- prior year underprovision	**0**	13	**0**	5
- other assurance services	**6**	62	**6**	12
- other services	**35**	49	**4**	7
Employee benefit costs	**25,351**	21,650	**347**	280
Research expenses	**224**	138	**0**	0
(Reversal of)/Allowance for slow moving inventories	**(12)**	3	**0**	0
Property, plant and equipment:				
- depreciation	**7,285**	6,688	**7**	7
- written off	**16**	20	**0**	0
Amortisation of intangible assets (Note 11)	**2,240**	1,687	**0**	0
Provision for warranties (Note 27)	**34**	49	**0**	0
Rental expenses:				
- hostel/premise	**134**	50	**0**	0
- machinery	**43**	50	**0**	0
Interest income	**(1,328)**	(1,431)	**(1)**	(5)
Listing and related expenses	**0**	689 [1]	**0**	689 [1]

[1] In respect of fees paid in relation to the transfer of listing of the Company from the ACE Market to the Main Market of Bursa Malaysia Securities Berhad.

6 PROFIT FROM OPERATIONS (CONT'D)

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Included in other operating income are:				
- Government grants income	**0**	(1,571)	**0**	0
- Net foreign currency exchange (gains)/losses:				
- realised	**387**	(1,273)	**0**	0
- unrealised	**(79)**	110	**0**	0
- Rental income of premise	**0**	(12)	**0**	0
- Fair value losses on derivative financial instruments	**173**	82	**0**	0
- Gains on disposal of property, plant and equipment	**(49)**	(28)	**0**	0
- Short term investments:				
- gains on disposal	**(217)**	(97)	**(13)**	(8)
- fair value gains	**(1,106)**	(1,491)	**(542)**	(308)
Employee benefit costs (including directors' remuneration)				
Directors of the Company:				
- fees	**479**	400	**347**	280
- allowances	**84**	84	**0**	0
- salaries and bonus	**1,451**	1,361	**0**	0
- defined contribution plan expenses	**292**	275	**0**	0
	2,306	2,120	**347**	280
Directors of the subsidiary:				
- salaries and bonus	**510**	529	**0**	0
- defined contribution plan expenses	**97**	100	**0**	0
	607	629	**0**	0
Other staff costs:				
- salaries, wages and bonus	**19,319**	15,642	**0**	0
- defined contribution plan expenses	**1,995**	1,966	**0**	0
- other short term employee benefits	**1,124**	1,293	**0**	0
Total other staff costs	**22,438**	18,901	**0**	0
Total employee benefit costs	**25,351**	21,650	**347**	280
Monetary value of benefits in-kind other than cash given to:				
- directors of the Company	**69**	41	**0**	0
- directors of the subsidiary	**36**	36	**0**	0
	105	77	**0**	0

The number of employees employed by the Group as at the reporting date is 670 (2017: 602). There is no employee employed by the Company.

7 FINANCE COSTS

	Group	
	2018	**2017**
	RM'000	**RM'000**
Interest on:		
Term loans	**55**	222
Hire-purchase	**55**	123
	110	345

8 TAX EXPENSE

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Current financial year:				
Income tax charge	**4,455**	4,092	*	1
Deferred tax (credit)/charge (Note 24)				
- origination and reversal of temporary differences	**(715)**	1,887	**0**	0
	3,740	5,979	*	1
Previous financial years:				
Under/(Over) accrual of current income tax	**(5)**	*	*	*
Tax expense	**3,735**	5,979	*	1

* Amount is less than RM500.

The explanation of the relationship between tax expense and profit before tax is as follows:

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Profit before tax	**15,097**	25,333	**11,879**	10,719
Tax calculated at the Malaysian income tax rate of 24% (2017: 24%)	**3,623**	6,080	**2,851**	2,573
Tax effects of:				
- expenses not deductible for tax purposes	**487**	1,031	**162**	384
- income not subject to tax	**(318)**	(758)	**(3,013)**	(2,956)
- expenses eligible for double deductions	**(52)**	(66)	**0**	0
- under/(over) accrual of current income tax in respect of previous financial year	**(5)**	*	*	*
- under provision of deferred tax assets in respect of previous financial year	**0**	(308)	**0**	0
Tax expense	**3,735**	5,979	*	1

* Amount is less than RM500.

9 EARNINGS PER SHARE

Basic earnings per share of the Group is calculated by dividing the net profit for the financial year by the weighted average number of ordinary shares in issue during the financial year.

	Group	
	2018	**2017**
Net profit for the financial year attributable to owners of the Company (RM'000)	**11,362**	19,354
Weighted average number of ordinary shares in issue during the financial year ('000)	**388,000**	388,000
Basic earnings per share (RM)	**0.03**	0.05

No diluted earnings per share calculated as the Company does not have potential convertible shares.

10 PROPERTY, PLANT AND EQUIPMENT

	Long term leasehold land RM'000	Building on long term leasehold land RM'000	Factory extension RM'000	Moulds, plant and machinery RM'000	Furniture, fittings, equipment and electrical installation RM'000	Motor vehicles RM'000	Capital work in progress RM'000	Total RM'000
Group								
Cost								
At 1 July 2017	5,681	21,559	918	23,811	9,490	2,124	64	63,647
Additions	0	0	171	1,203	1,699	0	85	3,158
Reclassifications	0	0	0	11	128	0	(139)	0
Disposals	0	0	0	(8)	(3)	0	0	(11)
Written off	0	0	0	(13)	(13)	0	0	(26)
At 30 June 2018	5,681	21,559	1,089	25,004	11,301	2,124	10	66,768
Accumulated depreciation								
At 1 July 2017	252	3,878	483	8,118	3,640	873	0	17,244
Depreciation	73	925	111	3,457	2,294	425	0	7,285
Disposals	0	0	0	(1)	(3)	0	0	(4)
Written off	0	0	0	(2)	(8)	0	0	(10)
At 30 June 2018	325	4,803	594	11,572	5,923	1,298	0	24,515
Accumulated impairment losses								
At 1 July 2017	0	0	0	603	211	0	0	814
Disposals	0	0	0	(7)	0	0	0	(7)
At 30 June 2018	0	0	0	596	211	0	0	807
Carrying amount								
At 30 June 2018	**5,356**	**16,756**	**495**	**12,836**	**5,167**	**826**	**10**	**41,446**

10 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Long term leasehold land RM'000	Building on long term leasehold land RM'000	Factory extension RM'000	Moulds, plant and machinery RM'000	Furniture, fittings, equipment and electrical installation RM'000	Motor vehicles RM'000	Capital work in progress RM'000	Total RM'000
Group								
Cost								
At 1 July 2016	5,681	21,559	551	16,635	5,663	2,161	0	52,250
Additions	0	0	367	7,467	4,320	0	64	12,218
Disposals	0	0	0	(84)	(*)	(37)	0	(121)
Written off	0	0	0	(207)	(493)	0	0	(700)
At 30 June 2017	5,681	21,559	918	23,811	9,490	2,124	64	63,647
Accumulated depreciation								
At 1 July 2016	179	2,866	353	4,539	2,321	466	0	10,724
Depreciation	73	1,012	130	3,626	1,419	428	0	6,688
Disposals	0	0	0	(8)	0	(21)	0	(29)
Written off	0	0	0	(39)	(100)	0	0	(139)
At 30 June 2017	252	3,878	483	8,118	3,640	873	0	17,244
Accumulated impairment losses								
At 1 July 2016	0	0	0	832	598	0	0	1,430
Disposals	0	0	0	(75)	0	0	0	(75)
Written off	0	0	0	(154)	(387)	0	0	(541)
At 30 June 2017	0	0	0	603	211	0	0	814
Carrying amount								
At 30 June 2017	**5,429**	**17,681**	**435**	**15,090**	**5,639**	**1,251**	**64**	**45,589**

* Amount is less than RM500.

	Cost			Accumulated depreciation			Carrying amount	
Company	**At 1.7.2017 RM'000**	**Additions RM'000**	**At 30.6.2018 RM'000**	**At 1.7.2017 RM'000**	**Depreciation RM'000**	**At 30.6.2018 RM'000**	**At 30.6.2017 RM'000**	**At 30.6.2018 RM'000**
Furniture, fittings, equipment and electrical installation	21	0	21	7	7	14	14	7

The carrying amount of land and buildings as at 30 June 2018 pledged as securities for the borrowings of the Group as disclosed in Note 23 to the financial statements is approximately RM22.6 million (2017: RM23.5 million).

10 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Included in property, plant and equipment of the Group are assets acquired under hire-purchase arrangement as follows:

	Group	
	2018 RM'000	**2017 RM'000**
Plant and machinery		
- carrying amount at financial year end	**2,636**	3,004

	Group		Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Purchases of property, plant and equipment				
Additions during the financial year	**3,158**	12,218	**0**	21
Add:				
- payments made in current financial year related to purchases made in previous financial year	**1,233**	0	**0**	0
Less:				
- purchases included in other payables	**(236)**	(1,233)	**0**	0
- purchases by way of downpayments made in previous financial year	**0**	(1,273)	**0**	0
Cash paid	**4,155**	9,712	**0**	21

11 INTANGIBLE ASSETS

	Group		
	Patents RM'000	**Development costs RM'000**	**Total RM'000**
Cost			
At 1 July 2017	367	3,712	4,079
Additions	250	642	892
At 30 June 2018	617	4,354	4,971
Accumulated amortisation			
At 1 July 2017	*	1,687	1,687
Amortisation	3	2,237	2,240
At 30 June 2018	3	3,924	3,927
Carrying amount			
At 30 June 2018	**614**	**430**	**1,044**

11 INTANGIBLE ASSETS (CONT'D)

	Group		
	Patents RM'000	Development costs RM'000	Total RM'000
Cost			
At 1 July 2016	0	2,191	2,191
Additions	367	1,521	1,888
At 30 June 2017	367	3,712	4,079
Accumulated amortisation			
At 1 July 2016	0	0	0
Amortisation	*	1,687	1,687
At 30 June 2017	*	1,687	1,687
Carrying amount			
At 30 June 2017	367	2,025	2,392

* Amount is less than RM500.

Remaining amortisation period (year):

	Group	
	2018	**2017**
- patents	**14 - 20**	15 - 20
- development costs	**1**	1

Intangible assets of the Group comprise patents and development costs incurred on in-house developed products that meet the capitalisation criteria. All expenditure relating to research activities of approximately RM0.2 million (2017: RM0.1 million) are recognised as an expense in the profit or loss as incurred.

12 INVESTMENT IN A SUBSIDIARY

	Company	
	2018 RM'000	**2017 RM'000**
Investment in a subsidiary, at cost	**50,000**	50,000

12 INVESTMENT IN A SUBSIDIARY (CONT'D)

Detail of the subsidiary which is incorporated in Malaysia, is as follows:

Name of Company	Effective interest held by the Company 2018 %	2017 %	Principal activities
Salutica Allied Solutions Sdn. Bhd.	**100**	100	Comprises vertical integration processes covering product design and development, and manufacturing of mobile communication products, wireless electronics and lifestyle devices.

13 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group 2018 RM'000	2017 RM'000
Available-for-sale financial assets	**119**	119

The available-for-sale financial assets of the Group comprise transferable golf club memberships stated at fair value that are held for long term purposes as the Group has no intention to dispose it.

14 INVENTORIES

	Group 2018 RM'000	2017 RM'000
Raw materials	**13,981**	19,696
Work in progress	**6,986**	9,200
Finished goods	**13,189**	11,305
	34,156	40,201
Less: Allowance for slow moving inventories	**(790)**	(802)
	33,366	39,399

The cost of inventories recognised as an expense and included in the Group's profit or loss amounted to approximately RM232 million (2017: RM204 million).

Included in raw materials are inward goods in transit amounting to approximately RM0.3 million (2017: RM1 million).

15 RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Trade receivables	**18,837**	25,071	**0**	0
Amounts recoverable from customers for product development	**1,653**	2,452	**0**	0
	20,490	27,523	**0**	0
Other receivables	**402**	754	**0**	0
Input tax receivables	**489**	490	**0**	0
Deposits	**70**	51	**1**	1
Prepayments	**3,036**	2,095	**11**	17
	24,487	30,913	**12**	18

Credit terms of trade receivables of the Group range from 10 to 75 days (2017: 10 to 75 days).

Included in prepayments are:

	Group	
	2018 RM'000	2017 RM'000
- levy for foreign workers	**720**	0
- life insurance premium of key management	**1,411**	1,596
- advance payments for purchase of inventories	**32**	76

The currency profile of receivables and deposits of the Group is as follows:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
US Dollar	**20,398**	24,935	**0**	0
Ringgit Malaysia	**1,050**	3,883	**1**	1
Other	**3**	0	**0**	0
	21,451	28,818	**1**	1

16 RELATED PARTY DISCLOSURES

(a) Related parties and relationship

The directors regard Blue Ocean Enlightenment Sdn. Bhd., a company incorporated in Malaysia, as the Company's ultimate holding company.

The wholly-owned subsidiary of the Company is Salutica Allied Solutions Sdn. Bhd., a company incorporated in Malaysia.

Key management personnel of the Company comprises all members of the board of directors. All directors of the Company and the senior management team of the subsidiary are regarded as key management personnel of the Group.

(b) Related party balance

Amount due from a subsidiary which is denominated in Ringgit Malaysia, is non trade in nature, interest free and is receivable on demand. During the financial year, a total of approximately RM3 million (2017: RM3.8 million) was received as partial settlement of the outstanding amount due from a subsidiary.

(c) Significant related party transactions

	Group		Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Consultation fees paid/payable to:				
- a person connected with certain directors of the Company	**56**	25	**0**	0
- firms in which certain directors of the Company are members	**0**	72	**0**	72
Payment of expense on behalf by a subsidiary	**0**	0	**8**	122

The above transactions were established based on terms and prices agreed between the related parties.

(d) Key management compensation

	Group		Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Directors' fees	**479**	400	**347**	280
Salaries and other short term employee benefits	**2,365**	2,503	**0**	0
Defined contribution plan	**449**	475	**0**	0
	3,293	3,378	**347**	280
Monetary value of benefits-in-kind	**127**	113	**0**	0

Key management compensation includes directors' remuneration as disclosed in Note 6 to the financial statements.

17 SHORT TERM INVESTMENTS

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Investments in unit trust quoted in Malaysia, at fair value	**60,863**	43,034	**19,336**	13,674

The short term investments are in respect of investments in an Islamic money market fund and a cash fund.

The quoted market prices of the Islamic money market fund and cash fund as at 30 June 2018 are RM1.00 (2017: RM1.00) and RM1.06 (2017: RM1.06) respectively.

18 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the statements of cash flows comprise the following:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Deposits with licensed banks	**29,200**	35,500	**0**	0
Cash and bank balances	**1,049**	4,551	**79**	85
	30,249	40,051	**79**	85
Deposits with licensed banks	**29,200**	35,500	**0**	0
Deposits with maturity period more than three months (unencumbered)	**(29,200)**	(10,000)	**0**	0
	0	25,500	**0**	0
Deposits with maturity period of three months or less (unencumbered)	**0**	25,500	**0**	0
Cash and bank balances	**1,049**	4,551	**79**	85
Cash and cash equivalents	**1,049**	30,051	**79**	85

The currency profile of deposits, cash and bank balances of the Group and of the Company is as follows:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Ringgit Malaysia	**29,933**	36,559	**79**	85
US Dollar	**313**	3,488	**0**	0
Others	**3**	4	**0**	0
	30,249	40,051	**79**	85

18 CASH AND CASH EQUIVALENTS (CONT'D)

	Group	
	2018	**2017**
	%	**%**
Weighted average effective interest rate at the reporting date is as follows:		
Deposits with licensed banks	**3.65**	3.52

	Group	
	2018	**2017**
	Days	**Days**
The range of maturity periods of the deposits with licensed banks are as follows:		
- unencumbered	**122 - 184**	90 - 183

The cash and bank balances of the Group and of the Company are deposits placed in current accounts of various licensed banks in Malaysia and cash in hand which do not earn any interest except for a current account of the Group under Business Banking Special Deposit Facility with a licensed bank in Malaysia which earned an interest of 3.25% per annum in the previous financial year ended 30 June 2017.

19 SHARE CAPITAL

	Group and Company			
	2018	**2017**	**2018**	**2017**
	Number of shares ('000)	**Number of shares ('000)**	**RM'000**	**RM'000**
Authorised				
At 1 July	**0**	500,000	**0**	50,000
Abolition of the authorised share capital	**0**	(500,000)	**0**	(50,000)
At 30 June	**0**	0	**0**	0
Issued and fully paid				
At 1 July	**388,000**	388,000	**91,802**	38,800
Transfer from share premium account upon transition to no-par value regime on 31 January 2017	**0**	0	**0**	53,002
At 30 June	**388,000**	388,000	**91,802**	91,802

The new Companies Act, 2016 (the "Act"), which came into operation on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. Consequently, the amount standing to the credit of the share premium account become part of the Company's share capital pursuant to the transitional provisions set out in Section 618(2) of the Act. Notwithstanding this provision, the Company may within 24 months from the commencement of the Act, use the amount standing to the credit of its share premium account of RM53 million for purposes as set out in Section 618(3). There is no impact on the numbers of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition. Accordingly, the share premium of approximately RM53 million has been reclassified to share capital as disclosed above.

20 FAIR VALUE RESERVE

	Group	
	2018	**2017**
	RM'000	**RM'000**
Fair value reserve	**16**	16

Fair value reserve is in respect of accumulated fair value gains on available-for-sale financial assets.

21 RETAINED PROFITS

Dividends paid out of retained profits of the Company are single-tier dividends which are tax exempt in the hands of shareholders.

22 HIRE-PURCHASE CREDITORS

	Group	
	2018	**2017**
	RM'000	**RM'000**
Future minimum hire-purchase payments:		
- payable within one year	**300**	1,072
- payable later than one year but not later than five years	**0**	300
	300	1,372
Less: Finance charges	**(9)**	(64)
	291	1,308

Present value of hire-purchase liabilities:

Current		
- payable within one year	**291**	1,015
Non-current		
- payable later than one year but not later than five years	**0**	293
	291	1,308

Hire-purchase creditors are denominated in Ringgit Malaysia. The effective interest rates ranged from 6.60% to 7.42% (2017: 6.60% to 7.42%) per annum. Hire-purchase creditors of the Group are effectively secured as the rights to the leased assets revert to the lessor in the event of default and they are guaranteed by the Company.

The carrying amount of hire-purchase creditors of the Group is approximates the fair value as at the reporting date.

23 TERM LOANS

	Group	
	2018	**2017**
	RM'000	**RM'000**
Secured		
Term loan 1	**0**	1,263
Unsecured		
Term loan 2	**563**	800
	563	2,063
Current		
- repayable within one year	**250**	1,502
Non-current		
- repayable later than one year but not later than five years	**313**	561
	563	2,063

Term loans 1 and 2 are repayable by 60 instalments. Term loan 2 has remaining instalments payable of 26 (2017: 38) months as at 30 June 2018.

Term loan 1 was secured by way of first legal charge on the leasehold land and buildings of the Group and it was fully settled on 7 November 2017.

Term loans 1 and 2 of the Group are guaranteed by the Company.

These term loans have effective interest rates per annum as at reporting date as follows:

	Group	
	2018	**2017**
	%	**%**
Term loan 1	**N/A**	5.65
Term loan 2	**5.76**	5.40

The interest expenses on these term loans are calculated based on floating interest rates which may be varied from time to time at the bank's discretion. All of the term loans are denominated in Ringgit Malaysia.

24 DEFERRED TAX LIABILITIES

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred tax relates to the same tax authority. The following amounts, determined after appropriate offsetting, are shown in the statements of financial position:

	Group	
	2018 RM'000	**2017 RM'000**
Subject to income tax:		
Deferred tax liabilities	**1,000**	1,715

The movements in deferred tax (assets)/liabilities during the financial year comprise the following:

	Group	
	2018 RM'000	**2017 RM'000**
At 1 July	**1,715**	(172)
(Credited)/Charged to profit or loss (Note 8)		
- property, plant and equipment	**(435)**	(335)
- provisions and allowances	**78**	(327)
- intangible assets	**(358)**	465
- unused tax losses	**0**	2,084
	(715)	1,887
At 30 June	**1,000**	1,715
Subject to income tax:		
Deferred tax assets		
- provisions and allowances	**(343)**	(421)
Offsetting	**343**	421
Deferred tax assets (after offsetting)	**0**	0
Deferred tax liabilities		
- property, plant and equipment	**1,236**	1,671
- intangible assets	**107**	465
Deferred tax liabilities (before offsetting)	**1,343**	2,136
Offsetting	**(343)**	(421)
Deferred tax liabilities (after offsetting)	**1,000**	1,715
Deferred tax liabilities		
- to be realised within 12 months	**229**	686
- to be realised after 12 months	**771**	1,029
	1,000	1,715

25 PAYABLES AND ACCRUED LIABILITIES

	Group		Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Trade payables	**19,299**	27,216	**0**	0
Other payables	**611**	1,687	**0**	0
Accrued liabilities	**3,319**	3,507	**471**	403
	23,229	32,410	**471**	403
Advances from customers for product development	**117**	0	**0**	0
Advances from customers for sales of goods	**145**	9	**0**	0
	262	9	**0**	0
	23,491	32,419	**471**	403

Credit terms of trade payables and other payables granted to the Group vary from 14 to 90 days (2017: 14 to 90 days) from invoice date.

Included in other payables of the Group are in respect of purchase of property, plant and equipment of RM0.2 million (2017: RM1.2 million).

The currency profile of payables and accrued liabilities is as follows:

	Group		Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
US Dollar	**17,712**	21,572	**0**	0
Ringgit Malaysia	**5,516**	10,705	**471**	403
Euro	**0**	118	**0**	0
Others	**1**	15	**0**	0
	23,229	32,410	**471**	403

26 DERIVATIVE FINANCIAL INSTRUMENTS

	Group	
	2018	**2017**
	RM'000	**RM'000**
Derivative financial instruments		
Liabilities	**188**	15

The subsidiary does not apply hedge accounting. It has entered into foreign currency forward exchange contracts which are economic hedges to mitigate its risk of foreign currency exposure.

The notional principal amounts of the outstanding derivative financial instruments are as follows:

			Group	
	Currency bought	**Currency sold**	**2018 RM'000**	**2017 RM'000**
- foreign currency forward exchange contracts	RM	USD	**9,919**	6,028

27 PROVISION FOR WARRANTIES

	Group	
	2018	**2017**
	RM'000	**RM'000**
At 1 July	**114**	84
Charge during the financial year	**34**	49
Utilised during the financial year	**(7)**	(19)
At 30 June	**141**	114

Provision for warranties is in respect of finished products manufactured and sold by the Group directly to the end users. The provision is measured at a percentage rate of historical replacement to the related revenue and a review of possible outcomes against the associated probabilities of returns.

28 DIVIDENDS

	Company 2018 RM'000	Company 2017 RM'000
Paid		
First interim single-tier tax exempt dividend of 0.6 sen per share on 388,000,000 ordinary shares, declared on 22 August 2017 to shareholders registered in the Company's Register of Members as at 15 September 2017 and paid on 29 September 2017 (2017: First interim single-tier tax exempt dividend of 0.6 sen per share on 388,000,000 ordinary shares, declared on 15 August 2016 to shareholders registered in the Company's Register of Members as at 15 September 2016 and paid on 30 September 2016)	**2,328**	2,328
Second interim single-tier tax exempt dividend of 0.6 sen per share on 388,000,000 ordinary shares, declared on 23 November 2017 to shareholders registered in the Company's Register of Members as at 8 December 2017 and paid on 22 December 2017 (2017: Second interim single-tier tax exempt dividend of 0.6 sen per share on 388,000,000 ordinary shares, declared on 24 November 2016 to shareholders registered in the Company's Register of Members as at 8 December 2016 and paid on 23 December 2016)	**2,328**	2,328
Third interim single-tier tax exempt dividend of 0.6 sen per share on 388,000,000 ordinary shares, declared on 9 February 2018 to shareholders registered in the Company's Register of Members as at 28 February 2018 and paid on 15 March 2018 (2017: Third interim single-tier tax exempt dividend of 0.6 sen per share on 388,000,000 ordinary shares, declared on 20 February 2017 to shareholders registered in the Company's Register of Members as at 15 March 2017 and paid on 31 March 2017)	**2,328**	2,328
Fourth interim single-tier tax exempt dividend of 0.6 sen per share on 388,000,000 ordinary shares, declared on 22 May 2018 to shareholders registered in the Company's Register of Members as at 11 June 2018 and paid on 26 June 2018 (2017: Fourth interim single-tier tax exempt dividend of 0.6 sen per share on 388,000,000 ordinary shares, declared on 29 May 2017 to shareholders registered in the Company's Register of Members as at 15 June 2017 and paid on 30 June 2017)	**2,328**	2,328
	9,312	9,312

	2018 RM	2017 RM
Dividends per share - gross	**0.02**	0.02

The directors do not recommend the payment of a final dividend for the financial year ended 30 June 2018.

On 28 August 2018, the directors declared a first interim single-tier tax exempt dividend to shareholders registered in the Company's Register of Members as at 18 September 2018 in respect of the financial year ending 30 June 2019 of 0.6 sen per share on 388,000,000 ordinary shares amounting to RM2,328,000, paid on 28 September 2018. The financial statements for the current financial year do not reflect this dividend. This dividend will be accounted for in the shareholders' equity as an appropriation of retained profits in the financial year ending 30 June 2019.

29 CAPITAL COMMITMENTS

Capital commitments in respect of property, plant and equipment not provided for in the financial statements are as follows:

	Group		Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Approved and contracted	**853**	995	**0**	0
Approved but not contracted	**20,935**	11,872	**0**	0

30 NON-CANCELLABLE OPERATING LEASE COMMITMENTS

The Group leases various office equipments under non-cancellable operating lease agreements.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	Group	
	2018 RM'000	**2017 RM'000**
Not later than 1 year	**28**	28
Later than 1 year but not later than 5 years	**56**	83
	84	111

31 FINANCIAL INSTRUMENTS

(a) Classification of financial instruments

	Group		Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Financial assets				
Financial asset measured at fair value through profit or loss:				
- Short term investments	**60,863**	43,034	**19,336**	13,674
Available-for-sale financial assets	**119**	119	**0**	0
Loans and receivables at amortised cost:				
- Receivables and deposits	**20,962**	28,328	**1**	1
- Amount due from a subsidiary	**0**	0	**26,992**	30,000
- Deposits with licensed banks	**29,200**	35,500	**0**	0
- Cash and bank balances	**1,049**	4,551	**79**	85
Total	**112,193**	111,532	**46,408**	43,760

31 FINANCIAL INSTRUMENTS (CONT'D)

(a) Classification of financial instruments (cont'd)

	Group		Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Financial liabilities				
Financial liability measured at fair value through profit or loss:				
- Derivative financial instruments	**188**	15	**0**	0
Other financial liabilities at amortised cost:				
- Payables and accrued liabilities	**23,229**	32,410	**471**	403
- Hire-purchase creditors	**291**	1,308	**0**	0
- Term loans	**563**	2,063	**0**	0
Total	**24,271**	35,796	**471**	403

(b) Financial risk management

The Group's overall financial risk management objectives and policies are to ensure that the Group creates value and maximises returns for its shareholders. Financial risk management is carried out through risk review, internal control systems, benchmarking to the industry's best practices and adherence to the Group's financial risk management policies. The main risks arising from the financial instruments of the Group are market risk, price risk, credit risk and liquidity risk. Management monitors the Group's financial position closely with the objective to minimise potential adverse effects on the financial performance of the Group.

The nature of these risks and the Group's approaches in managing these risks are listed below:

(i) Market risk

(a) Foreign currency exchange risk

Foreign currency exchange risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of the changes in foreign currency exchange rates.

The Group's sales and purchases of goods are mostly denominated in US Dollar and Ringgit Malaysia.

The Group mitigates its foreign currency exchange risk through the natural hedge of operating foreign currency accounts using the deposits from its export proceeds to pay imported purchases where both are denominated in the same foreign currency. The Group also enters into foreign currency forward exchange contracts to hedge its receivables for export proceeds, whenever considered necessary.

31 FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial risk management (cont'd)

The nature of these risks and the Group's approaches in managing these risks are listed below: (cont'd)

(i) Market risk (cont'd)

(a) Foreign currency exchange risk (cont'd)

Sensitivity analysis for foreign currency exchange risk

Based on the currency profile of receivables and deposits, cash and bank balances and payables and accrued liabilities as disclosed in the respective Note 15, Note 18 and Note 25 to the financial statements respectively, the sensitivity analysis of foreign currency exchange risk is calculated based on reasonably possible change in exchange rates for the major foreign currencies transacted by the Group against Ringgit Malaysia at the end of the financial year. This analysis assumes that all other variables are held constant.

	Estimated % increase		Impact on profit or loss	
	2018	2017	2018	2017
Group	**%**	**%**	**RM'000**	**RM'000**
Foreign currency strengthens against RM				
- US Dollar	**2**	2	**28**	115

Conversely, weakening of major foreign currencies against Ringgit Malaysia by the above percentages would have had equal but opposite effects on the results of the Group shown above on the basis that all other variables remain constant.

(b) Interest rate risk

Interest rate risk is the risk that fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates.

The Group's exposure to changes in interest rates relates mainly to term loans contracted on variable terms.

Sensitivity analysis for interest rate risk

Assuming all variables remain constant, an increase in interest rate by 0.5% (2017: 0.5%) on financial liabilities of the Group which have variable interest rates would have an impact on the Group's profit or loss as shown below:

	Impact on profit or loss (Unfavourable)/Favourable	
	2018	2017
Group	**RM'000**	**RM'000**
Increase in interest rate:		
- term loans	**(4)**	(21)

Conversely, a decrease in interest rate by 0.5% on financial liabilities of the Group would have had equal but opposite effect on the amounts shown above on the basis that all other variables remain constant.

The impact of fluctuation in interest risk on the results of the Company is not significant.

31 FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial risk management (cont'd)

(ii) Price risk

Price 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 changes in market prices (other than interest or foreign currency exchange rates).

The Group and the Company are exposed to price risk arising from its short term investments in money market fund and cash fund. The short term investments are classified as fair value through profit or loss.

At the end of the reporting period, if the money market/cash funds had been 2% (2017: 2%) higher/lower, with all other variables held constant, the Group's and the Company's net profit would have been approximately RM1.1 million (2017: RM0.9 million) and RM0.4 million (2017: RM0.3 million) respectively higher/lower, as a result of an increase/decrease in the fair value of the quoted funds.

(iii) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial assets should a counterparty default on its obligations. The Group's exposure to credit risk arises primarily from trade, other receivables and deposits, deposits with licensed banks and bank balances.

Trade receivables are monitored on an ongoing basis via the Group's management reporting procedures. The Group has significant concentration of credit risk in the form of outstanding balance due from 2 customers representing 95% of the total trade receivables as at reporting period end (2017: 3 customers, 96%).

The credit quality of trade receivables that are neither past due nor impaired are substantially amounts due from these major customers with good collection track record with the Group. Management will continuously monitor closely the trade receivables which are past due.

Credit risk arising from deposits with licensed banks

Credit risk also arises from deposits with licensed banks. The derivative and deposits are placed with creditworthy licensed banks in Malaysia. The Group considers the risk of material loss in the event of non performance by a financial counterparty to be low.

Exposure to credit risk

At the end of the reporting period, the Group's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statements of financial position except for the financial guarantee contracts applicable to the Company. The maximum exposure for financial guarantee contracts are as disclosed in Note 32(b)(iv) to the financial statements.

31 FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial risk management (cont'd)

(iii) Credit risk (cont'd)

Ageing analysis

The ageing analysis of the Group's and the Company's financial assets is as follows:

	Group		Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Neither past due nor impaired				
Trade receivables	**10,360**	18,048	**0**	0
Amounts recoverable from customers for product development	**1,653**	2,452	**0**	0
Amount due from a subsidiary	**0**	0	**26,992**	30,000
Other receivables and deposits	**472**	805	**1**	1
Deposits with licensed banks	**29,200**	35,500	**0**	0
Cash and bank balances	**1,049**	4,551	**79**	85
	42,734	61,356	**27,072**	30,086
Past due but not impaired				
Trade receivables				
1 to 30 days past due	**8,103**	7,023	**0**	0
31 to 60 days past due	**1**	0	**0**	0
61 to 90 days past due	**373**	0	**0**	0
121 days past due	*****	0	**0**	0
Sub-total	**8,477**	7,023	**0**	0
Total	**51,211**	68,379	**27,072**	30,086

* Amount is less than RM500.

Receivables that are neither past due nor impaired

Deposits and bank balances are mainly deposits placed with reputable licensed banks in Malaysia. Amount due from a subsidiary is receivable on demand and is within the treasury arrangements controlled within the Group. The subsidiary has the liquidity and available funds to repay on demand. Trade and other receivables that are neither past due nor impaired are due from creditworthy debtors with good historical payment records with the Group. Majority of the Group's trade receivables arise from regular customers with the Group and with insignificant losses noted.

None of the Group's trade receivables that are neither past due nor impaired have been renegotiated during the financial year.

31 FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial risk management (cont'd)

(iii) Credit risk (cont'd)

Receivables that are past due but not impaired

As at 30 June 2018, trade receivables of the Group of approximately RM8 million (2017: RM7 million) were past due but not impaired. These debts relate to a number of independent customers for whom there is no recent history of default. Substantially all of these debts have been repaid subsequent to the financial year end.

Trade receivables that are impaired

There are no trade receivables that are impaired at the reporting date.

(iv) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group maintains sufficient cash and ensures availability of funding through an adequate but flexible amount of credit facilities obtained from financial institutions in Malaysia. Certain facilities are maintained with varying maturities to ensure sufficient cash inflow from operations is available to meet all repayment requirements, if required.

The table below summarises the maturity profile of the Group's and of the Company's liabilities at the end of the reporting period based on contractual undiscounted repayment obligations.

		2018	
Group	**Within one year RM'000**	**Two to five years RM'000**	**Total RM'000**
Financial liabilities:			
Payables and accrued liabilities	**23,229**	**0**	**23,229**
Term loans	**276**	**324**	**600**
Hire-purchase creditors	**300**	**0**	**300**
Total undiscounted financial obligations	**23,805**	**324**	**24,129**
Derivative financial liabilities:			
Gross settled currency forward			
- receipts	**9,919**	**0**	**9,919**
- payments	**(10,107)**	**0**	**(10,107)**
	(188)	**0**	**(188)**

31 FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial risk management (cont'd)

(iv) Liquidity risk (cont'd)

Group	Within one year RM'000	2017 Two to five years RM'000	Total RM'000
Financial liabilities:			
Payables and accrued liabilities	32,410	0	32,410
Term loans	1,556	596	2,152
Hire-purchase creditors	1,072	300	1,372
Total undiscounted financial obligations	35,038	896	35,934
Derivative financial liabilities:			
Gross settled currency forward			
- receipts	6,028	0	6,028
- payments	(6,043)	0	(6,043)
	(15)	0	(15)

Company	On demand* /within one year RM'000	2018 Two to five years RM'000	Total RM'000
Other payables and accrued liabilities	**471**	**0**	**471**
Financial guarantee liabilities *	**576**	**324**	**900**
	1,047	**324**	**1,371**

Company	On demand* /within one year RM'000	2017 Two to five years RM'000	Total RM'000
Other payables and accrued liabilities	403	0	403
Financial guarantee liabilities *	2,628	896	3,524
	3,031	896	3,927

31 FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial risk management (cont'd)

(iv) Liquidity risk (cont'd)

Financial guarantees

The Company provides unsecured financial guarantees to banks in respect of credit facilities granted to a wholly-owned subsidiary and monitors on an ongoing basis the performance of the subsidiary. As at 30 June 2018 and 2017, there was no indication that the subsidiary would default on repayment.

Financial guarantee liabilities have not been recognised since the fair value on initial recognition was not material and the probability of the subsidiary defaulting on their credit facilities is remote.

(v) Capital management

The Group's and the Company's objective when managing capital is to safeguard the Group's and the Company's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholders' value.

Management monitors capital based on shareholders' equity attributable to the owners of the Company as stated in the statements of financial position.

32 FAIR VALUE ESTIMATION

The carrying amounts of the following financial assets and liabilities approximate their fair values due to the relatively short term maturity of these financial instruments: deposits, cash and bank balances, receivables and payables.

The fair value of the floating interest rate borrowings approximates the carrying value as at the reporting date.

The disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2);
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

32 FAIR VALUE ESTIMATION (CONT'D)

The following table presents the Group's and the Company's assets that are measured at fair value:

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
At 30 June 2018				
Group				
Assets				
Available-for-sale financial assets	**0**	**119**	**0**	**119**
Short term investments	**60,863**	**0**	**0**	**60,863**
Liabilities				
Derivative financial instruments	**0**	**188**	**0**	**188**
Company				
Asset				
Short term investments	**19,336**	**0**	**0**	**19,336**
At 30 June 2017				
Group				
Assets				
Available-for-sale financial assets	0	119	0	119
Short term investments	43,034	0	0	43,034
Liabilities				
Derivative financial instruments	0	15	0	15
Company				
Asset				
Short term investments	13,674	0	0	13,674

The fair values of the short term investments of the Group and of the Company are based on quoted market prices in active market and are therefore classified in Level 1.

The fair values of the derivative financial instruments and available-for-sale financial assets are based on certain inputs which are not directly obtainable from quoted prices and are therefore classified in Level 2.

There were no transfers between Levels 1, 2 and 3 during the financial year.

33 SEGMENT REPORTING

The Group operates in Malaysia under one business segment:

- Consumer electronics - is an operating segment which comprises vertical integration processes covering product design and development, and manufacturing of mobile communication products, wireless electronics and lifestyle devices.

(a) Analysis of results and financial position

	Consumer electronics	
	2018	**2017**
	RM'000	**RM'000**
Group:		
Revenue	**261,474**	247,091
Results		
Profit from operations	**15,207**	25,678
Finance costs	**(110)**	(345)
Profit before tax	**15,097**	25,333
Tax expense	**(3,735)**	(5,979)
Net profit for the financial year	**11,362**	19,354
Other information		
Segment assets	**191,574**	201,497
Unallocated assets	**1,173**	1,160
Total assets	**192,747**	202,657
Segment liabilities	**24,674**	35,919
Unallocated liabilities	**1,000**	1,715
Total liabilities	**25,674**	37,634
Capital expenditure	**3,158**	12,218
Included in profit from operations are:		
- interest income	**1,328**	1,431
- depreciation of property, plant and equipment	**(7,285)**	(6,688)
- amortisation of intangible assets	**(2,240)**	(1,687)
- fair value gains on short term investments	**1,106**	1,491

Unallocated assets include income tax recoverable. Unallocated liabilities include deferred tax liabilities.

33 SEGMENT REPORTING (CONT'D)

(b) Analysis of revenue by region

Although the Company and its subsidiary are located in Malaysia, the Group exports the goods to Asia, Europe, North America, Australia and Africa. The revenue of the Group is analysed as follows:

	Group	
	2018	**2017**
	RM'000	**RM'000**
North America	**161,746**	187,169
Europe	**46,634**	30,998
Australia (including New Zealand, Oceania)	**2,979**	1,578
Asia (excluding Malaysia)	**48,079**	24,632
Africa (including Middle East)	**108**	24
Malaysia	**1,928**	2,690
	261,474	247,091

For the current financial year, the revenue of 2 (2017: 2) customers which contributed more than 10% of the total revenue of the Group amounting to RM256 million (2017: RM222 million).

Other than United States of America which contributed more than 80% of the revenue derived from North America, there is no other individual country that the revenue of the Group attributable to is material.

All non-current assets of the Group are located in Malaysia.

The basis of measurement of reported segment profit or loss, segment assets and segment liabilities is consistent with the basis used for the statements of comprehensive income of the Group for the financial year ended 30 June 2018 and the statements of financial position as at 30 June 2018. The components of the segment assets and liabilities include classes of assets and liabilities disclosed in the statements of financial position.

34 APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 15 October 2018.

LIST OF **PROPERTIES**

Registered owner	Title details / address	Tenure/ Expiry of lease	Description and existing use	Approximate age of building	Total built up area and land area (square meter)	Carrying Amount as at 30 June 2018 (RM'000)	Date of Acquisition / Valuation
Salutica Allied	Lot 202124, PN 94442, Mukim Hulu Kinta, Daerah Kinta, Negeri Perak 3 Jalan Zarib 6 Kawasan Perindustrian Zarib, 31500 Lahat, Ipoh, Perak	99 years, expiring on 11 February 2092	Allocated parking space for employees	N/A	Land area: 4,551 Built-up area: N/A	610.4	12 October 2015 (Date of Acquisition)
Salutica Allied	Lot 202125, PN94443, Mukim Hulu Kinta, Daerah Kinta, Negeri Perak 3 Jalan Zarib 6 Kawasan Perindustrian Zarib, 31500 Lahat, Ipoh, Perak	99 years, expiring on 11 February 2092	Allocated parking space for employees	N/A	Land area: 4,314 Built-up area: N/A	643.3	12 October 2015 (Date of cquisition)
Salutica Allied	Lot 381631, PN314266, Mukim Hulu Kinta, Daerah Kinta, Negeri Perak 3 Jalan Zarib 6 Kawasan Perindustrian Zarib, 31500 Lahat, Ipoh, Perak	99 years, expiring on 11 February 2092	Our manufacturing plant comprising a two (2)-storey office annexed to a two (2) storey warehouse ("Phase Three") and factory ("Phase One and Two") ("Buildings")	Phase One: 18 years Phase Two: 17 years Phase Three: 9 years	Land area: 30,130 Built-up area: Approximately 30,318	21,354.6	12 October 2015 (Date of Acquisition)

The above properties are charged as security for trade facilities with OCBC Bank (Malaysia) Berhad.

ANALYSIS OF SHAREHOLDINGS

as at 20 September 2018

Issued and Fully Paid Up Share Capital:	RM38,800,000
Class of Shares:	Ordinary shares
Voting Rights:	One vote per ordinary share

LIST OF SUBSTANTIAL SHAREHOLDERS

	Direct Interest		Indirect Interest	
Name	Size of Holdings	%	Size of Holdings	%
Blue Ocean Enlightenment Sdn. Bhd. ("BOE")	214,500,000	55.28	–	–
Lim Chong Shyh	–	–	214,500,000 [1]	55.28
Joshua Lim Phan Yih	–	–	214,500,000 [1]	55.28
Joel Lim Phan Hong	–	–	214,500,000 [1]	55.28

Note:

1. Deemed interested by virtue of shareholdings in BOE pursuant to Section 8 of the Companies Act, 2016 (the "Act").

DIRECTORS' SHAREHOLDINGS

	Direct Interest		Indirect Interest	
Name	Size of Holdings	%	Size of Holdings	%
Chia Chee Hoong	700,000	0.18	–	–
Low Teng Lum	700,000	0.18	30,000 [3]	0.01
Leow Chan Khiang	700,000	0.18	–	–
Chan Shook Ling	6,100,000	1.57	–	–
Lim Chong Shyh	–	–	214,500,000 [1]	55.28
			15,853,000 [2]	4.09
Joshua Lim Phan Yih	–	–	214,500,000 [1]	55.28
			15,853,000 [2]	4.09

Note:

1. Deemed interested by virtue of shareholdings in BOE pursuant to Section 8 of the Act.
2. Deemed interested by virtue of shareholdings in Genius Thinkers Sdn. Bhd. pursuant to Section 8 of the Act.
3. Deemed interested by virtue of the shares held by his spouse in the Company.

ANALYSIS BY SIZE OF HOLDINGS

No. of Holders	Size of Holdings	Total Holdings	%
8	1 - 99	109	0.00
195	100 – 1,000	121,100	0.03
1,196	1,001 – 10,000	7,196,100	1.86
898	10,001 – 100,000	31,080,400	8.01
205	100,001 to less than 5% of issued shares	135,102,291	34.82
1	5% and above of issued shares	214,500,000	55.28
2,503	**TOTAL**	**388,000,000**	**100.00**

LIST OF THIRTY LARGEST SHAREHOLDERS

No.	Name	No. of shares held	%
1.	BLUE OCEAN ENLIGHTENMENT SDN.BHD.	214,500,000	55.28
2.	GENIUS THINKERS SDN.BHD.	15,853,000	4.09
3.	CHAN SHOOK LING	6,100,000	1.57
4.	GOH BEE CHIN @ OOI BEE CHIN	4,804,300	1.24
5.	CIMB ISLAMIC NOMINEES (TEMPATAN) SDN.BHD. CIMB ISLAMIC TRUSTEE BHD FOR BIMB I DIVIDEND FUND	4,695,000	1.21
6.	HO KEAT SOONG	4,308,700	1.11
7.	MAYBANK NOMINEES (TEMPATAN) SDN.BHD. MAYBANK TRUSTEES BERHAD FOR BIMB I GROWTH FUND (940160)	4,273,000	1.10
8.	RHB NOMINEES (TEMPATAN) SDN.BHD. OSK TECHNOLOGY VENTURES SDN. BHD.	3,939,500	1.02
9.	CHIN SEEN CHOON	3,800,000	0.98
10.	HSBC NOMINEES (TEMPATAN) SDN.BHD. HSBC (M) TRUSTEE BHD FOR MANULIFE INVESTMENT PROGRESS FUND (4082)	3,523,900	0.91
11.	CIMB ISLAMIC NOMINEES (TEMPATAN) SDN.BHD. CIMB-PRINCIPAL ISLAMIC ASSET MANAGEMENT SDN.BHD. FOR LEMBAGA TABUNG HAJI	3,130,400	0.81
12.	HSBC NOMINEES (TEMPATAN) SDN.BHD. HSBC (M) TRUSTEE BHD FOR RHB SMALL CAP OPPORTUNITY UNIT TRUST	2,874,000	0.74
13.	CITIGROUP NOMINEES (TEMPATAN) SDN.BHD. KUMPULAN WANG PERSARAAN (DIPERBADANKAN) (KENANGA)	2,644,300	0.68
14.	MAYBANK NOMINEES (TEMPATAN) SDN.BHD. MAYBANK TRUSTEES BERHAD FOR MANULIFE INVESTMENT CM SHARIAH FLEXI FD (270785)	2,424,500	0.62
15.	RHB CAPITAL NOMINEES (TEMPATAN) SDN.BHD. PLEDGED SECURITIES ACCOUNT FOR FONG SILING (CEB)	2,000,000	0.51
16.	CITIGROUP NOMINEES (TEMPATAN) SDN.BHD. UNIVERSAL TRUSTEE (MALAYSIA) BERHAD FOR CIMB-PRINCIPAL EQUITY FUND	1,862,400	0.48
17.	TAN BOOI CHARN	1,603,100	0.41
18.	NG BOO KEAN @ NG BEH KIAN	1,569,000	0.40
19.	TAN HAN WOOI	1,500,000	0.39
20.	CITIGROUP NOMINEES (TEMPATAN) SDN.BHD. UNIVERSAL TRUSTEE (MALAYSIA) BERHAD FOR CIMB ISLAMIC SMALL CAP FUND	1,462,500	0.38
21.	HSBC NOMINEES (TEMPATAN) SDN.BHD. HSBC (M) TRUSTEE BHD FOR MANULIFE INVESTMENT AL-FAID (4389)	1,435,300	0.37
22.	CITIGROUP NOMINEES (TEMPATAN) SDN.BHD. KENANGA ISLAMIC INVESTORS BHD FOR LEMBAGA TABUNG HAJI	1,382,000	0.36
23.	CARTABAN NOMINEES (TEMPATAN) SDN.BHD. ICAPITAL.BIZ BERHAD	1,287,200	0.33
24.	HSBC NOMINEES (TEMPATAN) SDN.BHD. HSBC (M) TRUSTEE BHD FOR MANULIFE INSURANCE BERHAD (EQUITY FUND)	1,252,700	0.32
25.	MAYBANK NOMINEES (TEMPATAN) SDN.BHD. MAYBANK TRUSTEES BERHAD FOR CIMB-PRINCIPAL SMALL CAP FUND (240218)	1,153,300	0.30
26.	CHOO CHIEH YI	1,150,000	0.30
27.	CARTABAN NOMINEES (TEMPATAN) SDN.BHD. SCBMB TRUSTEE BERHAD FOR BIMB DANA AL-MUNSIF	1,103,000	0.28
28.	RHB NOMINEES (ASING) SDN.BHD. EXEMPT AN FOR RHB SECURITIES SINGAPORE PTE. LTD. (A/C CLIENTS)	1,070,000	0.27
29.	CITIGROUP NOMINEES (TEMPATAN) SDN.BHD. KUMPULAN WANG PERSARAAN (DIPERBADANKAN) (ESPG IV SC E)	1,003,600	0.26
30.	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN.BHD. PLEDGED SECURITIES ACCOUNT FOR TING SIEW PIN (8118995)	1,000,200	0.26
	TOTAL	**298,704,900**	**76.98**

NOTICE OF
ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Sixth Annual General Meeting ("**6th AGM**") of Salutica Berhad ("**Salutica**" or the "**Company**") will be held at the Company's place of business at No. 3, Jalan Zarib 6, Kawasan Perindustrian Zarib, 31500 Lahat, Ipoh, Perak Darul Ridzuan on Monday, 26 November 2018 at 10:30 a.m. for the following purposes:-

AS ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial year ended 30 June 2018 together with the Directors' and Auditors' Reports thereon. **Please refer to Explanatory Note 1**

2. To approve the payment of Directors' Fees amounting RM478,958.00 for the financial year ended 30 June 2018. **Resolution 1**

3. To re-elect the following Directors retiring in accordance with Article 95 of the Company's Constitution and being eligible, have offered themselves for re-election:-

   (i) Mr. Lim Chong Shyh **Resolution 2**

   (ii) Mr. Leow Chan Khiang **Resolution 3**

4. To re-appoint Messrs PricewaterhouseCoopers PLT as Auditors of the Company for the financial year ending 30 June 2019 and to authorise the Directors to fix their remuneration. **Resolution 4**

AS SPECIAL BUSINESS

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

5. **Authority to Issue and Allot Shares pursuant to Sections 75 and 76 of the Companies Act, 2016** **Resolution 5 (Please refer to Explanatory Note 2)**

   "THAT, subject always to the Companies Act 2016 ("Act"), the Constitution of the Company and the approval of the relevant governmental and/or regulatory authorities (if any), the Directors be and are hereby authorised pursuant to Sections 75 and 76 of the Act to issue and allot shares in the Company, from time to time, at such price, upon such terms and conditions and for such purposes and to such person or persons whomsoever as the Directors, may in their absolute discretion deem fit provided that the aggregate number of shares to be issued pursuant to this resolution does not exceed ten percent (10%) of the total number of issued shares of the Company for the time being and THAT the Directors be and are hereby also empowered to obtain the approval for the listing of and quotation for the additional shares so issued from Bursa Malaysia Securities Berhad and THAT such authority shall continue to be in force until the conclusion of the next annual general meeting of the Company after the approval was given or at the expiry of the period within which the next annual general meeting is required to be held after the approval was given, whichever is earlier, unless such approval is revoked or varied by the Company at a general meeting."

6. **Proposed Renewal of Share Buy-Back Authority of Up To 10% of the Total Number of Issued Shares of the Company ("Proposed Renewal of Share Buy-Back Authority")**

Resolution 6 (Please refer to Explanatory Note 3)

"THAT, subject always to the Companies Act 2016 ("**Act**"), the provisions of the Constitution of the Company, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Listing Requirements") and the approvals of all relevant governmental and/or regulatory authorities, the Company be and is hereby authorised, to the extent permitted by law, to buy-back and/or hold such amount of shares as may be determined by the Directors of the Company from time to time through Bursa Malaysia Securities Berhad ("Bursa Securities") upon such terms and conditions as the Directors may deem fit and expedient in the interest of the Company provided that:-

(i) the maximum aggregate number of Shares purchased or held by the Company shall not exceed 10% of the issued share capital of the Company at any point in time;

(ii) the maximum amount of funds to be allocated by the Company for the purpose of purchasing its Shares shall not exceed the amount of the retained profits of the Company at the time of purchase; and

(iii) the authority conferred by this resolution shall be effective immediately after the passing of this resolution and shall continue to be in force until:-

(a) the conclusion of the next annual general meeting of the Company at which time it will lapse unless by ordinary resolution passed at that meeting, the authority is renewed, either unconditionally or subject to conditions; or

(b) the expiration of the period within which the next annual general meeting of the Company is required by law to be held; or

(c) revoked or varied by ordinary resolution passed by the shareholders of the Company at a general meeting of the Company, whichever occurs first.

THAT the Directors be and are hereby authorised to deal with the Purchased Shares, at their discretion, in the following manner:-

(i) cancel the Purchased Shares; or

(ii) retain the Purchased Shares as treasury shares; or

(iii) retain part of the Purchased Shares as treasury shares and cancel the remainder.

THAT where such Shares are held as treasury shares, the Directors be and are hereby authorised to deal with the treasury shares in their absolute discretion, in the following manner:-

(i) distribute the Purchased Shares as dividends to shareholders, such dividends to be known as "shares dividends"; or

(ii) resell the Purchased Shares or any of the Purchased Shares in accordance with the relevant rules of Bursa Securities; or

(iii) transfer the Purchased Shares or any of the Purchased Shares for the purposes of or under an employees' share scheme; or

(iv) transfer the Purchased Shares or any of the Purchased Shares as purchase consideration; or

(v) cancel the Purchased Shares or any of the Purchased Shares; or

(vi) sell, transfer or otherwise use the Purchased Shares for such other purposes as the Minister may by order prescribe.

AND THAT the Directors be and are hereby authorised and empowered to do all acts and things and to take all such steps as necessary or expedient (including opening and maintaining a Central Depository System account) and to enter into and execute, on behalf of the Company, any instrument, agreement and/or arrangement with any person, and with full power to assent to any condition, modification, variation and/or amendment as may be imposed by Bursa Securities or any relevant regulatory authority, and/or as may be required in the best interest of the Company and to take all such steps as the Directors may deem fit, necessary and expedient in the best interest of the Company in order to implement, finalise and give full effect to the purchase by the Company of its Shares."

7. To transact any other business of which due notice shall have been given in accordance with the Companies Act, 2016.

By Order of the Board

CHAN CHEE KHEONG (MAICSA 0810287)
CHAN SHOOK LING (MIA 17167)
Company Secretaries

Ipoh
29 October 2018

NOTES

1. A member entitled to attend, speak and vote at this meeting is entitled to appoint a proxy or attorney or in the case of a corporation, to appoint a duly authorised representative to attend, speak and vote in his place. A proxy may but need not be a member of the Company.

2. A member of the Company who is entitled to attend, speak and vote at this meeting of the Company may not appoint more than one (1) proxy to attend, speak and vote instead of the member at the meeting.

3. A member of the Company, who is an authorised nominee as defined under Securities Industry (Central Depositories) Act 1991, may appoint one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.

4. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("**omnibus account**"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

5. Where an exempt authorised nominee appoints two (2) or more proxies, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.

6. The instrument appointing a proxy shall be executed by the appointor or any person duly authorised by the appointor or, if the appointor is a corporation, executed by a duly authorised person or under its common seal or in any other manner authorised by its constitution, shall be deposited at the Share Registrar's Office, Tricor Investor & Issuing House Services Sdn. Bhd., Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8 Jalan Kerinchi, 59200 Kuala Lumpur, not less than forty eight (48) hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the appointment proposes to vote.

NOTES (cont'd)

7. For the purpose of determining who shall be entitled to attend this meeting, the Company shall be requesting the Bursa Malaysia Depository Sdn. Bhd. to make available to the Company, a Record of Depositors as at 19 November 2018. Only a Member whose name appears on such Record of Depositors shall be entitled to attend this meeting or appoint a proxy to attend, speak and vote on his/her behalf. All resolutions set out in the Notice of the Meeting are to be voted by poll.

8. By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

EXPLANATORY NOTES

1. **Item 1 of the Agenda – The Audited Financial Statements for the financial year ended 30 June 2018 together with the Directors' and Auditors' Reports thereon**

   This agenda item is intended for discussion only as under Section 340(1)(a) of the Companies Act, 2016, the audited financial statements do not require formal approval of shareholders. As such, this agenda item will not be put forward for voting.

2. **Resolution 5 - Authority to Issue and Allot Shares pursuant to Sections 75 and 76 of the Companies Act, 2016**

   The proposed Resolution 5 is the renewal of the mandate obtained from the members at the last Annual General Meeting ("the previous mandate"). As at the date of this Notice, the Company did not allot any shares pursuant to the mandate granted to the Directors at the Fifth Annual General Meeting held on 24 November 2017 as there were no requirements for such fund raising activities.

   The proposed Resolution 5, if passed, would provide flexibility to the Directors to undertake corporate exercises that may involve but not limited to share swaps or fund raising activities, including but not limited to further placement of shares for the purpose of funding the Company's future investment project(s), working capital, repayment of borrowings and/or acquisition(s), by the issuance of shares in the Company to such persons at any time as the Directors may deem fit provided that the aggregate number of shares issued pursuant to the mandate does not exceed 10% of the total number of issued shares of the Company for the time being, without having to convene a general meeting. This authority, unless revoked or varied by the Company in a general meeting, will expire at the conclusion of the next Annual General Meeting of the Company or at the expiry of the period within which the next Annual General Meeting is required to be held after the approval was given, whichever is earlier.

3. **Resolution 6 - Proposed Renewal of Share Buy-Back Authority**

   The proposed Resolution 6, if passed, will allow the Company to purchase its own shares through Bursa Securities up to 10% of the total number of issued shares of the Company. Please refer to the Statement to Shareholders dated 29 October 2018 in relation to the Proposed Renewal of Share Buy-Back Authority for further details.

STATEMENT ACCOMPANYING NOTICE OF SIXTH ANNUAL GENERAL MEETING

(Pursuant to paragraph 8.27(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad)

Details of individuals who are standing for election as Directors (excluding directors standing for re-election)

No individual is seeking new election as a Director at the forthcoming Sixth AGM of the Company.

1. The profile of the Directors who are standing for re-election (as per Resolution 2 to 3 as stated above) at the Sixth Annual General Meeting of the company are as follows:-

   Article 95 of the Company's Articles of Association
   - Mr. Lim Chong Shyh
   - Mr. Leow Chan Khiang

2. The profiles of the above Directors are set out in the Profile of Directors appearing on pages 7 and 10 of this Annual Report.

3. The details of the above Directors' shareholdings in the Company are set out in the Analysis of Shareholdings appearing on page 122 of this Annual Report.

FORM OF **PROXY**

Number of Shares Held	
CDS Account Number	

SIXTH ANNUAL GENERAL MEETING

I/We, _____ Tel: _____
(Full name, NRIC No./Company No. and telephone no.)

of _____
(Address)

being a Member of **SALUTICA BERHAD**, hereby appoint _____

_____
(Full name, NRIC No./Company No.)

of _____
(Address)

or failing him/her, the Chairman of the Meeting as my/our proxy, to attend and vote for me/us on my/our behalf at the Sixth Annual General Meeting of Salutica Berhad ("**Salutica**" or the "**Company**"), to be held at the Company's place of business at No. 3, Jalan Zarib 6, Kawasan Perindustrian Zarib, 31500 Lahat, Ipoh, Perak Darul Ridzuan, Malaysia on Monday, 26 November 2018 at 10.30 a.m. and at any adjournment thereof.

Please indicate with an "X" in the spaces provided below how you wish your vote to be cast. If no specific direction as to the voting is given, the proxy will vote or abstain from voting at his/her discretion.

ORDINARY BUSINESS		**FOR**	**AGAINST**
Resolution 1	To approve the payment of Directors' fees		
Resolution 2	To re-elect Mr. Lim Chong Shyh as Director		
Resolution 3	To re-elect Mr. Leow Chan Khiang as Director		
Resolution 4	To re-appoint Messrs PricewaterhouseCoopers PLT as Auditors and to authorise the Directors to fix their remuneration		
SPECIAL BUSINESS			
Resolution 5	To authorise the Directors to issue and allot shares pursuant to Sections 75 and 76 of the Companies Act, 2016		
Resolution 6	To approve the Proposed Renewal of Share Buy-Back Authority		

Dated this _____ day of _____ 2018

_____
Signature(s)/Common Seal of Member

Notes:-

(i) A member entitled to attend, speak and vote at this Annual General Meeting is entitled to appoint a proxy or attorney or in the case of a corporation, to appoint a duly authorised representative to attend, speak and vote in his place. A proxy may but need not be a member of the Company.

(ii) A member of the Company who is entitled to attend, speak and vote at this meeting of the Company may not appoint more than one (1) proxy to attend, speak and vote instead of the member at the meeting.

(iii) A member of the Company, who is an authorised nominee as defined under Securities Industry (Central Depositories) Act 1991, may appoint one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.

*(iv) Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("**omnibus account**"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.*

(v) Where an exempt authorised nominee appoints two (2) or more proxies, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.

(vi) The instrument appointing a proxy shall be executed by the appointor or any person duly authorised by the appointor or, if the appointor is a corporation, executed by a duly authorised person or under its common seal or in any other manner authorised by its constitution, shall be deposited at the Share Registrar's Office, Tricor Investor & Issuing House Services Sdn. Bhd., Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8 Jalan Kerinchi, 59200 Kuala Lumpur, not less than forty eight (48) hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the appointment proposes to vote.

(vii) For the purpose of determining who shall be entitled to attend this meeting, the Company shall be requesting the Bursa Malaysia Depository Sdn. Bhd. to make available to the Company, a Record of Depositors as at 19 November 2018. Only a Member whose name appears on such Record of Depositors shall be entitled to attend this meeting or appoint a proxy to attend, speak and vote on his/her behalf. All resolutions set out in the Notice of the Meeting are to be voted by poll.

*(viii) By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.*

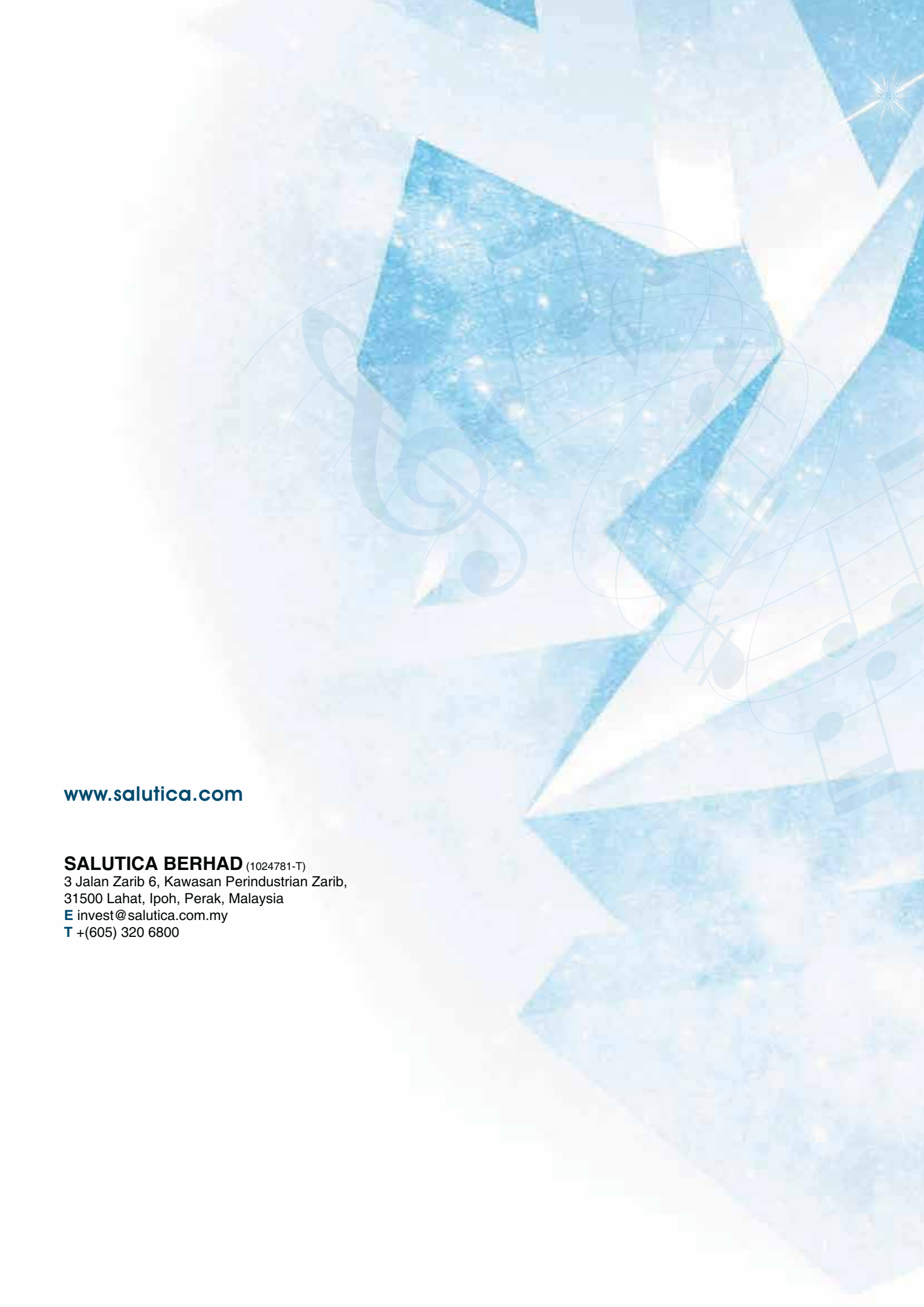
Please fold here

Stamp

Share Registrar
Tricor Investor & Issuing House Services Sdn Bhd

Unit 32-01, Level 32, Tower A
Vertical Business Suite
Avenue 3, Bangsar South
No. 8 Jalan Kerinchi
59200 Kuala Lumpur

Please fold here



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