CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Salutica Berhad ("Salutica" or the "Company") is pleased to provide an overview of the Company's corporate governance practices, as guided by the new Malaysian Code on Corporate Governance ("MCCG"), during the FYE2019.

The Board remains committed to the high standards of corporate governance driven by the objectives of enhancing shareholders' value and the financial performance of the Group.

The Statement below sets out how the Group has applied the Principles and the extent to which it has complied with the Recommendations of the MCCG during the FYE2019.

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 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. The Board has established the Anti-Corruption and Bribery Policy to emphasize its stand on ZERO-TOLERANCE on corruption and bribery and NO GIFT POLICY;

- 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;

- To ensure appropriate succession plan for members of the Board and senior management. On 2 July 2018, a deputy CEO was appointed as part of the succession plan for its 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.

1.2 The Chairman

The Chairman is an Independent Non-Executive Director, Mr. Chia Chee Hoong and he is primarily responsible for matters pertaining to the Board and the overall conducts of the Group. The Chairman is committed to good corporate governance practices and has been leading the Board towards achieving the Company's strategic goals.

PART 1 BOARD RESPONSIBILITIES (continued)

1.3 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. The roles and responsibilities of the Chairman and Managing Director are clearly segregated to further enhance and preserve the balance of authority, power and accountability. 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.

1.4 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.

1.5 Board Charter

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.

Directors are required to disclose any conflict of interest situations or any material personal interest that they may have in the affairs of the Group, as soon as they become aware of the interest and abstain themselves from deliberations on that matter.

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.

1.6 Company Secretaries and Access to Information and Advice

The Board is supported by three (3) Company Secretaries – a Chartered Secretary, a Licensed Secretary and a Chartered Accountant. All the Company Secretaries are qualified to act as company secretary under Section 235(2) of the Companies Act 2016.

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.

PART 1 BOARD RESPONSIBILITIES (continued)

1.6 Company Secretaries and Access to Information and Advice (continued)

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 currently has six (6) members, comprising three (3) Independent Directors and three (3) Executive Directors. The role of the Chairman is held by an Independent Non-Executive Director. The Board composition complies with the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad to have at least one third (1/3) of the Board consisting of Independent Directors.

The Board delegated some of its responsibilities to various Committees within the Board. The Board has established the Nomination Committee ("NC"), the Remuneration Committee ("RC") and the Audit and Risk Management Committee ("ARMC"). The NC and the RC were merged and known as Nomination and Remuneration Committee ("NRC") with effect from 26 November 2018. The rationale for the merger of the two (2) Board committees is to enhance the efficiency of the Board Committees in discharging its duties and responsibilities.

The primary functions of these NRC and ARMC are to assist the Board in overseeing the affairs of the Group and they have been entrusted with specific responsibilities and authority.

Nomination and Remuneration Committee ("NRC")

The NRC is responsible for identifying, evaluating and recommending, suitable candidates to fill Board vacancies including 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 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.

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 NRC consists of 3 Independent Non-Executive Directors as follows:

Name	Designation
Low Teng Lum	Chairman
Chia Chee Hoong	Member
Leow Chan Khiang	Member

As an integral element of the process of appointing new Directors, the NRC 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

PART 2 STRENGTHEN THE COMPOSITION OF THE BOARD (continued)

2.1 Board Committees (continued)

Nomination and Remuneration Committee ("NRC") (continued)

The NRC had convened two (2) meetings with full attendance by its members for the following agenda:

Meeting on 26 November 2018:

- discuss the resignation of Executive Directors as members of the Remuneration Committee in line with the Corporate Governance Guide Practice 6.2; and
- merging of NC and RC and known as NRC.

Meeting on 20 August 2019:

- review the Directors retiring at the 7th AGM, Mr. Low Teng Lum and Mr. Joshua Lim Phan Yih;
- review the remuneration of the Managing Director/Chief Executive Officer, Mr. Lim Chong Shyh;
- recommend to the Board the proposed Directors' fees for the FYE2019; and
- review the bonus scheme mechanism for managerial level and above.

Directors' Remuneration

(a) Details of Directors' remuneration as at FYE2019 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	55	-	-	-	55
	363	**-**	**-**		**363**

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	1,184	30	84	1,353
Joshua Lim Phan Yih	187	340	17	-	544
Chan Shook Ling	55	294	16	-	365
	495	**1,818**	**63**	**84**	**2,460**

PART 2 STRENGTHEN THE COMPOSITION OF THE BOARD (continued)

2.1 Board Committees (continued)

Directors' Remuneration (continued)

(b) The aggregate remuneration paid to key senior management including Executive Directors for the FYE2019 are as follows:

Range of Remuneration	No of persons
RM300,001 to RM350,000	3
RM350,001 to RM400,000	1
RM500,001 to RM550,000	1
RM1,350,001 to RM1,400,000	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.

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.

2.2 Appointment to the Board

The NRC is responsible for identifying, evaluating and recommending suitable candidates to the Board, at any given time. The NRC makes the recommendations following a careful consideration of the required mix of skills, experience and diversity, as well as gender where appropriate. NRC is also responsible for assessing the performance of the Directors on an on-going basis.

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 NRC 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.

2.3 Re-election of directors

Pursuant to Article 95 of the Company's Constitution (the "Constitution") 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 Constitution 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.

For the current year under review, there was no new appointment of directors.

2.4 Gender Diversity

The Board does not have a formal policy on gender diversity due the size of the board composition but also 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

PART 3 REINFORCE INDEPENDENCE OF THE BOARD

3.1 Annual Assessment of Independent Directors

The Board, through the NRC, conducted evaluation on the effectiveness of the Board, its Committees and 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, judgement, 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 evaluation process involves individual Director completing separate assessment in questionnaire format regarding the processes of the Board and its Committees, their effectiveness and where improvements can be considered. A scoring mechanism is used.

The NRC had performed the evaluation process for all of the Directors on 18 June 2019. The NRC 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 managing 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 judgement 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 (continued)

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
Chan Shook Ling	Executive Director

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 Board through the NRC regularly reviews the composition of the Board and the Board Committees. 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 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.

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

PART 4 FOSTER COMMITMENT OF DIRECTORS

4.1 Board Meeting and Attendance

The Directors are aware of the time commitment expected from each of them to attend to Board and Committee meetings and other type of meetings. They do not hold directorship in more than five (5) public listed companies. During the FYE2019, the Board held five (5) meetings with the full attendance as follows:

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

The Board is satisfied that the Directors are committed to attend meetings in order to discharge their duties and responsibilities effectively and efficiently.

PART 4 FOSTER COMMITMENT OF DIRECTORS (continued)

4.2 Supply of Information

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 scheduled meetings held during the year were preceded by notice of meetings issued by the Company Secretaries. Senior management are invited to attend Board meetings, whenever necessary, to provide additional information on the relevant agenda items tabled at Board meetings. The Directors may also 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 Board recognises that the Company Secretaries are suitably qualified and capable of carrying out the duties as required. All Directors have access to all information within the Company as well as the advices and services of the Company Secretaries who are responsible for ensuring the Board's meeting procedures are adhered to and that applicable rules and regulations are complied with.

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 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. 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

The Directors are also encouraged to attend training programmes which are relevant to the Company's operations and business and to keep abreast of changes in market trends, technological advancements and legislation and regulations affecting the Group.

All the Directors have successfully completed their Mandatory Accreditation Programme ("MAP") as required by Bursa Securities.

During the FYE2019, the Directors have attended the following training programmes as summarised below:

Name	Seminar/Training Programmes attended	Date
Chia Chee Hoong	• Crisis Management – Effective Corporate Communication by Malaysian Investor Relations Association ("MIRA")	30 May 2019
	• Managing Corporate Governance Challenges – Compliance Reality by MIRA	27 June 2019
Low Teng Lum	• Sustainability Engagement Series for Directors/Chief Executive Officers 2019 by Bursa Malaysia	5 July 2018
	• Case Study Workshop Rethinking-Independent Directors: Board Best Practices by Bursa Malaysia	5 September 2018
	• Integrated Reporting – Introductory Level by CSRWorks International Singapore	7 November 2018
	• Integrated Reporting – Practitioner Level by CSRWorks International Singapore	8 & 9 November 2018
	• Edge Citigold Wealth Forum by The Edge	23 February 2019
Leow Chan Khiang	• Understanding the Tax Landscape in Malaysia by Boardroom Corporate Services (KL) Sdn.Bhd.("Boardroom")	3 August 2018
	• GST Abolishment and SST Implementation by Malaysia Institute of Accountants ("MIA")	24 September 2018
	• KPMG Penang Tax Summit 2018 by KPMG Malaysia	22 November 2018
	• The New Malaysian Code on Corporate Governance by Boardroom.	29 November 2018

PART 4 FOSTER COMMITMENT OF DIRECTORS (continued)

4.3 Directors' Training (continued)

During the FYE2019, the Directors have attended the following training programmes as summarised below: (continued)

Name	Seminar/Training Programmes attended	Date
Lim Chong Shyh	• Staying Listed – Trials and Tribulations of A Listed Company by MIRA	10 April 2019
	• Managing Corporate Governance Challenges – Compliance Reality by MIRA	27 June 2019
Joshua Lim Phan Yih	• Staying Listed – Trials and Tribulations of A Listed Company by MIRA	10 April 2019
	• Managing Corporate Governance Challenges – Compliance Reality by MIRA	27 June 2019
Chan Shook Ling	• Seminar Percukaian Kebangsaan 2018 by Lembaga Hasil Dalam Negeri	22 November 2018
	• 2019 Budget Seminar – Restoring Public Finances, Sustaining Growth, Enhancing Wellbeing by MIA and Malaysian Association of Tax Accountants ("MATA")	7 December 2018
	• Staying Listed – Trials and Tribulations of A Listed Company by MIRA	10 April 2019
	• Leases – What is changing? by PwC	20 June 2019

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 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.

PART 5 UPHOLD INTEGRITY IN FINANCIAL REPORTING BY THE COMPANY (continued)

5.2 Assessment of Suitability and Independence of External Auditors (continued)

During the financial year under review, PwC have presented its Audit Plan Memorandum (the "Audit Plan") for FYE2019. The Audit 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 has in place a process of identifying, evaluating and managing significant risks encountered by the Group in achieving its objectives and strategies. To achieve this, the Group has established 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) setup a Risk Management Committee ("RMC") comprising the Managing Director and senior management;
b) ARMC reviews the findings of the RMC and risk register of the Group. Key risks identified are scored on likelihood of the risks occurring and the magnitude of its impact;
c) adopt clear and defined lines of responsibility and delegation of authority;
d) review and approve annual budget for the Group which sets out business prospects and opportunities;
e) 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
f) 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.

The feature of risk management and internal control framework to identify and manage the significant operational, financial and market risks associated with the Group's business are adequately disclosed in the ARMC report, Corporate Governance Overview Statement and Statement on Risk Management and Internal Control ("SORMIC") in this Annual Report.

PART 7 ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

7.1 Corporate Disclosure Policies

The Board recognises the importance of an effective communication channel between the Board, shareholders and general public and be in compliance with the disclosure requirements in the MMLR. 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

PART 7 ENSURE TIMELY AND HIGH QUALITY DISCLOSURE (continued)

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 eight (28) days per MCCG 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 an independent scrutineer to validate the votes cast at the general meeting.

8.3 Investor Relations and Shareholder engagement

The Board regards the AGM and other general meetings are an opportunity to communicate directly with shareholders and encourages attendance and participation in dialogue. 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.

PART 8 STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS (continued)

8.3 Investor Relations and Shareholder engagement (continued)

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: (continued)

- 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 14 October 2019.

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 Report ("ARMC") for the FYE2019 in pursuant to paragraph 15.15 of the Main Market Listing Requirements ("MMLR") of Bursa Securities.

The Audit committee was established by the Board on 5 April 2016 before changing its name to the current ARMC on 15 October 2018.

The objectives, scope of responsibilities and authority of the ARMC can be found on the Company's website www.salutica.com/CorporateGovernance.

1. Composition

The members of the ARMC are appointed by the Board from amongst the Non-Executive Directors and consist of at least three members, the majority of whom are Independent Directors to fully comply 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.

No former audit partner of the Group's external auditors shall be appointed to the Audit Committee unless that person has observed a cooling-off period of at least two (2) years before being appointed as a member of the ARMC.

In the event of any vacancy in the ARMC resulting in non-compliance in respect of composition of ARMC, the Company must fill the vacancy within three months.

There is a change to the composition of this committee as follows:

Name	Designation
Leow Chan Khiang	Chairman
Chia Chee Hoong	Member
Low Teng Lum	Member

2. Attendance at meetings

During the FYE2019, the ARMC held five meetings, in the presence of the Company Secretaries and the Executive Directors. External Auditors and Internal Auditors were invited to certain meetings to present their audit plan and reports and respond to queries during the meetings. The ARMC had also held two meetings with External Auditors without the presence of the Executive Directors during the financial year under review.

2. Attendance at meetings (continued)

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

Member	No of meetings held	Attendance
Leow Chan Khiang	5	5/5
Low Teng Lum	5	5/5
Chia Chee Hoong	5	5/5

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 along with all its subsidiaries 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 applicable financial reporting standards;
c. oversee compliance with the laws and regulations and ensure observance of a proper code of conduct;
d. have policies and procedures to assess the suitability and independence of external auditors; and
e. deliberate and review with the Risk Management Committee ("RMC") on the Group's risk profile, the key risks identified and the risk management process to ensure all high and critical risk areas are being addressed.

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 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 members, a majority of whom must be Independent Directors.

At least four meetings shall be convened during a year. The meetings shall be scheduled regularly by the Secretaries and due notice shall be distributed to the members before the meeting together with the agenda and supporting papers. The minutes of the meeting shall be recorded for reference and inspection purposes. The Executive Directors, Accountants, or the representatives of the internal and 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 control;
   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.

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 controls including the risks profile updates on a quarterly basis on key risk areas identified by the RMC; 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 of management integrity;

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

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; and

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

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 FYE2019 in discharging their duties and responsibilities were summarised as follows:

i. reviewed and approved the Audit Planning Memorandum on the statutory audit of the Group for the FYE2019 prepared by external auditors;
ii. reviewed with the external auditors the result of the audit work performed, the Audit Summary Memorandum 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 reappointment and the fixing of its audit fees;

10. Activities of the ARMC (continued)

The main activities carried out by the ARMC during the FYE2019 in discharging their duties and responsibilities were summarised as follows: (continued)

iv. reviewed the terms of reference of the Audit and Risk Management Committee, the Board Charter, Code of Conduct and Ethics, Corporate Disclosure and Whistle Blowing Policies since the last financial year. During the financial year, the Board has established its Anti-Corruption and Bribery Policy, a copy of which can be found on the Company's website www.salutica.com.
v. reviewed and approved the internal audit plan for the Group which covered internal control system, risk register and update as per Risk Management Framework 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.;
viii. reviewed the quarterly and annual financial statements of the Company and the Group together with the Managing Director/Chief Executive Officer and Key Finance Personnel 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 judgements, 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;
ix. reviewed the disclosure statements on the Statement on Corporate Governance, Audit and Risk Management Committee Report, Directors' Responsibility Statement, MDNA and Statement on Risk Management and Internal Control recommended for their adoption by the Board and Sustainability Statement for inclusion in this Annual Report;
x. reviewed the Corporate Governance report pursuant to Paragraph 15.25 of MMLR of Bursa Securities; and
xi. reviewed and adopted the Anti-Corruption and Bribery Policy for the Group. The policy can be found on the Company website www.salutica.com.

11. Internal Audit Functions

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 FYE2019, 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 reference to 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 assigned four staff to the Company to conduct internal audit during FYE2019. The responsible person outsourced to the Company is Mr. Yap Ping Hong, an associate director of NGL. His qualifications and membership with professional associations are as follows:

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

11. Internal Audit Functions (continued)

There were two internal control review cycles performed during FYE2019 as follows:

i) Project Management Cycle in December 2018

The scope of the review covers the following processes:
(a) Project initiation and planning;
(b) Project execution;
(c) Project monitoring and control; and
(d) Project finalisation.

ii) Sales & Marketing Cycle (for in-house brand FOBO) in May 2019

The scope of the review covers the following processes:
(a) Marketing activities planning, execution and closure;
(b) Marketing budget monitoring;
(c) Measurement of marketing objectives; and
(d) Sales support activities (ie. adequacy control for customer ordering process).

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 and the system of internal control was effective.

The professional fee incurred for the internal audit performed for the FYE2019 was RM24,000.

This Statement is made in accordance with a resolution of the Board of Directors dated 14 October 2019.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Introduction

Pursuant to Paragraph 15.26(b) of the MMLR, the Board of Directors ("the Board") is pleased to provide the following Statement on Risk Management and Internal Control ("SORMIC") 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 that internal control is an integral part of managing risks and 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 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.

2. Risk Management Framework

The Board has established an ongoing risk management commitment for identifying, evaluating and managing 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. In this regard, the risk management framework is established 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 (continued)

(b) Risk Assessment (continued)

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 reviews, on quarterly or when required, 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 employee 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.

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.

3. System of Internal Controls (continued)

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

- **Areas covered by Management (continued)**

  Whistle Blowing Policy: The Board acknowledges the importance of Whistle Blowing Policy and had implemented it in 2015 and subsequent review in 2019. 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.

  Anti-Corruption and Bribery Policy: The Group and its management is committed to conduct its businesses with uncompromising integrity and professionalism and in this regard has established the Anti-Corruption and Bribery Policy in 2019. The policy sets out the principles and scope of responsibilities amongst others, ZERO TOLERANCE on corruption and bribery and NO GIFT POLICY with all employees and business partners.

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

- **Internal Audit Function**

  The internal audit function provides assurance of the effectiveness of the system of risk management and internal control of the Group. The Internal Auditors carry out their 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 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 audit work performed is in reference to the International Professional Practices Framework for Internal Auditing from the Institute of Internal Auditors.

  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. The risk management framework was developed based on the Committee of Sponsoring Organisations of the Treadway Commission ("COSO")'s Enterprise Risk Management – Integrated Framework ("COSO ERM").

  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 2019.

3. System of Internal Controls (continued)

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

- **The Board**

  The Board is committed to conduct business fairly and ethically, and in compliance with the law and regulations. 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 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 MMLR, 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 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.

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 remains committed and will continue to take measures to strengthen the internal control and risk management environment to support the Group's business and operations. For the current year under review, 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 14 October 2019.

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 2019 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 also have a general responsibility for taking necessary steps that are reasonably available to them to safeguard the assets of the Group and the Company.

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 2019 was as follows:

Details of utilisation	Intended utilisation RM'000	Actual utilisation as at 30.06.2019 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	18,415	-	6,585	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**	**55,815**	**-**	**6,585**		

* 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 and its affiliates to the Group and the Company for the financial year ended 30 June 2019 are as follows:

FYE2019	Company (RM'000)	Group (RM'000)
Statutory Audit	62	180
Non-statutory Audit	11	75

The non-statutory audit fee is 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 2019 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 2019

TABLE OF **CONTENTS**

DIRECTORS' REPORT

for the financial year ended 30 June 2019

The directors hereby submit their report together with the audited financial statements of the Group and of the Company for the financial year ended 30 June 2019.

Directors

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

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

The names of directors of the subsidiary are listed below:

Lim Chong Shyh
Joshua Lim Phan Yih
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 (loss)/profit for the financial year	(550)	12,111

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			
	As at 1.7.2018	Acquired	Disposed	As at 30.6.2019
Salutica Berhad (the Company)				
Direct interest				
Chia Chee Hoong	700,000	500,000	0	**1,200,000**
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	234,740,000	0	(4,387,000)	**230,353,000**
Joshua Lim Phan Yih	234,740,000	0	(4,387,000)	**230,353,000**
Low Teng Lum	30,000	0	0	**30,000**
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 2019, 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 2019:	
- First interim single-tier tax exempt dividend of 0.6 sen per share on 388,000,000 ordinary shares, declared on 28 August 2018 to shareholders registered in the Company's Register of Members as at 18 September 2018 and paid on 28 September 2018	2,328
- Second interim single-tier tax exempt dividend of 0.6 sen per share on 388,000,000 ordinary shares, declared on 26 November 2018 to shareholders registered in the Company's Register of Members as at 10 December 2018 and paid on 20 December 2018	2,328
- Third interim single-tier tax exempt dividend of 0.6 sen per share on 387,185,000 ordinary shares, declared on 25 February 2019 to shareholders registered in the Company's Register of Members as at 15 March 2019 and paid on 29 March 2019	2,323
- Fourth interim single-tier tax exempt dividend of 0.6 sen per share on 387,185,000 ordinary shares, declared on 27 May 2019 to shareholders registered in the Company's Register of Members as at 14 June 2019 and paid on 28 June 2019	2,323
	9,302

Dividends (continued)

The directors do not recommend the payment of a final dividend for the financial year ended 30 June 2019.

On 20 August 2019, the directors declared a first interim single-tier tax exempt dividend to shareholders registered in the Company's Register of Members as at 10 September 2019 in respect of the financial year ending 30 June 2020 of 0.6 sen per share on 384,990,000 ordinary shares amounting to RM2,309,940, paid on 30 September 2019.

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 2019 amounted to approximately RM18,000.

No other indemnities have been given to or insurance effected for any other directors, officers or auditors 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.

Other statutory information (continued)

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 reappointment as auditors.

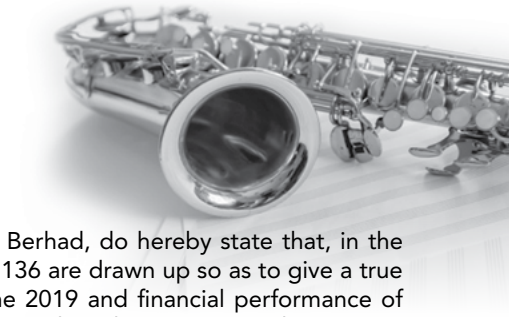
This report was approved by the Board of Directors on 14 October 2019. Signed on behalf of the Board of Directors.

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 69 to 136 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 2019 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 14 October 2019.

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 69 to 136 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 14 October 2019.

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 2019, 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 2019, 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 69 to 136.

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 from contracts with customers - services rendered in respect of product development Effective 1 July 2018, the Group and the Company had adopted MFRS 15 "Revenue from contracts with customers" to their accounting policies as disclosed in Note 2.1 and Note 3.21 to the financial statements. In applying this standard, the Group and the Company had exercised significant judgement and estimates as disclosed in Note 4.3 to the financial statements. The Group recorded revenue on services for product development of approximately RM3.8 million for the financial year ended 30 June 2019. The Group recognises revenue on services rendered for product development over time 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. The timing of revenue recognition may differ from the timing of billing to customers. When the services rendered exceed the payment, a contract asset is recognised whereas a contract liability is recognised if payment received in advance before rendering of services. Judgement is exercised in anticipating the timing between recognition of revenue and billings to customers which may subsequently changed due to specific change in specification and performance improvement.	We performed the following procedures in relation to revenue recognition on services rendered in respect of product development: • We reviewed management's assessment of the contracts with customers on application of MFRS 15. • 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 development 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 product development team project. • 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. • We assessed independently the percentage of completion by comparing actual costs incurred to date to total budgeted cost for material product development projects during the financial year. • We tested the amounts recognised as contract asset and contract liability. 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
Impairment assessments of property, plant and equipment and intangible assets of the Group The Group has property, plant and equipment and intangible assets with aggregate carrying amounts of approximately RM42.8 million and RM1.6 million respectively as at 30 June 2019. Management carried out impairment assessments on the Group's property, plant and equipment and intangible assets costs as a result of the existence of an impairment indicator as the Group's market capitalisation value is below the total carrying amount of its net assets. MFRS 136 requires impairment assessment to be carried out at the lowest level of identifiable cash generating units ("CGUs"). We focused on the impairment assessments of the CGUs with material property, plant and equipment and intangible assets balances, i.e. Salutica Allied Solutions Sdn. Bhd.. We focused on this area as the value in use computations for impairment assessments performed by management involved significant estimates and assumptions on the revenue cash flow forecasts and operating profit margins in the 5-year detailed forecast period matching the remaining useful life of principal assets in the CGU and discount rate used. Based on the impairment assessments performed by management, no impairment was considered necessary. The related disclosures are included in Note 4.5 – significant accounting estimates and judgements, Note 10 – Property, plant and equipment and Note 11 – Intangible assets.	We performed the following procedures in relation to management's impairment assessments of property, plant and equipment and intangible assets of the Group: • We obtained an understanding of management's plans and business changes; • We checked the appropriateness of management's identification of CGU; • We assessed the reliability of management's forecast by comparing past trends of actual financial performances against previous forecasted results; • We compared the 5-year detailed cash flow projections prepared by management to business plans approved by the Board of Directors; • We compared the key assumptions used by management in the value in use calculations, in particular, revenue cash flow forecasts and operating profit margins in the 5-year detailed forecast period to historical results; • We checked the overall operating profit margins to historical margins achieved; • We compared the revenue growth rates to industry data and check that the revenue growth rates are within the range of historical annual growth rates; • We compared the discount rate used to comparable industry rates in which the CGU operate; and • We checked the sensitivity analysis on revenue growth rates and discount rate prepared by the management to evaluate the impact on impairment assessment. Based on the procedures performed, the results of management's impairment assessments are consistent with the outcome of our procedures.

There are no key audit matters to report for the Company.

Information other than the financial statements and auditors' report thereon

The directors of the Company are responsible for the other information. The other information comprises 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.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (continued)

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.

(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.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (continued)

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

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
[03192/06/2021 J]
Chartered Accountant

Ipoh, Perak Darul Ridzuan

14 October 2019

STATEMENTS OF COMPREHENSIVE INCOME

for the financial year ended 30 June 2019

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Revenue	5	**138,972**	261,474	**12,000**	12,000
Raw materials and consumables used		**(100,259)**	(199,560)	**0**	0
Changes in inventories of work in progress and finished goods		**(3,253)**	(327)	**0**	0
Employee benefit costs		**(25,957)**	(25,351)	**(363)**	(347)
Contract workers		**(3,586)**	(9,211)	**0**	0
Depreciation of property, plant and equipment		**(5,422)**	(7,285)	**(7)**	(7)
Amortisation of intangible assets		**(514)**	(2,240)	**0**	0
Utilities		**(2,389)**	(2,688)	**0**	0
Maintenance and upkeep		**(2,206)**	(3,051)	**0**	0
Interest income		**1,091**	1,328	**2**	1
Other operating income		**5,546**	5,855	**777**	555
Other operating expenses		**(2,929)**	(3,737)	**(298)**	(323)
(Loss)/Profit from operations	6	**(906)**	15,207	**12,111**	11,879
Finance costs	7	**(29)**	(110)	**0**	0
(Loss)/Profit before tax		**(935)**	15,097	**12,111**	11,879
Tax credit/(expense)	8	**385**	(3,735)	*****	*
Net (loss)/profit for the financial year		**(550)**	11,362	**12,111**	11,879
Other comprehensive income for the financial year, net of tax		**0**	0	**0**	0
Total comprehensive (loss)/income for the financial year		**(550)**	11,362	**12,111**	11,879
Net (loss)/profit/Total comprehensive (loss)/income for the financial year attributable to owners of the Company		**(550)**	11,362	**12,111**	11,879
(Loss)/Earnings per share (sen)					
Basic/diluted	9	**(0.14)**	2.9		

* Amount is less than RM500

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

STATEMENTS OF FINANCIAL POSITION

as at 30 June 2019

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	10	**42,842**	41,446	*	7
Intangible assets	11	**1,606**	1,044	**0**	0
Investment in a subsidiary	12	**0**	0	**50,000**	50,000
Available-for-sale financial assets	13	**0**	119	**0**	0
		44,448	42,609	**50,000**	50,007
Current assets					
Inventories	14	**34,301**	33,366	**0**	0
Receivables, deposits and prepayments	15	**8,769**	24,487	**11**	12
Amount due from a subsidiary	16	**0**	0	**23,000**	26,992
Derivative financial instruments	17	**13**	0	**0**	0
Tax recoverable		**2,790**	1,173	**2**	1
Short term investments	18	**54,588**	60,863	**25,851**	19,336
Deposits, cash and bank balances	19	**27,078**	30,249	**87**	79
		127,539	150,138	**48,951**	46,420
Total assets		**171,987**	192,747	**98,951**	96,427
EQUITY					
Equity attributable to owners of the Company					
Share capital	20	**91,802**	91,802	**91,802**	91,802
Treasury shares	21	**(300)**	0	**(300)**	0
Fair value reserve	22	**0**	16	**0**	0
Retained profits	23	**65,419**	75,255	**6,963**	4,154
Total equity		**156,921**	167,073	**98,465**	95,956
LIABILITIES					
Non-current liabilities					
Term loan	24	**48**	313	**0**	0
Deferred tax liabilities	25	**103**	1,000	**0**	0
		151	1,313	**0**	0
Current liabilities					
Payable and accrued liabilities	26	**14,568**	23,491	**486**	471
Derivative financial instruments	17	**28**	188	**0**	0
Hire-purchase creditors	27	**0**	291	**0**	0
Term loan	24	**265**	250	**0**	0
Provision for warranties	28	**54**	141	**0**	0
		14,915	24,361	**486**	471
Total liabilities		**15,066**	25,674	**486**	471
Total equity and liabilities		**171,987**	192,747	**98,951**	96,427

* Amount is less than RM500

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

STATEMENTS OF CHANGES IN EQUITY

for the financial year ended 30 June 2019

	Issued and fully paid share capital RM'000	Treasury shares RM'000	Fair value reserve RM'000	Retained profits RM'000	Total RM'000
Group					
At 1 July 2018	91,802	0	16	75,255	167,073
Transition adjustment relating to MFRS 9 (Note 36.1(a))	0	0	(16)	16	0
	91,802	0	0	75,271	167,073
Total comprehensive loss for the financial year					
Net loss for the financial year	0	0	0	(550)	(550)
Total transactions with owners, recognised directly in equity					
Shares buy-back (Note 21)	0	(300)	0	0	(300)
Dividends (Note 29)	0	0	0	(9,302)	(9,302)
At 30 June 2019	**91,802**	**(300)**	**0**	**65,419**	**156,921**
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 29)	0	0	0	(9,312)	(9,312)
At 30 June 2018	91,802	0	16	75,255	167,073

STATEMENTS OF CHANGES IN EQUITY (continued)

for the financial year ended 30 June 2019

	Issued and fully paid share capital RM'000	Treasury shares RM'000	Retained profits RM'000	Total RM'000
Company				
At 1 July 2018	91,802	0	4,154	95,956
Total comprehensive income for the financial year				
Net profit for the financial year	0	0	12,111	12,111
Total transactions with owners, recognised directly in equity				
Shares buy-back (Note 21)	0	(300)	0	(300)
Dividends (Note 29)	0	0	(9,302)	(9,302)
At 30 June 2019	**91,802**	**(300)**	**6,963**	**98,465**
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 29)	0	0	(9,312)	(9,312)
At 30 June 2018	91,802	0	4,154	95,956

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

STATEMENTS OF CASH FLOWS

for the financial year ended 30 June 2019

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Operating cash flows				
Net (loss)/profit for the financial year	**(550)**	11,362	**12,111**	11,879
Adjustments for:				
Property, plant and equipment				
- depreciation	**5,422**	7,285	**7**	7
- gains on disposal	**(99)**	(49)	**0**	0
- written off	**2**	16	**0**	0
Intangible assets (Note 11)				
- capitalisation	**(957)**	(892)	**0**	0
- amortisation	**514**	2,240	**0**	0
Loss allowance for trade receivables	**62**	0	**0**	0
Bad debts written off	**9**	0	**0**	0
Short term investments				
- gains on disposal	**(166)**	(217)	**(12)**	(13)
- fair value gains	**(1,975)**	(1,106)	**(765)**	(542)
Interest expense	**29**	110	**0**	0
Interest income	**(1,091)**	(1,328)	**(2)**	(1)
Dividend income	**0**	0	**(12,000)**	(12,000)
Allowance for/(Reversal of) slow moving inventories	**21**	(12)	**0**	0
(Written back)/Provision for warranties	**(80)**	34	**0**	0
Unrealised foreign currency exchange gains	**(2)**	(79)	**0**	0
Fair value (gains)/losses on derivative financial instruments	**(173)**	173	**0**	0
Tax (credit)/expense	**(385)**	3,735	*****	*
	581	21,272	**(661)**	(670)
Changes in working capital:				
Inventories	**(956)**	6,045	**0**	0
Receivables	**15,604**	6,833	**1**	6
Payables	**(8,897)**	(8,270)	**15**	69
Intercompany	**0**	0	**(8)**	8
	6,332	25,880	**(653)**	(587)
Tax paid	**(2,141)**	(4,463)	**(1)**	(1)
Tax refunded	**12**	0	**0**	0
Net operating cash flow	**4,203**	21,417	**(654)**	(588)

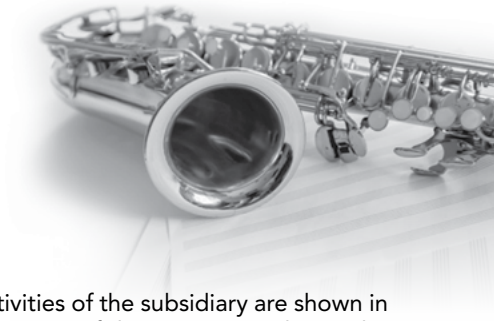
* Amount is less than RM500

STATEMENTS OF CASH FLOWS (continued)

for the financial year ended 30 June 2019

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Investing cash flows				
Purchase of property, plant and equipment	**(6,773)**	(4,155)	**0**	0
Proceeds from disposal of property, plant and equipment	**99**	49	**0**	0
Interest income received	**1,091**	1,328	**2**	1
Uplifts/(Placements) of deposit with a licensed bank (with maturity period of more than three months)	**5,000**	(19,200)	**0**	0
Dividend income received	**0**	0	**12,000**	12,000
Purchase of short term investments (Note 18)	**(58,660)**	(108,380)	**(13,950)**	(15,050)
Proceeds from sales of short term investments	**67,076**	91,874	**8,212**	9,943
Repayment of amount due from a subsidiary (Note 16(c))	**0**	0	**4,000**	3,000
Net investing cash flow	**7,833**	(38,484)	**10,264**	9,894
Financing cash flows				
Purchase of treasury shares (Note 21)	**(300)**	0	**(300)**	0
Dividends paid (Note 29)	**(9,302)**	(9,312)	**(9,302)**	(9,312)
Repayment of hire-purchase creditors (Note 35)	**(291)**	(1,017)	**0**	0
Repayment of term loans (Note 35)	**(250)**	(1,500)	**0**	0
Interest paid	**(29)**	(110)	**0**	0
Net financing cash flow	**(10,172)**	(11,939)	**(9,602)**	(9,312)
Net change in cash and cash equivalents	**1,864**	(29,006)	**8**	(6)
Cash and cash equivalents at beginning of the financial year	**1,049**	30,051	**79**	85
Effects of exchange rate changes on cash and cash equivalents	**(35)**	4	**0**	0
Cash and cash equivalents at end of the financial year (Note 19)	**2,878**	1,049	**87**	79

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	Principal place of business
41 Jalan Medan Ipoh 6	3 Jalan Zarib 6
Bandar Baru Medan Ipoh	Kawasan Perindustrian Zarib
31400 Ipoh	31500 Lahat, Ipoh
Perak Darul Ridzuan	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 except as disclosed in the individual policy statement set out in Note 3 to the financial statements and are presented in Ringgit Malaysia and all values are rounded to the nearest thousand ('000) unless otherwise indicated.

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 the Company's financial year beginning on 1 July 2018 are as follows:

- MFRS 9 "Financial Instruments"
- MFRS 15 "Revenue from Contracts with Customers"
- IC Interpretation 22 "Foreign Currency Transactions and Advance Consideration"

The Group and the Company have adopted MFRS 9 and MFRS 15 for the first time in the 2019 financial statements, which resulted in changes in accounting policies:

(a) MFRS 9 "Financial instruments"

The Group and the Company applied MFRS 9 "Financial Instruments" for the first time in the 2019 financial statements with the date of initial application of 1 July 2018. The standard is being applied retrospectively.

In accordance with the transitional provisions provided in MFRS 9, comparative information for 2018 was not restated and continue to be reported under the previous accounting policies governed under MFRS 139. The cumulative effect of initially applying MFRS 9 were recognised as an adjustment to the opening balances of retained profits as at 1 July 2018.

2 Basis of preparation (continued)

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 (continued)

(a) MFRS 9 "Financial instruments" (continued)

The Group and the Company have replaced its impairment methodology of financial assets with the forward looking expected credit loss ("ECL") model. Under MFRS 9, loss allowance will be measured either via the simplified approach or the general approach (incorporating the 12 months ECL and lifetime ECL).

The detailed impact of change in accounting policies are set out in Note 36.1 to the financial statements.

(b) MFRS 15 "Revenue from Contracts with Customers": Modified retrospective transition method

The Group and the Company applied MFRS 15 for the first time in the 2019 financial statements with the date of initial application of 1 July 2018 by using the modified retrospective transition method. Under the modified retrospective transition method, the Group and the Company apply the new policy retrospectively only to contracts that are not completed contracts at the date of initial application. Accordingly, the 2018 comparative information was not restated and the cumulative effects of initial application of MFRS 15 were recognised as an adjustments (if any), to the opening balance of retained profits as at 1 July 2018. The comparative information continued to be reported under the previous accounting policies governed under MFRS 118 and MFRS 111, where applicable. In addition, the Group and the Company have elected the practical expedient not to retrospectively restate contracts that were modified before the date of initial application.

The detailed impact of change in accounting policies are set out in Note 36.2 to the financial statements.

Other than that, the adoption of other amendments listed above did not have any significant financial impact on the current financial year or any prior financial year and is not likely to affect future financial years.

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.

2.3 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:

(a) Financial year beginning on 1 July 2019

- MFRS 16 "Leases"
- IC Interpretation 23 "Uncertain over Income Tax Treatments"
- Amendments to MFRS 9 "Prepayment Tenures with Negative Compensation"
- Annual Impairments to MFRS 2015-2017 Cycle: Amendments to MFRS 3 "Business Combination", Amendments to MFRS 12 "Income Taxes" and Amendments to MFRS 13 "Borrowing Costs"

(b) Financial year beginning on 1 July 2020

- Amendments to MFRS 3 "Definition of a Business"

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 years of initial application and none of these is expected to have a significant effect on the financial statements of the Group and the Company.

2 Basis of preparation (continued)

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 (continued)

Financial year beginning on 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.

  The Group and the Company have set up a project team to review the Group's and the Company's leasing arrangements over the last year in the light of the new lease accounting rules in MFRS 16. The standard will affect primarily the accounting for the Group's and the Company's operating leases.

  The Group and the Company will apply the standard from its mandatory adoption date of 1 July 2019. The Group and the Company intend to apply the simplified transition approach and will not restate comparative amounts for the financial year prior to first adoption. Right-of-use assets for property leases will be measured on transition as if the new rules had always been applied. All other right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).

  The Group and the Company do not have any activities as a lessor.

  The Group's and the Company's activities as a lessee are not material and have assessed its leasing arrangements in accordance with the new lease accounting rules in MFRS 16 and do not expect this new standard to have a material impact on the financial statements of the Group and of the Company upon initial application. However, some additional disclosures will be required from the next financial year onwards.

- IC Interpretation 23 "Uncertainty over Income Tax Treatments" (effective 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 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 Features with Negative Compensation" (effective 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 will be applied retrospectively.

2 Basis of preparation (continued)

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 (continued)

Financial year beginning on 1 July 2019 (continued)

- 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.

Financial year beginning on 1 July 2020

- Amendments to MFRS 3 "Definition of a Business" (effective from 1 January 2020) revise the definition of a business. To be considered a business, an acquisition would have to include an input and a substantive process that together significantly contribute to the ability to create outputs.

  The amendments provide guidance to determine whether an input and a substantive process are present, including situation where an acquisition does not have outputs. To be a business without outputs, there will now need to be an organised workforce. It is also no longer necessary to assess whether market participants are capable of replacing missing elements or integrating the acquired activities and assets.

  In addition, the revised definition of the term 'outputs' is narrower, focuses on goods or services provided to customers, generating investment returns and other income but excludes returns in the form of cost savings.

  The amendments introduce an optional simplified assessment known as 'concentration test' that, if met, eliminates the need for further assessment. Under this concentration test, if substantially all of the fair value of gross assets acquired is concentrated in a single identifiable asset (or a group of similar assets), the assets acquired would not represent a business.

  The amendments shall be applied prospectively.

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 that 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 the 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.

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 9 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.

3 Summary of significant accounting policies (continued)

3.1 Basis of consolidation (continued)

(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.

3.2 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 difference 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. The cost of an item of property, plant and equipment initially recognised includes its purchase price, import duties, non-refundable purchase taxes 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 3.19 to the financial statements for the accounting policy on borrowings and borrowing costs).

After initial recognition, property, plant and equipment are stated at cost less accumulated depreciation and accumulated losses, if applicable.

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. The subsequent costs included in an asset carrying amount are depreciated over the revised useful life of the related asset. 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 for the accounting policy 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 the straight-line method to allocate the cost 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

3 Summary of significant accounting policies (continued)

3.3 Property, plant and equipment (continued)

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

Depreciation continues through idle periods and ceases at earlier of when asset is disposed or classified as held-for-sale as disclosed in Note 3.6 to the financial statements.

Residual values and useful life 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 the carrying amount of the asset 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.

3.4 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.

(c) Golf club memberships

Golf club memberships are the rights to use golf clubs and are transferable. They are stated at cost less accumulated amortisation and accumulated impairment losses, if applicable. These memberships are amortised on a straight-line basis over the term of memberships which expire in year 2090 and 2093 respectively.

3 Summary of significant accounting policies (continued)

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 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.

3.6 Non-current (or disposal groups) 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, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the statement of financial position. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the statements of financial position.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the statements of comprehensive income.

3.7 Leases – Accounting by lessee

A lease is an agreement whereby the lessor conveys to the lessee in return for a payment, or series of payments, the right to use an asset for an agreed period of time.

(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.

3 Summary of significant accounting policies (continued)

3.7 Leases – Accounting by lessee (continued)

(a) Finance leases (continued)

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 estimated 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 term.

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.

(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 Summary of significant accounting policies (continued)

3.9 Financial assets

Accounting policies applied from 1 July 2018

(a) Classification

From 1 July 2018, the Group and the Company classify their financial assets in the following measurement categories:

- those to be measured subsequently at fair value through profit or loss, and
- those to be measured at amortised cost

The Group and the Company reclassify debt instruments when and only when its business model for managing those assets changes.

(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group and the Company commit to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group and the Company have transferred substantially all the risks and rewards of ownership.

(c) Measurement

At initial recognition, the Group and the Company measure a financial asset at its fair value plus, in the case of a financial asset not at 'fair value through profit or loss' ("FVTPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest ("SPPI").

Debt instruments

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

(i) 'Amortised cost'

Assets that are held for collection of contractual cash flows where those cash flows represent SPPI are measured at amortised cost. Interest income from these financial assets is included in other operating income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in 'other operating income' or 'other operating expenses' together with foreign currency exchange gains and losses. Impairment losses are presented as separate line item in the statements of comprehensive income, as applicable.

(ii) Fair value through profit or loss ("FVTPL")

Assets that do not meet the criteria for amortised cost or 'fair value through other comprehensive income' ("FVOCI") are measured at FVTPL. The Group and the Company may also irrevocably designate financial assets at FVTPL if doing so significantly reduces or eliminates a mismatch created by assets and liabilities being measured on different bases. Fair value changes is recognised in profit or loss and presented net within 'other operating income' or 'other operating expenses' in the period which it arises.

3 Summary of significant accounting policies (continued)

3.9 Financial assets (continued)

Accounting policies applied from 1 July 2018 (continued)

(d) Subsequent measurement – Impairment

(i) Impairment for debt instruments and financial guarantee contracts

The Group and the Company assess on a forward looking basis, the expected credit loss ("ECL") associated with its debt instruments carried at amortised cost and financial guarantee contracts issued. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The Group and the Company have four types of financial instruments that are subject to the ECL model:

- Trade receivables
- Other receivables and deposits (including non-trade amount due from related parties)
- Contract assets
- Financial guarantee contracts

While cash and cash equivalents are also subject to the impairment requirements of MFRS 9, the identified impairment loss was immaterial.

ECL represent a probability-weighted estimate of the difference between present value of cash flows according to contract and present value of cash flows the Group and the Company expect to receive, over the remaining life of the financial instrument. For financial guarantee contracts, the ECL is the difference between the expected payments to reimburse the holder of the guaranteed debt instrument less any amounts that the Group and the Company expect to receive from the holder, the debtor or any other party.

The measurement of ECL reflects:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

General 3-stage approach for other receivables, deposits and financial guarantee contracts issued (including non-trade amount due from related parties)

At each reporting date, the Group and the Company measure ECL through loss allowance at an amount equal to 12 month ECL if credit risk on a financial instrument or a group of financial instruments has not increased significantly since initial recognition. For all other financial instruments, a loss allowance at an amount equal to lifetime ECL is required. Note 32.2(c)(i) to the financial statements set out the measurement details of ECL.

Simplified approach for trade receivables and contract assets

The Group and the Company apply the MFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables and contract assets. Note 32.2(c)(i) to the financial statements sets out the measurement details of ECL.

3 Summary of significant accounting policies (continued)

3.9 Financial assets (continued)

Accounting policies applied from 1 July 2018 (continued)

(d) Subsequent measurement – Impairment (continued)

(ii) Significant increase in credit risk

The Group and the Company consider the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group and the Company compare the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportable forward-looking information.

The following indicators are incorporated:

- internal credit rating
- external credit rating (as far as available)
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations
- actual or expected significant changes in the operating results of the debtor
- significant increases in credit risk on other financial instruments of the same debtor
- significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements
- significant changes in the expected performance and behaviour of the debtor, including changes in the payment status of debtor in the group and changes in the operating results of the debtor.

Macroeconomic information (such as market interest rates or growth rates) is incorporated as part of the internal rating model.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 90 days past due in making a contractual payment.

(iii) Definition of default and credit-impaired financial assets

The Group and the Company define a financial instrument as default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

Quantitative criteria

The Group and the Company define a financial instrument as default, when the counterparty fails to make contractual payment within 90 days of when they fall due.

Qualitative criteria

The debtor meets unlikeliness to pay criteria, which indicates the debtor is in significant financial difficulty. The Group and the Company consider the following instances:

- the debtor is in breach of financial covenants
- concessions have been made by the lender relating to the debtor's financial difficulty
- it is becoming probable that the debtor will enter bankruptcy or other financial reorganisation
- the debtor is insolvent

Financial instruments that are credit-impaired are assessed on individual basis.

3 Summary of significant accounting policies (continued)

3.9 Financial assets (continued)

Accounting policies applied from 1 July 2018 (continued)

(d) Subsequent measurement – Impairment (continued)

(iv) Groupings of instruments for ECL measured on collective basis

Collective assessment

To measure ECL, trade receivables and contract assets arising from services rendered in respect of product development have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group and the Company have therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

Individual assessment

Trade receivables and contract assets which are in default or credit-impaired are assessed individually. Other receivables, deposits and amount due from a subsidiary in the Company's separate financial statements is assessed on individual basis for ECL measurement, as credit risk information is obtained and monitored based on each amount due including those non-trade amount due from subsidiary.

(v) Write-off

Trade receivables and contract assets

Trade receivables and contract assets are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than 1 year past due.

Impairment losses on trade receivables and contract assets are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

Other receivables, deposits and financial guarantee contract (including those non-trade amount due from related parties)

The Group writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. The assessment of no reasonable expectation of recovery is based on unavailability of debtor's sources of income or assets to generate sufficient future cash flows to repay the amount. The Group may write-off financial assets that are still subject to enforcement activity. Subsequent recoveries of amounts previously written off will result in impairment gains.

3 Summary of significant accounting policies (continued)

3.9 Financial assets (continued)

Accounting policies applied until 30 June 2018

(e) 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.

'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.

(f) 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.

3 Summary of significant accounting policies (continued)

3.9 Financial assets (continued)

Accounting policies applied until 30 June 2018 (continued)

(g) 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(h) to the financial statements) and foreign currency exchange gains and losses on monetary assets (see Note 3.25(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.

(h) 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.

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.

3 Summary of significant accounting policies (continued)

3.9 Financial assets (continued)

Accounting policies applied until 30 June 2018 (continued)

(h) Subsequent measurement - impairment of financial assets (continued)

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.

(i) Derecognition

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.

3.10 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. The Group's 'financial liabilities at fair value through profit or loss' comprise only the 'derivative financial instruments' in the statements of financial position.

'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.

3 Summary of significant accounting policies (continued)

3.10 Financial liabilities (continued)

(b) Recognition and initial measurement

Financial liabilities 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.

3.11 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 Company has issued corporate guarantee to banks for borrowings of its subsidiary. These guarantees are financial guarantees as they require the Company 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 initially as a liability at fair value, net of transaction costs.

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.

Accounting policies applied from 1 July 2018

Financial guarantee contracts are subsequently measured at the higher of the amount determined in accordance with the expected credit loss model under MFRS 9 "Financial Instruments" and the amount initially recognised less cumulative amount of income recognised in accordance with the principles of MFRS 15 "Revenue from Contracts with Customers", where appropriate.

Accounting policies applied until 30 June 2018

Financial guarantee contracts are subsequently measured 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.

3 Summary of significant accounting policies (continued)

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 Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value at the end of each reporting period.

The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

Derivatives that do not qualify for hedge accounting are classified as held for trading and accounted for at fair value through profit or loss. Changes in the fair value are recognised immediately in profit or loss and are included in 'other operating income' or 'other operating expenses'.

3.14 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, import duties and non-refundable taxes.

The cost of work in progress and finished goods consists of raw materials, direct labour, other direct costs including import duties and other taxes 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 (if any).

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.

3.15 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 receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, where they are recognised at fair value plus transaction costs. Other receivables are recognised initially at fair value plus transaction costs. Transaction costs include transfer taxes and duties.

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

3.16 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 financial institutions, 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 Summary of significant accounting policies (continued)

3.17 Trade and other payables

Trade payables represent liabilities for goods or services provided to the Group in the ordinary course of business from suppliers prior to the end of financial year which are unpaid. Other payables generally arise from transactions outside the ordinary course of business of the Group and of the Company. Trade and other payables 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 end of the reporting period. If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value net of transaction costs incurred, which include transfer taxes and duties.

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

3.18 Provisions

Provisions are recognised when the Group or the Company 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 or the Company 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.

Provisions are measured at present value of management's best estimate of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation. The increase in the provision due to passage of time is recognised as 'finance costs' in profit or loss.

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.

3.19 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 value 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'.

3 Summary of significant accounting policies (continued)

3.19 Borrowings and borrowing costs (continued)

(a) Borrowings (continued)

Where the terms of a financial liability are renegotiated and the Group or the Company issues 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 has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

Accounting policies applied from 1 July 2018

From 1 July 2018, when borrowings measured at amortised cost is modified without resulting in derecognition, any gain or loss, being the difference between the original estimated cash flows and the modified cash flows discounted at the original effective interest rate, shall be recognised immediately in profit or loss within 'finance cost'.

There is no impact on the measurement of borrowings as there was no modification during the affected period.

Accounting policies applied until 30 June 2018

Until 30 June 2018, the Group and the Company had accounted for modification of borrowings measured at amortised cost without resulting in extinguishment of the original borrowings and amortised the difference arising from the modification over the remaining life of the modified borrowings in profit or loss within 'finance cost'.

(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.

3.20 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.

(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 are recognised directly in equity.

3 Summary of significant accounting policies (continued)

3.20 Share capital (continued)

(d) Purchase of own shares

Where any Company within the Group purchases the Company's equity instruments as a result of a share buy-back, the consideration paid, including any directly attributable incremental 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. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related tax effects, is included in equity attributable to the owners 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.

3.21 Revenue from contracts with customers

Accounting policies applied from 1 July 2018

Revenue which represents income arising in the course of the Group's ordinary activities is recognised by reference to each distinct performance obligation promised in the contract with customer when or as the Group transfers the control of the goods or services promised in a contract and the customer obtains control of the goods or services. Depending on the substance of the respective contract with customer, the control of the promised goods or services may transfer over time or at a point in time.

A contract with customer exists when the contract has commercial substance, the Group and its customer has approved the contract and intend to perform their respective obligations, the Group's and the customer's rights regarding the goods or services to be transferred and the payment terms can be identified, and it is probable that the Group will collect the consideration to which it will be entitled to in exchange of those goods or services.

Revenue from contracts with customers is measured at its transaction price, being the amount of consideration which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, net of estimated returns, discounts, commissions, rebates and taxes. Discounts and rebates are measured using the most likely amount method and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur.

When the Group has performed by transferring goods or services to a customer before the customer pays consideration or before payment is due, the contract is presented as a contract asset. The Group's obligation to transfer goods or services to a customer for which the Group has received consideration in advance from customer is presented as contract liability.

3 Summary of significant accounting policies (continued)

3.21 Revenue from contracts with customers (continued)

Accounting policies applied from 1 July 2018 (continued)

Costs that are incremental to obtaining a contract shall be recognised as an asset if the Group expects to recover those costs. Costs to obtain a contract that would have been incurred regardless of whether the contract was obtained shall be recognised as an expense when incurred, unless those costs are explicitly chargeable to the customer regardless of whether the contract is obtained.

Specific revenue recognition criteria for each of the Group's activities are as decribed below:

(i) Sales of goods

The Group is involved in the manufacturing of mobile communication products, wireless electronics and lifestyle devices. Revenue are recognised when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

No element of financing is deemed present as the sales are made with a credit term of 15 to 75 days, which is consistent with market practice.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

The Group's obligation to transfer goods or services to a customer for which the Group has received consideration in advance from customer is presented as contract liability. A contract liability is also recognised for expected volume discounts granted to customer for future purchases.

The Group's obligation to provide a replacement for faulty products under the standard warranty terms is recognised as a provision, see Note 3.18 on accounting policy on provisions.

(ii) Services rendered in respect of product development

The Group is involved in product design and development for its customers. The development of products for its customers is highly integrated, not individually distinct and hence they are recognised as a single performance obligation. Revenue from providing such service is recognised progressively over time in which services are rendered.

Estimates of revenue, cost or extent of progress towards completion are revised if circumstances change. Any resulting increase or decrease in estimated revenue or cost is reflected in profit or loss in the period in which the circumstances that give note to the revision became known by management.

The progress towards performance of services is measured based on one of the following methods that best reflect the Group's performance in satisfying the performance obligation:

- direct measurements of the value transferred by the Group to the customer (eg. surveys of performance completed to date); or
- the Group's efforts or inputs to the satisfaction of the performance obligation (eg. reference to the proportion time incurred up to the end of the reporting period as a percentage of total budgeted time required to complete the project).

3 Summary of significant accounting policies (continued)

3.21 Revenue from contracts with customers (continued)

Accounting policies applied until 30 June 2018

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 (if any), 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.

(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.

3.22 Revenue from other sources

Accounting polices applied from 1 July 2018

Dividend income

Dividend income is recognised when the Group's or the Company's right to receive payment is established. This applies even if they are paid out of pre-acquisition profits. However, the investment may need to be tested for impairment at a consequence.

Dividend income from financial assets or FVTPL is recognised as part of net gains or net losses on these financial instruments. Dividend income from financial assets at FVOCI are recognised as other operating income in profit or loss.

Accounting policies applied until 30 June 2018

Dividend income is recognised when the Group's or the Company's right to receive payment is established.

3.23 Other operating income

The following items are included under 'other operating income' in the statements of comprehensive income:

(a) Interest income

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit impaired. Interest income from financial assets at FVTPL is recognised as part of net gains or net losses on these financial instruments.

Interest income on financial assets at amortised cost (2018: available-for-sale financial assets and loans and receivables) calculated using the effective interest method is recognised in the profit or loss as part of interest income.

3 Summary of significant accounting policies (continued)

3.23 Other operating income (continued)

The following items are included under 'other operating income' in the statements of comprehensive income: (continued)

(a) Interest income (continued)

Accounting polices applied from 1 July 2018

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to net carrying amount of the financial assets (after deduction of the loss allowance).

Accounting polices applied until 30 June 2018

When a loan and receivable is impaired, the Group and the Company reduce the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continue unwinding the discount as interest income. Interest income on impaired loan and receivables is recognised using the original effective interest rate.

(b) Rental income

Rental income is recognised on accrual basis unless collection is in doubt.

(c) Other income

Other income is recognised on an accrued basis unless collectability is uncertain.

3.24 Employee benefits

(a) Short term employee benefits

Wages, salaries, social security contributions, 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 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 profit or loss in the financial period to which they relate. Once the contributions have been paid to the said contribution plans, the Group and the Company have no further payment obligations.

3 Summary of significant accounting policies (continued)

3.25 Current and deferred taxes

Tax expense for the financial period comprises current and deferred taxes. 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 unused tax losses, if any. 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.

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 its 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.

3.26 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) Foreign currency 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 (continued)

3.27 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.

3.28 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 disclose 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 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 unutilised deductible temporary differences remain unrecognised.

4 Significant accounting estimates and judgements (continued)

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

(a) Estimation on percentage of completion

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.

(b) Identification of performance obligation

Certain contracts with customers are bundled packages that may include product design, prototype developments, sourcing of raw materials, mass production of products and subsequent product development enhancement. The Group accounts for individual product and services as separate performance obligations if they are distinct promises of goods and services, i.e. if a product or service is separately identifiable from other items in the bundled package and if a customer can benefit from it separately. The Group exercises judgement to identify if products and services within the bundled package are distinct performance obligations.

4.4 Measurement of ECL allowance for financial assets

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgements in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as the expected impact of forward looking information on macroeconomic factors affecting the ability of customers to settle the receivables at the end of each reporting period. The Group has identified the Gross Domestic Product ("GDP") to be the most relevant factor and accordingly adjust the historical loss rates based on the forecasted changes in GDP rate released by the government of the affected countries. Any changes to the historical loss rates and GDP rates will impact the total loss allowances to be recognised and the carrying amount of trade and other receivables.

4.5 Impairment of non-financial assets

Non-financial assets comprising property, plant and equipment and intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Significant judgement is required in the estimation of present value of future cash flows generated by the assets, which involves uncertainties and are significantly affected by assumptions used and judgement made regarding estimates of future cash flows and discount rates. Projected future cash flows are calculated based on historical trends, existing product development projects on hand, with projected mass production timeline general market and economic conditions and other available information. Changes in assumptions can significantly affect the computed value in use and the results of the Group's test for impairment of assets.

4 Significant accounting estimates and judgements (continued)

4.5 Impairment of non-financial assets (continued)

Impairment assessments on property, plant and equipment and intangible assets

The Group has property, plant and equipment and intangible assets with aggregate carrying amounts of approximately RM42,842,000 and RM1,606,000 respectively as at 30 June 2019. Management performed impairment assessments on the Group's property, plant and equipment and intangible assets as a result of the existence of an impairment indicator as the Group's market capitalisation value is below the carrying amount of its net assets.

Management has assessed the recoverable amounts of the applicable CGU based on discounted cash flow analysis to determine their value in use. Cash flows are projected based on past experience, historical performance and management's expectations of market development and future business performance.

The following are the key assumptions used by management for the 5-year cash flow projections from FY 2020 to FY 2024:

(a) Revenue growth for FY 2020 to FY 2024 supported by projects, taking the existing product development projects on hand with projected mass production timeline, customers' forecast and orders, end-of-life of the products and historical performance into consideration;
(b) Employee costs is projected to increase in line with the increase in production level and revenue but the percentage of employee costs over revenue is projected to reduce from the current 20% to 10% from FY 2022 onwards due to continuous automation initiatives of production processes effective FY 2020. Annual salary increment is projected to be maintained at 4.5% as per historical trend;
(c) Cost of sales increase which is proportionate to the increase in revenue;
(d) Utilities and maintenance costs increase at an average annual rate of 9%; and
(e) Discount rate of 7.7% is used.

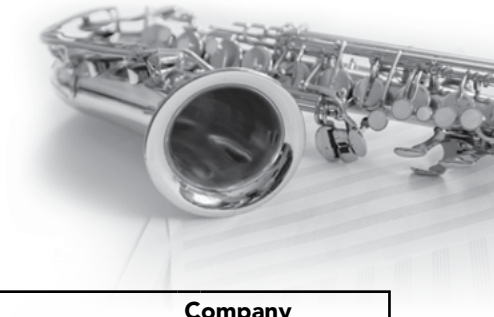
Based on management's assessment, no impairment loss has been identified for the Group's property, plant and equipment and intangible assets. Based on a sensitivity analysis performed, reasonable change in the key assumptions applied do not result in an impairment loss.

4.6 Allowance for inventory obsolescence and net realisable value

Allowance for inventory write down for slow moving items is made based on an analysis of the ageing profile and taking into account the expected product life cycle and sales patterns of individual item held in inventory. Changes in the inventory ageing, the expected product life cycle and sales profile can have an impact on the allowance recorded.

5 Revenue

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Revenue from contract with customers:				
- Sales of goods at invoiced value less returns	**135,076**	256,079	**0**	0
- Service charges on contract works	**133**	231	**0**	0
- Services rendered in respect of product development	**3,763**	5,164	**0**	0
	138,972	261,474	**0**	0



5 Revenue (continued)

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Timing of revenue recognition for revenue from contract with customers:				
- Point in time	**135,223**	N/A	**0**	N/A
- Over time	**3,749**	N/A	**0**	N/A
	138,972	N/A	**0**	N/A
Revenue from other sources:				
Dividend income	**0**	0	**12,000**	12,000

Unsatisfied long-term performance obligations

For contracts that exceeded one year, the aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied as of the end of the financial year is approximately RM591,000 of which the Group expects to recognise as revenue in the financial year ending 30 June 2020.

During the financial year ended 30 June 2019, the Group has recognised revenue from contracts with customers amounting to approximately RM262,000 that was included in the contract liability at the beginning of the reporting period.

6 (Loss)/Profit from operations

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
(Loss)/Profit from operations is stated after charging/(crediting):				
Auditors' remuneration paid/payable:				
- statutory audit	**180**	150	**62**	62
- other assurance services	**6**	6	**6**	6
- other services	**69**	35	**5**	4
Employee benefit costs	**25,957**	25,351	**363**	347
Research expenses	**336**	224	**0**	0
Allowance for/(Reversal of) slow moving inventories	**21**	(12)	**0**	0
Property, plant and equipment:				
- depreciation (Note 10)	**5,422**	7,285	**7**	7
- written off	**2**	16	**0**	0
Amortisation of intangible assets (Note 11)	**514**	2,240	**0**	0
(Write back)/Provision for warranties (Note 28)	**(80)**	34	**0**	0
Loss allowance for impairment of trade receivables	**62**	0	**0**	0
Bad debt written off	**9**	0	**0**	0
Rental expenses for:				
- hostel/premise	**205**	134	**0**	0
- machinery	**36**	43	**0**	0
Interest income	**(1,091)**	(1,328)	**(2)**	(1)

6 (Loss)/Profit from operations (continued)

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Included in other operating income are:				
- Net foreign currency exchange (gains)/losses:				
- realised	**(103)**	387	**0**	0
- unrealised	**(2)**	(79)	**0**	0
- Fair value (gains)/losses on derivative financial instruments	**(173)**	173	**0**	0
- Gains on disposal of property, plant and equipment	**(99)**	(49)	**0**	0
- Short term investments:				
- gains on disposal	**(166)**	(217)	**(12)**	(13)
- fair value gains	**(1,975)**	(1,106)	**(765)**	(542)
Employee benefit costs (including directors' remuneration)				
Directors of the Company:				
- fees	**495**	479	**363**	347
- allowances	**84**	84	**0**	0
- salaries and bonus	**1,514**	1,451	**0**	0
- defined contribution plan expenses	**304**	292	**0**	0
- other short term employee benefits	**131**	0	**0**	0
	2,528	2,306	**363**	347
Directors of the subsidiary:				
- salaries and bonus	**494**	510	**0**	0
- defined contribution plan expenses	**94**	97	**0**	0
- other short term employee benefits	**41**	0	**0**	0
	629	607	**0**	0
Other staff costs:				
- salaries, wages and bonus	**19,754**	19,319	**0**	0
- defined contribution plan expenses	**1,815**	1,995	**0**	0
- other short term employee benefits	**1,231**	1,124	**0**	0
Total other staff costs	**22,800**	22,438	**0**	0
Total employee benefit costs	**25,957**	25,351	**363**	347
Monetary value of benefits in-kind other than cash given to:				
- directors of the Company	**63**	69	**0**	0
- directors of the subsidiary who are not directors of the Company	**32**	36	**0**	0
	95	105	**0**	0

The number of employees employed by the Group as at reporting date is 697 (2018 : 670). There is no employee employed by the Company.

7 Finance costs

	Group	
	2019 RM'000	**2018 RM'000**
Interest on:		
Term loans	**26**	55
Hire-purchase	**3**	55
	29	110

8 Tax (credit)/expense

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Current income tax:				
- current financial year	**273**	4,455	*	*
- under/(over) accrual in previous financial year	**239**	(5)	*	*
	512	4,450	*	*
Deferred tax:				
- current financial year	**(636)**	(715)	**0**	0
- over provision in previous financial year	**(261)**	0	**0**	0
	(897)	(715)	**0**	0
Tax (credit)/expense	**(385)**	3,735	*	*

* Amount is less than RM500.

The numerical reconciliation before tax (credit)/expense and the product of accounting (loss)/profit multipled by the Malaysian income tax rate is as follows:

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
(Loss)/Profit before tax	**(935)**	15,097	**12,111**	11,879
Tax calculated at the Malaysian income tax rate of 24% (2018: 24%)	**(224)**	3,623	**2,907**	2,851
Tax effects of:				
- expenses not deductible for tax purposes	**445**	487	**160**	162
- income not subject to tax	**(515)**	(318)	**(3,067)**	(3,013)
- expenses eligible for double deductions	**(69)**	(52)	**0**	0
- under/(over) accrual of current income tax in previous financial year	**239**	(5)	*	*
- over provision of deferred tax assets in previous financial year	**(261)**	0	**0**	0
Tax (credit)/expense	**(385)**	3,735	*	*

* Amount is less than RM500.

The Group has unutilised capital allowances which has no expiry date and can be utilised to set off against future taxable income amounting to approximately RM6,048,000 (2018: RM Nil).

9 (Loss)/Earnings per share

Basic (loss)/earnings per share of the Group is calculated by dividing the net (loss)/profit for the financial year by the weighted average number of ordinary shares in issue during the financial year excluding ordinary shares purchased by the Company and hold as treasury shares (Note 21).

	Group	
	2019	**2018**
Net (loss)/profit for the financial year attributable to owners of the Company (RM'000)	**(550)**	11,362
Weighted average number of ordinary shares in issue during the financial year ('000)	**387,565**	388,000
Basic (loss)/earnings per share (sen)	**(0.14)**	2.9

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 2018	5,681	21,559	1,089	25,004	11,301	2,124	10	66,768
Additions	0	0	144	1,343	1,032	0	4,301	6,820
Reclassifications	0	0	0	3,230	477	0	(3,707)	0
Disposals	0	0	0	*	*	0	0	*
Written off	0	0	0	*	(6)	0	0	(6)
At 30 June 2019	5,681	21,559	1,233	29,577	12,804	2,124	604	73,582
Accumulated depreciation								
At 1 July 2018	325	4,803	594	11,572	5,923	1,298	0	24,515
Depreciation	72	474	63	2,335	2,053	425	0	5,422
Disposals	0	0	0	0	0	0	0	0
Written off	0	0	0	0	(4)	0	0	(4)
At 30 June 2019	397	5,277	657	13,907	7,972	1,723	0	29,933
Accumulated impairment losses								
At 1 July 2018/ 30 June 2019	0	0	0	596	211	0	0	807
Carrying amount								
At 30 June 2019	**5,284**	**16,282**	**576**	**15,074**	**4,621**	**401**	**604**	**42,842**

10 Property, plant and equipment (continued)

	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

	Cost			Accumulated depreciation			Carrying amount
	At 1.7.2018 RM'000	Additions RM'000	At 30.6.2019 RM'000	At 1.7.2018 RM'000	Depreciation RM'000	At 30.6.2019 RM'000	At 30.6.2019 RM'000
Company							
Furniture, fittings, equipment and electrical installation	**21**	**0**	**21**	**14**	**7**	**21**	*

10 Property, plant and equipment (continued)

	Cost			Accumulated depreciation			Carrying amount
	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 30.6.2018 RM'000
Company							
Furniture, fittings, equipment and electrical installation	21	0	21	7	7	14	7

* Amount is less than RM500.

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

	Group	
	2019 RM'000	2018 RM'000
Plant and machinery		
- carrying amount at financial year end	**2,268**	2,636
Purchases of property, plant and equipment		
Additions during the financial year	**6,820**	3,158
Add:		
- payments made in current financial year related to purchases made in previous financial year	**236**	1,233
Less:		
- purchases included in other payables (Note 26)	**(283)**	(236)
Cash paid	**6,773**	4,155

11 Intangible assets

	Group			
	Patents RM'000	Development costs RM'000	Golf club memberships RM'000	Total RM'000
Cost				
At 1 July 2018	617	4,354	0	4,971
Transition adjustment relating to MFRS 9 (Note 13)	0	0	119	119
	617	4,354	119	5,090
Additions	283	674	0	957
At 30 June 2019	900	5,028	119	6,047
Accumulated amortisation				
At 1 July 2018	3	3,924	0	3,927
Amortisation	23	491	0	514
At 30 June 2019	26	4,415	0	4,441
Carrying amount				
At 30 June 2019	**874**	**613**	**119**	**1,606**
Cost				
At 1 July 2017	367	3,712	0	4,079
Additions	250	642	0	892
At 30 June 2018	617	4,354	0	4,971
Accumulated amortisation				
At 1 July 2017	*	1,687	0	1,687
Amortisation	3	2,237	0	2,240
At 30 June 2018	3	3,924	0	3,927
Carrying amount				
At 30 June 2018	614	430	0	1,044

* Amount is less than RM500.

	Group	
	2019	2018
Remaining amortisation period (year):		
- patents	**7 - 18**	14 - 20
- development costs	**1 - 2**	1
- golf club memberships	**71 - 74**	N/A

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 RM336,000 (2018: RM224,000) are recognised as an expense in the profit or loss as incurred.

The Group has reassessed the golf club memberships previously classified as available-for-sale financial assets and concluded that the club memberships are out-of-scope of MFRS 9. These club memberships have been reclassified to intangible assets accordingly.

12 Investment in a subsidiary

	Company	
	2019 RM'000	**2018 RM'000**
Investment in a subsidiary, at cost	**50,000**	50,000

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

	Effective interest held by the Company		
Name of Company	**2019 %**	**2018 %**	**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

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

	Group	
	2019 RM'000	**2018 RM'000**
At 1 July	**119**	119
Transition adjustment relating to MFRS 9 (Note 11)	**(119)**	0
At 30 June	**0**	119

14 Inventories

	Group	
	2019 RM'000	**2018 RM'000**
Raw materials	**17,850**	13,981
Work in progress	**12,217**	6,986
Finished goods	**4,255**	13,189
	34,322	34,156
Less: Allowance for slow moving inventories	**(21)**	(790)
	34,301	33,366

The cost of inventories recognised as an expense and included in the Group's profit or loss amounted to approximately RM129,559,000 (2018: RM231,687,000).

Included in raw materials are inward goods in transit amounting to approximately RM3,274,000 (2018: RM255,000).

15 Receivables, deposits and prepayments

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Trade receivables	**5,386**	18,837	**0**	0
Less: Loss allowance	**(62)**	0	**0**	0
	5,324	18,837	**0**	0
Amount recoverable from customers for product development	**0**	1,653	**0**	0
Contract assets in relation to services rendered for product development	**319**	0	**0**	0
	5,643	20,490	**0**	0
Other receivables	**394**	402	**0**	0
Input tax receivables	**158**	489	**0**	0
Deposits	**67**	70	**1**	1
Prepayments	**2,507**	3,036	**10**	11
	8,769	24,487	**11**	12

Credit terms of trade receivables of the Group range from 15 to 75 days (2018 : 10 to 75 days).

Included in prepayments are:

	Group	
	2019 RM'000	2018 RM'000
- levy for foreign workers	**372**	720
- life insurance premium of key management	**1,227**	1,411
- advance payments for purchase of inventories	**76**	32

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

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
US Dollar	**5,628**	20,398	**0**	0
Ringgit Malaysia	**624**	1,050	**1**	1
Euro	**5**	3	**0**	0
Other	**5**	0	**0**	0
	6,262	21,451	**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.

(c) Significant related party transactions

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Consultation fees paid/payable to:				
- a person connected with certain directors of the Company	**25**	56	**0**	0
Payment of expense on behalf by a subsidiary	**0**	0	**9**	8
Repayment of amount due from a subsidiary	**0**	0	**4,000**	3,000

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

(d) Key management compensation

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Directors' fees	**495**	479	**363**	347
Salaries and other short term employee benefits	**2,521**	2,365	**0**	0
Defined contribution plan expenses	**444**	449	**0**	0
	3,460	3,293	**363**	347
Monetary value of benefits-in-kind	**110**	127	**0**	0

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

17 Derivative financial instruments

	Group	
	2019 RM'000	2018 RM'000
Derivative financial instruments		
Assets	**13**	0
Liabilities	**28**	188

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	2019 RM'000	2018 RM'000
Foreign currency forward exchange contracts	RM	USD	7,026	9,919

18 Short term investments

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Investments in unit trust quoted in Malaysia, at fair value	**54,588**	60,863	**25,851**	19,336

The short term investments are in respect of investments in an Islamic money market fund (2018: 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 2019 is RM1.00 (2018: RM1.00) and N/A (2018: RM1.06) respectively.

The movements of short term investments during the financial year are as follows:

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
At 1 July	**60,863**	43,034	**19,336**	13,674
Purchases during the financial year	**58,660**	108,380	**13,950**	15,050
Disposals during the financial year	**(66,910)**	(91,657)	**(8,200)**	(9,930)
Fair value gains	**1,975**	1,106	**765**	542
At 30 June	**54,588**	60,863	**25,851**	19,336

19 Cash and cash equivalents

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

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Deposits with licensed banks	**24,200**	29,200	**0**	0
Cash and bank balances	**2,878**	1,049	**87**	79
	27,078	30,249	**87**	79
Deposits with licensed banks	**24,200**	29,200	**0**	0
Deposits with maturity period more than three months (unencumbered)	**(24,200)**	(29,200)	**0**	0
	0	0	**0**	0
Cash and bank balances	**2,878**	1,049	**87**	79
Cash and cash equivalents	**2,878**	1,049	**87**	79

The Group's and the Company's cash and bank balances placed with a licensed Islamic bank as at 30 June 2019 is approximately RM184,000 and RM87,000 (2018: RM79,000 and RM79,000) respectively.

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

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Ringgit Malaysia	**24,822**	29,933	**87**	79
US Dollar	**2,254**	313	**0**	0
Others	**2**	3	**0**	0
	27,078	30,249	**87**	79

	Group	
	2019 %	**2018 %**
Weighted average effective interest rate at the reporting date is as follows:		
- deposits with licensed banks	**3.75**	3.65

	Group	
	2019 Days	**2018 Days**
The range of maturity periods of the deposits with licensed banks are as follows:		
- unencumbered	**181 - 184**	122 - 184

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.

20 Share capital

	Group and Company			
	2019 Number of shares ('000)	2018 Number of shares ('000)	2019 RM'000	2018 RM'000
Issued and fully paid-up				
Ordinary shares with no par value:				
At 1 July/30 June	**388,000**	388,000	**91,802**	91,802

21 Treasury shares

The shareholders of the Company, by an ordinary resolution passed at the Extraordinary General Meeting held on 13 July 2018, approved the Company's plan to purchase its own shares up to a maximum of 10% of total number of issued shares of the Company. The directors of the Company are committed in enhancing the value of the Company to its shareholders and believe that the repurchase plan can be applied in the best interest of the Company and its shareholders. The above resolution passed was subsequently reviewed and passed at the annual general meeting of the Company held on 26 November 2018.

On 18 December 2018, the Company repurchased 815,000 of its ordinary shares from the open market for approximately RM300,000. The average price paid for these shares repurchased was RM0.368 per share.

The ordinary shares held as treasury shares and the cost of treasury shares is summarised as follows:

	Group and Company				
			Cost per share		
	Number of shares '000	Cost RM'000	Low RM	High RM	Average cost per share RM
At 1 July 2018	0	0			0
Repurchased during the financial year:					
18 December 2018	815	300	0.368	0.368	0.368
At 30 June 2019	**815**	**300**			**0.368**

The repurchase transactions were financed by internally generated funds. The shares repurchased are being held as treasury shares in accordance with Section 127 of the Companies Act, 2016 in Malaysia and carried at purchase cost. The Company has the right to distribute these shares as dividends to reward shareholders and/or resell the shares. As treasury shares, the rights attached as to voting, dividend and participation in other distribution are suspended.

As at 30 June 2019, the number of outstanding ordinary shares in issue after the setting off treasury shares against equity was 387,185,000 (2018: 388,000,000) ordinary shares.

Subsequent event

On 1 July 2019 and 2 July 2019, the Company repurchased 1,227,900 and 967,100 of its shares from the open market for approximately RM386,000 and RM306,000 respectively. The average prices paid for the shares repurchased were RM0.314 and RM0.316 per share respectively.

22 Fair value reserve

	Group	
	2019 RM'000	**2018 RM'000**
At 1 July	**16**	16
Transfer to retained profits upon adoption of MFRS 9	**(16)**	0
At 30 June	**0**	16

23 Retained profits

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

24 Term loan

	Group	
	2019 RM'000	**2018 RM'000**
Unsecured	**313**	563
Current		
- repayable within one year	**265**	250
Non-current		
- repayable later than one year but not later than five years	**48**	313
	313	563

The term loan which is denominated in Ringgit Malaysia, is repayable by 60 instalments and has remaining instalments payable of 14 (2018: 26) months as at 30 June 2019.

The term loan of the Group is guaranteed by the Company.

The term loan of the Group as at 30 June 2019 carries an effective interest rate of 5.51% (2018: 5.76%) per annum. The interest expenses on the term loan are calculated based on floating interest rates which may be varied from time to time at the bank's discretion.

25 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	
	2019 RM'000	**2018 RM'000**
Subject to income tax:		
Deferred tax liabilities	**103**	1,000

25 Deferred tax liabilities (continued)

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

	Group	
	2019 RM'000	**2018 RM'000**
At 1 July	**1,000**	1,715
(Credited)/Charged to profit or loss (Note 8)		
- property, plant and equipment	**276**	(435)
- provisions and allowances	**136**	78
- intangible assets	**143**	(358)
- unutilised capital allowances	**(1,452)**	0
	(897)	(715)
At 30 June	**103**	1,000

	Group	
	2019 RM'000	**2018 RM'000**
Subject to income tax:		
Deferred tax assets		
- provisions and allowances	**(207)**	(343)
- unutilised capital allowances	**(1,452)**	0
Deferred tax assets (before offsetting)	**(1,659)**	(343)
Offsetting	**1,659**	343
Deferred tax assets (after offsetting)	**0**	0
Deferred tax liabilities		
- property, plant and equipment	**1,512**	1,236
- intangible assets	**250**	107
Deferred tax liabilities (before offsetting)	**1,762**	1,343
Offsetting	**(1,659)**	(343)
Deferred tax liabilities (after offsetting)	**103**	1,000
Deferred tax liabilities		
- to be realised within 12 months	**0**	229
- to be realised after 12 months	**103**	771
	103	1,000

26 Payables and accrued liabilities

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Trade payables	**11,402**	19,299	**0**	0
Other payables	**647**	611	**0**	0
Accrued liabilities	**2,271**	3,319	**486**	471
	2,918	3,930	**486**	471
Contract liabilities	**248**	0	**0**	0
Advances from customers for product development	**0**	117	**0**	0
Advances from customers for sales of goods	**0**	145	**0**	0
	248	262	**0**	0
	14,568	23,491	**486**	471

Credit terms of trade and other payables granted to the Group vary from 14 to 90 days (2018: 14 to 90 days) from the invoice date.

Included in other payables of the Group are in respect of purchase of property, plant and equipment of approximately RM283,000 (2018: RM236,000).

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

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
US Dollar	**10,532**	17,712	**0**	0
Ringgit Malaysia	**3,730**	5,516	**486**	471
Euro	**58**	0	**0**	0
Others	*****	1	**0**	0
	14,320	23,229	**486**	471

* Amount is less than RM500.

27 Hire-purchase creditors

	Group	
	2019 RM'000	**2018 RM'000**
Future minimum hire-purchase payments:		
- payable within one year	**0**	300
Less: Finance charges	**0**	(9)
	0	291
Present value of hire-purchase liabilities:		
Current		
- payable within one year	**0**	291

Hire-purchase creditors were denominated in Ringgit Malaysia. The effective interest rates ranged from 6.60% to 7.42% per annum as at 30 June 2018. Hire-purchase creditors were effectively secured as the rights to leased assets revert to the lessor in the event of default and they were guaranteed by the Company.

Hire-purchase creditors were fully settled on 4 December 2018.

28 Provision for warranties

	Group	
	2019 RM'000	**2018 RM'000**
At 1 July	**141**	114
(Write back)/Charge during the financial year	**(80)**	34
Utilised during the financial year	**(7)**	(7)
At 30 June	**54**	141

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.

29 Dividends

	Company	
	2019 RM'000	**2018 RM'000**
Paid		
First interim single-tier tax exempt dividend of 0.6 sen per share on 388,000,000 ordinary shares, declared on 28 August 2018 to shareholders registered in the Company's Register of Members as at 18 September 2018 and paid on 28 September 2018 (2018: 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)	**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 26 November 2018 to shareholders registered in the Company's Register of Members as at 10 December 2018 and paid on 20 December 2018 (2018: 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)	**2,328**	2,328
Third interim single-tier tax exempt dividend of 0.6 sen per share on 387,185,000 ordinary shares, declared on 25 February 2019 to shareholders registered in the Company's Register of Members as at 15 March 2019 and paid on 29 March 2019 (2018: 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)	**2,323**	2,328
Fourth interim single-tier tax exempt dividend of 0.6 sen per share on 387,185,000 ordinary shares, declared on 27 May 2019 to shareholders registered in the Company's Register of Members as at 14 June 2019 and paid on 28 June 2019 (2018: 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)	**2,323**	2,328
	9,302	9,312

	2019 RM	**2018 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 2019.

On 20 August 2019, the directors declared a first interim single-tier tax exempt dividend to shareholders registered in the Company's Register of Members as at 10 September 2019 in respect of the financial year ending 30 June 2020 of 0.6 sen per share on 384,990,000 ordinary shares amounting to RM2,309,940, paid on 30 September 2019. 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 2020.

30 Capital commitments

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

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Approved and contracted	**2,395**	853	**0**	0
Approved but not contracted	**9,566**	20,935	**0**	0

31 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 arrangements in respect of property, plant and equipment from the reporting date to the expiry of the leases are as follows:

	Group	
	2019 RM'000	2018 RM'000
Not later than 1 year	**27**	28
Later than 1 year but not later than 5 years	**29**	56
	56	84

32 Financial instruments

32.1 Classification of financial instruments

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Financial assets				
Financial assets at fair value through profit or loss:				
- Short term investments	**54,588**	60,863	**25,851**	19,336
- Derivative financial assets	**13**	0	**0**	0
Financial assets at fair value through other comprehensive income:				
- Available-for-sale financial assets	**0**	119	**0**	0
Financial assets at amortised cost:				
- Receivables and deposits	**6,104**	20,962	**1**	1
- Amount due from a subsidiary	**0**	0	**23,000**	26,992
- Deposits with licensed banks	**24,200**	29,200	**0**	0
- Cash and bank balances	**2,878**	1,049	**87**	79
Total financial assets	**87,783**	112,193	**48,939**	46,408

32 Financial instruments (continued)

32.1 Classification of financial instruments (continued)

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Financial liabilities				
Financial liability at fair value through profit or loss:				
- Derivative financial instruments	**28**	188	**0**	0
Financial liabilities at amortised cost:				
- Payables and accrued liabilities	**14,320**	23,229	**486**	471
- Hire-purchase creditors	**0**	291	**0**	0
- Term loans	**313**	563	**0**	0
Total financial liabilities	**14,661**	24,271	**486**	471

32.2 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:

(a) Market risk

(i) 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.

32 Financial instruments (continued)

32.2 Financial risk management (continued)

(a) Market risk (continued)

(i) Foreign currency exchange risk (continued)

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 19 and Note 26 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 (Unfavourable)/Favourable	
	2019 %	2018 %	2019 RM'000	2018 RM'000
Group				
Foreign currency strengthens against RM				
- US Dollar	**1**	2	**(39)**	28

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.

(ii) 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 which is subject to floating interest rate.

Sensitivity analysis for interest rate risk

Assuming all variables remain constant, an increase in interest rate by 0.5% (2018: 0.5%) on financial liabilities of the Group which have floating interest rates would have an impact on the Group's profit or loss as shown below:

	Impact on profit or loss (Unfavourable)/Favourable	
	2019 RM'000	2018 RM'000
Group		
Increase in interest rate by 0.5%:		
- term loan	(2)	(4)

32 Financial instruments (continued)

32.2 Financial risk management (continued)

(a) Market risk (continued)

(ii) Interest rate risk (continued)

Sensitivity analysis for interest rate risk (continued)

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.

(b) 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% (2018: 2%) higher/lower, with all other variables held constant, the Group's and the Company's net profit arising from fair value gain would have been approximately RM977,000 (2018: RM1,079,000) and RM463,000 (2018: RM342,000) respectively higher/lower, as a result of an increase/decrease in the fair value of the quoted funds.

(c) 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 and the Company's exposure to credit risk arises primarily from trade receivables, other receivables and deposits, amount due from a subsidiary, derivative financial assets, deposits with licensed banks and bank balances, where applicable.

The Group's and the Company's deposits with licensed banks, bank balances and derivative financial assets are only placed with licensed and established financial institutions in Malaysia. The directors are of the view that the possibility of non-performance by the financial institutions is remote.

The Group manages its credit risk arising from trade and other receivables through credit quality evaluations, ageing debt collection, and regular monitoring of debtors' account and credit limit.

MFRS 9 applied from 1 July 2018

(i) Measurement of expected credit losses ("ECL")

The Group's financial assets that are subject to the ECL model include trade receivables, contract assets, other receivables (including non-trade amount due from subsidiary), deposits and financial guarantee contract. While cash and cash equivalents and deposits with financial institutions are also subject to the impairment requirements of MFRS 9, the impairment loss is expected to be immaterial.

32 Financial instruments (continued)

32.2 Financial risk management (continued)

(c) Credit risk (continued)

MFRS 9 applied from 1 July 2018 (continued)

(i) Measurement of expected credit losses ("ECL") (continued)

Simplified approach for trade receivables and contract assets

The Group applies a provision matrix (i.e. net flow rate method) to derive the expected loss rates for each aging band to be applied to trade receivables and contract assets segregated by customers' types as at 30 June 2019. The expected loss rates are based on the payment profiles of sales over a period of 5 years before reporting date and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information based on macroeconomic factors affecting the ability of the customers to settle the receivables. No significant changes to estimation techniques or assumptions were made during the reporting period.

General 3-stage approach for other receivables, deposits and financial guarantee contract (including non-trade amount due from subsidiary)

The Group uses 3 categories model for other receivables, deposits and financial guarantee contract (including non-trade amount due from subsidiary) which reflect its credit risk and how the loss allowance for impairment is determined for each of those categories. A summary of the assumptions underpinning the Group's ECL model is as follows:

Category	Company's definition of category	Basis for recognising ECL
Performing	Debtors have a low risk of default and a strong capacity to meet contractual cash flows	12-month ECL
Underperforming	Debtors for which there is a significant increase in credit risk or significant increase in credit risk is presumed if interest and/or principal repayments are 30 days past due. See Note 3.9(d)(ii) to the financial statements.	Lifetime ECL
Non-performing	Interest and/or principal repayments are 90 days past due or there is evidence indicating the asset is credit-impaired. See Note 3.9(d)(iii) to the financial statements.	Lifetime ECL (credit impaired)
Write-off	There is evidence indicating that there is no reasonable expectation of recovery based on unavailability of debtor's sources of income or assets to generate sufficient future cash flows to repay the amount. See Note 3.9(d)(v) to the financial statements.	Write-off

32 Financial instruments (continued)

32.2 Financial risk management (continued)

(c) Credit risk (continued)

MFRS 9 applied from 1 July 2018 (continued)

(i) Measurement of expected credit losses ("ECL") (continued)

Based on the above, loss allowance for impairment is measured on either 12 month ECL or lifetime ECL using a PD x LGD x EAD methodology as follows:

- PD ('probability of default') – the likelihood that the debtor would not be able to repay during the contractual period (12-month or lifetime depending on category);
- LGD ('loss given default') – the percentage of contractual cash flows that will not be collected if default happens; and
- EAD ('exposure at default') – the outstanding amount that is exposed to default risk.

In deriving the PD and LGD, the Group considers historical data by each debtor by category and adjusts for forward-looking macroeconomic data. The Group has identified the GDP of the country where the debtor operates in to be the most relevant factor, and accordingly adjust the historical loss rates based on the forecasted GDP rates released by the government of affected countries. Loss allowance for impairment is measured at a probability-weighted amount that reflects the possibility that a credit loss occurs and the possibility that no credit loss occurs. No significant changes to estimation techniques or assumptions were made during the reporting period.

Based on the assessment performed above, all other receivables, deposits of the Group are classified under the performing category and are evaluated for ECL based on 12-month ECL.

Based on management assessment, the identified impairment loss for other receivables and deposits as at 1 July 2018 and 30 June 2019 was immaterial.

(ii) Reconciliation of loss allowance

There is no loss allowance being recognised for financial assets at amortised cost as at 30 June 2019, i.e. contract assets, other receivables (including non-trade amount due from a subsidiary), deposits and financial guarantee contracts.

Trade receivables using simplified approach

	Group	
	2019 RM'000	**2018* RM'000**
At 1 July before restatement – calculated under MFRS 139	**0**	0
Amounts restated through opening retained profits	**0**	0
Opening loss allowance at 1 July 2018 – calculated under MFRS 9	**0**	0
Increase in loss allowance for impairment	**62**	0
At 30 June	**62**	0

* For the financial year ended 30 June 2018, loss allowance is based on MFRS 139's incurred loss model.

No significant changes in the loss allowance for impairment of trade receivables resulted from the implementation of MFRS 9 to the Group.

32 Financial instruments (continued)

32.2 Financial risk management (continued)

(c) Credit risk (continued)

MFRS 9 applied from 1 July 2018 (continued)

(ii) Reconciliation of loss allowance (continued)

Trade receivables which are not secured by any collateral, are individually determined to be impaired at the reporting date if they are in significant financial difficulties and have defaulted on payments. No such trade receivables identified as at financial year end.

(iii) Information on entity's credit risk exposure and significant credit risk concentrations

Trade receivables using simplified approach

The following table contains an analysis of the credit risk exposure of financial instruments by groups of debtors for which an ECL allowance is recognised. The gross carrying amount of financial assets below also represents the Group's maximum exposure to credit risk on these assets:

Ageing analysis of trade receivables (under MFRS 9)

	Gross trade receivables RM'000	Expected credit loss RM'000	Net trade receivables RM'000
Group			
2019			
Current	**2,984**	*	**2,984**
1 to 30 days overdue	**2,402**	**(62)**	**2,340**
	5,386	**(62)**	**5,324**

* Amount is less than RM500.

The Group has significant concentration of credit risk in the form of outstanding amount due from 1 customer (2018: 2 customers) representing 93% (2018: 95%) of the total trade receivables as at reporting date. The trade receivables outstanding as at 30 June 2019 have been fully settled subsequent to the financial year end.

MFRS 139 applied until 30 June 2018

Credit risk arising from trade receivables

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.

32 Financial instruments (continued)

32.2 Financial risk management (continued)

(c) Credit risk (continued)

MFRS 139 applied until 30 June 2018 (continued)

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 32.2(d) to the financial statements.

Ageing analysis

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

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

* 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.

32 Financial instruments (continued)

32.2 Financial risk management (continued)

(c) Credit risk (continued)

MFRS 139 applied until 30 June 2018 (continued)

Receivables that are past due but not impaired

As at 30 June 2018, trade receivables of the Group of approximately RM8,477,000 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.

(d) 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 and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group and the Company maintains sufficient cash and ensures availability of funding through an adequate but flexible amount of credit facilities obtained from financial institutions in Malaysia. Certain credit 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.

	2019		
	Within one year RM'000	Two to five years RM'000	Total RM'000
Group			
Financial liabilities:			
Payables and accrued liabilities	14,320	0	14,320
Term loans	276	48	324
Total undiscounted financial obligations	14,596	48	14,644
Derivative financial liabilities:			
Gross settled currency forward			
- receipts	7,026	0	7,026
- payments	(7,041)	0	(7,041)
	(15)	0	(15)

32 Financial instruments (continued)

32.2 Financial risk management (continued)

(d) Liquidity risk (continued)

	2018		
	Within one year RM'000	Two to five years RM'000	Total RM'000
Group			
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)

	2019		
	On demand*/ within one year RM'000	Two to five years RM'000	Total RM'000
Company			
Other payables and accrued liabilities	**486**	**0**	**486**
Financial guarantee liabilities *	**276**	**48**	**324**
	762	**48**	**810**

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

Financial guarantees liabilities

The Company provides unsecured financial guarantees to banks in respect of term loan facilities granted to a wholly-owned subsidiary and monitors on an ongoing basis the performance of the subsidiary. As at 30 June 2019 and 2018, 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 its credit facilities is remote.

32 Financial instruments (continued)

32.2 Financial risk management (continued)

(e) 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 and there is no externally imposed condition on the shareholders' equity.

33 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).

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.

33 Fair value estimation (continued)

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 2019				
Group				
Assets				
Short term investments	**54,588**	**0**	**0**	**54,588**
Derivative financial instruments	**0**	**13**	**0**	**13**
Liabilities				
Derivative financial instruments	**0**	**28**	**0**	**28**
Company				
Asset				
Short term investments	**25,851**	**0**	**0**	**25,851**
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

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-sales financial assets (2018 only) 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.

34 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.

34 Segment reporting (continued)

(a) Analysis of results and financial position

	Consumer electronics	
	2019 RM'000	**2018 RM'000**
Group:		
Revenue	**138,972**	261,474
Results		
(Loss)/Profit from operations	**(906)**	15,207
Finance costs	**(29)**	(110)
(Loss)/Profit before tax	**(935)**	15,097
Tax credit/(expense)	**385**	(3,735)
Net (loss)/profit for the financial year	**(550)**	11,362
Other information		
Segment assets	**169,197**	191,574
Unallocated assets	**2,790**	1,173
Total assets	**171,987**	192,747
Segment liabilities	**14,963**	24,674
Unallocated liabilities	**103**	1,000
Total liabilities	**15,066**	25,674
Capital expenditure	**6,820**	3,158
Included in profit from operations are:		
- interest income	**1,091**	1,328
- depreciation of property, plant and equipment	**(5,422)**	(7,285)
- amortisation of intangible assets	**(514)**	(2,240)
- fair value gains on short term investments	**1,975**	1,106

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

34 Segment reporting (continued)

(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	
	2019 RM'000	**2018* RM'000**
North America	**85,020**	161,746
Asia (excluding Malaysia)	**34,289**	48,079
Europe	**17,185**	46,634
Australia (including New Zealand, Oceania)	**1,478**	2,979
Malaysia	**991**	1,928
Africa (including Middle East)	**9**	108
	138,972	261,474

For the current financial year, the revenue of 1 (2018: 2) customer contributed more than 10% of the total revenue of the Group amounting to RM124,139,000 (2018: RM256,139,000).

Other than United States of America which contributed more than 80% of the revenue derive from North America, the other countries that contributed to significant portion of revenue of the Group are China and Netherlands, where their revenue made up of approximately 63% and 93% of the respective sales of Asia and Europe regions.

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 2019 and the statements of financial position as at 30 June 2019. The components of the segment assets and liabilities include classes of assets and liabilities disclosed in the statements of financial position.

35 Changes in liabilities arising from financing activities

			Movements in cash flow		Non-cash changes	
Group - 2019	**Note**	**As at 01.07.2018 RM'000**	**Repayment RM'000**	**Interest paid RM'000**	**Interest expenses RM'000**	**As at 30.06.2019 RM'000**
Term loans	**24**	**563**	**(250)**	**(26)**	**26**	**313**
Hire-purchase creditors	**27**	**291**	**(291)**	**(3)**	**3**	**0**

			Movements in cash flow		Non-cash changes	
Group - 2018	**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**
Term loans	24	2,063	(1,500)	(55)	55	563
Hire-purchase creditors	27	1,308	(1,017)	(55)	55	291

36 Changes in accounting policies

36.1 MFRS 9 "Financial Instruments"

As disclosed in Note 2.1(a) to the financial statements, the Group and the Company have adopted MFRS 9, which resulted in changes in accounting policies and adjustments to the financial position. The main changes are as follows:

(a) Classification and measurement of financial assets

Until 30 June 2018, financial assets were classified in the following categories: 'financial assets at fair value through profit or loss' ('FVTPL'), 'available-for-sale financial assets' and 'loans and receivables'.

From 1 July 2018, the Group and the Company classify their financial assets in the following measurement categories:

(i) debt instrument to be measured subsequently at fair value through profit or loss ('FVTPL'); and
(ii) debt instrument to be measured at amortised cost.

The new and previous accounting policies for classification and measurement of financial instruments under MFRS 9 and MFRS 139 are set out in Note 3.9 to the financial statements.

The Group has reassessed the classification of golf club memberships previously presented as 'available-for-sale financial assets' and has concluded that it is out of scope under MFRS 9 and it would be more appropriate to classify the club memberships which provide the holders the rights to use the club facilities as intangible assets. Transitional adjustment has been made with fair value reserve relating to fair value through other comprehensive income of RM16,000 reclassified to retained profits accordingly.

(b) Impairment

Under 30 June 2018, the Group and the Company assessed the impairment of 'loans and receivables' based on the incurred impairment loss model.

From 1 July 2018, the Group and the Company apply expected credit loss ('ECL') model to determine impairment on investment in debt instruments that are measured at amortised cost.

The new and previous accounting policies for impairment under MFRS 9 and MFRS 139 are set out in Note 3.9 to the financial statements.

(i) Trade receivables

For all trade receivables do not contain significant financing components, the Group and the Company apply the MFRS 9 simplified approach which is the measure the loss allowance at an amount equal to lifetime ECL at initial recognition and throughout its life. No additional loss allowance for trade receivables recognised on 1 July 2018 upon adoption of MFRS 9 as there was no issue on the recoverability of trade receivables outstanding as at 30 June 2018.

(ii) Amount due from a subsidiary

Amount due from a subsidiary that are repayable on demand and interest-free are classified as amortised cost in the Company's financial statements because the Company's business model is to hold and collect the contractual cash flows and those cash flows represent solely payments of principal and interest ('SPPI'). The Company applied the general 3-stage approach when determining ECL for the amount due from a subsidiary.

No additional loss allowance is recognised on the amount due from a subsidiary upon adoption of MFRS 9 as all assessments indicate that the subsidiary has the ability to repay amount in full on demand.

36 Changes in accounting policies (continued)

36.1 MFRS 9 "Financial Instruments" (continued)

(c) Financial guarantee contracts

Until 30 June 2018, financial guarantee contracts issued to subsidiary by the Company were assessed to be nil at initial recognition and were subsequently measured at the higher of amount determined based on MFRS 137 or amount initially recognised less cumulative amortisation in accordance with MFRS 118. The Company had assessed that it was not probable that the subsidiary would default its obligations to the bank and had not recognised any provision amount under MFRS 137.

From 1 July 2018, financial guarantee contracts are required to be subsequently measured at the higher of ECL determined using general 3-stage approach or amount initially recognised less cumulative amount of income recognised in accordance with MFRS 15.

No loss allowance is recognised on the financial guarantee contracts upon adoption of MFRS 9.

36.2 MFRS 15 "Revenue from Contract with Customers"

As disclosed in Note 2.1(b) to the financial statements, the Group and the Company have adopted MFRS 15, which resulted in changes in accounting policies. The new accounting policies for revenue under MFRS 15 are set out in Note 3.21 to the financial statements.

The changes in above accounting policy did not have material impact on the financial statements of the Group and of the Company.

37 Approval of financial statements

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 14 October 2019.

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 2019 (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	602.1	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	634.7	12 October 2015 (Date of Acquisition)
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: 20 years Phase Two: 19 years Phase Three: 11 years	Land area: 30,130 Built-up area: Approximately 30,318	20,905.9	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 2019

Total number of Issued Shares: 388,000,000 ordinary shares
Total number of Treasury Shares: 3,010,000 ordinary shares
Total number of Issued Shares net of Treasury Shares: 384,990,000 ordinary shares
Issued Share Capital: RM38,800,000
Class of Shares: Ordinary shares
Voting Rights: One vote per ordinary share
Number of shareholders: 2,641

LIST OF SUBSTANTIAL SHAREHOLDERS

	Direct Interest		Indirect Interest	
Name	**Size of Holdings**	**% (#)**	**Size of Holdings**	**% (#)**
Blue Ocean Enlightenment Sdn. Bhd. ("BOE")	214,500,000	55.72	-	-
Lim Chong Shyh	-	-	214,500,000[1] 8,853,000[2]	55.72 2.30
Joshua Lim Phan Yih	-	-	214,500,000[1] 8,853,000[2]	55.72 2.30
Joel Lim Phan Hong	-	-	214,500,000[1]	55.72

Note: 1. Deemed interested by virtue of shareholdings in BOE pursuant to Section 8 of the Companies Act, 2016 (the "Act").
2. Deemed interested by virtue of shareholdings in Genius Thinkers Sdn. Bhd. ("GT") pursuant to Section 8 of the Act.

DIRECTORS' SHAREHOLDINGS

	Direct Interest		Indirect Interest	
Name	**Size of Holdings**	**% (#)**	**Size of Holdings**	**% (#)**
Chia Chee Hoong	1,200,000	0.31	-	-
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	1.58	-	-
Lim Chong Shyh	-	-	214,500,000[1] 8,853,000[2]	55.72 2.30
Joshua Lim Phan Yih	-	-	214,500,000[1] 8,853,000[2]	55.72 2.30

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 GT 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 (#)	% (#)
7	1 – 99	108	0.00
240	100 – 1,000	144,300	0.04
1,234	1,001 – 10,000	7,425,901	1.93
936	10,001 – 100,000	30,557,100	7.93
223	100,001 to less than 5% of issued shares	132,362,591	34.38
1	5% and above of issued shares	214,500,000	55.72
2,641	**TOTAL**	**384,990,000**	**100.00**

ANALYSIS OF SHAREHOLDINGS (continued)

as at 20 September 2019

LIST OF THIRTY LARGEST SHAREHOLDERS

No.	Name	No. of shares held	% (#)
1.	BLUE OCEAN ENLIGHTENMENT SDN.BHD.	214,500,000	55.72
2.	RHB CAPITAL NOMINEES (TEMPATAN) SDN.BHD. PLEDGED SECURITIES ACCOUNT FOR FONG SILING (CEB)	10,360,000	2.69
3.	GENIUS THINKERS SDN.BHD.	8,853,000	2.30
4.	TAN BOOI CHARN	8,400,000	2.18
5.	CHAN SHOOK LING	6,100,000	1.58
6.	GOH BEE CHIN @ OOI BEE CHIN	4,364,800	1.13
7.	MAYBANK NOMINEES (TEMPATAN) SDN.BHD. PLEDGED SECURITIES ACCOUNT FOR KWEE SOW FUN	4,040,300	1.05
8.	CGS-CIMB NOMINEES (TEMPATAN) SDN.BHD. PLEDGED SECURITIES ACCOUNT FOR YONG THIAN FOOK (MY2065)	3,600,000	0.94
9.	HO KEAT SOONG	3,500,000	0.91
10.	CHIN SEEN CHOON	3,400,000	0.88
11.	CIMB ISLAMIC NOMINEES (TEMPATAN) SDN.BHD. PRINCIPAL ISLAMIC ASSET MANAGEMENT SDN.BHD. FOR LEMBAGA TABUNG HAJI	3,130,400	0.81
12.	TAN HAN WOOI	1,900,000	0.49
13.	LIM KOOI FUI	1,746,500	0.45
14.	CARTABAN NOMINEES (TEMPATAN) SDN.BHD. ICAPITAL.BIZ BERHAD	1,700,200	0.44
15.	KENANGA NOMINEES (TEMPATAN) SDN.BHD. LIM KOK KHONG (AA0039387)	1,600,000	0.42
16.	LIM WEE BENG	1,543,100	0.40
17.	RHB NOMINEES (TEMPATAN) SDN.BHD. PLEDGED SECURITIES ACCOUNT FOR KWEE SOW FUN	1,513,400	0.39
18.	LEMBAGA TABUNG HAJI	1,382,000	0.36
19.	CGS-CIMB NOMINEES (TEMPATAN) SDN.BHD. PLEDGED SECURITIES ACCOUNT FOR FOO LONG LOKE (MY1890)	1,350,000	0.35
20.	KENANGA NOMINEES (TEMPATAN) SDN.BHD. PLEDGED SECURITIES ACCOUNT FOR FOO LONG LOKE	1,250,000	0.33
21.	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN.BHD. PLEDGED SECURITIES ACCOUNT FOR YONG THIAN FOOK (7004124)	1,200,000	0.31
22.	CHIA CHEE HOONG	1,200,000	0.31

LIST OF THIRTY LARGEST SHAREHOLDERS (continued)

No.	Name	No. of shares held	% (#)
23.	CITIGROUP NOMINEES (TEMPATAN) SDN.BHD. KUMPULAN WANG PERSARAAN (DIPERBADANKAN) (AMUNDI SC EQ)	1,100,000	0.29
24.	YEAP LILY	1,056,500	0.28
25.	HSBC NOMINEES (TEMPATAN) SDN.BHD. HSBC (M) TRUSTEE BHD. FOR ALLIANZ LIFE INSURANCE MALAYSIA BERHAD (DGF)	1,041,300	0.27
26.	FOO LONG LOKE	1,000,000	0.26
27.	RHB NOMINEES (TEMPATAN) SDN.BHD. PLEDGED SECURITIES ACCOUNT FOR CHONG JUNE WEI	957,000	0.25
28.	CARTABAN NOMINEES (ASING) SDN.BHD. EXEMPT AN FOR BARCLAYS CAPITAL SECURITIES LTD. (SBL/PB)	955,600	0.25
29.	TAN CHOON KIAK	950,000	0.25
30.	RHB NOMINEES (ASING) SDN.BHD. EXEMPT AN FOR RHB SECURITIES SINGAPORE PTE.LTD. (A/C CLIENTS)	900,000	0.23
	TOTAL	**294,594,100**	**76.52**

Note: (#) Excludes a total of 3,010,000 ordinary shares bought back by the Company and held as Treasury Shares as at 20 September 2019.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Seventh Annual General Meeting of **SALUTICA BERHAD** ("the **Company**") will be held at No. 3, Jalan Zarib 6, Kawasan Perindustrian Zarib, 31500 Lahat, Ipoh, Perak Darul Ridzuan on 22 November 2019, Friday at 10.30 a.m. for the following purposes:-

AGENDA

As Ordinary Business

1. To receive the Audited Financial Statements for the financial year ended 30 June 2019 together with the Directors' and the Auditors' Reports thereon. (Please refer to Explanatory Note 1)

2. To approve the payment of Directors' fees of RM495,000.00 for the financial year ended 30 June 2019. (Resolution 1)

3. To re-elect the following Directors who retire pursuant to Article 95 of the Constitution of the Company and being eligible offered themselves for re-election:-

   (i) Mr. Low Teng Lum (Resolution 2)

   (ii) Mr. Joshua Lim Phan Yih (Resolution 3)

4. To re-appoint Messrs PricewaterhouseCoopers PLT as Auditors of the Company for the financial year ending 30 June 2020 and to authorise the Directors to fix their remuneration. (Resolution 4)

As Special Business

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

5. **Ordinary Resolution**

   Authority to Issue and Allot Shares pursuant to Sections 75 and 76 of the Companies Act 2016 ("the Act") (Resolution 5)

   "THAT, pursuant to Sections 75 and 76 of the Companies Act 2016 and subject to the Constitution of the Company and the approvals from Bursa Malaysia Securities Berhad ("Bursa Securities") and any relevant governmental/regulatory authorities (if any), the Directors of the Company be and are hereby authorised to issue and allot shares in the Company from time to time, at such price, upon such terms and conditions, for such purposes and to such persons whomsoever as the Directors may in their absolute discretion deem fit, provided that the aggregate number of shares issued during the preceding 12 months does not exceed 10% of the total number of issued shares (excluding treasury shares) of the Company for the time being; AND THAT the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued from Bursa Securities; 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 revoked or varied by an ordinary resolution of the Company at a general meeting."

As Special Business (continued)

To consider and if thought fit, to pass with or without modifications, the following Ordinary/Special Resolutions:- (continued)

6. **Ordinary Resolution**

Proposed Renewal of Authority for Share Buy-Back (Resolution 6)

"THAT, subject always to the Companies Act 2016 ("the Act"), the Constitution of the Company, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") ("Listing Requirements") and all other applicable laws, guidelines, rules and regulations, the Company be and is hereby authorised, to the fullest extent permitted by law, to purchase such number of issued shares in the Company as may be determined by the Directors of the Company from time to time through 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 aggregate number of issued shares in the Company ("Shares") purchased ("Purchased Shares") and/or held as treasury shares pursuant to this ordinary resolution does not exceed 10% of the total number of issued shares of the Company as quoted on Bursa Securities as at the point of purchase;

(ii) the maximum fund to be allocated by the Company for the purpose of purchasing the shares shall not exceed the aggregate of the retained profits of the Company based on the latest audited financial statement and/or the latest management accounts (where applicable) available at the time of purchase; and

("Proposed Share Buy-Back").

AND THAT the authority to facilitate the Proposed Share Buy-Back will commence immediately upon passing of this Ordinary Resolution and will continue to be in force until:-

(a) the conclusion of the next Annual General Meeting of the Company following at which time the authority shall lapse unless by ordinary resolution passed at the meeting, the authority is renewed, either unconditionally or subject to conditions;

(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,

whichever occurs first, but shall not prejudice the completion of purchase(s) by the Company of its own Shares before the aforesaid expiry date and, in any event, in accordance with the Listing Requirements and any applicable laws, rules, regulations, orders, guidelines and requirements issued by any relevant authorities.

AND THAT the Directors be and are hereby authorised, at their discretion, to deal with the Purchased Shares until all the Purchased Shares have been dealt with by the Directors in the following manner as may be permitted by the Act, Listing Requirements, applicable laws, rules, regulations, guidelines, requirements and/or orders of any relevant authorities for the time being in force:

(i) To cancel all or part of the Purchased Shares;

(ii) To retain all or part of the Purchased Shares as treasury shares as defined in Section 127 of the Act;

(iii) To distribute all or part of the treasury shares as dividends to the shareholders of the Company;

As Special Business (continued)

6. **Ordinary Resolution (continued)**

Proposed Renewal of Authority for Share Buy-Back (continued) (Resolution 6)

AND THAT the Directors be and are hereby authorised, at their discretion, to deal with the Purchased Shares until all the Purchased Shares have been dealt with by the Directors in the following manner as may be permitted by the Act, Listing Requirements, applicable laws, rules, regulations, guidelines, requirements and/or orders of any relevant authorities for the time being in force: (continued)

(iv) To resell all or part of the treasury shares;

(v) To transfer all or part of the treasury shares for the purposes of or under the employees' share scheme established by the Company and/or its subsidiaries;

(vi) To transfer all or part of the treasury shares as purchase consideration;

(vii) To sell, transfer or otherwise use the shares for such other purposes as the Minister may by order prescribe; and/or

(viii) To deal with the treasury shares in any other manners as allowed by the Act, Listing Requirements, applicable laws, rules, regulations, guidelines, requirements and/or orders of any relevant authorities for the time being in force.

AND THAT the Directors of the Company be and are authorised to take all such steps as are necessary or expedient [including without limitation, the opening and maintaining of central depository account(s) under Securities Industry (Central Depositories) Act, 1991, and the entering into all other agreements, arrangements and guarantee with any party or parties] to implement, finalise and give full effect to the Proposed Share Buy-Back with full powers to assent to any conditions, modifications, variations and/or amendments (if any) as may be imposed by the relevant authorities.

7. **Special Resolution**

Proposed Alteration of the Existing Memorandum and Articles of Association by replacing with a New Constitution ("Proposed Alteration") (Special Resolution)

"THAT the existing Memorandum and Articles of Association of the Company be hereby altered by replacing with a new Constitution as set out in Part B of the Statement/Circular to Shareholders dated 24 October 2019 with effect from the date of passing this special resolution.

AND THAT the Directors of the Company be hereby authorised to do all such acts and things and to take all such steps as they deem fit, necessary, expedient and/or appropriate in order to complete and give full effect to the Proposed Alteration with full powers to assent to any condition, modification, variation and/or amendment as may be required or imposed by the relevant authorities."

8. To transact any other business for which due notice is given in accordance with the Companies Act 2016 and the Constitution of the Company.

By Order of the Board

CHONG LAY KIM (LS 0008373)
YENG SHI MEI (MAICSA 7059759)
CHAN SHOOK LING (MIA 17167)
Company Secretaries

Ipoh
24 October 2019

Notes

1. A member entitled to attend, speak and vote at this meeting is entitled to appoint not more than two (2) proxies to attend, speak and vote in his/her place. A proxy may but need not be a member of the Company.

2. 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.

3. 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.

4. Where a member appoints more than one (1) proxy, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.

5. The instrument appointing a proxy and the power of attorney or other authority, if any, 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 Company's share registrar, Tricor Investor & Issuing House Services Sdn. Bhd. at 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 any adjournment thereof.

6. 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 14 November 2019. Only a member whose name appears on this Record of Depositors shall be entitled to attend this meeting or appoint a proxy to attend, speak and vote on his/her behalf.

7. Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("MMLR"), all resolutions set out in this Notice will be put to vote by way of poll.

Explanatory Notes on:

Ordinary Business

1. Agenda item no. 1 is meant for discussion only as the provision of Section 340(1)(a) of the Companies Act 2016 does not require a formal approval of shareholders for the Audited Financial Statements. Hence, this item on the Agenda **is not put forward for voting**.

2. Resolution 1

   The proposed Resolution 1 is to facilitate the payment of Directors' fees for the Group for the financial year ended 30 June 2019.

3. Resolutions 2 and 3

   Messrs. Low Teng Lum and Joshua Lim Phan Yih, who are standing for re-election as Directors and being eligible, have offered themselves for re-election at the Seventh Annual General Meeting.

   The Board of Directors ("the Board") has through the Nomination and Remuneration Committee, considered the assessment of the Directors and collectively agreed that they meet the criteria prescribed by Paragraph 2.20A of the MMLR on character, experience, integrity, competence and time to effectively discharge their role as Directors.

4. Resolution 4

   The Board and the Audit and Risk Management Committee had considered the experience, fee and engagement proposal, review and monitor the suitability and independence and recommended the re-appointment of Messrs PricewaterhouseCoopers PLT as Auditors of the Company.

Explanatory Notes on: (continued)

Special Business

5. Resolution 5

   This proposed Resolution 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 Sixth Annual General Meeting held on 26 November 2018 as there were no requirements for such fund raising activities.

   This proposed Resolution, 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 during the preceding 12 months pursuant to the mandate does not exceed 10% of the total number of issued shares (excluding treasury 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.

6. Resolution 6

   This proposed Resolution, 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.

7. Special Resolution

   This proposed Special Resolution, if passed, will enable the Company to alter its existing Memorandum and Articles of Association by replacing with a new Constitution which is drafted in accordance with the relevant provisions of the Companies Act 2016, relevant amendments of Chapter 7 and other Chapters of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and other provisions of laws and regulations that are applicable to the Company.

   Please refer to Statement/Circular to Shareholders dated 24 October 2019 for further information on Resolution 6 and Special Resolution.

STATEMENT ACCOMPANYING NOTICE OF SEVENTH 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 election as a Director at the forthcoming Seventh Annual General Meeting of the Company.

1. The Directors who are standing for re-election (as per Resolution 2 and 3 as stated above) at the Seventh Annual General Meeting of the company are as follows:-

   Article 95 of the Company's Constitution

   - Mr. Low Teng Lum
   - Mr. Joshua Lim Phan Yih

2. The profiles of the above Directors are set out in the Profile of Directors appearing on pages 8 and 9 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 138 of this Annual Report.

This page has been intentionally left blank.

FORM OF PROXY

SEVENTH ANNUAL GENERAL MEETING

No. of Shares Held	
CDS Account No.	

I/We, _____ Tel: _____
(Full name in block and NRIC/Passport/Company No.)

of _____
(Address)

being member(s) of **SALUTICA BERHAD**, hereby appoint:-

Full Name (in Block)		**NRIC/Passport No.**	**Proportion of Shareholdings**	
			No. of Shares	**%**
Address				

and/or* (*delete as appropriate)

Full Name (in Block)		**NRIC/Passport No.**	**Proportion of Shareholdings**	
			No. of Shares	**%**
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 Seventh ("7th") Annual General Meeting ("AGM") 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 22 November 2019, Friday 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 RESOLUTION		**For**	**Against**
Resolution 1	To approve the payment of Directors' fees		
Resolution 2	To re-elect Mr. Low Teng Lum as Director		
Resolution 3	To re-elect Mr. Joshua Lim Phan Yih as Director		
Resolution 4	To re-appoint Messrs PricewaterhouseCoopers PLT as Auditors and to authorise the Directors to fix their remuneration		
Resolution 5	Authority to Issue and Allot Shares pursuant to Sections 75 and 76 of the Companies Act 2016		
Resolution 6	Proposed Renewal of Share Buy-Back Authority		
SPECIAL RESOLUTION			
Proposed Alteration			

Dated this _____ day of _____ 2019

_____
Signature of Shareholder/Common Seal

* *Delete whichever is not applicable*

Notes:-

1. A member entitled to attend, speak and vote at this meeting is entitled to appoint not more than two (2) proxies to attend, speak and vote in his/her place. A proxy may but need not be a member of the Company.
2. 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.
3. 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.
4. Where a member appoints more than one (1) proxy, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.
5. The instrument appointing a proxy and the power of attorney or other authority, if any, 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 Company's share registrar, Tricor Investor & Issuing House Services Sdn. Bhd. at 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 any adjournment thereof.
6. 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 14 November 2019. Only a member whose name appears on this Record of Depositors shall be entitled to attend this meeting or appoint a proxy to attend, speak and vote on his/her behalf.
7. Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("MMLR"), all resolutions set out in this Notice will be put to vote by way of poll.

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

SALUTICA BERHAD (1024781-T)
3 Jalan Zarib 6, Kawasan Perindustrian Zarib,
31500 Lahat, Ipoh, Perak, Malaysia
E invest@salutica.com.my T +(605) 320 6800

www.salutica.com