MESTRON

MESTRON HOLDINGS BERHAD

[Registration No. 201801018716 (1280732-K)]
(Incorporated in Malaysia under the Companies Act 2016)

ANNUAL REPORT 2019

NEWS


Mestron 控股 6 月上市
Mestron eyes RM25.28m from IPO for expansion
Mestron to issue 158 million new shares, seeks listing on Ace Market
MESTRON控股上市
逾3億股交投驚人!
新股上市
交易活躍
Mestron首宗溢價20%
Mestron签股票包销
MESTRON迎开门红 交投破3亿全场最热
Mestron rises as much as 31% on ACE Market debut
Mestron makes strong opening on Ace Market debut
Mestron 力扩特制电杆业务
MESTRON 下月 18 日上市
Mestron控股
下月18日上市創業板
MESTRON 618上市创业板 集资扩充钢杆产能
618上市 Mestron擬籌2528萬
Mestron aims to raise RM25.28m
Mestron eyes RM25m from IPO for expansion
Mestron to raise RM25mil from Ace Market listing
Half of Mestron's IPO proceeds to go into production

LISTING GALLERY

18 June 2019

Listing on ACE Market

23 May 2019

Prospectus Launching

30 April 2019

Signing of Underwritting Agreement

CONTENTS



CORPORATE INFORMATION

BOARD OF DIRECTORS

Tajul Arifin Bin Mohd Tahir	Independent Non-Executive Chairman
Por Teong Eng	Managing Director
Loon Chin Seng	Executive Director
Leong Peng Phooi	Independent Non-Executive Director
Phang Sze Fui	Independent Non-Executive Director

AUDIT AND RISK MANAGEMENT COMMITTEE

Phang Sze Fui
Chairwoman
Tajul Arifin Bin Mohd Tahir
Member
Leong Peng Phooi
Member

REMUNERATION COMMITTEE

Tajul Arifin Bin Mohd Tahir
Chairman
Phang Sze Fui
Member
Leong Peng Phooi
Member

NOMINATION COMMITTEE

Tajul Arifin Bin Mohd Tahir
Chairman
Phang Sze Fui
Member
Leong Peng Phooi
Member

COMPANY SECRETARIES

Tan Tong Lang
(MAICSA 7045482)
Thien Lee Mee
(LS0009760)

REGISTERED OFFICE

Suite 10.02, Level 10
The Gardens South Tower
Mid Valley City,
Lingkaran Syed Putra
59200 Kuala Lumpur
Wilayah Persekutuan
Tel No. : +603-2298 0263
Fax No. : +603-2298 0268

HEAD OFFICE/PRINCIPAL PLACE OF BUSINESS

PT 50102, Jalan MU 1/9
Seksyen 10
Taman Perindustrian Meranti
Utama, 47120 Puchong
Selangor Darul Ehsan
Tel no : +603-8069 1815
Fax no : +603-8069 1805

AUDITORS

Messrs Grant Thornton Malaysia PLT
(NO: 201906003682 & AF 0737)
Level 11, Sheraton Imperial Court
Jalan Sultan Ismail
50250 Kuala Lumpur
Tel no : +603-2692 4022
Fax no : +603-2691 5229

SPONSOR

M&A Securities Sdn Bhd
Level 11, No. 45 & 47, The
Boulevard Mid Valley City
Lingkaran Syed Putra
59200 Kuala Lumpur
Tel No : +603-2284 2911
Fax No : +603-2284 2718

PRINCIPAL BANKERS

Public Bank Berhad
Hong Leong Bank Berhad

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
Tel no : +603-2783 9299
Fax no : +603-2783 9222

Customer Service Centre:
Unit G-3, Ground Floor,
Vertical Podium
Avenue 3, Bangsar South,
No. 8, Jalan Kerinchi,
59200 Kuala Lumpur, Malaysia

STOCK EXCHANGE LISTING

Ace Market of Bursa Malaysia
Securities Berhad

Ordinary Shares

Stock Name : Mestron
Stock Code : 0207

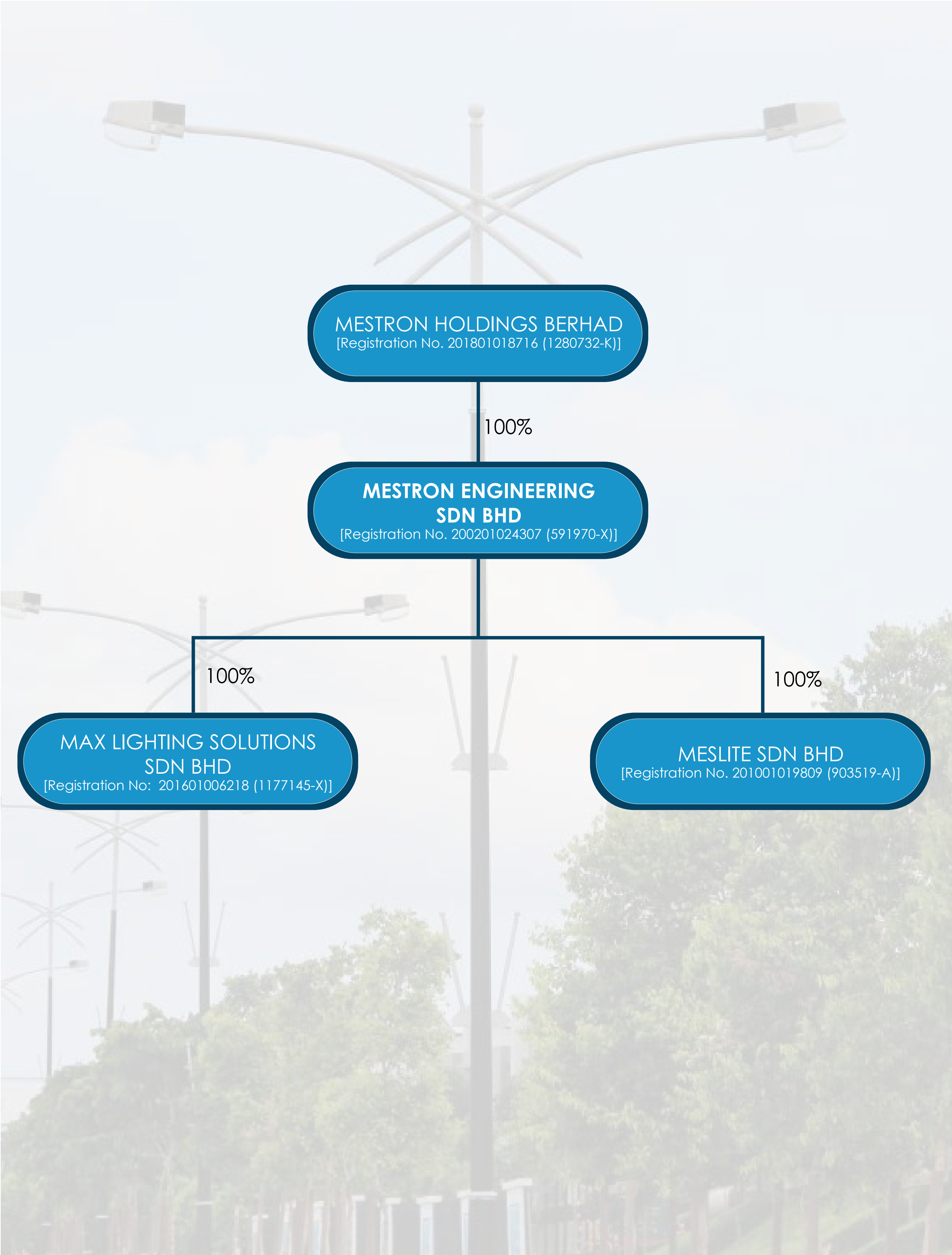
CORPORATE WEBSITE

www.mestron.com.my

INVESTOR RELATIONS

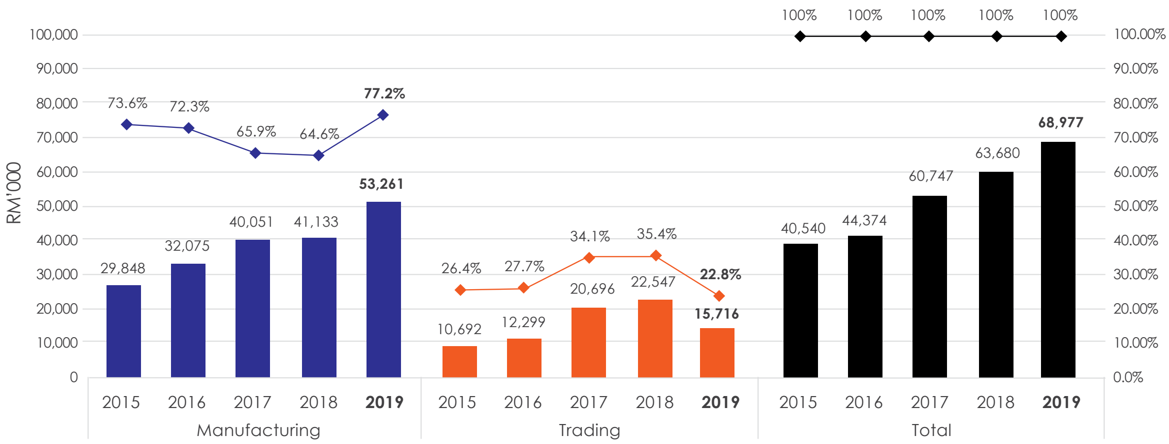
Email : investors@mestron.com.my
Tel no : +603-8069 1815
Fax no : +603-8069 1805

CORPORATE STRUCTURE

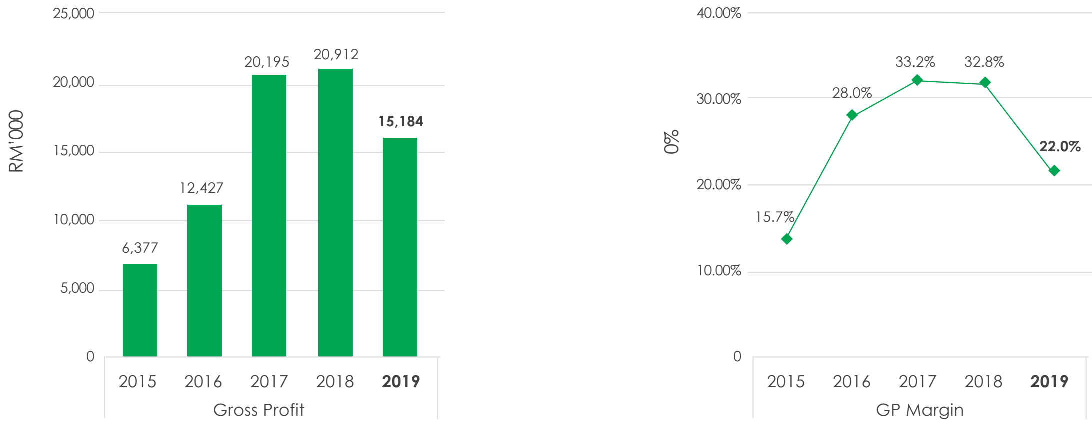


FINANCIAL HIGHLIGHTS

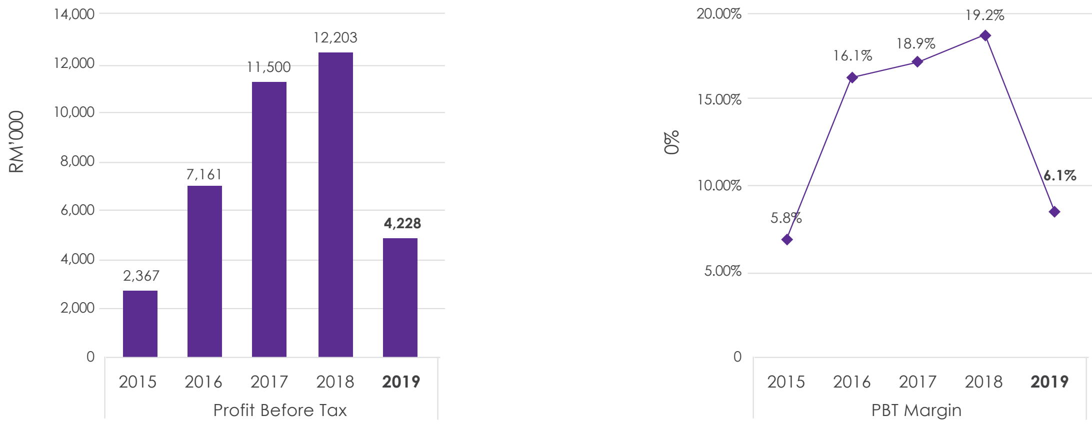
Revenue By Business Segments



Gross Profit & GP Margin



Profit Before Tax & PBT Margin



Notes:

(1) Our Company was only incorporated on 18 May 2018. The FYE 2015 to FYE 2018 were presented based on the historical combined audited financial statements of Mestron Holdings and its subsidiary companies.

(2) Included in FYE 2019 Profit Before Tax is RM2.41 million listing expenses. If excluding the listing expenses of RM2.41 million, the FYE 2019 adjusted Profit Before Tax would have been RM6.64 million and PBT Margin of 9.6%.

BOARD OF DIRECTORS

Leong Peng Phooi
(Independent Non-Executive Director)

Phang Sze Fui
(Independent Non-Executive Director)

Loon Chin Seng
(Executive Director)

Tajul Arifin bin Mohd Tahir
(Independent Non-Executive Chairman

Por Teong Eng
(Managing Director)

DIRECTORS' PROFILE

TAJUL ARIFIN BIN MOHD TAHIR
Independent Non-Executive Chairman
Chairman of Nomination Committee and Remuneration Committee
Member of Audit and Risk Management Committee
53 years of age, Male, Malaysian

Tajul Arifin bin Mohd Tahir, aged 53, is our Independent Non-Executive Chairman. He was appointed to the Board on 15 October 2018, and is the Chairman of our Remuneration Committee and Nomination Committee. He is also a member of our Audit and Risk Management Committee.

He graduated with a Bachelor of Science in Business Administration from Saint Louis University, St Louis, Missouri, United States of America ("USA") in 1989. Upon his graduation, he was involved in a number of part time and freelance jobs in the hospitality as well as the food and beverage industry in USA during the period from 1989 to 1991. He returned to Malaysia and began his career in 1991 when he joined MIDF Consultancy and Corporate Services Sdn Bhd (now known as Tricor Investor & Issuing House Services Sdn Bhd) as a Public Issue Officer where he was responsible for running daily operational activities such as liaising between clients, advisors and authorities as well as offering exercises.

In 1996, he was promoted to Assistant Manager and subsequently to Manager in 2002, where his role was extended to supervising a team of public issue officers. In 2008, he was promoted to Associate Director, where he was responsible for maintaining and expanding network with the stakeholders in the initial public offering market as well as review and introduce value added services to the company's client. He left Tricor Investor & Issuing House Services Sdn Bhd as Associate Director in 2016 to provide freelance consulting work. In March 2018, he co-founded 5 Pillars Ventures Sdn Bhd, a venture capital management company licensed and registered by the Securities Commission Malaysia to undertake venture capital activities in Malaysia.

Presently, he serves as the Independent Non-Executive Director of ADF Capital Berhad and holds directorships in several private limited companies.

His interest in the securities of the Company is disclosed in the Annual Report. He has no family relationship with any Director and/or major shareholders of the Company nor any conflict of interest in any business arrangement involving the Company.

He has not been convicted of any offences within the past five (5) years other than traffic offences, if any, and there have not been any public sanctions nor penalties imposed upon him by any relevant regulatory bodies for the financial year ended 31 December 2019.

He has attended all five (5) Board of Directors' Meetings held during the financial year ended 31 December 2019.

DIRECTORS' PROFILE
(cont'd)

POR TEONG ENG
Managing Director
47 years of age, Male, Malaysian

Por Teong Eng, aged 47, is our Managing Director. He was appointed to the Board on 15 October 2018. He is primarily responsible for the overall strategy and corporate direction of our Group. He is also responsible for overseeing the manufacturing and procurement operations of our Group.

He has 18 years of working experience in the steel pole industry in Malaysia with in-depth knowledge on steel pole manufacturing.

He graduated with a Bachelor of Mechanical Engineering from University Teknologi Malaysia in 1997. Upon his graduation in 1997, he started his career with Global Engineering Center Sdn Bhd as a Design Engineer where he was involved in the design and development of various industrial products.

In 2000, he left Global Engineering Center Sdn Bhd and joined Galvapole Industries Sdn Bhd as a Production Engineer, where he was responsible for the overall planning on the manufacturing operation of steel poles, design of steel poles' structure as well as supervising production workers.

In 2002, he left Galvapole Industries Sdn Bhd and founded Mestron Engineering Sdn Bhd in the same year. He was instrumental to the formation and growth of our Group's business. Together with our Executive Director, Loon Chin Seng, they developed our Group from a small scale light pole manufacturer to a supplier of steel poles for various high-profile construction projects such as East Klang Valley Expressway project, Coastal Highway Southern Link project, LRT Ampang line extension project, Sungai Buloh - Kajang MRT line project and Bukit Jalil National Sport Complex refurbishment project.

He does not hold any directorship in other public companies and listed issuer.

His interest in the securities of the Company is disclosed in the Annual Report. He has no family relationship with any other Director and/or major shareholders of the Company nor any conflict of interest in any business arrangement involving the Company.

He has not been convicted of any offences within the past five (5) years other than traffic offences, if any, and there have not been any public sanctions nor penalties imposed upon him by any relevant regulatory bodies for the financial year ended 31 December 2019.

He has attended four out of five (4/5) Board of Directors' Meetings held for the financial year ended 31 December 2019.

DIRECTORS' PROFILE
(cont'd)

LOON CHIN SENG
Executive Director
44 years of age, Male, Malaysian

Loon Chin Seng, aged 44, is our Executive Director. He was appointed to the Board on 15 October 2018. He is primarily responsible for managing and implementing our Group's business development plans and strategies, as well as overseeing the sales, marketing and administrative functions of our Group.

He has 19 years of working experience in the steel pole industry with in-depth knowledge on the sales and marketing of steel poles and outdoor lighting products.

He graduated with a Diploma in Business Administration in 1995 and an Advanced Diploma in Business Administration in 1996 from Stamford College Malaysia, under a programme accredited by The Association of Business Executives, United Kingdom. He subsequently furthered his studies on a part-time basis and obtained a Master of Business Administration from Heriot-Watt University, United Kingdom in 1999.

In 1997, he started his career as Credit and Marketing Officer in UOL Factoring Sdn Bhd, where he was responsible for conducting customer credit assessment as well as the sales and marketing activities of financial services such as factoring and trade financing.

In 1999, he left UOL Factoring Sdn Bhd and joined Galvapole Industries Sdn Bhd as Administrative and Marketing Executive where he was primarily involved in customer credit evaluation and the sales and marketing of steel poles manufactured by the company. He was subsequently promoted to Assistant Sales Manager in 2005 where he was responsible for leading and overseeing the sales and marketing team as well as liaise with overseas customers for the sales of steel poles.

In 2006 he left Galvapole Industries Sdn Bhd and joined Mestron Engineering Sdn Bhd in the same year assuming his role as the Executive Director. He was instrumental to the expansion of our Group's business to international markets such as Singapore and Australia. Together with our Managing Director, Por Teong Eng, they developed our Group from a small scale light pole manufacturer to a supplier of steel poles for various high-profile construction projects such as East Klang Valley Expressway project, Coastal Highway Southern Link project LRT Ampang line extension project Sungai Buloh - Kajang MRT line project and Bukit Jalil National Sport Complex refurbishment project.

He does not hold any directorship in other public companies and listed issuer.

His interest in the securities of the Company is disclosed in the Annual Report. He has no family relationship with any other Director and/or major shareholders of the Company nor any conflict of interest in any business arrangement involving the Company.

He has not been convicted of any offences within the past five (5) years other than traffic offences, if any, and there have not been any public sanctions nor penalties imposed upon him by any relevant regulatory bodies for the financial year ended 31 December 2019.

He has attended all five (5) Board of Directors' Meetings held during the financial year ended 31 December 2019.

DIRECTORS' PROFILE
(cont'd)

LEONG PENG PHOOI
Independent Non-Executive Director
Member of Audit and Risk Management Committee, Nomination Committee and Remuneration Committee
63 years of age, Male, Malaysian

Leong Peng Phooi, aged 63, is our Independent Non-Executive Director. He was appointed to the Board on 15 October 2018 and is also a member of our Audit and Risk Management Committee, Remuneration Committee and Nomination Committee.

He completed his Malaysian Certificate of Education (equivalent to Sijil Pelajaran Malaysia/ Form 5) at St. Xavier's Institution in Penang in 1974. Upon completing his secondary education, he took on several part time and freelance jobs before joining General Instrument (M) Sdn Bhd in 1981 as a Maintenance Technician where he was involved in the maintenance and trouble-shooting of machineries used in the manufacturing of semiconductor.

In 1983, he left the firm and joined ESAB (M) Sdn Bhd in the same year as a Technician, where he was involved in the maintenance, functional checks and repair of welding and cutting equipment. Subsequently in 1987, he was promoted to the position of Sales and Marketing Manager, where he was responsible for managing the sales and marketing team and overseeing the sales and marketing activities of the company. In 1994 he left ESAB (M) Sdn Bhd and joined Galvapole Industries Sdn Bhd in the same year as Sales and Marketing Manager. During his tenure in Galvapole Industries Sdn Bhd, he was responsible for planning, improving and implementing the sales and marketing policies of the company as well as managing and monitoring the performance of the sales and marketing team.

In 2007, he resigned from Galvapole Industries Sdn Bhd to take a sabbatical from work to attend to his family matters. In 2010 he joined Alpine Pipe Manufacturing Sdn Bhd, a manufacturer of steel materials such as steel sections (i.e. steel materials in various size and shape used for steel fabrication) and steel pipes, as an Export Manager, where he was responsible for planning and coordinating the international sales of steel pipes and related accessories. In 2011, he retired from his career due to his decision to spend more time with his family members.

In 2014, he decided to re-enter the workforce and rejoined Alpine Pipe Manufacturing Sdn Bhd, as Research and Development Manager, where he was responsible for overseeing the development of new products, as well as overseeing the sales and marketing functions of the company. He currently still holds the position of Research and Development Manager at Alpine Pipe Manufacturing Sdn Bhd. Alpine Pipe Manufacturing Sdn Bhd does not manufacture steel poles and as such is not in competition with our Group. Hence, his involvement in Alpine Manufacturing Sdn Bhd does not result in a conflict of interest situation with our Group.

He does not hold directorship in any other public listed companies and listed issuer.

His interest in the securities of the Company is disclosed in the Annual Report. He does not have family relationship with any other Director and/or major shareholders of the Company nor any conflict of interest in any business arrangement involving the Company.

He has not been convicted of any offences within the past five (5) years other than traffic offences, if any, and there have not been any public sanctions nor penalties imposed upon him by any relevant regulatory bodies for the financial year ended 31 December 2019.

He has attended all five (5) Board of Directors' Meetings held during the financial year ended 31 December 2019.

DIRECTORS' PROFILE
(cont'd)

PHANG SZE FUI
Independent Non-Executive Director
Chairwoman of Audit and Risk Management Committee
Member of Nomination Committee and Remuneration Committee
48 years of age, Female, Malaysian

Phang Sze Fui, aged 48, is our Independent Non-Executive Director. She was appointed to the Board on 15 October 2018 and is also the Chairwoman of our Audit and Risk Management Committee as well as a member of our Remuneration Committee and Nomination Committee.

She obtained her Advanced Diploma in Commerce from Tunku Abdul Rahman College in 1997. In 1998, she obtained her professional accounting qualification from the Association of Chartered Certified Accountants, United Kingdom. She has been a member of the Malaysian Institute of Accountants since 2009 and a fellow member of the Association of Chartered Certified Accountants, United Kingdom since 2005. She has been an audit committee member of The Institute of Internal Auditors Malaysia since November 2019.

She began her career as Accounts Executive in Seawood Trading Company in 1992. She subsequently started working with the company on a part-time basis from 1993 until her departure in 1995 to pursue her studies in Tunku Abdul Rahman College. During her tenure with the company, she was involved in the handling of accounting records and related administrative matters. From 1995 to 1997, she pursued her studies on a full-time basis.

Upon obtaining her diploma, she returned to work in 1997 by joining Baker Tilly Monteiro Heng as Audit Assistant, where she was primarily involved in various statutory audit assignments. She was subsequently promoted to Senior Audit Manager, Associate Director of Transaction Reporting Division and Executive Director of Transaction Reporting Division in 2005, 2007 and 2011 respectively. During her tenure there, she undertook various responsibilities including leading the audit team to conduct audit and special assignments, liaising with stakeholders, conducting training, ensuring compliance with auditing and accounting standards as well as regulatory requirements and expanding the growth of the Transaction Reporting Division. She left the firm in 2015.

In 2016, she joined Dolphin Application Sdn Bhd (a subsidiary of Dolphin International Berhad, which is listed on the Main Market of Bursa Malaysia Securities Berhad) as Corporate Affairs Director responsible for supervising corporate exercises, handling special projects, overseeing investor relations and public relations matters, improving internal control systems and reporting structure, overseeing compliance matters and liaising with stakeholders. She left Dolphin Application Sdn Bhd in 2017 to pursue her own business venture, Avia Alliance Sdn Bhd, a business and accounting consultancy firm.

Currently, she is also the Independent Non-Executive Director of SDS Group Berhad and Kim Teck Cheong Consolidated Berhad and she also holds directorships in several private limited companies.

Her interest in the securities of the Company is disclosed in the Annual Report. She has no family relationship with other director and/or major shareholders of the Company nor any conflict of interest in any business arrangement involving the Company.

She has not been convicted of any offences within the past five (5) years other than traffic offences, if any, and there have not been any public sanctions nor penalties imposed upon her by any relevant regulatory bodies for the financial year ended 31 December 2019.

She has attended all five (5) Board of Directors' Meetings held during the financial year ended 31 December 2019.

KEY SENIOR MANAGEMENT

1. **Por Teong Eng** *(Managing Director)*
2. **Loon Chin Seng** *(Executive Director)*
3. **Neo Yeung Tat** *(Technical Manager)*
4. **Lai Jian Hong** (Chief Financial Officer)
5. **Tan Hock Choon** (Production Manager)
6. **Lee Chun Heng** *(Head of Sales & Marketing)*

KEY SENIOR MANAGEMENT'S PROFILES

Por Teong Eng
Managing Director

Loon Chin Seng
Executive Director

The profiles of Por Teong Eng and Loon Chin Seng are listed under Directors' Profile on pages 8 and 9 respectively of this annual report.

Lee Chun Heng
Head of Sales and Marketing
46 years of age, Male, Malaysian

Lee Chun Heng, aged 46, joined our Group in 2009. He is our Head of Sales and Marketing and is responsible for the overall sales and marketing activities of our Group.

He obtained his Certificate of Business Studies from Stamford College Malaysia in 1996. Upon graduation in 1996, he started his career with Resorts World Berhad (now known as Genting Malaysia Berhad), a leisure and hospitality company, as Marketing Assistant and subsequently promoted to Marketing Manager. During his tenure, he was responsible for the advertising and marketing activities of the company.

In 2002, he left Genting Malaysia Berhad and joined his family used car dealer business, Syarikat Perniagaan Meng Tuck, as Sales and Marketing Manager where he was responsible in managing the sales and marketing operation of the company. In 2005, he left his family business and joined Signage Universe Sdn Bhd, an advertising and events company, as Sales and Marketing Manager. In 2008, he left the firm and joined M Stage Asia Sdn Bhd, an event management company, as Marketing Manager. During his tenure, he was involved in planning and organising events and road shows for multinational companies.

In 2009, he left M Stage Asia Sdn Bhd and joined our Group as our Sales and Marketing Manager. Subsequently in 2015, he was promoted to his current roles as the Head of Sales and Marketing. He has over 22 years of experience in sales and marketing.

Presently, he does not hold directorship in any other public companies and listed issuer. He has no family relationship with any Directors and/or major shareholders of the Company nor any conflict of interest in any business arrangement involving the Company.

He has not been convicted of any offences within the past five (5) years other than traffic offences, if any, and there have not been any public sanctions nor penalties imposed upon him by any relevant regulatory bodies for the financial year ended 31 December 2019.

KEY SENIOR MANAGEMENT'S PROFILES
(cont'd)

Tan Hock Choon
Production Manager
40 years of age, Male, Malaysian

Tan Hock Choon, aged 40, joined our Group in 2017 as Production Manager and is responsible for overseeing our manufacturing activities.

He graduated with a Bachelor of Mechanical Engineering from Universiti Kebangsaan Malaysia in 2004. Upon graduation in 2004, he began his career with Malayawata Steel Berhad (now known as Ann Joo Resources Berhad), as a Procurement Engineer where he was involved in overseeing the sourcing and procurement of engineering consumable parts, equipment and external services used in the manufacturing process.

In 2006, he left Malayawata Steel Berhad and joined Galvapole Industries Sdn Bhd as Production Engineer, where he was responsible for the overall manufacturing planning for steel poles, design of steel poles' structure for various applications as well as supervising production workers in the overall manufacturing operation. He was promoted to Senior Production Engineer in 2008, and later to Factory Manager in 2012. During his tenure with Galvapole Industries Sdn Bhd, he was responsible for the overall management of the production facility and was involved in quality assurance, machinery inspection and maintenance as well as the process improvement activities for the production operation.

In 2016, he left Galvapole Industries Sdn Bhd and joined Impact Renewable Solutions Sdn Bhd, a company focusing on renewable energy solutions, as Production Manager, where he was responsible for overseeing the material procurement, research & development activities and overall production processes of solar thermal products.

In 2017, he left Impact Renewable Solutions Sdn Bhd and joined our Group in his present position as Production Manager where he is responsible in managing our manufacturing facility to ensure minimal interruption in our manufacturing operation. He brings with over 14 years of experience in management of manufacturing facilities and manufacturing operations.

Presently, he does not hold directorship in any other public companies and listed issuer. He has no family relationship with any Directors and/or major shareholders of the Company nor any conflict of interest in any business arrangement involving the Company.

He has not been convicted of any offences within the past five (5) years other than traffic offences, if any, and there have not been any public sanctions nor penalties imposed upon him by any relevant regulatory bodies for the financial year ended 31 December 2019.

KEY SENIOR MANAGEMENT'S PROFILES (cont'd)

Mr Lai Jian Hong
Chief Financial Officer
28 years of age, Male, Malaysian

Lai Jian Hong, aged 28, joined our Group in 2018. He is our Chief Financial Officer and is responsible for handling our Group's overall finance functions including the monitoring of financial performance and results, financial reporting, treasury management and tax compliance.

He graduated with a Bachelor of Arts in Accounting and Finance from University of the West of England, United Kingdom in 2013. He obtained his associate membership in the Association of Chartered Certified Accountants ("ACCA"), United Kingdom in May 2018 and membership in the Malaysian Institute of Accountants in September 2018.

He began his career as an Administrative Executive in his family company, Orbiting Scientific & Technology Sdn Bhd, a distributor of advanced scientific instruments and laboratory accessories, on part-time basis while pursuing his tertiary education and professional affiliation of ACCA, United Kingdom from 2010 to 2015. During his tenure in Orbiting Scientific & Technology Sdn Bhd, he was mainly responsible in handling the company's accounting records, preparation of annual budget and sales forecast, formulating internal control practices, credit control for accounts receivables and other administrative matters.

In 2015, he left Orbiting Scientific & Technology Sdn Bhd and joined Grant Thornton Malaysia as an Audit Associate and was promoted to Senior Audit Associate in 2016, where he was involved in statutory audit assignments and special audit assignments for corporate exercises in Malaysia. In April 2018, he was promoted to Audit Supervisor where his role was extended to leading and monitoring a team of audit associates in various audit assignments. He left the firm in July 2018.

During his tenure in Grant Thornton Malaysia, he was also involved in the audit assignment of our Company's financial statements for FYE 2015 to 2017 from April 2018 up to his departure in July 2018, as part of our Initial Public Offering ("IPO") process.

In August 2018, he was recruited to join our Group as Finance and Accounts Manager given his understanding of our business operations gained from his involvement in the audit process of our Group. In April 2019, he was promoted to his current position as the Chief Financial Officer of our Group.

Presently, he does not hold directorship in any other public companies or listed issuer. He has no family relationship with any Directors and/or major shareholders of the Company nor any conflict of interest in any business arrangement involving the Company.

He has not been convicted of any offences within the past five (5) years other than traffic offences, if any, and there have not been any public sanctions nor penalties imposed upon him by any relevant regulatory bodies for the financial year ended 31 December 2019.

KEY SENIOR MANAGEMENT'S PROFILES
(cont'd)

Mr Neo Yeung Tat
Technical Manager
29 years of age, Male, Malaysian

Neo Yeung Tat, aged 29, joined our Group in 2015. He is our Technical Manager and is responsible for overseeing the design and development of our products. He graduated with a Bachelor of Engineering in Mechanical Engineering from INTI International University in 2014 and a Master of Engineering in Mechanical Engineering from University of Bradford, United Kingdom in 2015.

Upon graduation in 2015, he joined our Group as Technical Design Engineer. During his tenure, he was involved in the evaluation and enhancement of pole designs, preparation of street lighting simulation reports and addressing various technical issues. In 2018, he was promoted to his present position to lead our technical team.

Presently, he does not hold directorship in any other public companies and listed issuer. He has no family relationship with any Directors and/or major shareholders of the Company nor any conflict of interest in any business arrangement involving the Company.

He has not been convicted of any offences within the past five (5) years other than traffic offences, if any, and there have not been any public sanctions nor penalties imposed upon him by any relevant regulatory bodies for the financial year ended 31 December 2019.

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board of Directors, I am pleased to present you Mestron Holdings Berhad's ("Mestron" or "the Group") first Annual Report for the financial year ended 31 December 2019 ("FYE 2019"), since our successful listing on the ACE Market of the Bursa Malaysia Securities Berhad ("Bursa Securities") on 18 June 2019.

Indeed, our initial public offering ("IPO") was a monumental milestone for us in our growth path. We are delighted to have garnered strong support from top-tier fund managers, high net worth individuals and retail investors for our IPO and we would like to take this opportunity to thank all shareholders for their confidence in us and their tremendous support of our IPO.

Looking ahead, our growing business and strong portfolio of multiple brands will continue to offer quality products and services to our customers in Malaysia and internationally, as we work on securing more project not only in Malaysia but also overseas, to strengthen our main business in steel poles manufacturing.

YEAR IN REVIEW

In FYE 2019, the Group reported stronger total revenue contributions of RM68.98 million, which was driven by the growth in our revenue from the manufacturing of steel poles segment despite a lower revenue contribution from our trading of outdoor lighting products segment.

The Group's balance sheet remains robust, with net assets of RM 60.45 million and a healthy net cash position of RM22.32 million.

Despite the growth in our revenue, our profit before tax decreased from RM12.20 million in FYE 2018 to RM4.23 million in FYE 2019 mainly due to the recognition of one-off listing expenses pursuant to our IPO. After adjusting for the one-off listing expense, the Group's profit before tax shall be RM6.64 million.

TRANSFORMATIONAL GROWTH

The successful IPO represents a new chapter of growth, as we worked aggressively to expand our network in the present markets as well as explore opportunities to export our proven business model and strong home-grown brands further abroad.

We will continue to leverage on our established track record and solid experience in the steel poles manufacturing, whilst remaining agile and resilient to stay ahead of the challenges and intense competition in the Industrial products and deliver forward-looking transformational strategies for quality growth. In view of this, we have identified four key growth drivers, namely:

Quality	-	**We have in-depth technical expertise and are committed to delivering quality products**
Multiplicity	-	**We have a comprehensive range of steel pole products**
Technology	-	**We are well equipped with a fleet of machinery and equipment, enabling us to enhance our manufacturing capabilities and production efficiency**
Competence	-	**We have an experienced management and technical team**

PROSPECTS

The year 2020 has started off with a number of uncertainties unfolding around the world with adverse outlooks on the economic sector caused by the outbreak of the COVID-19 pandemic. In a year of high uncertainty, we will exercise extra vigilance in the business and hope to navigate through this business environment filled with uncertainties.

WORD OF APPRECIATION

On behalf of the Board, I would like to express my heartfelt gratitude to our valued customers, shareholders and business partners for their unwavering support and trust. I would also like to take this opportunity to thank all my fellow Board members, management and all staff for their hard work, commitment, as well as their significant contributions to the Group.

Mr. Tajul Arifin Bin Mohd Tahir
Independent Non-Executive Chairman

MANAGEMENT DISCUSSION AND ANALYSIS

Dear Valued Shareholders,

On behalf of the Board of Directors ("the Board") of Mestron, I am pleased to present the Management Discussion and Analysis ("MD&A") on the financial and operational review of the Company and its subsidiaries ("the Group") for the financial year ended 31 December ("FYE") 2019.

The following MD&A should be read in conjunction with the Audited Financial Statement for the year ended 31 December 2019 and related notes thereto.

OVERVIEW OF BUSINESS AND OPERATIONS

Mestron is a Company listed on the ACE Market of Bursa Malaysia Securities Berhad under the Industrial Products & Services sector. The share capital and number of shares of the Company is represented by 790,000,000 ordinary shares equivalent to RM 55,496,089 as at 31 December 2019.

For the financial year ended 31 December 2019 ("FYE 2019"), the Group recorded revenue of RM 68.98 million and a profit before tax of RM 4.23 million in FYE 2019. If excluding the one-off listing expenses of RM 2.41 million, the adjusted profit before tax would have been RM 6.64 million for the year. The Group foresee there are growth potentials in both of its business segments despite the current economic conditions.

The Company is an investment holding company. Through our subsidiaries, we are principally involved in manufacturing of steel poles comprising standard street light poles, decorative light poles and specialty poles. The company is also involved in trading of outdoor lighting products in Malaysia.

We have been operating in the steel pole manufacturing business for more than 17 years and outdoor lighting trading business for more than 9 years. Throughout these years, we have been led by an experienced and dedicated management and technical team which are our Managing Director and Executive Director, with both of them having more than 19 years of experience in the steel pole industry.

We believe our technical expertise and commitment to strict quality control standards have been and will continue to be vital in establishing our reputation as a steel pole manufacturer.

CORPORATE OBJECTIVES AND STRATEGIES

The Management views that in the Year 2020, the Company **intends to expand the sales of high mast and telecommunication monopole products**. To implement this initiative, the Company intend to continuously automate of manufacturing processes for high mast poles and telecommunication monopoles through the acquisition of additional machinery and equipment for manufacturing processes. The automation of manufacturing processes will enable us to increase our production efficiency, thus following us to cater for increasing sales from these 2 product segments.

We intend to expand our geographical reach to new international markets such as Brunei, Sri Lanka and New Zealand through the supply of steel poles to these markets. We may appoint local electrical product distributors or lighting specialists in the respective country as master distributors to facilitate the marketing activities of our Group in these markets, as well as provide on-site and off-site technical support. We have also been taking initiatives to attend international exhibitions Myanmar in 2019 and Philippines and Vietnam in 2020 to expand our international presence.

FINANCIAL PERFORMANCE

The Company expanded the Main Manufacturing Facility and acquire additional machinery and equipment to enhance our manufacturing capabilities and enable us to capitalise on the anticipated growth in the street light pole industry in Malaysia. According to the Independent Market Research Report issued by Providence Strategic Partners Sdn Bhd, the street light pole industry in Malaysia is expected to grow at the CARG of 9.8%, from RM 212.6 million in 2018 to reach RM 256.10 million in 2020.

Revenue

The Group recorded revenue of RM 68.98 million in FYE 2019 compared to RM 63.68 million reported in the previous financial year ended (FYE 2018) increase 8.3% due to the growth in our manufacturing segment.

MANAGEMENT DISCUSSION AND ANALYSIS (cont'd)

Manufacturing Segment

The Group's revenue is mainly derived from the manufacturing segment representing 77.2% of our total revenue in FYE 2019 which is an increase from 64.6% in FYE 2018. Our two largest product sub-segments under the manufacturing segment are standard street light poles and speciality poles. The increase in revenue was mainly due to completion of major projects such as Iskandar Coastal Highway in Johor Bahru and Karbala Oil Field in Iraq through a Korean Engineering, procurement, construction and commissioning ("EPCC") company.

Trading Segment

The trading segment of The Group has reduced from 35.4% of the total revenue in FYE 2018 to 22.8% of our total revenue in FYE 2019. The reduction is mainly due to there being more local and international competition in the light emitting diode ("LED") outdoor lighting products.

Gross profit margin

This overall shift in revenue from the trading segment to manufacturing segment has affected the group's gross profit margin to reduce from 32.8% in FYE 2018 to 22.0% in FYE 2019 as trading of outdoor lighting products generally command a higher gross profit margin. The management would continue secure more of both local and overseas project to increase the financial performance.

Profit Before Tax

The Group's profit before tax decreased from RM12.20 million In FYE 2018 to RM4.23 million in FYE 2019 mainly due to the recognition of one-off listing expenses of RM2.41 in 2019. After adjusted for the one-off listing expenses, our profit before tax shall be RM6.64 million, which represents a decrease of 45.6% from FYE 2018. The deterioration in our profit before tax was mainly due to the general increase in cost of sales. Nevertheless, the management strive to continuously review the company's expenditure and cashflows in order to ensure the efficiency in its expenditure.

ANTICIPATED OR KNOWN RISKS

The street lighting industry in Malaysia is a niche industry comprising a handful of local industry players. We face competition from both new and existing industry players. However, the barrier of entry to street lighting industry, especially the steel pole manufacturing business is high. This is because steel pole manufacturing is a capital expenditure intensive business, where high initial capital is required for the purchase of raw materials and for the set-up of manufacturing facilities. There are some risks relating to our business and operations which stated in below:

I. We face competition from both new and existing industry players;
II. We are subject to fluctuations in the price of raw materials;
III. The lack of long-term contracts may result in the fluctuation of our Group's performance;
IV. We are subject to risks on the maintenance or renewal of product certifications and registrations;
V. Our business is exposed to sudden and unexpected equipment failures, flood or fires and burglary, which may lead to interruptions in our business operations;
VI. We are subject to operating cash flow and liquidity risk;
VII. We are subject to the risk of termination, renewal and exclusivity of authorised distributorships;
VIII. We are subject to risk of foreign exchange fluctuation and changes in foreign exchange administrative rules;
IX. We are dependent on our directors, key senior management and executive directors of our subsidiaries for continued success and the loss of their continued services may affect our business;
X. We may be subject to warranty claims and product liability for product defects;
XI. Our insurance coverage may not be adequate to cover all losses or liabilities that may arise in connection with our operations;
XII. Our expansion will result in higher operating costs as well as depreciation charges, and we cannot guarantee that our business will grow as planned;
XIII. Our financial performance may be affected by adverse changes in interest rates;
XIV. We may be subject to the risk of raw material defects;
XV. The most challenges to achieve the business is market and property development is slowing down.

Certain statements in above are based on historical data which may not be reflective of future results and others are forward-looking in nature that are based on assumptions and subject to uncertainties and contingencies which may or may not be achievable.

MANAGEMENT DISCUSSION AND ANALYSIS
(cont'd)

Such forward-looking statements also involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance and achievements, or industry results. However, it is not an exhaustive list of challenges we are currently facing or that may develop in the future. Additional risks whether known or unknown, may in the future have a material adverse effect on us and/or our Shares.

FORWARD-LOOKING STATEMENT

The Group is actively participating in overseas exhibitions in order to increase overseas sales and reducing reliance on Malaysian sales. The Group will further enhance its steel poles business from our geographical presence to international markets.

The Group maintains a comprehensive range of steel pole products and outdoor lighting products of various international brands to complement our offering on steel poles. Since the start of our business, we were able to fulfil the request of our regular customers and we are looking forward towards the high profile projects planned for the development of Malaysia.

The recent outbreak of Coronavirus Disease 2019 ("COVID-19") towards the end of 2019 has seen a significant increase in cases prompting the World Health Organisation to declare it as a pandemic on 11 March 2020. As a series of precaution, The Malaysian Government imposed the Movement Control Order ("MCO") from 18 March 2020 to 3 May 2020 and Conditional Movement Control Order ("CMCO") from 4 May 2020 to 9 June 2020 which have adversely affected the Malaysian economy for 2020.

The year 2020 is off to a very complex start with a number of crises unfolding around the world and downside risks on the economic side, locally and globally. In a year of high volatility and multiple elements of disruption, the management will exercise caution and hope to achieve a satisfactory performance in this turbulent business environment.

DIVIDEND

We recognise that it is important to reward our investors with dividends. Therefore, it is always our intention to pay dividends to shareholders to allow our shareholders to participate in our profits, subject to various factors including, amongst others, our financial performance, cash flow requirement, availability of distributable reserves and capital expenditure plans and other factors that the Board of Directors deems relevant.

The Board has declared a first interim single-tier dividend of RM0.002 per ordinary share amounting to a total dividend payable of RM1.58 million for FYE 2019 to reward its shareholders. The dividend was paid by the Company on 17 January 2020.

Your sincerely,

Managing Director

SUSTAINABILITY STATEMENT

1. About This Statement

The Group is proud to present our inaugural sustainability statement that shows how Mestron Holdings Berhad ("Mestron") and its subsidiaries ("the Group") manage sustainability risk related to our business operation. Understanding our sustainability risks and opportunities helps us to operate in responsible and sustainable manner.

Statement Scope and Boundary

For our first year of reporting, we have chosen of major revenue contributors, which are the trading of outdoor lighting and manufacturing division of steel poles. Details of the Group's trading and manufacturing facilities are shown in the table below

Building	No. of Buildings	Locations
Office, Factory cum Warehouse	2	Puchong, Selangor
Open Storage Yard	1	Puchong, Selangor
Open Shed	1	Puchong, Selangor

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

Reporting Framework

This statement has been prepared in accordance with the Bursa Malaysia Securities Berhad's Sustainability Reporting Guide. The format adopted is in line with recommended Global Reporting Initiatives (GRI) 4.0 Sustainability Reporting Guidelines. The Group also decided to adopt Sustainable Development Goals (SDGs) as part of the report.

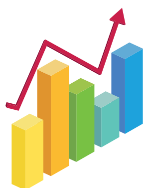
2. Sustainability Strategy

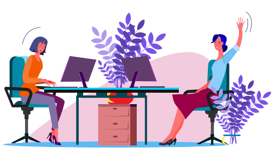
SIX CAPITAL OF MESTRON

At the Core of the Mestron value-creation business model is enhance the value creation by adopting the suitable model that evolved over the years to address the fast-changing environmental and business landscape. Mestron choose to embraces the framework by the international intergrated Reporting Council (IIRC) to make business and financial sense of Sustainability performance. The model has stregthened our sustianability strategy, policies and pratices and is aligned to global best standard including the UN Sustainable Develipment Goals(SDGs). MESTRON apply model to Six Capital, which entails our roles as develiper, an asset owner and a corporate citizen continues to create sustained value for our business and stakeholders

SUSTAINABILITY STATEMENT
(cont'd)

SIX CAPITAL OF MESTRON (cont'd)

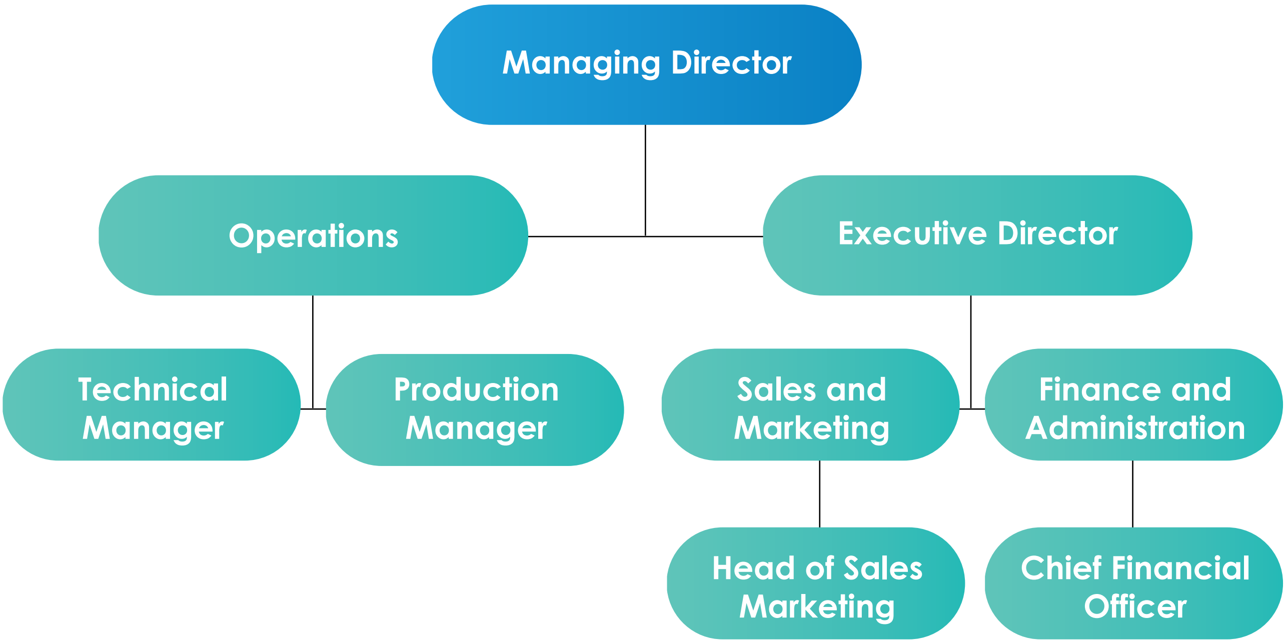
Financial	Manufactured	Organisational
Funds available to firm from operations and financing	Manufactured physical objects used in value creation	Governance, Internal control system and procedures
Financial Highlight  Resources to sustain the company form operations and supportive to others capitals	**Marketplace**  Implementing sustainability through product innovation	**Governance**  Board engagement on strategy, internal control to enhance the sustainability initiative

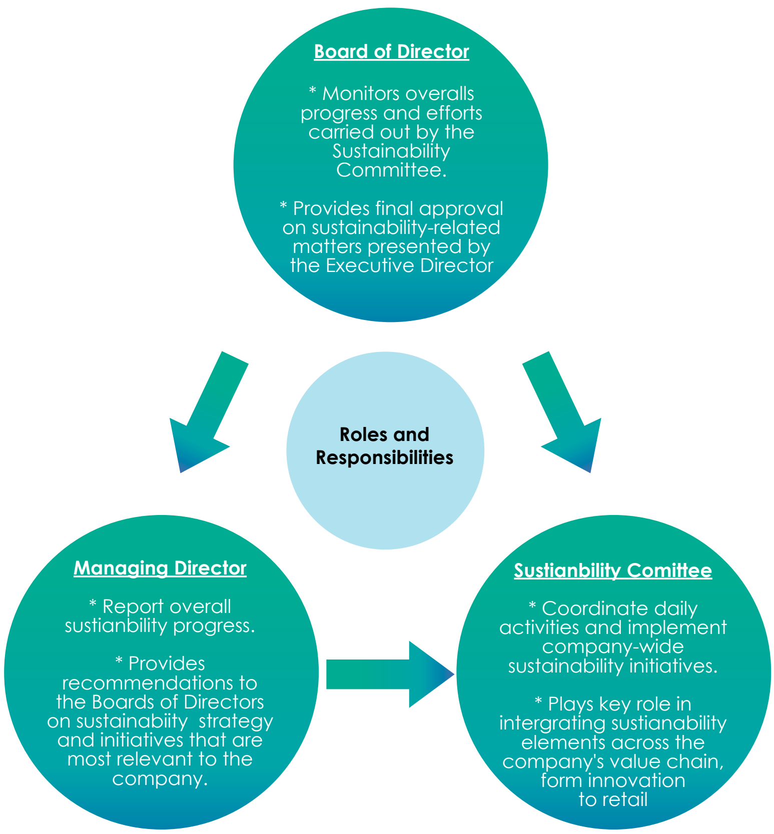
Human	Social	Natural
Skills, motivation, alignment with organisational goals	Relations with key institutions, stakeholder groups, shared norms and values, trust and confidence, and its social license to operate	Renewable and non-renewable natural elements, and the eco-system, used as inputs by the firm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

SUSTAINABILITY STATEMENT (cont'd)

SUSTAINABILITY GOVERNANCE

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





Mestron formed a two-tier governance structure whereby the Executive Director works together with the Managing Director and, reports directly to the Board of Directors. The Board of Directors leads the structure in determining the sustainability journey and overseeing the execution of sustainability within the Group

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

SUSTAINABILITY STATEMENT
(cont'd)

STAKEHOLDER ENGAGEMENT TABLE

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

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

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

SUSTAINABILITY STATEMENT (cont'd)

MATERIALITY MATRIX

Materiality assessment helps us identify and prioritise our material sustainability matters that bring impact to our business operations and stakeholders. It is important for the Group to address the material sustainability matters with regards to the Economic, Environment and Social aspects that are embedded in our value chain creation.

The Group's sustainability has identifies significant sustainability material matter based on their understanding of the Group's stakeholders' concerns as well as factors that impact the Group's business operation. The sustainability matters were then prioritised based on the weighted ranking method as listed in the table below:

Material Sustainability Matter	Relevant Stakeholders	Applicable GRI indicators
A - Regulatory Compliance	Shareholders and Investors, Regulatory Agencies, Suppliers, Employees and Customers	Compliance
B - Financial Performance	Shareholders and Investors, Regulatory Agencies , and Customers	GRI Standard disclosure
C - Manufacturing Materials	Regulatory Agencies and Local Communities	Materials
D - Product Quality Management	Supplier and Customers	Product Service and labelling
E - Product Safety	Supplier and Customers	Product Services and Labelling
F - Employee Wellbeing	Employees	Diversity and Equal Opportunity
G - Protection Labour Right	Employees and Regulatory Agencies	Child labour and forced or Compulsory Labour
H - Training and Development	Employees	Training and Education
I - Talent Retention	Employees	Diversity and Equal Opportunity
J - Corporate Governance and Transparency	Shareholders and Investors, Regulatory Agencies, and Customers	GRI Standard Disclosure

SUSTAINABILITY STATEMENT
(cont'd)

MATERIALITY MATRIX (cont'd)

Material Sustainability Matter	Relevant Stakeholders	Applicable GRI indicators
K - Customer Satisfaction	Customers	Product Service and Labelling
L - Occupational health and Safety	Employees and Regulatory Agencies	Occupational Health and Safety
M - Contribution to Society	Local Communities	Local Communities
N - Investor Relations	Shareholders and Investors	GRI Standard Disclosure
O - Energy Consumption	Regulatory Agencies and Local Communities	Energy
P - Effluents and Waste	Regulatory Agencies and Local Communities	Waste and Effluence
Q - Supply Chain Management	Suppliers	GRI Standard Disclosure
R - Water Consumption	Regulatory Agencies and Local Communities	Water

Financial Highlight - Resources to sustain the company form operations and supportive to others capitals

For the year ended 31 December 2019 (FYE 2019), the Group achieved a record revenue of RM68.98 million, an increase of RM5.30 million against the previous corresponding period (FYE 2018: RM63.68 million). Its net attributable profit after tax and non-controlling interest (PATMI) decreased by RM7.04 million from RM9.31 million in FYE 2018 to RM2.26 million in FYE 2019. It is mainly due to the recognition of one-off listing expenses of RM2.41 million and increase in cost of sales.

The Group's remain positive cash balance of RM22.32 million, an increase from RM3.93 million in FYE 2018.

Please refer to Mestron's Annual Report 2019 for our full financial performance report.

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

At Mestron, the Governance of Risk Management & strategies would disclose information concerning sustainability, risk to public, improving the transparency of its management, and reducing risks through pre-emptive measures, the company gives its customers and other stakeholder as well as communities and the public as a whole – greater confidence in Mestron.

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

SUSTAINABILITY STATEMENT (cont'd)

Marketplace - Implementing sustainability through product innovation

As a Malaysia-based internationally recognised brand involved in the manufacturing of light pole such as Standard Street Light Pole, Decorative Street Light Pole, Telecommunication Monopole, High Mast Pole, Camera Pole, Traffic Pole, Mid-Hinge Collapsible Pole, Oil & Gas and Mining Light Poles. On the trading segment Mestron is the distributor of various outdoor lighting product. Mestron has contributed towards the growth of both local and global market place

PRODUCT SAFETY

To best define on the quality, Mestron focuses in Product Safety and enhance on User-friendly features.

Product Safety

Stage	How to Ensure	Result
Production	We make sure all our operation staff are well trained and experience to follow Standard Operating Procedures & Work Instruction to avoid any unwanted incidents during the production.	Quality, Safety finished goods

Stage	How to Ensure	Result
Consumer	We ensure every product come with requirement matching customer expectation. For Telecommunication and High mast poles, we provide assistance and guidance on installation	Customer stratification and enjoy the Quality, Safety product.

PRODUCT QUALITY MANAGEMENT

Each of Mestron's product are prepared in accordance to the highest standard of quality management. Our Product Quality is consistently well maintained. We ensure that work instructions and standard operating procedures are follow by our manufacturing workers from Mestron Engineering Sdn Bhd and Meslite Sdn Bhd in Puchong.

part assembly → safety and quality rest → safety and health reminders

Our subsidiaries that involve in production and assembly processes such as Mestron Engineering Sdn Bhd obtained quality certification for our products by comply ISO 9001:2015 or Sirim Certification.

SUSTAINABILITY STATEMENT
(cont'd)

Marketplace - Implementing sustainability through product innovation (cont'd)

Product Certificate:

Certificate	Award Body
Certificate of Approval License to use on public Road	JKR
Product certificate license Structural steel street light poles BS EN 40-5:2002	SIRIM QAS international
ISO 9001:2008 (first obtained Year 2010)	Lloyd's Register Quality Assurance

Workplace - Creating a safe and supportive working environment.

Occupational Health and Safety ("OHS")

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

This year we do not received any staff complaint or dispute, and however there is two cases of work related injury report. The company are review for the incident and improve the policy to reduce the injury.

Employment

At Mestron, we are committed to providing our employees with a working environment free from unlawful discrimination, irrespective of race, colour, sex/gender, religion, national origin, age, disability, genetic information, marital status, or any other classification protected by law. We seek to support women, minorities, veterans and individuals with disabilities and strive to empower all our employees to reach their full potential. There were 152 employees at Mestron in 2019.

Diversity and Equal Opportunity

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

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

Training and Development

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

Our employees receive training both internal & external programmes which including mandatory & voluntary basis. So that they are equipped with relevant skills to perform their jobs. They are also encouraged to obtain certifications that allow them to perform specific tasks or to operate particular machines. In 2019, some employee received a total of 73 hours of training.

SUSTAINABILITY STATEMENT (cont'd)

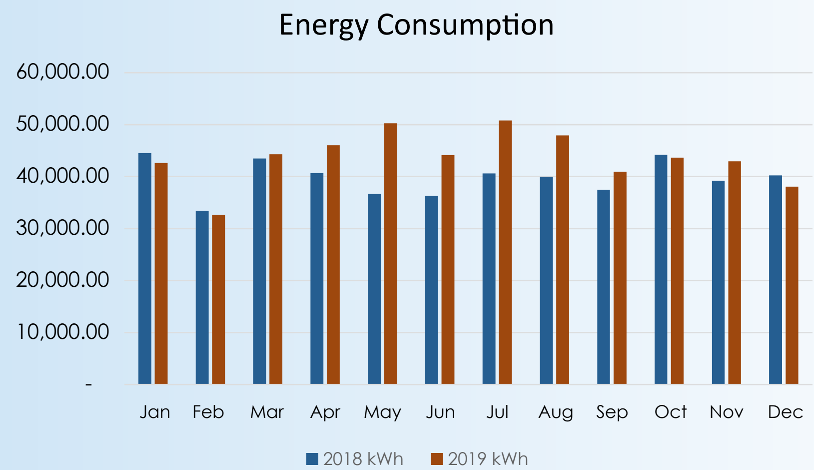
Environment - Improving our environment by utilising greener alternatives.

Energy Efficiency & CO2 Emission

Diesel and electrify account for a large proportion of our total energy consumption, resulting in the production of greenhouse gas (GHG) emission such as carbon dioxide (CO2) which can have a detrimental impact on the environment. Therefore, we strive to reduce our energy consumption and carbon footprint by promoting the use of renewable energy and improving our energy efficiency.

The Group has six lorries and one van to contribute the GHG emissions. We take the initiative to monitor and reduce the CO2 emissions. This is the first year we monitor this indicator. Total GHG emission are using the factor of 1 L of gasoline produces approximately 2.3 kg of CO2

Our electricity consumption was 524,357kWh in 2019, an increase of 10% from 476,781kWh in 2018. We did not reached our goal to reduce the energy consumption this year. We would like to seek for possibility to reduce the energy consumption.



Water

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

At Mestron, there is no significant of water usage. We are committed to reducing our total water consumption by promoting the water saving.

Noise, Effluent and Waste

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

Noise pollution is generally defined as regular exposure to elevated sound levels that may lead to adverse effects in humans or other living organisms. Sound levels less than 70 dB are not damaging to living organisms, regardless of how long or consistent the exposure is. Exposure for more than 8 hours to constant noise beyond 85 dB may be hazardous. Mestron's manufacturing process did generated the noise pollution from 88.6 -114.4 therefore, the Warning signs will be placed at the high decibel areas, earplugs are distributed and enforced on all affected production personnel. The Group advocates reducing, reusing and recycling especially in our office and facilities towards efficient waste management practices

SUSTAINABILITY STATEMENT
(cont'd)

Community - Contributing to local community development

COMMUNITY ENGAGEMET

We recognise that our business going concern due to strong community engagement and support. Therefore, we are pleased to return and give back to the society and community via various programmes and channel as community meetings, volunteering donations, sponsorships and product sales to keep our negative impacts to a minimum and to improve our positive impacts on local communities.

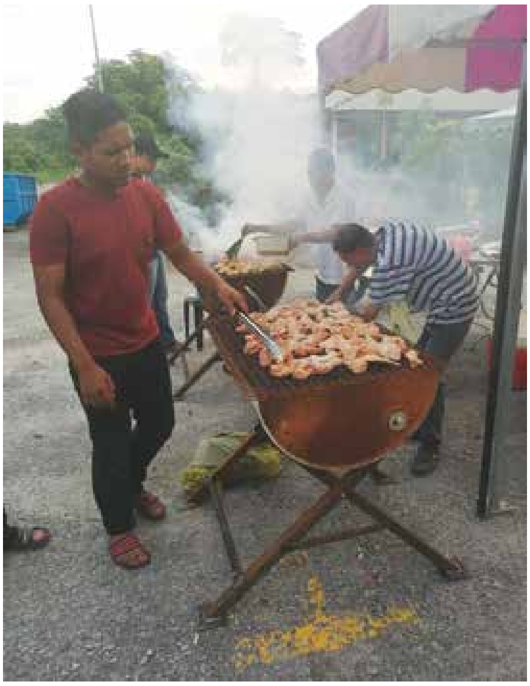
During 2019, we have sponsored for premix road to be done in replacement of existing gravel road for Kampung Pulau Meranti which is located next to the factory. We also sponsored the barricade for heavy lorry, busses to avoid damage and disruption to the local kampung.

We have also sponsored the Jalinan Mesra Aidilfitri Sekampung Pulau Meranti 2019 for the local community around the factory area.

We have sponsored the Jerseys for "Permain Futsal MPKK Pulau Meranti" and they won Third place for the Anjuran Futsal Merdeka Piala YB Gobind Sing Deo.

We have sponsored the Program Tukar Minyak Hitam for the local community at the Kampung Pulau Meranti next to the factory.

We have sponsored for the repair of Jalan Pulau Meranti main road to close off illegal U-Turns and turning junctions for the safety and wellbeing of the local community around the area.



Program Sambutan Hari Raya 2019

SUSTAINABILITY STATEMENT (cont'd)

Program Tukar Minyak Hitam




Repair Jalan Pulau Meranti

SUSTAINABILITY STATEMENT
(cont'd)





Premix Kampung Road (upper)/ Fixing Lorry Barricade (lower)


Program Sponsor Jersey Bola Sepak (Futsal Tournament)

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

SUSTAINABILITY STATEMENT
(cont'd)

Relationship with SDGs

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

SUSTAINABILITY STATEMENT
(cont'd)

LOOKING FORWARD

Sustainability Report provide alternative channel to communicate, disclose information to our stakeholder. We are committed to doing business in an ethical and transparent manner as a public listed company. We have a zero-tolerance policy towards fraud, bribery, corruption, money laundering and the financing of terrorism. We are currently exploring the area of Anti-Corruption, which would help us to conduct the highest integrity and transparency by improving existing policies.

Mestron would promised to continuously update and improve our sustainability initiative in order to accomplish our goal of becoming a sustainable industry leader.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors ("Board") of Mestron Holdings Berhad ("Mestron" or "the Company") and its subsidiaries ("the Group") is committed to the maintenance of high standards of corporate governance by supporting and implementing the prescriptions of the principles, practices and guidance set out in the Malaysian Code on Corporate Governance 2017 ("MCCG") issued by the Securities Commission Malaysia to enhance its accountability, transparency and sustainability in discharging its responsibilities with integrity and professionalism to protect and enhance the Group's business, shareholders' value and the financial position of the Group.

The Board will continuously evaluate the Group's corporate governance practices and procedures, and where appropriate will adopt and implement the best practices as enshrined in the MCCG to the best interest of the shareholders of the Company.

The Board presents this statement to provide shareholders with an overview of the Corporate Governance ("CG") practices of the Group which were based on the principles and best practices as set out in the MCCG, the governance standards prescribed in the ACE Market Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa Securities") and the requirements under the Companies Act 2016 ("Act") and being applied under the leadership of the Board during the financial year ended 31 December 2019 ("FYE 2019").

The overview statement is to be read together with the CG Report 2019 ("CG Report") of the Group which is available on the Group's website at www.mestron.com.my. The detailed explanation on the application of the corporate governance practices are reported under the CG Report.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

PART I – BOARD RESPONSIBILITIES

1. Board's Leadership on Objectives and Goals

Strategic Aims, Values and Standards

The Board is responsible in providing the overall governance, stewardship and oversight for the direction and management of the Group. The Board sets out the strategic directions and objectives, formulating the policies and executing the key strategic action plans of the Group. The Board regularly reviews the Group's business operations, management performance and also ensure the necessary resources are in place.

In the Group, the Board and the Senior Management work cohesively to formulate and to implement the Group's business strategy. The respective roles and responsibilities of the Board and management team are clearly set out and understood to ensure accountability and ownership by both parties. The Board will scrutinise the sustainability, effectiveness and implementation of the strategic plans for the financial year under review and provide guidance and input to the Senior Management.

The Board has a formal schedule of matters reserved to itself for the decision, which includes the overall Group strategy and direction, major capital expenditures, consideration of significant financial matters and review of the financial and operating performance of the Group.

The Board understands the principal risks of all aspects of the business that the Group is engaged in recognising that business decisions require the incurrence of risk. To achieve a proper balance between risks incurred and potential returns to shareholders, the Board ensures that there are in place systems that effectively monitor and manage these risks with a view to the long term viability of the Group.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (cont'd)

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

PART I – BOARD RESPONSIBILITIES (cont'd)

1. Board's Leadership on Objectives and Goals (cont'd)

Strategic Aims, Values and Standards (cont'd)

The principal roles and responsibility assumed by the Board are as follows:

- Review and Adopt Strategic Plans of the Group

  The Board plays an active role in the development of the Group's overall corporate strategy, marketing plan and financial plan. The Board is presented with the short and long-term strategy of the Group together with its proposed business plans for the forthcoming year. The Board also monitors budgetary exercise which support the Group's business plan and budget plan.

- Oversight of the Group's Business

  The day-to-day management of the business operations of the Group is led by the Managing Director, Executive Director and assisted by the Senior Management personnel. Their performance under the leadership of the Managing Director and Executive Director are assessed by the Board based on the financial and management reports tabled during its quarterly meetings. The Board is also kept updated on the Group's strategic direction initiatives, significant operational and regulatory challenges faced by the Group during these meetings.

- Review of Internal Control and Integrity of Management Information

  The Board is overall responsible for maintaining a proper internal control system. The Board is responsible for the Group's system of internal controls including reviewing financial condition of the business, operational, regulatory compliance as well as risk management matters.

- To Formulate and Put in Place an Appropriate Succession Plan

  The Board is responsible to formulate and put in place an appropriate succession plan encompassing the appointment, training, and determination of compensation for the Directors and Senior Management of the Group, as well as assessing the performance of Directors and Committee members and, where appropriate, retiring and appointing new members of the Board and Executive Directors.

  The Board has entrusted the Nomination Committee and Remuneration Committee with the duty to review candidates with required mix of skills and experience for the Board and to determine remuneration packages for these appointments, and to formulate nomination, selection and remuneration for the Group.

- Developing and Implementing an Investor Relations Program or Shareholder Communications Policy for the Group

  The Board recognises that shareholders and other stakeholders are entitled to be informed on a timely and readily accessible manner of all material information concerning the Company through a series of regular disclosure events during the financial year. Hence, the Company website is the primary medium in providing information to all shareholders and stakeholders.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (cont'd)

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

PART I – BOARD RESPONSIBILITIES (cont'd)

1. Board's Leadership on Objectives and Goals (cont'd)

Strategic Aims, Values and Standards (cont'd)

In order to discharge its duties and functions effectively, the Board has set up and delegated specific tasks to three (3) Board Committees namely Audit and Risk Management Committee ("ARMC"), Nomination Committee ("NC"), and Remuneration Committee ("RC"). The Chairman of the respective Committees will report to the Board the outcome of the Committees meetings for the Board's consideration and final decision. The Board retains full responsibility for the direction and control of the Group. All the Board Committees have its own terms of reference and have the authority to act on behalf of the Board within the authority as laid out in the terms of reference and report to the Board with the necessary recommendation.

The Board is also mindful of the importance of the establishment of clear roles and responsibilities in discharging its fiduciary and leadership functions including those reserved for the Board's approval and those which the Board may delegate to the Board Committees and the Management and committed to ethical values and standards. On this note, the Board has defined its Board of Charter, and Code of Conduct and Ethics setting out the roles, duties and responsibilities of the Board, the principles and practices of corporate governance to be followed and its commitment of fair practices to its stakeholders, which is available on the Company's website at www.mestron.com.my.

The Chairman

The Board is chaired by an Independent Non-Executive Director and one-third of the Board consists of Independent Non-Executive Directors. The Chairman being an Independent Non-Executive Director, is not involved in the day-to-day management of the Group's business and has no relationship that could materially interfere with his judgement. The Chairman is responsible to provide leadership for the Board so that the Board can perform its responsibilities effectively. The roles and responsibilities of the Chairman of the Board have been clearly specified in the Board Charter, which is available on the Company's website at www.mestron.com.my.

Separation of the positions of the Chairman and Managing Director

The positions of the Chairman and the Managing Director of the Group are held by two different individuals with clear separation of duties and responsibilities to ensure a balance of power and authority so that no one individual has unfettered powers of decision making.

The difference in the roles of the Chairman and Managing Director provides a clear segregation of responsibility and accountability. These are enshrined in the Board Charter, which is made available on the Company's website at www.mestron.com.my.

The Chairman is not related to the Managing Director, and is responsible for leading the Board to oversee and supervise the Group's management; whilst the Managing Director is responsible for the day-to-day operations of the Group, making strategic business decisions and implement the Board's policies and decisions. There is clear separation of powers between the Chairman, who is an independent director and the Managing Director, and this further enhances the independence of the Board.

The Board therefore believe that balance of power and authority exists within its current structure to sufficiently enable it to discharge its duties objectively.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (cont'd)

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

PART I – BOARD RESPONSIBILITIES (cont'd)

1. Board's Leadership on Objectives and Goals (cont'd)

Qualified and Competent Company Secretaries

In compliance with MCCG, the Board is supported by qualified and competent Company Secretaries. The Company Secretaries of the Company are qualified to act as Company Secretary under Section 235 of the Companies Act, 2016 ("the Act"). The Company Secretary provides the required support to the Board in carrying out its duties and stewardship role, providing the necessary advisory role with regard to the Company's Constitution, Board's policies and procedures as well as compliance with all regulatory requirements, MCCG, guidance and legislation.

The Board has ready and unrestricted access to the advice and services of the Company Secretaries, who are considered capable of carrying out the duties to which the post entails. The Directors may seek advice from the Company Secretaries directly on issues under their respective purview or request further explanation, information or updates on any aspect of the Company's concerns.

The Company Secretaries keep the Board abreast with the latest regulatory updates and also ensure that deliberations at Board and Board Committee meetings are well documented.

The Board is satisfied with the performance and support rendered by the Company Secretaries to the Board in discharge of their functions.

The Company Secretaries are accountable to the Board on all matters connected with the proper functioning of the Board and responsibility includes:

- assisting the Chairman and the Chairmen of the Board Committees in developing the agendas for the meetings;
- administering, attending and preparing the minutes of meetings of the Board, Board Committees and shareholders and maintaining proper records of proceedings and resolutions passed;
- acting as liaison to ensure good information flow within the Board, between the Board and its Committees as well as between management and the Directors;
- advising on statutory and regulatory requirements and the resultant implication of any changes that have bearing on the Company and the Directors;
- advising on matters of corporate governance and ensuring Board policies and procedures are adhered to;
- monitoring compliance with the Act, Listing Requirements and the Constitution of the Company;
- facilitating orientation of new director; and
- disseminating suitable training courses and arranging for Directors to attend such courses when requested.

Access to Information and Advice

Unless otherwise agreed, notice of each meeting confirming the venue, time, date and agenda of the meeting together with relevant Board papers will be forwarded to each director no later than five (5) days before the date of the meeting. This is to ensure that Board papers comprising due notice of issues to be discussed and supporting information and documentations were provided to the Board sufficiently in advance. Furthermore, Directors are given sufficient time to read the Board papers and seek for any clarification as and when they may need advices or further explanation from management and Company Secretaries. The deliberations of the Board in terms of the issues discussed during the meetings and the Board's conclusions in discharging its duties and responsibilities are recorded in the minutes of meetings by the Company Secretaries and properly documented and maintained at the Registered Office of the Company.

The Board has access to all information within the Company to enable them to discharge their duties and responsibilities and is supplied on a timely basis with information and reports on financial, regulatory and audit matters by way of Board papers for informed decision making and meaningful discharge of its duties.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (cont'd)

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

PART I – BOARD RESPONSIBILITIES (cont'd)

1. Board's Leadership on Objectives and Goals (cont'd)

Access to Information and Advice (cont'd)

In addition, all Directors have direct access to the advice and services of the Company Secretaries who are responsible for ensuring the Board meetings procedures are adhered to and that applicable rules and regulatory are complied with. External advisers are invited to attend meetings to provide insights and professional views, advice and explanation on specific items on the meeting agenda, when required. The senior management team from different business units will also be invited to participate in the Board meetings to enable all Board members to have equal access to the latest updates and developments of business operations of the Group presented by the senior management team. The Chairmen of the Board Committees, namely, the ARMC, NC and RC briefs the Board on matters discussed as well as decisions taken at the meetings of their respective Board Committee meetings.

When necessary, Directors may whether as a full Board or in their individual capacity, seek independent professional advice, including the internal and external auditors, at the Company's expense to enable the directors to discharge their duties with adequate knowledge on the matters being deliberated, subject to approval by the Chairman of the Board, and depending on the quantum of the fees involved.

2. Demarcation of Responsibilities

Board Charter

The Board Charter has been formalised and adopted by the Board, serves as a primary reference which sets out the composition of the Board, appointments of Directors, re-election of Directors, roles and responsibilities of the Board, Board Committees, Chairman, Executive Directors and Independent Non-Executive Directors.

The roles and responsibilities of the Board Committees, as well as the issues and decisions which required the Board Committees collective decision are also spelled out in the Terms of Reference of the respective Board Committees.

The Board will review the Board Charter from time to time to ensure that the Board Charter remains consistent with the Board's objectives, current law and practices. The Board Charter is available on the Company's website at www.mestron.com.my.

3. Good Business Conduct and Corporate Culture

Code of Conduct and Ethics

The Board is committed in maintaining a corporate culture which engenders ethical conduct through its Code of Conduct and Ethics, which summarises what the Company must endeavour to do proactively to increase corporate value, and which describes the areas in daily activities that require caution to minimise any risks that may occur.

The Code of Conduct and Ethics provides guidance for Directors and every employee of the Group regarding ethical and behavioural considerations and/or actions as they address their duties and obligations during the appointment.

The Board will review the Code of Conduct and Ethics when necessary to ensure it remains relevant and appropriate. The Code of Conduct and Ethics is available at the Company's website at www.mestron.com.my.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (cont'd)

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

3. Good Business Conduct and Corporate Culture (cont'd)

Whistle Blowing Policy and Procedures

The Board is committed in achieving and maintaining the highest standard of work ethics in the conduct of business to be in line with the Code of Conduct and Ethics and good corporate governance practices. The Group encourages its employees to report suspected and/or known misconduct, wrongdoings, corruption and instances of fraud, waste, and/or abuse involving the resources of the Group.

The Board has in place a Whistle Blowing Policy and serve as an avenue and mechanism to all employees and stakeholders of the Group to report concerns about any suspected wrongdoing, inappropriate behaviour or misconduct relating to fraud corrupt practices, and/or abuse, for investigation and management's action.

The Whistle Blowing Policy sets out the protection to reporting individual who has made the disclosure or report in good faith, the confidentiality and safeguarding in dealing with such disclosure or report, the communication channel and the procedurals flow of making the disclosure or report.

The Board will review the Whistle Blowing Policy when necessary to ensure it remains relevant and appropriate. The Whistle-Blowing Policy is available at the Company's website at www.mestron.com.my.

PART II – BOARD COMPOSITION

4. Board's objectivity

Board Composition and Balance

The Board is committed in ensuring that its composition not only reflects the diversity as recommended by MCCG, as best as it can, but also the right mix of skills and balance to contribute to the achievement of the Group's goal and business objectives.

The Board consist of five (5) members and comprising three (3) Independent Non-Executive Directors, one (1) Managing Director and one (1) Executive Director. Thus, the requirement under Rule 15.02 of the Listing Requirements of Bursa Securities that at least two (2) Directors or 1/3 of the Board, whichever is higher, must be Independent Directors, is fulfilled. This is also in line with Practice 4.1 of the MCCG where it requires at least half of the Board members comprises independent directors.

The current composition of the Board provides an effective Board with a mix of industry specific knowledge, broad based business and commercial experience together with independent judgement on matters of strategy, operations, resources and business conduct. The combination of professionals with diverse and varied backgrounds, wealth of experience and expertise in finance and corporate affairs also enables the Board to discharge its responsibilities effectively and efficiently. Profile of the Directors are as set out in this Annual Report.

During the FYE 2019, our NC assisted our Board in its annual assessment of the effectiveness of our Board as a whole, our Board Committee as well as the contribution of each individual Directors and assessment on the independence of the Independent Directors.

Tenure of Independent Directors

As at the date of this Overview Statement, none of the Independent Non-Executive Directors have served for a cumulative term limit of more than nine (9) years) on the Board.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (cont'd)

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

PART II – BOARD COMPOSITION (cont'd)

4. Board's objectivity (cont'd)

Policy of Tenure of Independent Directors

As at the date of this Overview Statement, the Board does not have a policy on the tenure for Independent Directors as the Board is of the view that a cumulative term limit of more than nine (9) years may not necessarily impair independence and judgement of an Independent Director and therefore the Board does not deem it appropriate to impose a fixed term limit for Independent Directors at this juncture.

Nevertheless, the Company took note on the recommendation by MCCG, that the tenure of an Independent Director should not exceed cumulative term limit of nine (9) years. Upon completion of the nine (9) years, an independent director may continue to serve on the Board subject to the director's re-designation as a non-independent director. In the event the Board intends to retain such Director as an Independent Director after the latter has served a cumulative term limit of nine (9) years, the Board must justify the decision and seek shareholders' approval at a general meeting, normally the AGM of the Company. If the Board continues to retain the Independent Director after twelfth (12) years, the Board will seek annual shareholders' approval through a two-tier voting process.

Diverse Board and Senior Management Team

The appointments of our Board members and Senior Management are made based on merit, in the context of diversity in skills, experience, age, background, gender, ethnicity and other factors which is in the best interests of our Group. The Board recognises diversity in the boardroom as an essential component of a good corporate governance.

The composition of the Board which comprises five (5) members can be dissected as below:

Age Group	40-49	50-59	60 & above
Number of Directors	3	1	1

Race/Ethnicity			
Malay	**Chinese**	**Indian**	**Others**
1	4	0	0

Nationality		Gender	
Malaysian	**Foreign**	**Male**	**Female**
5	0	4	1

Gender Diversity Policy

The Board is aware of the importance of boardroom diversity and is supportive of the recommendation of MCCG to the establishment of boardroom and workforce gender diversity policy. The Company has formalised a Gender Diversity Policy which is published on the Company's website. The Board believes that the evaluation of suitability of candidates should be based on the candidates' competency, character, time availability, integrity and experience in meeting the Company's needs. The Board constantly advocates fair and equal participation and opportunity for all individuals of the right calibre without any specific discrimination as to the age, ethnicity or gender of the candidates concerned.

The Board currently has one female director out of five (5) directors which makes up to 0.2% of the Board members. The Board may consider appointing more females onto the Board in future to bring about a more diverse perspective when Board vacancies arise.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (cont'd)

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

PART II – BOARD COMPOSITION (cont'd)

4. Board's objectivity (cont'd)

New Candidates for Board Appointment

The proposed appointment of a new member to the Board will be deliberated on by the Board based upon the recommendation of the NC. Selection of new candidates to be considered for new appointment as director is facilitated through recommendations either from the Board members, the Management, major shareholders and/or through independent sources, when necessary. Before any recommendation made to the Board, the NC will ensure that an appropriate review is undertaken to ensure the requirement and qualification of the candidate nominated based on a prescribed set of criteria comprising but not limited to the following:

(a) Skills, knowledge, expertise and experience;
(b) Professionalism and Integrity;
(c) the outside commitments of a candidate to be appointed or elected as a Non-Executive Director and the need for that person to acknowledge that they have sufficient time to effectively discharge their duties;
(d) Existing number of directorships held;
(e) Confirmation of not being an undischarged bankrupt or involved in any court proceedings in connection with the promotion, formation or management of a corporation or involving fraud or dishonesty punishable on conviction with imprisonment or subject to any investigation by any regulatory authority under any legislation; and
(f) In the case of candidates being considered for the position of Independent Director, such potential candidates have the ability to discharge such responsibilities/functions as expected from Independent Non-Executive Directors. Amongst others, the potential candidates must fulfil the criteria used in the definition of "Independent Directors" prescribed by the Listing Requirements of Bursa Securities and being able to bring independent and objective judgement to the Board. Where required, the members of the Committee would meet up with potential candidates for the position of director to assess the suitability.

The final decision as to who shall be appointed as Director remains the responsibility of the full Board, after considering the recommendation of the NC. As a whole, the Company maintains a very lean number of Board members. The Board appoints its members through a formal and transparent selection process which is consistent with the Constitution of the Company. The Company Secretaries are tasked to ensure all appointments are properly made and all necessary information is obtained from the Directors, for the Company's records and for the purposes of meeting statutory obligations as well as obligations arising from the Listing Requirements.

Generally, the Board adopts a flexible approach when selecting and appointing new directors depending upon the circumstances and timing of the appointment. The NC will help assess and recommend to the Board, the candidature of directors, the appointment of directors to board committees, review of Board's succession plans and training programmes for the Board.

In general, the process for the appointment of a director to the Board is as follows:

(i) The NC reviews the Board's composition through Board assessment/evaluation;
(ii) The NC determines skills matrix;
(iii) The NC evaluates and matches the criteria of the candidates, and will consider diversity, including gender, where appropriate;
(iv) The NC recommends to the Board for appointment; and
(v) The Board approves the appointment of the candidates.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (cont'd)

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

PART II – BOARD COMPOSITION (cont'd)

4. Board's objectivity (cont'd)

Nomination Committee

The Board has established a NC which comprised exclusively Independent Non-Executive Directors, with the responsibilities of assessing the balance composition of Board members, nominate the proposed Board member by considering his skills and expertise for contribution to the Company on an ongoing basis.

The Terms of Reference of the NC can be viewed at the Company's website at www.mestron.com.my.

The present members of the NC of the Company are:

Designation	Name	Directorship
Chairman	Tajul Arifin bin Mohd Tahir	Independent Non-Executive Chairman
Member	Phang Sze Fui	Independent Non-Executive Director
Member	Leong Peng Phooi	Independent Non-Executive Director

The summary of activities undertaken by the NC during the FYE 2019 included the following:

(i) Reviewed the effectiveness of the Board, as a whole, Board Committees and individual Directors and make appropriate recommendation to the Board; and

(ii) Reviewed and recommended the re-election of Directors at the forthcoming AGM in accordance with the Company's Constitution.

5. Overall Board Effectiveness

Annual Evaluation

The NC undertakes an annual assessment of the performance and effectiveness of the Board as a whole, Board Committees and individual Director's contribution to the effectiveness on the process of the Board. The assessment of the Board is based on specific criteria, including the mix of skills, experience, tenure and other core qualities possessed by Directors.

The criteria used by the NC in evaluating the performance of an individual, including contribution to interaction, integrity, competency and time commitment of the members of the Board and Board Committees in discharging their duties, are in a set of questionnaires. The independence of Independent Directors is assessed based on their relationship with the Group and their involvement in any significant transactions with the Group including their ability to exercise independent judgment at all times and based on the criteria set out in the Listing Requirements of Bursa Securities.

The results of the assessment would form the basis of the Nomination Committee's recommendation to the Board for the re-election of Directors at the next AGM. The Board did not engage any external party to undertake an independent assessment of the Directors.

All assessments and evaluations carried out will be documented and minuted by the Company Secretary. The results of all assessment and comments by Directors are summarised and deliberated at the NC meeting and thereafter reported to the Board for deliberation.

Based on the annual assessment conducted for the financial year, the Board and the NC is satisfied with the current size, composition as well as the mix of qualifications, skills and experience among the Board members and the independence demonstrated by all the Independent Non-Executive Directors, and that each of them continues to fulfil the definition of independence as set out in the Listing Requirements of Bursa Securities.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (cont'd)

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

PART II – BOARD COMPOSITION (cont'd)

5. Overall Board Effectiveness (cont'd)

Re-election of Directors

The procedure on the re-election of directors by rotation is set out in the Company's Constitution. An election of Directors shall take place each year at the Annual General Meeting ("AGM") of the Company, where one-third (1/3) of the Directors for the time being, or, if their number is not three (3) or a multiple of three (3), then the number nearest to one-third shall retire from office and be eligible for re-election. All Directors shall retire from office once at least in each three (3) years but shall be eligible for re-election. The Directors to retire shall be the Directors who have been serving in office for the longest duration since their appointment or last re-election.

Upon the recommendation of the NC and the Board, the Directors who are standing for re-election and re-appointment at the forthcoming AGM of the Company to be held in year 2020 are as stated in the Notice of AGM.

Board Commitment and Directorship in Other Public Listed Companies

At the time of appointment, the Board shall obtain the Director's commitment to devote sufficient time to carry out his responsibilities. Directors are required to notify the Chairman before accepting any new directorship(s). The notification would include an indication of the time that will be spent on the new appointment(s). Any Director is, while holding office, at liberty to accept other Board appointments in other companies so long as the appointment is not in conflict with the Company's business and does not affect the discharge of his/her duty as a Director of the Company. To ensure the Directors have the time to focus and fulfill their roles and responsibilities effectively, one (1) criterion as agreed by the Board is that they must not hold directorships at more than five (5) public listed companies as prescribed in the Rule 15.06 of the Listing Requirements of Bursa Securities.

To facilitate the Directors' time planning, an annual meeting calendar which provides the schedule dates for meetings of the Board and Board Committees as well as the AGM is prepared and circulated to them before the beginning of every financial year. At the end of each Board and Audit Committee meetings, the date of the next meetings is to be re-confirmed. Additional meetings are convened when urgent and important decisions need to be made between scheduled meetings. This is to ensure the Directors that they allocate sufficient time to discharge their duties effectively.

The Directors have demonstrated their ability to devote sufficient time and commitment to their roles and responsibilities as Directors of the Company. The Board is satisfied with the level of time and commitment given by the Directors of the Company towards fulfilling their duties and responsibilities. This is evidenced by the attendance record of the Directors as set out in the section below.

The following is the record of attendance of each of the Directors of the Company at the Board meetings held during the FYE 2019: -

NAME OF DIRECTOR	Attendance
TAJUL ARIFIN BIN MOHD TAHIR	5/5
POR TEONG ENG	4/5
LOON CHIN SENG	5/5
LEONG PENG PHOOI	5/5
PHANG SZE FUI	5/5

CORPORATE GOVERNANCE OVERVIEW STATEMENT (cont'd)

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

PART II – BOARD COMPOSITION (cont'd)

5. Overall Board Effectiveness (cont'd)

Board Commitment and Directorship in Other Public Listed Companies (cont'd)

All the Directors complied with the minimum 50% attendance in respect of Board Meetings held during the FYE 2019 as stipulated under Rule 15.05 of the Listing Requirements of Bursa Securities.

The Board meets on a quarterly basis, with amongst others, review the operations, financial performance, reports from the various Board Committees and other significant matters of the Group. Where any direction or decisions are required expeditiously or urgently from the Board between the regular meetings, special Board meetings will be convened by the Company Secretaries, after consultation with the Chairman. Additionally, in between Board meetings, the Directors also approved various matters requiring the sanction of the Board by way of circular resolutions.

Continuing Professional Development

All Directors appointed to the Board have undergone the Mandatory Accreditation Program ("MAP") prescribed by Bursa Securities. Although the Board does not have a policy requiring each Director to attend a specific number and types of training sessions each year, the Directors are encouraged to attend continuous education programmes/seminars/conferences and shall as such receive further training from time to time to keep themselves abreast of the latest development in statutory laws, regulations and best practices, where appropriate, in line with the changing business environment and enhance their business acumen and professionalism in discharging their duties to the Group.

Details of seminars/conferences/training programmes attended by the Board members during the FYE 2019 as listed below:

Name of Directors	Seminars/Conferences/Training Programmes Attended
TAJUL ARIFIN BIN MOHD TAHIR	• Mandatory Accreditation Program • IPO Dialogue
POR TEONG ENG	• Mandatory Accreditation Program • IPO Dialogue
LOON CHIN SENG	• Mandatory Accreditation Program • IPO Dialogue
LEONG PENG PHOOI	• Mandatory Accreditation Program • IPO Dialogue
PHANG SZE FUI	• Mandatory Accreditation Program • Going IPO/RTO – Why List and What Does it Take to Get Listed • IPO Dialogue • Risk Management Training • Share Buy-Back - Linking Listing Requirements, Companies Act 2016, Insider Trading Laws and Code on Take-Overs & Mergers 2016 • Evaluating Effective Internal Audit Function – AC's Guide on how to • Key Disclosure Obligations of a Listed Company

CORPORATE GOVERNANCE OVERVIEW STATEMENT (cont'd)

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

PART II – BOARD COMPOSITION (cont'd)

5. Overall Board Effectiveness (cont'd)

Continuing Professional Development (cont'd)

In addition, during the financial period under review, the Directors would be updated on recent developments in the areas of statutory and regulatory requirements from the briefing by the External Auditors, the Internal auditors and the Company Secretaries during the Committee and/or Board meetings and suitable training and education programmes were identified for their participation from time to time.

The Board will on continuing basis evaluate and determine the training needs of each Director, particularly on relevant new law and regulations and essential practices for effective corporate governance and risk management to enable the Directors to effectively discharge their duties.

PART III – REMUNERATION

6. Level and Composition of Remuneration

Remuneration Policies

The Board believes that the Company have a fair remuneration policy to attract, retain and motivate Directors and Senior Management. The remuneration policy of the Board provides that all Executive Directors and Senior Management are remunerated based on the individual's performances and that of the Group, market conditions and their responsibilities, whilst the remuneration of the Non-Executive Directors is determined in accordance with their experience, level of responsibilities assumed in the Board Committees, their attendance and/or special skills and expertise they bring to the Board.

It has established a RC to review and ensure that the remuneration of Directors and Senior Management fairly reflect their responsibilities, the expertise required by the Company and the complexity of its operations. The said remuneration should also be in line with the business strategy and long term objectives of the Company. The aggregate annual Directors' fees and other benefits payable are to be approved by shareholders at the AGM based on recommendations of the Board.

Remuneration Committee

The Board has set up a RC which comprises exclusively Independent Non-Executive Directors in order to assist the Board for determining the Director's remuneration.

The RC meets when required and is entrusted, among others, to establish a formal and transparent procedure for developing executive remuneration, fixing and examining the remuneration packages and other benefits of the Executive Director. The contribution, responsibilities and performance of each Executive Director is taken into account when determining their respective remuneration packages.

However, the ultimate responsibility to approve the remuneration of the Directors remains with the Board as a whole. The respective Director is not involved in any discussions and/or deliberations with regards to their own remuneration.

The Terms of Reference of the RC can be viewed at the Company's website at www.mestron.com.my.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (cont'd)

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

PART III – REMUNERATION (cont'd)

6. Level and Composition of Remuneration (cont'd)

Remuneration Committee (cont'd)

The present members of the RC are as follow:

Designation	Name	Directorship
Chairman	Tajul Arifin Bin Mohd Tahir	Independent Non-Executive Chairman
Member	Phang Sze Fui	Independent Non-Executive Director
Member	Leong Peng Phooi	Independent Non-Executive Director

The summary of activities undertaken by the RC during the FYE 2019 included the following:

(i) Reviewed and recommended the payment of Directors' fees and other benefits payable to Independent Non-Executive Directors to the Board for approval.
(ii) Reviewed and recommend the payment of 2019 bonus and salary increment for the Executive Directors for financial year 2020 to the Board for approval.

7. Remuneration of Directors and Senior Management

The remuneration of the Executive Directors is determined fairly based on the performance and the profitability of the Group as a whole. The Directors' remuneration is at the discretion of the Board, taking into account the comparative market rates that commensurate with the level of contribution, experience and participation of each Director. The overriding principle adopted in setting the remuneration packages for the Executive Directors by the RC is to ensure that the Company attracts and retains the appropriate Directors of the calibre needed to run the Group successfully.

The determination of the remuneration for Non-Executive Directors is a matter of the Board as a whole. The level of remuneration for Non-Executive Directors reflects the amount paid by other comparable organisations, adjusted for the experience and levels of responsibilities undertaken by the particular Non-Executive Directors concerned. The remuneration package of Non-Executive Directors will be a matter to be deliberated by the Board, with the Director concerned abstaining from deliberations and voting on deliberations in respect of his individual remuneration. In addition, the Company also reimburses reasonable out-of-pocket expenses incurred by all the Non-Executive Directors in the course of their duties as Directors of the Company. The aggregate annual Directors' fees and other benefits payable are to be approved by shareholders at the AGM based on recommendations of the Board.

Details of Directors' Remuneration

The respective Directors are abstained from discussing and deliberating on their own remuneration and Directors' fees and it has to be approved by shareholders at the AGM. The details of the remuneration of the Directors of the Company comprising remuneration received/receivable from the Company and subsidiary company during the FYE 2019 are as follows: -

Directors	Fees (RM)	Salaries and * other emoluments (RM)	Total (RM)
TAJUL ARIFIN BIN MOHD TAHIR	60,000.00	-	60,000.00
POR TEONG ENG	-	750,014.78	750,014.78
LOON CHIN SENG	-	745,526.58	745,526.58
LEONG PENG PHOOI	36,000.00	-	36,000.00
PHANG SZE FUI	78,000.00	-	78,000.00

Note:
* Other emoluments include the meeting allowance and other benefits and allowances for the Directors of the Company.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (cont'd)

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

PART III – REMUNERATION (cont'd)

7. Remuneration of Directors and Senior Management (cont'd)

Remuneration of Top Five Senior Management

The remuneration paid to the top five senior management including salary, bonus, benefits in-kind and other emoluments during the FYE 2019 analysed into bands of RM50,000 are as follows: -

Name of Senior Management	Range of Remuneration
Neo Yeung Tat	RM50,000 to RM100,000
Lai Jian Hong	RM100,001 to RM150,000
Tan Hock Choon	RM150,001 to RM200,000
Lee Chun Heng	RM200,001 to RM 250,000

The Board ensures that the remuneration of the Senior Management commensurate with their individual performances and level of responsibility as well as the demands, complexities and performance of the Company, with due consideration to attract, retain and motivating the Senior Management.

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

PART I – AUDIT AND RISK MANAGEMENT COMMITTEE

8. Audit and Risk Management Committee ("ARMC")

The ARMC is relied upon by the Board to, amongst others, provide advice in the areas of financial reporting, external audit, internal control environment and internal audit process, review of related party transactions as well as conflict of interest situation. The ARMC also undertakes to provide oversight on the risk management framework of the Group.

Chairman of Audit and Risk Management Committee

The current composition of ARMC comprises of three (3) members, all of whom are Independent Non-Executive Directors. The ARMC is chaired by an Independent Director who is distinct from the Chairman of the Board. All members of the ARMC are relatively financially literate, while the Chairman of ARMC is a member of Malaysian Institute of Accountants.

The Terms of Reference of the ARMC can be viewed at the Company's website at www.mestron.com.my.

Former Key Audit Partner

None of the Board member nor the ARMC were former key audit partner of the External Auditors appointed by the Group. The Company will observe a cooling-off period of at least two years in the event any potential candidate to be appointed as a member of the ARMC was a key audit partner of the external auditors of the Group.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (cont'd)

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

PART I – AUDIT AND RISK MANAGEMENT COMMITTEE (cont'd)

8. Audit and Risk Management Committee ("ARMC") (cont'd)

Assessment of Suitability and Independence of External Auditors

The ARMC has established a transparent and appropriate relationship with the Company's External Auditors. The Auditors will highlight to the ARMC and the Board on matters that require the Board's attention.

The ARMC is responsible for reviewing the audit, recurring audit-related and non-audit services provided by the External Auditors. The ARMC has been explicitly accorded the power to communicate directly with both the External Auditors and Internal Auditors. The terms of engagement for services provided by the External Auditors are reviewed by the ARMC prior to submission to the Board for approval. The effectiveness and performance of the External Auditors are reviewed annually by the ARMC.

To assess or determine the suitability and independence of the External Auditors, the ARMC has taken into consideration of the following:

(i) the adequacy of the experience, competence and resources of the External Auditors;

(ii) the External Auditor's ability to meet deadlines in providing services and responding to issues in a timely manner as contemplated in the external audit plan;

(iii) the nature of the non-audit services provided by the External Auditors and fees paid for such services relative to the audit fee; and

(iv) whether there are safeguards in place to ensure that there is no threat to the objectivity and independence of the audit arising from the provision of non-audit services or tenure of the External Auditors.

Annual appointment or re-appointment of the External Auditors is via shareholders' resolution at the AGM on the recommendation of the Board. The External Auditors are being invited to attend the AGM of the Company to response and reply to the shareholders' enquiries on the conduct of the statutory audit and the preparation and contents of the audited financial statement.

The ARMC will meet with the External Auditors without the presence of Executive Director and members of management at least once during the year regarding relevant audit and accounting issues and to ensure that the independence and objectivity of the External Auditors are not compromised.

In presenting the Audit Planning Memorandum to the ARMC, the External Auditors have highlighted their internal policies and procedures with respect to their audit independence and objectivity which include safeguards and procedures and independent policy adopted by them. The External Auditors have also provided the required independence declaration to the ARMC and the Board for the FYE 2019.

The ARMC is satisfied with the competence and independence of the External Auditors for the FYE 2019. Having regard to this, the Board approved the ARMC's recommendation for the shareholders' approval to be sought at the AGM on the reappointment of Messrs Grant Thornton Malaysia as the External Auditors of the Company for the financial year ending 31 December 2020.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (cont'd)

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

PART I – AUDIT AND RISK MANAGEMENT COMMITTEE (cont'd)

8. Audit and Risk Management Committee ("ARMC") (cont'd)

Composition of the Audit and Risk Management Committee

The current composition of ARMC comprises of three (3) members, all of whom are Independent Non-Executive Directors, as follows:

Designation	Name	Directorship
Chairwoman	Phang Sze Fui	Independent Non-Executive Director
Member	Tajul Arifin Bin Mohd Tahir	Independent Non-Executive Chairman
Member	Leong Peng Phooi	Independent Non-Executive Director

All members of the ARMC are relatively financially literate and have relevant experience to carried out their duties. The terms of reference and summary of activities of the ARMC are set out in the Audit and Risk Management Committee Report in this Annual Report.

PART II – RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

9. Effective Risk Management and Internal Control Framework

The Audit Committee was merged together with the Risk Management Committee to form the ARMC and the ARMC is comprised of entirely Independent Non-Executive Directors.

The Board is entrusted with the overall responsibility of continually maintaining a sound system of internal controls, which covers not only financial controls but also operational and compliance controls as well as risk management, and the need to review its effectiveness regularly in order to safeguard shareholders' investments and the Company's assets. The internal control system is designed to access current and emerging risks and respond appropriately to the risks encountered.

As an effort to enhance the system of internal controls, the Board together with the assistance of external professional Internal Audit firm adopted on-going monitoring and review the existing of risk management process in place within the various business operations, with the aim of formalising the risk management functions across the Group. This function also acts as a source to assist the ARMC and the Board to strengthen and improve current management and operating style in pursuit of best practices.

As an ongoing process, significant business risks faced by the Group are identified and evaluated and consideration is given to the potential impact of achieving the business objectives. This includes examining principal business risks in critical areas, assessing the likelihood of material exposures and identifying the measures taken to mitigate, avoid or eliminate these risks.

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

10. Internal Audit Function

The Group outsourced its internal audit function to an independent professional firm, Sterling Business Alignment Consulting Sdn Bhd, to provide an independent assessment and assurance over the system of internal control of the Group to the ARMC and the Board.

Further details of the activities of the internal audit function are set out in the Statement on Risk Management and Internal Control in this Annual Report.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (cont'd)

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

PART 1 – COMMUNICATION WITH STAKEHOLDERS

11. Continuous Communication Between Company and Stakeholders

The Board recognises that information is the lifeblood of capital market and effective communication between the Group and its stakeholders is imperative for informed decision-making. The Group also places strong emphasis on the importance of timely and equitable dissemination of information to shareholders and other stakeholders. Whilst the Group endeavours to provide as much information as possible to its stakeholders, it is mindful of the legal and regulatory framework governing the release of material and price-sensitive information.

The communication channels used in the Company's engagement with its stakeholders include:

a) The Company's website;
b) Announcements via Bursa Link;
c) Annual Reports;
d) General Meetings; and
e) Investors and analyst.

The practice of disclosure of information is not established just to comply with the requirement of the Listing Requirements of Bursa Securities, but also to adopt the best practices recommended in the MCCG with regard to strengthening engagement and communication with shareholders.

The Company believes that consistently maintaining a high level of disclosure and extensive communication is vital to shareholders and investors in making informed investment decisions.

The Directors have general responsibility for taking such steps to safeguard the assets of the Group and of the Company and to prevent and detect fraud and other irregularities.

PART II – CONDUCT OF GENERAL MEETINGS

12. Shareholder Participation at General Meetings

General meetings serve as an invaluable platform for shareholders to engage the Board and Senior Management in productive dialogue and provide constructive feedback that contributes to the overall betterment of the Group.

As recommended by the MCCG, the notice of AGM will be despatched to shareholders at least twenty-eight (28) days before the AGM, to allow shareholders to have additional time to go through the Annual Report and make the necessary attendance and voting arrangements. The Notice of AGM, which sets out the business to be transacted at the AGM, is also published in a major local newspaper. The Board will ensure that each item of special business included in the notices of the AGM or Extraordinary General Meeting ("EGM") is accompanied by a full explanation of the effects of any proposed resolution. In line with Rule 8.31A of the Listing Requirements of Bursa Securities, all resolutions set out in the Notice of AGM will be put to vote by poll. The Company will also appoint an independent scrutineer to validate the vote cast in the AGM. The outcome of the AGM will then be announced to Bursa Securities on the same meeting day while the summary of key matters, if any, discussed during the AGM will be posted on the Company website.

As the Company was only listed on 18 June 2019, the upcoming AGM will be the Company's first AGM as a public listed company. Barring unforeseen circumstances, all Directors as well as the Chairman of the respective Board Committees (i.e. ARMC, NC and RC) will present at the forthcoming AGM of the Group to enable the shareholders to raise questions and concerns directly to those responsible.

COMPLIANCE STATEMENT

Saved as disclosed above, the Board is of the view that the Group has complied with and shall remain committed to attaining the highest possible standards through the continuous adoption of the principles and best practices set out in MCCG and all other applicable laws, where applicable and appropriate. This Corporate Governance Overview Statement was approved by the Board 30 April 2020.

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

The Audit and Risk Management Committee ("ARMC") was established on 15 October 2018 with the primary objective to provide additional assurance to the Board of the Group by giving an objective and independent review of financial, operational and administrative controls and procedures, establish and maintain internal controls, reinforce the independence of the Group's External Auditors, evaluate the quality of the Internal Audit function and oversee compliance with laws and regulations together with observance of a proper code of conduct.

COMPOSITION OF THE ARMC

The present members of the ARMC are as follows:

Designation	Name	Directorship
Chairwoman	Phang Sze Fui	Independent Non-Executive Director
Member	Tajul Arifin Bin Mohd Tahir	Independent Non-Executive Chairman
Member	Leong Peng Phooi	Independent Non-Executive Director

The ARMC comprises of all Independent Non-Executive Directors. The ARMC Chairwoman, Ms. Phang Sze Fui, is a member of the Malaysian Institute of Accountants. The ARMC, therefore, meets the requirement of Rules 15.09 and 15.10 of the ACE Market Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa Securities") and Practice 8.4 of the Malaysian Code on Corporate Governance ("MCCG").

The Company recognised the need to uphold the independence of its external auditors and that no possible conflict of interest whatsoever should arise. None of the members of the ARMC were former key audit partners of the External Auditors appointed by the Group. The Company will observe a cooling-off period of at least two (2) years in the event any potential candidate to be appointed as a member of the ARMC was a key audit partner of the external auditors of the Group.

TERMS OF REFERENCE

The Terms of Reference of the ARMC which set out its duties and responsibilities are accessible via the Company's website at www.mestron.com.my.

FINANCIAL LITERACY OF THE MEMBERS OF ARMC

The members of the ARMC have the relevant experience and expertise in finance and accounting and have carried out their duties in accordance with the Terms of Reference of the ARMC. The qualification and experience of the individual ARMC members are disclosed in the Directors' Profile in the Annual Report.

All members of ARMC have also undertaken and will continue to undertake continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules as and when required to enable them to effectively discharge their duties.

ATTENDANCE OF MEETINGS

During the financial year ended 31 December 2019 ("FYE 2019"), the ARMC held four (4) meetings. Details of the attendance of ARMC members are as follow:

Members	Attendance
Phang Sze Fui	4/4
Tajul Arifin Bin Mohd Tahir	4/4
Leong Peng Phooi	4/4

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT (cont'd)

ATTENDANCE OF MEETINGS (CONT'D)

The Group Chief Financial Officer was invited to all ARMC meetings to facilitate direct communications and to provide clarification on financial reports. Other Board members and designated members of Senior Management may also attend these meetings on the invitation of the ARMC. The internal auditors and external auditors are also invited to attend the ARMC meetings to present their audit plan and audit findings respectively, and for the external auditors to assist the ARMC in its review of the unaudited quarterly financial reports and year-end financial statements. Minutes of each meeting were recorded and tabled for confirmation at the next ARMC meeting and subsequently presented to the Board for notation.

SUMMARY OF ACTIVITIES OF THE ARMC

The activities undertaken by the ARMC in the discharge of its functions and duties for the FYE 2019 is summarised as follows: -

Ensuring Financial Statements Comply with Applicable Financial Reporting Standards:

(a) Reviewed the financial positions, unaudited quarterly interim financial reports and announcements for the respective financial quarters prior to submission to the Board for consideration and approval. The review is to ensure that the Company's unaudited quarterly financial reporting and disclosures present a true and fair view of the Group's financial position and performance are in compliance with the Malaysian Financial Reporting Standard 134 – Interim Financial Reporting Standards in Malaysia and International Accounting Standards 34 – Interim Financial Reporting as well as applicable disclosure provisions of the Listing Requirements of Bursa Securities;

(b) Reviewed the annual audited financial statements and the external auditors' findings and recommendations for the FYE 2019. In the review of the audited financial statements, the ARMC had discussed with Management and the external auditors the accounting principles and standards that were applied and their judgement of the items that may affect the financial statements as well as issues and reservations arising from the statutory audit; and

(c) Reviewed any changes in the implementation of major accounting policies and practices to the Group.

Reviewing the Audit Findings of the External Auditors and Evaluate their Performance, Suitability and Independence of External Auditors:

(a) Reviewed the audit plan of the external auditors in terms of their scope of the audit, methodology and timetable, audit materiality, areas of focus prior to the commencement of their annual audit;

(b) Reviewed and discussed the external auditors' audit report and areas of concern highlighted in the management letter, including management's responses to the concerns raised by the external auditors, and evaluation of the system of internal controls;

(c) Met up with the external auditors without the presence of executive board members and management personnel to further discuss matters arising from the audit; and

(d) Evaluated the performance of the external auditors and considered the re-appointment of external auditors and their audit fees, after taking into consideration of the independence and objectivity of the external auditors and the cost effectiveness of their audit, before recommending to the Board for approval.

Overseeing the Governance Practices in the Group

(a) Reviewed the ARMC Report, Corporate Governance Overview Statement and Statement of Risk Management and Internal Control before recommending to the Board for approval, for inclusion in the Annual Report;

(b) Reviewed the related party transactions that may arise within the Company or the Group to ensure that they were not detrimental to the interests of the minority shareholders; and

(c) Reviewed the adequacy and effectiveness of the Group's internal control system and reported to the Board.

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT (cont'd)

SUMMARY OF ACTIVITIES OF THE ARMC (CONT'D)

The activities undertaken by the ARMC in the discharge of its functions and duties for the FYE 2019 is summarised as follows (cont'd): -

Reviewing the Audit Findings of the Internal Auditors and Assisting the Board in Reviewing the Effectiveness and Adequacy of Systems of Internal Control in the Key Operation Processes:

(a) Reviewed and approved the internal audit plan;

(b) Reviewed and discussed the internal audit reports which outlined the recommendations towards correcting areas of weaknesses and ensured that management action plans were established for the implementation of the internal auditors' recommendations. Summary of internal audit reports presented to the ARMC provides status updates for management action plans to address the findings reported in the previous audit cycles; and

(c) Reviewed the adequacy of the scope, functions and competency of the internal auditors' function, and the results of the internal auditors' process to ensure the appropriate actions are taken of the recommendations of the internal auditors' function.

INTERNAL AUDIT FUNCTIONS AND ACTIVITIES

The Internal Audit Function is outsourced to an independent professional Internal Audit Firm namely, Sterling Business Alignment Consulting Sdn. Bhd. (Sterling). Sterling is a corporate member of the Institute of Internal Auditors Malaysia (IIAM). Sterling has a sufficient number of audit staff deployed for the internal audit reviews during the financial year under review. The Internal Audit firm appointed by the Company is free from any relationship or conflict of interest of activities related to business operations. The internal auditors use the Committee of Sponsoring Organizations of the Treadway Commission (COSO) – Internal Control Framework set by relevant professional bodies, namely the Institute of Internal Auditors, as a basis for evaluating the effectiveness of the internal control system.

The internal audit activities were reported directly to the ARMC based on the approved annual Internal Audit Plan. The approved annual Internal Audit Plan is designed to cover entities across all levels of operations within the Group.

The principal role of the internal auditors is to independently review the internal control system established by the management, its adequacy and effectiveness with the objectives set and to make appropriate recommendations for further improvement. With the internal audit function being put in place, remedial actions can be taken in relation to weaknesses identified and noted in the systems and controls of the respective operating units.

During the FYE 2019, the following activities were carried out by the internal auditors in discharge of its responsibilities:

(a) Present the Internal Audit Plan for the year for review and evaluation by the ARMC;
(b) Reviewed the Finance & Accounts and Administration functions of Mestron Engineering Sdn Bhd;
(c) Reviewed the Production/ Manufacturing and Structural Design Development function of Mestron Engineering Sdn Bhd;
(d) Identification of risks and implementation of recommendations to mitigate the risks; and
(e) Follow up on implementation and disposition of audit findings and recommendation;

For the financial year under review, the total costs incurred by the Group for the Internal Audit Functions were RM27,000.

The ARMC and the Board are satisfied with the performance of the outsourced internal auditors and have in the interest of greater independence and continuity in the internal audit function, taken the decision to continue with the outsourcing of the internal audit function.

This ARMC Report has been reviewed by the ARMC and approved by the Board on 30 April 2020.

STATEMENT OF RISK MANAGEMENT AND INTERNAL CONTROL

Introduction

Pursuant to Rule 15.26(b) of the Bursa Malaysia Securities Berhad ACE Market Listing Requirements, the Board of Directors ("the Board") of Mestron Holdings Berhad ("Mestron" or "the Company") is pleased to report on its Statement of Risk Management and Internal Control, which provides an overview of the nature and state of risk management and internal controls of the Company and its group of companies ("the Group") for the financial year ended 31 December 2019. This statement is guided by the latest Statement of Risk Management and Internal Control: Guidelines for Directors of Listed Issuers issued by the Taskforce on Internal Control with the support and endorsement of the Bursa Malaysia Securities Berhad and Malaysian Code on Corporate Governance 2017 ("MCCG").

Board Responsibility

The Board recognises that it is ultimately responsible for Mestron's importance of good risk management practices and sound internal controls as a platform to good corporate governance. The Board acknowledges its overall responsibility for maintaining a sound system of risk management and internal control, and for reviewing its adequacy and effectiveness to ensure shareholder's interest and the Group assets are safeguard. In addition, the Board has also received assurance from the Managing Director ("MD"), Executive Director ("ED") and Senior Management that the Group's risk management and internal control not only covers the financial aspects of the Group, but operational and compliance aspects of the Group system are operating adequately and effectively,

Due to inherent limitations in any risk management and internal control system, such system is designed to manage the risk that may impede the achievement of the Group's business objectives rather than eliminate these risks. Therefore, the risk management and internal control system can only provide reasonable and not absolute assurance against fraud, material misstatement, losses or errors.

The Board through its Audit and Risk Management Committee ("ARMC") has established an ongoing process for identifying, evaluating and managing the significant risks faced by the Group and this process includes enhancing the risk management and internal control system as and when there are changes to the business environment and regulatory requirements. The process is reviewed by the Board and the ARMC on a periodic basis.

The effectiveness of internal controls was reviewed by the ARMC in relation to the audits conducted by internal auditors ("IA") during the financial year. Audit issues and actions taken by Management to address the issues tabled by IA were deliberated during the ARMC meetings. Minutes of the ARMC meetings which recorded these deliberations were presented to the Board.

Risk Management

The Board has an established ongoing process for identifying, evaluating and managing the significant risks encountered by the Company in accordance to the Guidance for Directors of Public Listed Companies on Statement of Risk Management and Internal Control. Risk Management is an integral part of the business operations and this process goes through a review process by the Board. Discussions have been conducted during the year involving different levels of managements to identify and address risks faced by the Group. These risks were summarised and included in the Group's risk management report. The Group has an ongoing process for identifying, evaluating and managing the significant risks faced by the Group throughout the financial year under review and up to the date of approval of this statement for inclusion in the annual report by the Management. This is to ensure that all high risks are adequately addressed at various levels within the Group.

STATEMENT OF RISK MANAGEMENT AND INTERNAL CONTROL (cont'd)

Risk Management (cont'd)

The roles and responsibilities of the ARMC in relation to risk management are as follows:

1. To recommend the Group's risk appetite and risk management policies to the Board;
2. To recommend and review implementation of the Group's internal controls and risk management framework;
3. To review the processes and procedures for ensuring all materials business risks are properly identified with appropriate monitoring and control system;
4. To receive and review risk management reports and make recommendations for changes in policies and procedures as and when required;
5. To consider material risk factors, risk tolerance levels, review the actions taken in response, mitigation and prevention actions;
6. To consider the effect of any material findings on business risks, financial risks, compliance risks and operational risks that may impact the Group's performance; and
7. To consider the effect of risks of any findings highlighted by the internal auditors (if any) or any independent reviews carried out for the Group.

The Board recognises that risk management shall be an integral part of the Group's culture and embedded into day to day management of operations, processes and structures. Thus, it should be extensively applied in all decision-making and strategic planning. The Management team is responsible for managing risks related to their functions or departments. The ARMC relies on the Senior Management team to support in terms of:

1. Managing inherent risk of business processes under his/her control;
2. Identifying risks, evaluating and executing risk control measures;
3. Reporting significant risks to the ARMC and the Board at scheduled meetings in proactive, responsible and accountable manner; and
4. Providing oversight on the establishment, implementation and review of the effectiveness of the risk management framework and internal control systems to the ARMC and the Board.

The Board regards risk management as an integral part of the Group's business operations and has oversight over this critical area through the ARMC. The ARMC, supported by the IA, provides an independent assessment of the effectiveness of the Group's Risk Management framework and reports to the Board. This helps to reduce the uncertainties surrounding the Group's internal and external environment, thus allowing it to maximise opportunities and minimise adverse incidences that may arise. The major risks to which the Group is exposed to includes strategic, operational, regulatory, financial, market, technological, products and reputational risks.

Internal Audit

The Board is fully aware of the importance of the internal audit function. The Group and has engaged an independent professional consulting firm namely Sterling Business Alignment Consulting Sdn Bhd ("IA Firm") to provide independent assurance to the Board and ARMC in providing an independent assessment on the adequacy, efficiency and effectiveness of the Group's internal control system.

The firm acts as Internal Auditors and report directly to the ARMC during the ARMC quarterly meetings. The firm is free from any relationships or conflict of interest, which could impair its objectivity and independency of the internal audit function. The firm does not have any direct operational responsibility or authority over any of the activities audited. The ARMC is of the opinion that the internal audit functions are effective and able to function independently.

Scheduled internal audits are carried out based on the annual audit plan approved by the ARMC. The internal auditors align their current internal audit practices with the Committee of Sponsoring Organizations of the Treadway Commission (COSO) internal Controls – Integrated Framework. Using this framework, all internal control assessments performed by IA are based on the internal control elements, scope and coverage. On a quarterly basis, the IA Firm presents the ARMC with the internal audit reports. During the year under review, internal audit reviews were carried out by the internal audit team to address the related internal control weaknesses. Weaknesses identified during the reviews together with the improvement measures to strengthen the internal controls were reported accordingly.

STATEMENT OF RISK MANAGEMENT AND INTERNAL CONTROL (cont'd)

Internal Audit (cont'd)

The internal audit function assists the Board and Senior Management team in providing independent assessment of the effectiveness and adequacy of the Group's system of internal controls. The assessment of the adequacy and effectiveness of internal controls established in mitigating risks is carried out through interviews and discussion with the Management team, review of relevant established policies and procedures and authority limits, and observing and testing of the internal controls on a sample basis. The internal audit reviews have resulted in action plan to be taken the Group to address the weaknesses noted. Identified enhancement opportunities are then reported to be taken by the Group to address the weaknesses noted. Identified enhancement opportunities are the reported to the ARMC, who in turn reports these matters to the Board. Any highlighted issues will be followed up closely to determine the extent of the recommendation that has been implemented by the Senior Management.

For the financial year ended 31 December 2019, two (2) internal audit reviews had been carried out and reported by Internal Auditors:

Audit Period	Reporting Month	Name of Entity Audited	Audit Areas
July – September 2019	November 2019	Mestron Engineering Sdn Bhd	Finance and Accounts Functions
October – December 2019	February 2020	Mestron Engineering Sdn Bhd	Production & Manufacturing and Structural Design & Development

All reports from the internal audit reviews carried out were submitted and presented to the ARMC with the feedback and agreed corrective actions to be undertaken by Management. Subsequently, the progress of these corrective actions were monitored and verified by IA on a regular basis and submitted to the ARMC. IA committed to equip the internal auditors with sufficient knowledge, skills and competencies to discharge their duties and responsibilities.

Internal Control

The Board acknowledges that a sound system of internal control reduces, but cannot eliminate the possibility of poor judgement in decision-making, human error, control processes being deliberately circumvented by employees, management overriding controls, and the occurrence of unforeseeable circumstances.

The Management receives and reviews regular reports on key financial data, performance indicators and regulatory matters. This is to ensure that matters requiring the Board's attention are highlighted for review, deliberation and decision making on a timely basis. The Board will approve the appropriate responses or amendments to the Group's policies.

The internal control matters are reviewed and the Board is updated on significant control gaps, if any, for the Board's attention and action. Issues relating to the business operations are also highlighted to the Board's attention during Board meetings and any significant fluctuation or exception noted will be and acted in a timely manner.

Other key elements of the Group's internal control systems are as follows:

- An organisational structure in the Group with formally defined lines of responsibility and delegation of authority;
- Clearly defined terms of reference, authorities and responsibilities of the various Board committees which include the ARMC, Nomination and Remuneration Committee;
- Well-defined organizational structure with clear lines of authority, accountability and responsibilities of the Management team;
- Clearly defined and formalized internal policies and procedures are in place to support the Group in achieving its business objectives. These policies and procedures provide a basis for ensuring compliance with applicable laws and regulations, and also internal controls with respect to the conduct of business;
- Quarterly review of financial results by the Board and the ARMC;
- Active participation and involvement by the MD and ED in the day-to-day running of the major businesses and regular discussions with the Senior Management of smaller business units on operational issues;
- Review of internal audit reports and findings by the ARMC; and
- Monthly review of Group management accounts by MD, ED and Management.

STATEMENT OF RISK MANAGEMENT AND INTERNAL CONTROL (cont'd)

Internal Audit (cont'd)

The Group will continue to foster risk-awareness culture in all decision making and manage all risk in a proactive and effective manner. This is to enable the Group to respond effectively to the changing business and competitive environment.

Assurance

The Board regularly receives and reviews the report on the effectiveness of the risk management and internal control, and is of the view that is adequate safeguard the shareholders' interest and the Group's assets. The role of the Management is to implement the Board's policies and guidelines on risks and controls, to identify and evaluate the risks faced and to operate a suitable system of internal controls to manage these risks.

The Board has obtained assurances from the MD, ED and Financial Controller that the Group's system of Risk Management and Internal Control is operating adequately and effectively for the financial year under review and up to date as of this Statement.

Review of the Statement by External Auditors

Pursuant to Rule 15.23 of the ACE Market Listing Requirements, the External Auditors have reviewed this Statement pursuant to the scope set out in Recommended Practice Guide ("RPG") 5 (Revised 2015), Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included on Risk Management and Internal Control included in the Annual Report issued by the Malaysian Institute of Accountants ("MIA") for inclusion in the Annual Report 2019 of the Company for the financial year ended 31 December 2019 and reported to the Board that nothing has come to their attention that causes them to believe that this statement is inconsistent with their understanding of the process adopted by the Board in reviewing the adequacy and integrity of the system of internal control.

Conclusion

For the financial year under review, based on our samples there were no significant internal control deficiencies or material weaknesses resulting in material losses or contingences requiring separate disclosure in the Annual Report. The Board is of the view that the Group's system of internal control and risk management is adequate to safeguard shareholders' investments and the Group's assets. However, the Board is also cognisant of the fact that the Group's system of internal control and risk management practices must continuously evolve to meet the changing and challenging business environment. Therefore, the Board will, when necessary, put in place appropriate action plans to further enhance the Group's system of internal control and risk management framework.

This Statement on Risk Management and Internal Control was approved by the Board on 30 April 2020.

STATEMENT OF DIRECTORS' RESPONSIBILITY

The Directors are required pursuant to the Act to prepare the financial statements for each financial year in accordance with the applicable approved accounting standards in Malaysia.

The Directors are responsible to ensure that the financial statements give a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year, and of the results and cash flows of the Company and the Group for the financial year.

In ensuring the preparation of these financial statements, the Directors have observed the following criteria:

- overseeing the overall conduct of the Group and the Company's business;
- appropriate accounting policies and practices have been adopted and applied consistently;
- the statements are supported by reasonable and prudent judgements and estimates;
- all applicable accounting standards have been followed, subject to any material departure and explained in the financial statements;
- reviewing the adequacy and integrity of internal control systems and management information system in the Company and within the Group; and
- a going-concern basis has been adopted unless it is inappropriate to presume that the Group will continue its business.

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

The Directors are also responsible for taking the necessary steps to ensure appropriate systems are in place to safeguard the assets of the Group and of the Company, and to detect and prevent fraud and other irregularities.

The Directors are satisfied that in preparing the financial statements of the Group and the Company for the FYE 2019, then Group and the Company have used the appropriate accounting policies and applied them consistently and supported by reasonable and prudent judgments and estimates. The Directors also consider that all applicable approved accounting standards have been complied with and further confirm that the financial statements have been prepared on a going concern basis.

OTHER DISCLOSURE REQUIREMENTS

1. UTILISATION OF PROCEEDS FROM CORPORATE EXERCISE

The Company carried out its Initial Public Offering ("IPO") exercise in 2018 and was listed on the ACE Market of Bursa Malaysia Securities Berhad on 18 June 2019. Pursuant to the said listing, the Company had successfully raised gross proceeds of RM25.28 million from the issuance of 158,000,000 new ordinary shares in the Company at an issue price of RM0.16 per share on 3 December 2018. As at 19 May 2020, we have utilised approximately RM12.86 million of the total IPO gross proceeds of approximately RM25.28 million, details of which are as described in the following table: -

No.	Details of utilisation	IPO Proceeds raised RM'000	Actual utilisation RM'000	Balance of IPO proceeds unutilised RM'000	Variations of the IPO Proceeds utilisation RM'000	After variations of the IPO Proceeds utilisation RM'000	Expected timeframe for utilisation of proceeds (from the listing date)	Revised expected timeframe for utilisation of proceeds (from the listing date)
1.	Expansion of main manufacturing facility and acquisition of manufacturing machineries and equipment	13,000	(651)	12,349	(i) (2,500)	9,849	Within 24 months	(i) Within 30 months
2.	Working capital	5,180	(5,111)	69	(i) 2,500	2,569	Within 12 months	Within12 months
3.	Repayment of bank borrowings	4,000	(4,000)	-	-	-	Within 6 months	Within 6 months
4.	Estimated listing expenses	3,100	(3,100)	-	-	-	Within 1 month	Within 1 month
		25,280	(12,862)	12,418	-	12,418		

The utilization of proceeds as disclosed above should be read in conjunction with the Prospectus of the Company dated 23 May 2019.

Note:
(i) The Company had on 19 May 2020 announced the variation on the utilisation of proceed raised from the initial public offering exercise. RM2.50 million of the proceeds earmarked for the expansion of the Group's main manufacturing facility and acquisition of manufacturing machineries and equipment has been reallocated for to finance the Group's working capital requirement such as fixed overhead cost and purchase of raw materials. The estimated timeframe for utilisation of proceeds allocated for expansion of the Group's main manufacturing facility and acquisition of manufacturing machineries and equipment has also been extended for an additional 6 months.

OTHER DISCLOSURE REQUIREMENTS (cont'd)

2. AUDIT AND NON-AUDIT FEES PAID TO EXTERNAL AUDITORS

During FYE 2019, the amount of audit and non-audit fees paid or payable to the External Auditors by the Company and Group respectively as follows:

	Company RM'000	Group RM'000
Audit fees	24	92
Non-audit fees		
(a) Professional fees for Reporting Accountant for listing exercise	-	351
(b) Review of Statement on Risk Management and Internal Control	3	3

3. MATERIAL CONTRACTS

During FYE 2019, there was no material contracts (including contracts not reduced into writing), entered into in the ordinary course of business which have been entered into by the Company and/or its subsidiaries involving Directors' and major shareholders' interests.

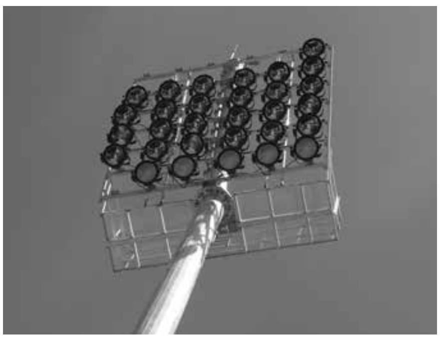
4. MATERIAL CONTRACTS RELATING TO LOANS

During FYE 2019, there were no material contracts relating to loans entered into by the Company and its subsidiaries involving Directors', chief executive's and/or major shareholders' interests.

5. RELATED PARTIES TRANSACTIONS

During FYE 2019, there was no Related Party Transactions of a revenue or trading nature which requires shareholders' mandate.

FINANCIAL STATEMENTS



DIRECTORS' REPORT

The Directors have pleasure in submitting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2019.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding.

The principal activities of its subsidiaries are disclosed in Note 7 to the financial statements.

There have been no significant changes in the nature of the Group's activities during the financial year.

FINANCIAL RESULT

	Group RM	Company RM
Profit for the financial year	2,264,963	2,958,841

DIVIDENDS

The amount of dividend paid since the end of the last financial period is as follows:-

	RM
First interim single tier dividend of RM0.002 on 790,000,000 ordinary shares in respect of the financial year ended 31 December 2019 declared on 17 December 2019 and paid on 17 January 2020	1,580,000

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

RESERVES AND PROVISIONS

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

DIRECTORS

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

Tajul Arifin Bin Mohd Tahir
Leong Peng Phooi
Phang Sze Fui
Loon Chin Seng
Por Teong Eng

Subsidiaries:

Name of Subsidiaries	Name of Directors
Mestron Engineering Sdn Bhd	Loon Chin Seng Por Teong Eng
Meslite Sdn Bhd	Loon Chin Seng Por Teong Eng Pee Kok Keong
Max Lighting Sdn Bhd	Loon Chin Seng Lee Yong Kong

DIRECTORS' REPORT (cont'd)

DIRECTORS' INTERESTS

According to the Register of Directors' shareholdings required ordinary to be kept under Section 59 of the Companies Act, 2016, the interests in the ordinary shares of the Company and its related corporations, of those who were Directors as at the financial year end are as follows:-

	Number of ordinary shares			
	At 01.01.2019	Bought	Sold	At 31.12.2019
The Company				
Direct interests:-				
Tajul Arifin Bin Mohd Tahir	-	160,000	-	160,000
Leong Peng Phooi	-	130,000	-	130,000
Phang Sze Fui	-	130,000	-	130,000
Loon Chin Seng	-	276,500,000	-	276,500,000
Por Teong Eng	-	276,500,000	-	276,500,000

DIRECTORS' REMUNERATION

During the financial year, the fees and other benefits received and receivable by the Directors of the Company are as follow:-

	Incurred by the Company RM	Incurred by the Subsidiaries RM	Group RM
Directors' fees	174,000	-	174,000
Directors' remuneration	-	1,638,095	1,638,095
Other benefits	-	278,257	278,257

During and at the end of the financial year, no arrangements subsisted to which the Company is a party, with the object or objects of enabling the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, other than the share options granted pursuant to the employee share option scheme.

ISSUE OF SHARES AND DEBENTURES

During the financial year, the Company issued ordinary shares pursuant to the following:-

(a) 631,999,998 new ordinary shares at an issue price of RM0.05 per ordinary share for a total of RM31,600,000 as the purchase consideration for the acquisitions of a subsidiary during the financial year; and

(b) 158,000,000 new ordinary shares at an issue price of RM0.16 per ordinary share for a total of RM25,280,000 for working capital purposes.

There were no debentures issued during the financial year.

DIRECTORS' REPORT (cont'd)

INDEMNITY AND INSURANCE FOR DIRECTORS AND OFFICERS

There is no indemnity coverage and insurance premium paid for Directors and Officers of the Company during the financial year.

OTHER STATUTORY INFORMATION

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps:-

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

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

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

(a) which would render the amounts written off for bad debts or the amounts of provision for doubtful debts in the financial statements of the Group and of the Company 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; or

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

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 liability 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.

In the opinion of the Directors:-

(a) no contingent liability or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group and of the Company to meet their obligations as and when they fall due;

(b) the results of 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

(c) 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 operations of the Group and of the Company for the current financial year in which this report is made.

DIRECTORS' REPORT (cont'd)

SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

The significant event during the financial year is disclosed in Note 32 to the financial statements.

EVENT AFTER THE REPORTING PERIOD

The event after the reporting period is disclosed in Note 33 to the financial statements.

AUDITORS

The total amount of fees paid to or receivable for the Auditors, Messrs Grant Thornton Malaysia PLT (converted from a conventional partnership, Grant Thornton Malaysia on 1 January 2020), as remuneration for their services as auditors of the Company and its subsidiaries for the financial year ended 31 December 2019 amounted to RM24,000 and RM68,000 respectively.

The Group and the Company have agreed to indemnify the Auditors, Messrs Grant Thornton Malaysia PLT as permitted under Section 289 of the Companies Act 2016.

The Auditors, Messrs Grant Thornton Malaysia PLT have expressed their willingness to continue in office.

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

....)
LOON CHIN SENG)
)
)
)
) DIRECTORS
)
)
)
....)
POR TEONG ENG)

Kuala Lumpur
29 May 2020

STATEMENT BY DIRECTORS

In the opinion of the Directors, the financial statements set out on pages 72 to 119 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019 and of their financial performances and cash flows for the financial year then ended.

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

....	....
LOON CHIN SENG	POR TEONG ENG

Kuala Lumpur
29 May 2020

STATUTORY DECLARATION

I, Lai Jian Hong, being the Officer primarily responsible for the financial management of Mestron Holdings Berhad, do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on pages 72 to 119 are correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by)
the abovenamed at Kuala Lumpur in)
the Federal Territory this day of)
29 May 2020)

....
LAI JIAN HONG
(MIA NO: 44728)
CHARTERED ACCOUNTANT

Before me:

Commissioner for Oaths

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF MESTRON HOLDINGS BERHAD (INCORPORATED IN MALAYSIA) REGISTRATION NO: 201801018716 (1280732 - K)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Mestron Holdings Berhad, which comprise the statement of financial position as at 31 December 2019 of the Group and of the Company, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement 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 72 to 119.

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

Basis for Opinion

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

Independence and Other Ethical Responsibilities

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

Key Audit Matters

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

Inventories valuation

<u>The risk</u>

The Group holds significant amounts of inventories amounting to RM10,493,706 as disclosed in Note 8 to the financial statements which are subject to a risk that the inventories might become slow-moving or obsolete and rendering them not saleable or can only be sold for selling prices that are less than the carrying value. Judgement is required to access the appropriate level of provision for items which may be ultimately sold below cost.

<u>Our responses</u>

We have selected a sample of inventories items and reperformed the calculation of weighted average cost method and compared the unit cost to the purchase invoices. In addition, we obtained an understanding and reviewed the management's assessment of net realisable value ("NRV") of the inventories and on a sample basis, tested the subsequent selling prices of inventories. Also, we examined the conditions of inventories selected on a sample basis by attending physical stock counts at financial year end. We also considered the adequacy of the Group's disclosures in respect of inventories.

INDEPENDENT AUDITORS' REPORT (cont'd)
TO THE MEMBERS OF MESTRON HOLDINGS BERHAD (INCORPORATED IN MALAYSIA)
REGISTRATION NO: 201801018716 (1280732 - K)

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

Key Audit Matters (cont'd)

Allowance for expected credit loss on trade receivables

The risk

The Group has a material amount of trade receivables amounting to RM8,878,952 as disclosed in Note 29.2(a)(i) to the financial statements whereby the amount is past due but not impaired. The key associate risk is recoverability of billed trade receivables as management judgement is required in assessing the adequacy of impairment losses by considering the expected recoverability of the outstanding trade receivables.

Our responses

We have challenged management's assumptions in providing impairment losses of trade receivables. Our procedures include reviewing the ageing of trade receivables, testing the integrity of ageing, reviewing by recalculating the due date for a number of invoices, assessed the recoverability of outstanding receivables through examination of subsequent cash receipts and reviewed the expected credit losses model developed by the Group. We have also tested the operating effectiveness of the relevant control procedures that management has in place.

Revenue recognition

The risk

Revenue recognition has been identified as a risk primarily relating to the completeness and accuracy of the revenue recognition and the timing of revenue recognition for commodity sales with deliveries occurring on or around year end and judgement is required to determine when risks and rewards have transferred under contractual arrangements with third parties.

Our responses

We evaluated and tested the internal controls over the completeness, accuracy and timing of revenue recognised in the financial statements. We also verified based on a sampling basis, the completeness of revenue captured by vouching to the customer's purchase orders, sales invoices, delivery orders and bank and/or cash receipts. We understood and reviewed the appropriateness of revenue recognition policies.

There is no key audit matter to be communicated in respect of the audit of the financial statements of the Company.

Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

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

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

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

INDEPENDENT AUDITORS' REPORT (cont'd)
TO THE MEMBERS OF MESTRON HOLDINGS BERHAD (INCORPORATED IN MALAYSIA) REGISTRATION NO: 201801018716 (1280732 - K)

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

Responsibilities of the Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting 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 of 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 and the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

- Conclude on the appropriateness of 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 of the Group's and 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 and the Company to cease to continue as a going concern.

INDEPENDENT AUDITORS' REPORT (cont'd)
TO THE MEMBERS OF MESTRON HOLDINGS BERHAD (INCORPORATED IN MALAYSIA)
REGISTRATION NO: 201801018716 (1280732 - K)

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

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

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 (cont'd):-

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

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

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

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

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

Other Matter

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the requirements 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.

GRANT THORNTON MALAYSIA PLT
(NO: 201906003682 & AF 0737)
CHARTERED ACCOUNTANTS

LIAN TIAN KWEE
(NO: 02943/05/2021 J)
CHARTERED ACCOUNTANT

Kuala Lumpur
29 May 2020

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

	Note	Group 31.12.2019 RM	Company 31.12.2019 RM	Company 31.12.2018 RM
ASSETS				
Non-current assets				
Property, plant and equipment	4	13,644,363	-	-
Right-of-use assets	5	16,979,243	-	-
Investment properties	6	-	-	-
Investment in subsidiaries	7	-	31,600,000	-
Total non-current assets		30,623,606	31,600,000	-
Current assets				
Inventories	8	10,493,706	-	-
Trade receivables	9	18,222,730	-	-
Other receivables	10	1,954,591	24,739,179	-
Cash and bank balance		22,322,935	2,126,532	4,933
Tax recoverable		938,822	-	-
Total current assets		53,932,784	26,865,711	4,933
Total assets		84,556,390	58,465,711	4,933
EQUITY AND LIABILITIES				
Equity attributable to owners of the Company				
Share capital	11	55,496,089	55,496,089	2
Merger deficit		(29,100,000)	-	-
Retained earnings/(Accumulated losses)		34,082,493	1,347,774	(31,067)
Total equity		60,478,582	56,843,863	(31,065)
LIABILITIES				
Non-current liabilities				
Borrowings	12	8,180,024	-	-
Lease liabilities	13	887,108	-	-
Deferred tax liabilities	14	533,000	-	-
Total non-current liabilities		9,600,132	-	-
Current liabilities				
Trade payables	15	9,561,162	348	-
Other payables	16	1,677,051	27,000	6,998
Amount due to a related party	17	-	-	14,500
Amount due to Directors	18	14,500	14,500	14,500
Borrowings	12	597,010	-	-
Lease liabilities	13	1,047,953	-	-
Dividend payable		1,580,000	1,580,000	-
Total current liabilities		14,477,676	1,621,848	35,998
Total liabilities		24,077,808	1,621,848	35,998
Total equity and liabilities		84,556,390	58,465,711	4,933

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

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	Group 1.1.2019 to 31.12.2019 RM	Company 1.1.2019 to 31.12.2019 RM	 18.5.2018 to 31.12.2018 RM
Revenue	19	68,976,878	5,625,000	-
Cost of sale		(53,792,543)	-	-
Gross profit		15,184,335	5,625,000	-
Other income	20	2,766,892	-	-
Finance income	21	213,104	846	-
Selling and distribution expenses		(764,785)	-	-
Administrative expenses		(12,133,522)	(2,667,005)	(31,067)
Other operating expenses		(137,247)	-	-
Finance costs	21	(900,943)	-	-
Profit/(Loss) before tax	22	4,227,834	2,958,841	(31,067)
Tax expense	23	(1,962,871)	-	-
Profit/(Loss) for the financial year/period		2,264,963	2,958,841	(31,067)
Other comprehensive income		-	-	-
Total comprehensive income/(loss) for the financial year/period		2,264,963	2,958,841	(31,067)
Earnings per share	24			
Basic earnings per share (sen)		0.42		
Diluted earnings per share (sen)		-		

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

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	Share capital RM	Merger deficit RM	Retained earnings/ (Accumulated losses) RM	Total RM
Group					
Balance at 1 January 2019		2	-	(31,067)	(31,065)
Total comprehensive income for the financial year		-	-	2,264,963	2,264,963
Transactions with owners:-					
Issuance of ordinary shares		25,280,000	-	-	25,280,000
Acquisition of subidiary companies		31,600,000	(29,100,000)	33,428,597	35,928,597
Share issuance expenses		(1,383,913)	-	-	(1,383,913)
Dividend paid	27	-	-	(1,580,000)	(1,580,000)
Total transaction with owners		55,496,087	(29,100,000)	31,848,597	58,244,684
Balance at 31 December 2019		55,496,089	(29,100,000)	34,082,493	60,478,582
Company					
At date of incorporation		2	-	-	2
Total comprehensive loss for the financial period		-	-	(31,067)	(31,067)
Balance at 31 December 2018		2	-	(31,067)	(31,065)
Total comprehensive income for the financial year		-	-	2,958,841	2,958,841
Transactions with owners:-					
Issuance of ordinary shares		25,280,000	-	-	25,280,000
Acquisition of subidiary companies		31,600,000	-	-	31,600,000
Share issuance expenses		(1,383,913)	-	-	(1,383,913)
Dividend paid	27	-	-	(1,580,000)	(1,580,000)
Total transaction with owners		55,496,087	-	(1,580,000)	53,916,087
Balance at 31 December 2019		55,496,089	-	1,347,774	56,843,863

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

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	Group	Company	
		1.1.2019 to 31.12.2019 RM	1.1.2019 to 31.12.2019 RM	18.5.2018 to 31.12.2018 RM
OPERATING ACTIVITIES				
Profit/(Loss) before tax		4,227,834	2,958,841	(31,067)
Adjustments for:-				
Amortisation of investment properties		14,116	-	-
Bad debts written off		52,200	-	-
Depreciation of property, plant and equipment		871,797	-	-
Depreciation of right-of-use assets		948,696	-	-
Interest expense		900,943	-	-
Interest income		(213,104)	(846)	-
Gain on disposal of property, plant and equipment		(448,956)	-	-
Gain on disposal of investment properties		(908,906)	-	-
Gain on disposal of right-of-use assets		(47,955)	-	-
Gain on disposal of asset held for sales		(1,123,080)	-	-
Operating profit/(loss) before capital changes		4,273,585	2,957,995	(31,067)
Changes in working capital:-				
Inventories		(787,085)	-	-
Receivables		4,891,955	(136,351)	-
Payables		(1,976,963)	20,350	6,998
Cash generated from operations		6,401,492	2,841,994	(24,069)
Interest received		213,104	846	-
Tax refund		63,310	-	-
Tax paid		(2,797,208)	-	-
Net cash from/(used in) operating activities		3,880,698	2,842,840	(24,069)
INVESTING ACTIVITIES				
Acquisition of subsidiaries		(31,600,000)	(31,600,000)	-
Acquisition of equity share of subsidiaries from non-controlling interests		(493,227)	-	-
Advance to subsidiaries		-	(24,602,828)	-
Proceeds from disposal of property, plant and equipment		466,000	-	-
Proceeds from disposal of investment properties		2,250,000	-	-
Proceeds from disposal of right-of-use assets		56,000	-	-
Proceeds from disposal of asset held for sales		5,500,000	-	-
Purchase of property, plant and equipment		(2,949,077)	-	-
Purchase of right-of-use assets	A	(4,944,271)	-	-
Net cash used in investing activities		(31,714,575)	(56,202,828)	-

STATEMENTS OF CASH FLOWS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Group	Company	
	1.1.2019 to 31.12.2019 RM	1.1.2019 to 31.12.2019 RM	18.5.2018 to 31.12.2018 RM
FINANCING ACTIVITIES			
(Repayment to)/Advances from a related company	-	(14,500)	14,500
(Repayment to)/Advances from Directors	(18,222)	-	14,500
Proceeds from issuance of share capital	55,496,087	55,496,087	-
Repayment of finance lease liabilities	(1,054,657)	-	-
Repayment of borrowings	(10,646,350)	-	-
Drawdown of borrowings	3,350,000	-	-
Interest paid	(900,943)	-	-
Net cash from financing activities	46,225,915	55,481,587	29,000
CASH AND CASH EQUIVALENTS			
Net changes	18,392,038	2,121,599	4,931
At the beginning of the financial year/ At date of incorporation	3,930,897	4,933	2
At the end of the financial year/period	22,322,935	2,126,532	4,933

NOTE TO THE STATEMENT OF CASH FLOWS

(A) Purchase of Right-of-use Assets

The Group acquired right-of-use assets with an aggregate cost of RM6,384,491 of which RM1,440,220 was acquired by means of lease arrangement. Cash payment of RM4,944,271 was made to purchase of right-of-use assets.

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

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2019

1. GENERAL INFORMATION

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

The registered office of the Company is located at Suite 10.02, Level 10, The Gardens South Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur. The principal place of business of the Company is located at PT 50102, Jalan MU 1/9, Seksyen 10, Taman Perindustrian Meranti Utama, 47120 Puchong, Selangor Darul Ehsan.

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

There have been no significant changes in the nature of these principal activities of the Company and its subsidiaries during the financial period.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors passed on 29 May 2020.

2. BASIS OF PREPARATION

2.1 Statement of Compliance

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

2.2 Basis of Measurement

The financial statements of the Group and of the Company are prepared under the historical cost convention, unless otherwise indicated in the summary of significant accounting policies.

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

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

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

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

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

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

2. BASIS OF PREPARATION (CONT'D)

2.2 Basis of Measurement (cont'd)

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

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
Level 2 - Valuation techniques for which the lowest level input that is significant to their fair value measurement is directly or indirectly observable.
Level 3 - Valuation techniques for which the lowest level input that is significant to their fair value measurement is unobservable.

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

The Group has established control framework in respect to the measurement of fair values of financial instruments. The Executive Committee has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the Board of Directors. The Executive Committee regularly reviews significant unobservable inputs and valuation adjustments.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of fair value hierarchy as explained above.

2.3 Functional and Presentation Currency

The financial statements are presented in Ringgit Malaysia ("RM") which is the Company's functional currency and all values are rounded to the nearest RM except when otherwise stated.

2.4 Adoption of New Standards/Amendments/Improvements to MFRSs

The Group and the Company have consistently applied the accounting policies set out in Note 3 to all periods presented in these financial statements.

At the beginning of the current financial year, the Group and the Company adopted new standards/amendments/improvements to MFRSs which are mandatory for the financial periods beginning on or after 1 January 2019.

Effective for annual periods beginning on or after 1 January 2019:
MFRS 16 Leases
IC Interpretation 23: Uncertainty over Income Tax Treatments
Amendments to MFRS 9: Prepayment Features with Negative Compensation
Amendments to MFRS 119: Plan Amendment, Curtailment or Settlement
Amendments to MFRS 128: Long-term Interests in Associates and Joint Ventures
Annual Improvements 2015-2017 Cycle

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

2. BASIS OF PREPARATION (CONT'D)

2.4 Adoption of New Standards/Amendments/Improvements to MFRSs (cont'd)

Initial application of the new standards/amendments/improvements to the standards did not have material impact to the financial statements, except for:-

MFRS 16 Leases

MFRS 16 supersedes MFRS 117 Leases, IC Interpretation 4 Determining whether an Arrangement contains a Lease, IC Interpretation 115 Operating Leases-Incentives and IC Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet.

Lessor accounting under MFRS 16 is substantially unchanged from MFRS 117. Lessors will continue to classify leases as either operating or finance leases using similar principles as in MFRS 117. Therefore, MFRS 16 does not have an impact for leases where the Group is the lessor.

The Group adopted MFRS 16 using the modified retrospective method of adoption, with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Group elected to use the transition practical expedient to not reassess whether a contract is, or contains a lease at 1 January 2019. Instead, the Group applied the standard only to contracts that were previously identified as leases applying MFRS 117 and IC Interpretation 4 at the date of initial application.

The effect of adoption MFRS 16 as at 1 January 2019 (increase/(decrease)) is, as follows:

Group	**RM**
Assets	
Right-of-use assets	11,551,493
Property, plant and equipment	(11,551,493)

The Group has lease contracts for various items of plant, machinery, vehicles and other equipment. Before the adoption of MFRS 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. Refer to Note 3.4 Leases for the accounting policy prior to 1 January 2019.

Upon adoption of MFRS 16, the Group applied a single recognition and measurement approach for all leases except for short-term leases and leases of low-value assets. Refer to Note 3.4 Leases for the accounting policy beginning 1 January 2019. The standard provides specific transition requirements and practical expedients, which have been applied by the Group.

- *Leases previously classified as finance leases*

  The Group did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application for leases previously classified as finance leases (i.e., the right-of-use assets and lease liabilities equal the lease assets and liabilities recognised under MFRS 117). The requirements of MFRS 16 were applied to these leases from 1 January 2019.

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

2. BASIS OF PREPARATION (CONT'D)

2.5 Standards Issued But Not Yet Effective

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

MFRS 17	Insurance Contracts
MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Amendments to MFRS 3	Definition of a business
Amendments to MFRS 101 and MFRS 108	Definition of material
Conceptual Framework	Amendments to References to the Conceptual Framework in MFRS Standards

The directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Group and of the Company in future periods.

2.6 Significant Accounting Estimates and Judgements

Estimates, assumptions concerning the future and judgements are made in the preparation of the financial statements. They affect the application of the Group's and of the Company's accounting policies and reported amounts of assets, liabilities, income and expenses, and disclosures made. Estimates and underlying assumptions are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances. The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results.

2.6.1 Estimation uncertainty

Information about significant estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses are discussed below.

Useful lives of depreciation assets

Property, plant and equipment are depreciated on a straight line basis over their estimated useful lives. Management estimates the useful lives of the property, plant and equipment to be within 3 to 99 years and reviews the useful lives of depreciable assets at the end of each reporting period. At 31 December 2019, management assesses that the useful lives represent the expected utility of the assets to the Group. Actual results, however, may vary due to change in the expected level of usage and technological developments, which may result in the adjustment to the Group's assets.

The carrying amount of the Group's property, plant and equipment at the end of the reporting period is disclosed in Note 4 to the financial statements.

Inventories

Inventories are measured at the lower of cost and net realisable value. In estimating net realisable values, management takes into account the most reliable evidence available at the time the estimates are made. The Group's core business is subject to economical and technology changes which may cause selling prices to change rapidly, and the Group's profit to change.

The carrying amount of the Group's inventories at the end of the reporting period is disclosed in Note 8 to the financial statements.

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

2. BASIS OF PREPARATION (CONT'D)

2.6 Significant Accounting Estimates and Judgements (cont'd)

2.6.1 Estimation uncertainty (cont'd)

Information about significant estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses are discussed below (cont'd).

Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset. The value in use calculation is based on a discounted cash flow (DCF) model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group and the Company are not yet committed to or significant future investments that will enhance the performance of the assets of the cash generating unit being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. These estimates are most relevant to goodwill and other intangibles with indefinite useful lives recognised by the Group and the Company.

Provision for expected credit losses (ECLs) of trade receivables

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

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

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in Note 29.2(a)(i).

Income taxes and deferred tax liabilities

Estimation is involved in determining the Group's provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises tax liabilities based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax and deferred tax provisions in the year in which such determination is made.

2.6.2 Significant management judgement

There are no significant judgements applied by the management in the accounting policies of the Group and of the Company that have the most significant effect on the financial statements.

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

3. SIGNIFICANT ACCOUNTING POLICIES

The Group and the Company have applied significant accounting policies as summarised below, consistently throughout all periods presented in the financial statements, unless otherwise stated.

3.1 Consolidation

3.1.1 Subsidiaries

Subsidiaries are entities, including structured entities, controlled by the Company. Control exists when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. Besides, the Group considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

Investment in subsidiaries is stated at cost less any impairment losses in the Company's financial position, unless the investment is held for sale or distribution.

Upon the disposal of investment in a subsidiary, the difference between the net disposal proceeds and its carrying amount is included in profit or loss.

3.1.2 Basis of consolidation

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

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities of the Group are eliminated in full in preparing the consolidated financial statements. Intragroup losses may indicate an impairment that requires recognition in the consolidated financial statements. Temporary differences arising from the elimination of profits and losses resulting from intragroup transactions will be treated in accordance with MFRS 112 Income Taxes.

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

Under the merger method of accounting, the results of subsidiary companies are presented as if the merger had been effected throughout the current and previous years. The assets and liabilities combined are accounted for based on the carrying amounts from the perspective of the common control shareholder at the date of transfer. On consolidation, the cost of the merger is cancelled with the values of the shares received. Any resulting credit differences is classified as equity and regarded as a non-distributable reserve. Any resulting debit difference is adjusted against any suitable reserve. Any share premium, capital redemption reserve and any other reserves which are attributable to share capital of the merged entities, to the extent that they have not been capitalised by a debit difference, are reclassified and presented as movement in other capital reserves.

3.1.3 Loss of control

Upon the loss of control of a subsidiary company, the Group derecognises the assets and liabilities of the subsidiary company, any non-controlling interests and the other components of equity related to the subsidiary company. Any surplus or deficit arising on the loss of control is recognised in profit or loss.

If the Group retains any interest in the previous subsidiary company, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.2 Foreign Currency Translation and Balances

The Group's consolidated financial statements are presented in RM, which is also the parent company's functional currency.

Transactions in foreign currencies are initially recorded at the functional currency rates prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date.

All differences are taken to the profit or loss with the exception of all monetary items that forms part of a net investment in a foreign operation. These are recognised in other comprehensive income until the disposal of the net investment, at which time they are reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising in translation of non-monetary items is recognised in line with the gain or loss of the item that gave rise to the translation difference (translation differences on items whose gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss respectively).

3.3 Property, Plant and Equipment

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

Cost includes expenditures that are directly attributable to the acquisition of the assets and any other costs directly attributable to bringing the asset to working condition for its intended use, cost of replacing component parts of the assets, and the present value of the expected cost for the decommissioning of the assets after their use. All other repair and maintenance costs are recognised in profit or loss as incurred.

Depreciation is recognised on the straight line method in order to write off the cost of each asset over its estimated useful life.

Freehold land with an infinite life is not depreciated. Other property, plant and equipment are depreciated based on the estimated useful lives of the assets as follows:-

Building	2%
Office equipment	20%
Computer and software	20 - 33%
Office renovation	10%
Tools and machineries	14% to 20%
Furniture and fittings	10 - 20%
Motor vehicles	20%

Capital work-in-progress consists of buildings and plant and machinery under construction/ installation for intended use as production facilities. The amount is stated at cost and includes capitalisation of interest incurred on borrowings related to property, plant and equipment under construction/installation until the property, plant and equipment are ready for their intended use. Assets under construction are not depreciated until it is completed and ready for their intended use.

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.3 Property, Plant and Equipment (cont'd)

The residual values, useful life and depreciation method are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable or at least annually to ensure that the amount, method and period of depreciation are consistent with previous estimates and expected pattern of consumption of future economic benefits embodied in the items of property, plant and equipment.

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

3.4 Leases

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

3.4.1 Group as a lessee

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

3.4.1.1 Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

- Leasehold land 67 to 99 years
- Tools and machinery 5 to 7 years
- Motor vehicles 5 years

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

The right-of-use assets are also subject to impairment. Refer to the accounting policies in Impairment of non-financial assets.

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.4 Leases (cont'd)

3.4.1 Group as a lessee (cont'd)

3.4.1.2 Lease liabilities

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

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

3.4.1.3 Short-term leases and leases of low-value assets

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

3.4.2 Group as a lessor

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

3.5 Investment Properties

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

Investment properties which are owned are measured initially at cost. Cost includes expenditures that are directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs. Right-of-use asset held under a lease contract that meets the definition of investment property is initially measured similarly as other right-of-use assets.

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.5 Investment Properties (cont'd)

Investment properties are stated at cost less accumulated depreciation and accumulated impairment loss. Depreciation is recognised on the straight line method in order to write off the cost of each investment property over its estimated useful life. Freehold land is not amortised.

The principal annual depreciation rates used is as follows:-

Freehold building	2%

Investment properties is derecognised on its disposal, or when it is permanently withdrawn from use and no future economic benefits are expected from the disposal. The difference between the net disposal proceeds and the carrying amount is recognised in profit or loss in the period in which the item is derecognised.

When an item of property, plant and equipment is transferred to investment property following a change in its use, any difference arising at the date of transfer between the carrying amount of the item immediately prior to transfer and its fair value is recognised directly in equity as a revaluation of property, plant and equipment. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in profit or loss. Upon disposal of an investment property, any surplus previously recorded in equity is transferred to retained earnings; the transfer is not made through profit or loss.

When the use of a property changes such that it is reclassified as property, plant and equipment or inventories, its fair value at the date of reclassification becomes its cost for subsequent accounting.

3.6 Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

3.6.1 Financial assets

Initial recognition and measurement

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

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's and the Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group and the Company commit to purchase or sell the asset.

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.6 Financial Instruments (cont'd)

3.6.1 Financial assets (cont'd)

Subsequent measurement

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

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

Financial assets at amortised cost

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired. The Group's and the Company's financial assets at amortised cost includes trade and most other receivables and cash and bank balances.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

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

When the Group and the Company have transferred its rights to receive cash flows from an asset or has entered into a passthrough arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group and the Company continue to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group and the Company also recognise an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group and the Company have retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group and the Company could be required to repay.

Impairment

The Group recognises an allowance for ECLs for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.6 Financial Instruments (cont'd)

3.6.1 Financial assets (cont'd)

Impairment (cont'd)

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

3.6.2 Financial liability

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's and the Company's financial liabilities include trade and other payables, and borrowings.

Subsequent measurement

For purposes of subsequent measurement, financial liabilities are classified in two categories:

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

Financial liabilities at amortised cost

This is the category most relevant to the Group and the Company. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss. This category generally applies to interest-bearing loans and borrowings.

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.6 Financial Instruments (cont'd)

3.6.2 Financial liability (cont'd)

Derecognition

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

3.6.3 Offsetting of financial instruments

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

3.7 Inventories

Inventories comprise raw material, work-in-progress and finished goods.

Inventories are valued at the lower of cost and net realisable value, after adequate allowance has been made for deterioration, damage and obsolescence. Cost is determined based on the weighted average basis.

Cost of inventories comprises aggregate cost of purchase and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value represents the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to be incurred in marketing, selling and distribution.

3.8 Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand and bank balances which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purpose of the financial position, cash and cash equivalents restricted to be used to settle a liability of 12 months or more after the reporting date are classified as non-current assets.

3.9 Non-financial Assets - Impairment

At each reporting date, the Group and the Company review carrying amounts of its non-financial assets to determine whether there is any indication of impairment. Non-financial assets is tested for impairment at least once annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. If any such indication exists, or when annual impairment testing for an asset is required, the recoverable amount is estimated and an impairment loss is recognised whenever the recoverable amount of the asset or a cash-generating unit is less than its carrying amount. Recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.9 Non-financial Assets - Impairment (cont'd)

In assessing value in use, estimated future cash flows are discounted to present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognised in profit or loss in those expense categories consistent with the function of the impaired asset. An impairment loss is recognised as an expense in profit or loss immediately, unless the asset is carried at a revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of previously recognised revaluation surplus for the same asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses for an asset may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years.

All reversals of impairment losses are recognised as income immediately in profit or loss unless the asset is carried at revalued amount, in which case the reversal in excess of impairment loss previously recognised through profit or loss is treated as revaluation increase. After such a reversal, depreciation charge is adjusted in future periods to allocate the revised carrying amount of the asset, less any residual value, on a systematic basis over its remaining useful life.

3.10 Equity Instruments

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

Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transactions cost. Ordinary shares are classified as equity.

Retained earnings include all current and prior years retained earnings.

Dividends on ordinary shares are accounted for in shareholders' equity as an appropriation of retained earnings.

All transactions with owners of the Company are recorded separately within equity.

3.11 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.12 Revenue from Contracts with Customers

The Group is in the business of manufacturing and trading in steel and lighting products. Revenue from contracts with customers is recognised when control of the goods are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods.

3.12.1 Sale of goods

Revenue relating to sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the equipment. Transaction price of the sales of goods will be net of sales returns and discount.

3.12.2 Rental income

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

3.12.3 Interest income

Interest income is recognised as it accrues using the effective interest method in profit or loss.

3.12.4 Dividend income

Dividend income is recognised when the Company's right to receive such payment is established, which is generally when it approves the dividend in its subsidiary companies.

3.13 Borrowing Cost

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

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

3.14 Tax Expense

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

3.14.1 Current tax

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.14 Tax Expense (cont'd)

3.14.2 Deferred tax

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

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

3.15 Employee Benefits

3.15.1 Short-term employee benefits

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

3.15.2 Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into independent entities of funds and will have no legal or constructive obligation to pay further contribution if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years.

Such contributions are recognised as an expense in the profit or loss as incurred. As required by law, companies in Malaysia make such contributions to the Employee Provident Fund ("EPF").

3.16 Operating Segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenue and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.17 Contingencies

3.17.1 Contingent liabilities

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

3.17.2 Contingent assets

When an inflow of economic benefit of an asset is probable where it arises from past events and where existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity, the asset is not recognised in the statements of financial position but is being disclosed as a contingent asset. When the inflow of economic benefit is virtually certain, then the related asset is recognised.

3.18 Related Parties

A related party is a person or entity that is related to the Group and the Company. A related party transaction is a transfer of resources, services or obligations between the Company and its related party, regardless of whether a price is charged.

(i) A person or a close member of that person's family is related to the Group and the Company if that person:-

(a) has control or joint control over the Group;
(b) has significant influence over the Group; or
(c) is a member of the key management personnel of the holding company of the Group, or the Company.

(ii) An entity is related to the Group and the Company if any of the following conditions applies:-

(a) the entity and the Group are members of the same group.
(b) one entity is an associate or joint venture of the other entity.
(c) both entities are joint ventures of the same third party.
(d) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.
(e) the entity is a post-employment benefit plan for the benefits of employees of either the to the Group or an entity related to the Group.
(f) the entity is controlled or jointly-controlled by a person identified in (i) above.
(g) a person identified in (i)(a) above has significant influence over the entity or is a member of the key management personnel of the entity (or of the parent of the entity).
(h) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

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

4. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land and Building RM	Leasehold Land RM	Leasehold Building RM	Office Equipments RM	Computer and Software RM	Office Renovation RM	Tools and Machineries RM	Furniture and Fittings RM	Construction Motor Vehicles RM	Work-in-Progress RM	Total RM
Group											
Cost											
At 31.12.2018, as previously reported	2,830,000	9,848,680	6,062,717	148,285	245,255	484,632	5,145,169	229,530	3,966,720	1,022,555	29,983,543
Adjustment on initial application of MFRS 16 at 1 January 2019	-	(9,848,680)	-	-	-	-	(1,538,830)	-	(1,736,973)	-	(13,124,483)
Reclassification	-	-	5,737	-	-	-	-	-	-	(5,737)	-
At 1.1.2019, restated	2,830,000	-	6,068,454	148,285	245,255	484,632	3,606,339	229,530	2,229,747	1,016,818	16,859,060
Additions	-	-	170,323	107,572	197,258	939,108	1,052,237	30,880	2,099	449,600	2,949,077
Disposals	-	-	-	-	-	-	-	-	(1,196,937)	-	(1,196,937)
Written off	-	-	-	-	-	-	-	-	(40,000)	-	(40,000)
At 31.12.2019	2,830,000	-	6,238,777	255,857	442,513	1,423,740	4,658,576	260,410	994,909	1,466,418	18,571,200
Accumulated Depreciation											
At 31.12.2018, as previously reported	84,900	294,117	387,185	91,663	191,857	48,499	3,068,230	114,518	2,566,954	-	6,847,923
Adjustment on initial application of MFRS 16 at 1 January 2019	-	(293,991)	-	-	-	-	(620,269)	-	(658,730)	-	(1,572,990)
Reclassification	-	(126)	126	-	-	-	-	-	-	-	-

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

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

	Freehold Land and Building RM	Leasehold Land RM	Leasehold Building RM	Office Equipments RM	Computer and Software RM	Office Renovation RM	Tools and Machineries RM	Furniture and Fittings RM	Construction Motor Vehicles RM	Work-in-Progress RM	Total RM
Group (cont'd)											
Accumulated Depreciation (cont'd)											
At 1.1.2019, restated	84,900	-	387,311	91,663	191,857	48,499	2,447,961	114,518	1,908,224	-	5,274,933
Charge during the financial year	33,960	-	122,397	25,625	52,794	67,900	298,437	20,041	250,643	-	871,797
Disposals	-	-	-	-	-	-	-	-	(1,179,893)	-	(1,179,893)
Written off	-	-	-	-	-	-	-	-	(40,000)	-	(40,000)
At 31.12.2019	118,860	-	509,708	117,288	244,651	116,399	2,746,398	134,559	938,974	-	4,926,837
Net Carrying Amount											
At 31.12.2019	2,711,140	-	5,729,069	138,569	197,862	1,307,341	1,912,178	125,851	55,935	1,466,418	13,644,363

<u>Assets pledged as securities to financial institutions</u>

Leasehold building of the Group with net carrying value of RM5,729,069 are pledged to secured banking facilities granted to the Group.

The Directors are of the opinion that unreasonable expenses would be incurred in segregating the costs of the freehold land and building separately.

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

5. RIGHT-OF-USE ASSETS

	Tools and machineries RM	Motor vehicles RM	Leasehold land RM	Total RM
Group				
Cost				
At 1 January 2019	1,538,830	1,736,973	9,848,680	13,124,483
Additions	-	1,629,451	4,755,040	6,384,491
Disposal	-	(160,838)	-	(160,838)
At 31 December 2019	1,538,830	3,205,586	14,603,720	19,348,136
Accumulated depreciation				
At 1 January 2019	620,269	658,730	293,991	1,572,990
Charged during the financial year	215,436	533,037	200,223	948,696
Disposal	-	(152,793)	-	(152,793)
At 31 December 2019	835,705	1,038,974	494,214	2,368,893
Net carrying amount				
At 31 December 2019	703,125	2,166,612	14,109,506	16,979,243

Assets pledged as securities to financial institutions

Leasehold land of the Group with net carrying value of RM14,109,506 are pledged to secured banking facilities granted to the Group.

6. INVESTMENT PROPERTIES

	Freehold land and building RM
Group	
Cost	
At 1 January 2019	1,664,364
Disposal	(1,664,364)
At 31 December 2019	-
Accumulated amortisation	
At 1 January 2019	309,154
Amortisation during the financial year	14,116
Disposal	(323,270)
At 31 December 2019	-
Net carrying amount	
At 31 December 2019	-

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

6. INVESTMENT PROPERTIES (cont'd)

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

	Group 1.1.2019 to 31.12.2019 RM
Rental income	31,000

7. INVESTMENT IN SUBSIDIARIES

	Company 31.12.2019 RM	31.12.2018 RM
At cost		
Unquoted shares:		
At beginning of the financial year/period	-	-
Additions	31,600,000	-
At end of the financial year/period	31,600,000	-

Details of the subsidiaries are as follows:-

Companies	Principal place of Business	Effective interest rate (%) 31.12.2019	31.12.2018	Principal activities
Mestron Engineering Sdn. Bhd. (MESB)	Malaysia	100%	-	Manufacturing and trading in steel and lighting products.
Subsidiaries of MESB				
- Max Lighting Solution Sdn. Bhd. (MLSSB)	Malaysia	100%	-	Trading of outdoor lighting products.
- Meslite Sdn. Bhd. (MSB)	Malaysia	100%	-	Manufacturing of steel poles comprising decorative light poles.

Acquisition of subsidiaries

On 12 April 2019, the Company acquired 2,500,000 ordinary shares of RM12.64 each, representing 100% equity interest in Mestron Engineering Sdn. Bhd. for a total consideration of RM31,600,000 satisfied by the issuance of 631,999,998 new ordinary shares of the Company of RM0.05 per share.

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

8. INVENTORIES

	Group 31.12.2019 RM
Finished goods	2,463,983
Raw material	6,989,550
Work-in-progress	1,040,173
	10,493,706
Recognised in profit or loss	
Recognised as cost of sales	58,430,167

9. TRADE RECEIVABLES

	Group 31.12.2019 RM
Trade receivables	18,297,904
Less: Impairment losses Brought/Carried forward	(75,174)
	18,222,730

Trade receivables are non-interest bearing and are recognised at their original invoice amounts which represents their fair values on initial recognition.

The credit terms granted by the Group to the trade receivables range from 30 to 90 days.

10. OTHER RECEIVABLES

	Group	Company	
	31.12.2019 RM	31.12.2019 RM	31.12.2018 RM
Other receivables	1,444,549	136,351	-
Deposits	286,322	-	-
Prepayments	95,236	-	-
GST receivable	178,884	-	-
Amount due from subsidiaries	-	24,602,828	-
	2,004,991	24,739,179	-
Less: Impairment losses	(50,400)	-	-
	1,954,591	24,739,179	-

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

10. OTHER RECEIVABLES (cont'd)

The movement of impairment losses during the financial year are as follows:-

	Group	Company	
	31.12.2019	31.12.2019	31.12.2018
	RM	RM	RM
Brought/Carried forward	50,400	-	-

Amounts due from subsidiary companies are non-trade in nature, unsecured, bear no interest and receivable on demand.

11. SHARE CAPITAL

	Group and Company			
	Number of ordinary shares		Amount	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
	Unit	Unit	RM	RM
Issued and fully paid:-				
At beginning of financial year/period	2	2	2	2
Issued during the financial year	789,999,998	-	56,880,000	-
Share issuance expenses	-	-	(1,383,913)	-
At end of financial year/period	790,000,000	2	55,496,089	2

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions and rank equally with regard to the Company's residual assets.

12. BORROWINGS

	Group
	31.12.2019
	RM
Secured:-	
Non-current	
Term loans	8,180,024
Current	
Term loans	597,010
Total borrowings	8,777,034

Term loans

Secured:-	
Term loan 1	701,172
Term loan 2	1,535,751
Term loan 3	372,079
Term loan 4	633,485
Term loan 5	3,182,492
Term loan 6	2,352,055
	8,777,034

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

12. BORROWINGS (cont'd)

	Group 31.12.2019 RM
The term loans are repayable as follows:-	
- within 1 year	597,010
- within 1 to 2 years	626,274
- more than 2 years	7,553,750
Non-current portion	8,180,024
	8,777,034

The term loans 1 to 6 bear interest at rate of 1.62% - 2.20% below Base Lending Rate ("BLR"). The term loan 1 to 6 are secured against the following:-

(i) Guaranteed by certain Directors of the Group jointly and severally;
(ii) Property, plant and equipment and right-of-use assets of the Group as disclosed in Note 4 and 5 to the financial statements; and
(iii) Corporate guarantee by the Company.

Term loan 1 is repayable over 240 monthly installments of RM7,146 each commencing after one month from the date of full disbursement.

Term loan 2 is repayable over 240 monthly installments of RM25,247 each commencing after one month from the date of full disbursement.

Term loan 3 is repayable over 180 monthly installments of RM3,856 each commencing after one month from the date of full disbursement.

Term loan 4 is repayable over 240 monthly installments of RM30,679 each commencing after one month from the date of full disbursement.

Term loan 5 is repayable over 180 monthly installments of RM28,587 each commencing after one month from the date of full disbursement.

Term loan 6 is repayable over 240 monthly installments of RM16,360 each commencing after one month from the date of full disbursement.

13. LEASE LIABILITIES

	Group 31.12.2019 RM
Minimum lease payment:-	
- within 1 year	1,126,913
- within 1 to 2 years	765,758
- between 2 to 5 years	160,760
	2,053,431
Less: Future finance charges	(118,370)
	1,935,061

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

13. LEASE LIABILITIES (cont'd)

	Group 31.12.2019 RM
Present value of lease liabilities:-	
- within 1 year	1,047,953
- within 1 to 2 years	728,712
- between 2 to 5 years	158,396
Non-current portion	887,108
	1,935,061

Set out below is the movements of the lease liabilities during the financial year:-

	Group 31.12.2019 RM
At 31 December 2018, as previously reported	1,549,498
Adjustment on initial application of MFRS 16 at 1 January 2019	-
At 1 January 2019, as restated	1,549,498
Additions	1,440,220
Accretion of interest	118,086
Payments of principal and interests	(1,172,743)
At 31 December 2019	1,935,061

The following are the amount relating to lease liabilities recognised in profit or loss:-

	Group 31.12.2019 RM
Interest expense on lease liabilities	118,086

The effective interest rates are ranging from 2.40% to 3.40% per annum.

14. DEFERRED TAX LIABILITIES

	Group 31.12.2019 RM
At beginning of financial year	298,000
Recognised in profit or loss (Note 23)	210,000
Underprovision in prior year	25,000
At end of financial year	533,000

The deferred tax liabilities are made up of temporary differences arising from:-

	Group 31.12.2019 RM
Carrying amount of qualifying property, plant and equipment in excess of their tax base	533,000

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

15. TRADE PAYABLES

Trade payables are non-interest bearing and generally on 30 to 90 days term.

16. OTHER PAYABLES AND ACCRUALS

	Group	Company	
	31.12.2019 RM	31.12.2019 RM	31.12.2018 RM
Other payables	135,539	-	4,998
Accruals	1,541,512	27,000	2,000
	1,677,051	27,000	6,998

17. AMOUNT DUE TO A RELATED PARTY

Related party refers to MESB in which certain Directors have financial interest.

As at 31 December 2018, the amount due to MESB considered as related party since MESB was not subsidiary of the Company. However, the balance has been reclassed to amount due from subsidiaries during the financial year.

The amount due to a related party is non-trade in nature, unsecured, interest free and repayable on demand.

18. AMOUNT DUE TO DIRECTORS

The amount due to Directors is non-trade in nature, unsecured, interest free and repayable on demand.

19. REVENUE

19.1 Disaggregated Revenue Information

	Group	Company	
	1.1.2019 to 31.12.2019 RM	1.1.2019 to 31.12.2019 RM	18.5.2018 to 31.12.2018 RM
Types of revenue			
Sales of goods	68,976,878	-	-
Dividend income from a subsidiary company	-	5,625,000	-
	68,976,878	5,625,000	-

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

19. REVENUE (CONT'D)

19.1 Disaggregated Revenue Information (cont'd)

	Group 1.1.2019 to 31.12.2019 RM
Types of good	
Standard Pole	14,616,975
Specialty Pole	16,323,130
Decorative Pole	11,220,865
Accessories	11,099,900
Lantern	15,716,008
	68,976,878
Geographical markets	
Malaysia	59,972,384
Republic of Korea	5,304,336
Australia	1,741,077
Singapore	1,696,971
Philippines	204,650
Maldives	34,400
Sri Lanka	23,060
	68,976,878

Revenue of the Group is recognised when the goods transferred at a point in time.

Dividend income received from a subsidiary company is recognised at a point in time.

19.2 Performance obligation

The performance obligation represents sales of steel and lighting products and is satisfied upon delivery of goods and services rendered to the customers.

20. OTHER INCOME

	Group 1.1.2019 to 31.12.2019 RM
Rental income	60,903
Gain on disposal of property, plant and equipment	448,956
Gain on disposal of right-of-use assets	47,955
Gain on disposal of investment properties	908,906
Gain on disposal of asset held for sales	1,123,080
Realised foreign exchange gain	3,502
Sales of scrap	143,540
Miscellaneous income	30,050
	2,766,892

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

21. FINANCE INCOME AND FINANCE COSTS

Finance income for the reporting periods consists of the following:

	Group	Company	
	1.1.2019 to 31.12.2019	1.1.2019 to 31.12.2019	18.5.2018 to 31.12.2018
	RM	RM	RM
Interest income from bank	213,104	846	-

Finance costs for the reporting periods consist of the following:

	Group
	1.1.2019 to 31.12.2019
	RM
Interest expenses on:-	
Term loans	760,628
Lease liabilities	118,086
Bankers' acceptance	22,229
	900,943

22. PROFIT/(LOSS) BEFORE TAX

Profit/(Loss) before tax has been determined after charging, amongst others, the following items:-

	Group	Company	
	1.1.2019 to 31.12.2019	1.1.2019 to 31.12.2019	18.5.2018 to 31.12.2018
	RM	RM	RM
Audit fee	92,000	24,000	2,000
Bad debts written off	52,200	-	-
Depreciation of property, plant and equipment	871,797	-	-
Depreciation of right-of-use assets	948,696	-	-
Directors' fee	174,000	174,000	29,000
Amortisation of investment properties	14,116	-	-
Rental of house *	16,800	-	-
Rental of crane *	47,988	-	-
Rental of factory *	40,300	-	-
Rental of hostel *	89,685	-	-

* Being short term lease in nature in accordance with MFRS 16.

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

23. TAX EXPENSE

	Group	Company	
	1.1.2019 to 31.12.2019 RM	**1.1.2019 to 31.12.2019 RM**	**18.5.2018 to 31.12.2018 RM**
Current tax expense:-			
- Current year provision	1,571,201	-	-
- Under provision in prior year/period	156,670	-	-
	1,727,871	-	-
Deferred tax:-			
Transferred to deferred tax (Note 14)	210,000	-	-
Under provision in prior year/period	25,000	-	-
	1,962,871	-	-

Malaysia income tax is calculated at the statutory rate of 24% of the estimated assessable profits for the current year.

A reconciliation of income tax expenses applicable to profit/(loss) before tax at the statutory tax rate to income tax expense at the effective tax rate of the Group and the Company are as follows:-

	Group	Company	
	1.1.2019 to 31.12.2019 RM	**1.1.2019 to 31.12.2019 RM**	**18.5.2018 to 31.12.2018 RM**
Profit/(Loss) before tax	4,227,834	2,958,841	(31,067)
Tax at Malaysia statutory tax rate of 24%	1,014,680	710,122	(7,456)
Tax effect in respect of:-			
Non-allowable expenses	772,310	639,878	7,456
Income not subject to tax	(5,789)	(1,350,000)	-
Under provision of deferred taxation in prior year/period	25,000	-	-
Under provision of taxation in prior year/period	156,670	-	-
Tax expense for the financial year/period	1,962,871	-	-

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

24. EARNINGS PER SHARE

24.1 Basic

The basic earnings per share ("EPS") has been calculated by dividing the Group's net profit for the financial year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares in issue during the financial year:-

	Group 31.12.2019 RM
Net profit attributable to ordinary equity holders of the Company	2,264,963
Weighted average number of ordinary shares in issue	542,827,398
Basic earnings per share (sen)	0.42

24.2 Dilute

Diluted earnings per share is not applicable as the Group does not have any potential dilutive equity instruments that would give a diluted effect to the basis earnings per share.

25. EMPLOYEE BENEFITS EXPENSES

	Group	Company	
	1.1.2019 to 31.12.2019 RM	1.1.2019 to 31.12.2019 RM	18.5.2018 to 31.12.2018 RM
Salaries and other emoluments	7,840,989	174,000	29,000
Defined contribution plan	647,432	-	-
Social security contributions	60,365	-	-
Other benefits	2,150,299	-	-
	10,699,085	174,000	29,000

Included in the employee benefit expenses is the Directors' remuneration as below:-

	Group	Company	
	1.1.2019 to 31.12.2019 RM	1.1.2019 to 31.12.2019 RM	18.5.2018 to 31.12.2018 RM
Salaries and other emoluments	1,638,095	-	-
Directors' fee	174,000	174,000	29,000
Defined contribution plan	274,574	-	-
Social security contributions	3,683	-	-
	2,090,352	174,000	29,000

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

26. RELATED PARTY DISCLOSURES

(a) The related party transactions have been entered into in the normal course of business under normal trade form. The significant related party transaction during the year are as follows:-

	1.1.2019 to 31.12.2019 RM	18.5.2018 to 31.12.2018 RM
Dividend income received from a subsidiary company	5,625,000	-

(b) The outstanding balances arising from the related party transactions as at the reporting date are disclosed in Note 10 and 17 to financial statements.

(c) Compensation of key management personnel

Key management personnel is defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group and the Company either directly or indirectly and entity that provides key management personnel services to the Group and the Company.

The Group and the Company have no other key management personnel apart from the Directors. The Directors' remuneration is disclosed in Note 25 to the Financial Statements.

27. DIVIDENDS

	Company	
	31.12.2019 RM	31.12.2018 RM
In respect of financial year ended 31 December 2019:-		
Single-tier dividend of RM0.002 on 790,000,000 ordinary shares declared on 17 December 2019 and paid on 17 January 2020	1,580,000	-

28. OPERATING SEGMENTS

For management purposes, the Group is organised into business units based on its nature of business and has two reportable segments, as follows:-

Manufacturing	-	Manufacturing of steel poles comprising standard street lighting poles, decorative light poles and specialty poles.
Trading	-	Trading of outdoor lighting products.

The Director monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the combined financial statements.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, liabilities and expenses.

Segment revenue, expenses and results include transfers between business segments. These transfers are eliminated on consolidation. Transfer prices between business segments are established on terms and conditions that are mutually agreed upon.

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

28. OPERATING SEGMENTS (CONT'D)

28.1 Business segments

	Note	Manufacturing RM	Trading RM	Elimination RM	Combined RM
31.12.2019					
Revenue:-					
External customers		53,260,870	15,716,008	-	68,976,878
Inter-segment		2,905,837	2,306,860	(5,212,697)	-
Results:-					
Interest income		213,104	-	-	213,104
Interest expenses		(900,943)	-	-	(900,943)
Amortisation of investment properties		(14,116)	-	-	(14,116)
Depreciation of property, plant and equipment		(869,517)	(2,280)	-	(871,797)
Depreciation of right-of-use assets		(948,696)	-	-	(948,696)
Tax expense		(1,202,035)	(760,836)	-	(1,962,871)
Other non-cash income	(i)	2,476,697	-	-	2,476,697
Segment profit		1,387,033	877,930	-	2,264,963
Assets:-					
Additions to non-current asset:- property, plant and equipment		2,944,778	4,299	-	2,949,077
Additions to non-current asset:-right-of-use assets		6,384,491	-	-	6,384,491

Notes to the nature of adjustments and eliminations to arrive at amounts reported in the Combined Financial Information:-

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

	31.12.2019 RM
Bad debts written off	(52,200)
Gain on disposal of property, plant and equipment	448,956
Gain on disposal of investment properties	908,906
Gain on disposal of right-of-use assets	47,955
Gain on disposal of asset held for sales	1,123,080
	2,476,697

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

28. OPERATING SEGMENTS (CONT'D)

28.2 Geographical information

The Group operates in Malaysia. Sales to external customers disclosed in geographical segments are based on the geographical location of its customers.

The following table provides an analysis of the Group's revenue by geographical segment:-

	31.12.2019 RM
Revenue from external customers	
Malaysia	59,972,384
Republic of Korea	5,304,336
Australia	1,741,077
Singapore	1,696,971
Others	262,110
	68,976,878

The non-current assets of the Group all located in Malaysia.

28.3 Information about a major customer

There are no major customers with revenue equal or more than 10% of the Group's revenue for the financial years ended 31 December 2019.

29. FINANCIAL INSTRUMENTS

29.1 Categories of Financial Instruments

The table below provides an analysis of financial instruments categorised as follow:-

Financial assets and financial liabilities are measured at amortised cost ("AC").

Group **31.12.2019**	Carrying amount RM	AC RM
Financial assets		
Trade receivables	18,222,730	18,222,730
Other receivables	1,680,471	1,680,471
Cash and bank balances	22,322,935	22,322,935
	42,226,136	42,226,136

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

29. FINANCIAL INSTRUMENTS (CONT'D)

29.1 Categories of Financial Instruments (cont'd)

The table below provides an analysis of financial instruments categorised as follow (cont'd):-

Financial assets and financial liabilities are measured at amortised cost ("AC") (cont'd).

Group (cont'd) **31.12.2019 (cont'd)**	**Carrying amount RM**	**AC RM**
Financial liabilities		
Trade payables	9,561,162	9,561,162
Other payables	1,677,051	1,677,051
Amount due to Directors	14,500	14,500
Borrowings	8,777,034	8,777,034
Dividend payable	1,580,000	1,580,000
	21,609,747	21,609,747

Company **31.12.2019**	**Carrying amount RM**	**AC RM**
Financial assets		
Other receivables	24,739,179	24,739,179
Cash and bank balance	2,126,532	2,126,532
	26,865,711	26,865,711
Financial liabilities		
Trade payables	348	348
Other payables	27,000	27,000
Amount due to Directors	14,500	14,500
Dividend payable	1,580,000	1,580,000
	1,621,848	1,621,848

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

29. FINANCIAL INSTRUMENTS (CONT'D)

29.1 Categories of Financial Instruments (cont'd)

The table below provides an analysis of financial instruments categorised as follow (cont'd):-

Financial assets and financial liabilities are measured at amortised cost ("AC") (cont'd).

Company (cont'd) **31.12.2018**	**Carrying amount RM**	**AC RM**
Financial asset		
Cash and bank balance	4,933	4,933
Financial liabilities		
Other payables	6,998	6,998
Amount due to a related party	14,500	14,500
Amount due to Directors	14,500	14,500
	35,998	35,998

29.2 Financial Risk Management

The Group and the Company are exposed to financial risks arising from their operations and the use of financial instruments. Financial risk management policy is established to ensure that adequate resources are available for the development of the Group's business whilst managing its credit risk, liquidity risk, foreign currency risk and interest rate risk. The Group operates within clearly defined policies and procedures that are approved by the Board of Directors to ensure the effectiveness of the risk management process.

The main areas of financial risks faced by the Group and the Company and the policy in respect of the major areas of treasury activities are set out as follows:-

(a) Credit Risk

Credit risk is the risk of a financial loss to the Group and the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. It is the Group's and the Company's policy to enter into financial instrument with a diversity of creditworthy counterparties. The Group and the Company do not expect to incur material credit losses of its financial assets or other financial instruments.

Concentration of credit risk exists when changes in economic, industry and geographical factors similarly affect the group of counterparties whose aggregate credit exposure is significant in relation of the Group's and the Company's total credit exposure. The Group's and the Company's portfolio of financial instrument is broadly diversified along industry, product and geographical lines, and transactions are entered into with diverse creditworthy counterparties, thereby mitigate any significant concentration of credit risk.

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

29. FINANCIAL INSTRUMENTS (CONT'D)

29.2 Financial Risk Management (cont'd)

The main areas of financial risks faced by the Group and the Company and the policy in respect of the major areas of treasury activities are set out as follows (cont'd):-

(a) Credit Risk (cont'd)

It is the Group's and the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. The Group and the Company do not offer credit terms without the approval of the management.

The Group's and the Company's maximum exposure credit risk is represented by the carrying amount of trade and other receivables in the statements of financial position.

Following are the areas where the Group and the Company are exposed to credit risk:-

(i) Receivables

The Group's and the Company's exposure to credit risk are influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the industry and country in which customers operate.

The risk management committee has established a credit policy under which each new customer is analysed individually for creditworthiness before the Group's and the Company's standard payment and delivery terms and conditions are offered. The Group's and the Company's review includes external rating, if they are available, financial statements, credit agency information, industry information and in some cases bank references. Sale limits are established for each customer and reviewed quarterly. Any sales exceeding those limits require approval from the risk management committee.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written-off if past due for more than one year and are not subject to enforcement activity. The maximum exposure to credit risk at the reporting date is the carrying value of trade and other receivables in the statement of financial position. The Group and the Company do not hold collateral as security.

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

29. FINANCIAL INSTRUMENTS (CONT'D)

29.2 Financial Risk Management (cont'd)

The main areas of financial risks faced by the Group and the Company and the policy in respect of the major areas of treasury activities are set out as follows (cont'd):-

(a) Credit Risk (cont'd)

Following are the areas where the Group and the Company are exposed to credit risk (cont'd):-

(i) Receivables (cont'd)

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:-

Group 31.12.2019	Trade receivables days past due Not past due RM	1-30 days RM	31-60 days RM	61-90 days RM	>90 days RM	Total RM
Expected credit loss rate	0%	0%	0%	0%	3.71%	
Total gross carrying amount	9,343,778	3,018,472	1,679,953	2,228,472	2,027,229	18,297,904
Expected credit loss	-	-	-	-	75,174	75,174

(ii) Cash and bank balance

The credit risk for cash and cash equivalents and short term placements is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

(iii) Intercompany loans and advances

The maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

The Company provides advances to subsidiaries and monitors the results of the subsidiaries regularly.

As at the end of the reporting period, there was no indication that the advances to the subsidiaries are not recoverable.

(b) Liquidity Risk

Liquidity risk is the risk that the Group and the Company will not be able to meet its financial obligations as and when they fall due as a result of shortage of funds.

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

29. FINANCIAL INSTRUMENTS (CONT'D)

29.2 Financial Risk Management (cont'd)

The main areas of financial risks faced by the Group and the Company and the policy in respect of the major areas of treasury activities are set out as follows (cont'd):-

(b) Liquidity Risk (cont'd)

In managing its exposures to liquidity risk, the Group and the Company maintain a level of cash and cash equivalents and bank facilities deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities as and when they fall due.

The Group and the Company aim at maintaining a balance of sufficient cash and deposits and flexibility in funding by keeping diverse sources of committed and uncommitted credit facilities from various banks.

The summary of the maturity profile based on contractual undiscounted repayment obligations are as below:-

	Maturity					
		Non-Current				
	On demand/ less than 1 year RM	1 to 2 years RM	2 to 5 years RM	More than 5 years RM	Total contractual cash flows RM	Carrying amount RM
Group						
31.12.2019						
Trade payables	9,561,162	-	-	-	9,561,162	9,561,162
Other payables	1,677,051	-	-	-	1,677,051	1,677,051
Amount due to Directors	14,500	-	-	-	14,500	14,500
Lease liabilities	1,126,913	765,758	160,760	-	2,053,431	1,935,061
Borrowings	1,252,698	1,252,698	10,249,028	2,318,882	15,073,306	8,777,034
Dividend payable	1,580,000	-	-	-	1,580,000	1,580,000
Total undiscounted financial liabilities	15,212,324	2,018,456	10,409,788	2,318,882	29,959,450	23,544,808

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

29. FINANCIAL INSTRUMENTS (CONT'D)

29.2 Financial Risk Management (cont'd)

The main areas of financial risks faced by the Group and the Company and the policy in respect of the major areas of treasury activities are set out as follows (cont'd):-

(b) Liquidity Risk (cont'd)

	Maturity					
	On demand/ less than 1 year RM	Non-Current 1 to 2 years RM	2 to 5 years RM	More than 5 years RM	Total contractual cash flows RM	Carrying amount RM
Company						
31.12.2019						
Trade payables	348	-	-	-	348	348
Other payables	27,000	-	-	-	27,000	27,000
Amount due to Directors	14,500	-	-	-	14,500	14,500
Dividend payable	1,580,000	-	-	-	1,580,000	1,580,000
Total undiscounted financial liabilities	1,621,848	-	-	-	1,621,848	1,621,848
31.12.2018						
Other payables	6,998	-	-	-	6,998	6,998
Amount due to a related company	14,500	-	-	-	14,500	14,500
Amount due to Directors	14,500	-	-	-	14,500	14,500
Total undiscounted financial liabilities	35,998	-	-	-	35,998	35,998

(c) Foreign Currency Risk

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

To mitigate the Group exposure to foreign currency risk, the Group is exposed to foreign currency risk on sales and purchases, that are denominated in another currency. The currency giving rise to this risk is primarily Singapore Dollar (SGD), United States Dollar (USD) and Australia Dollar (AUD).

The Group exposures to foreign currency risk, based on carrying amounts as at the end of the reporting period was:-

Group	31.12.2019 Denominated in		
	SGD RM	USD RM	AUD RM
Trade receivables	250,749	5,440	483,788

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

29. FINANCIAL INSTRUMENTS (CONT'D)

29.2 Financial Risk Management (cont'd)

The main areas of financial risks faced by the Group and the Company and the policy in respect of the major areas of treasury activities are set out as follows (cont'd):-

(c) Foreign Currency Risk (cont'd)

Exposure to foreign exchange rates vary during the financial year depending on the volume of overseas transactions.

As at the reporting date, the management of the Group determined the effects of sensitivity of the Group's profit for the financial year to a reasonable possible change in the SGD, USD and AUD exchange rates to be immaterial.

(d) Interest Rate Risk

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

The Group's investments in fixed rate financial instruments are exposed to a risk of change in their fair value due to changes in interest rates. The Group's variable rate financial instruments are exposed to a risk of change in cash flows due to changes in interest rates.

The interest rate profile of the Group's interest-bearing financial instruments based on carrying amounts as at end of the reporting period same as follows:-

	Group 31.12.2019 RM
Fixed rate instrument	
Lease liabilities	1,935,061
Floating rate instrument	
Term loans	8,777,034

The Group does not account for any fixed rate financial liabilities at fair value through profit or loss, and the Group does not designate derivatives as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

A change in 50 basis point (bp) in interest rates at the end of the reporting period would have increase/(decrease) the Group's profit and equity by the amounts shown below. This analysis assumes that all other variables are held constant.

Group	Profit for the year		Equity	
	+50bp RM	-50bp RM	+50bp RM	-50bp RM
31.12.2019	43,885	(43,885)	43,885	(43,885)

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

29. FINANCIAL INSTRUMENTS (CONT'D)

29.3 Fair Value of Financial Instruments

The carrying amounts of short term receivables and payables, cash and cash equivalents and short term borrowings approximate their fair value due to the relatively short term nature of these financial instruments and insignificant impact of discounting.

The table below analysis the financial instruments not carried at fair value for which fair value is disclosed, together with their values and carrying amounts shown in the statements of financial position.

Group	Fair value of financial instruments not carried at fair value Level 2 RM	Carrying amount RM
31.12.2019		
Lease liabilities	2,053,431	1,935,061
Borrowings	15,073,306	8,777,034

Level 2 Fair Value

Level 2 fair value estimated using inputs included within Level 1 that are observable for the financial assets or liabilities, either directly or indirectly.

29.4 Reconciliation of Assets and Liabilities Arising from Financing Activities

Group

	1 January 2019 RM	Cash flows RM	Others RM	31 December 2019 RM
Amount due to Directors	32,722	(18,222)	-	14,500
Proceeds from issuance of share capital	-	55,496,087	(55,496,087) (i)	-
Borrowings	16,073,384	(7,296,350) (ii)	-	8,777,034
Lease liabilities	1,549,498	(1,054,657)	1,440,220 (iii)	1,935,061
Interest paid	-	(900,943)	900,943 (iv)	-
	17,655,604	46,225,915	(53,154,924)	10,726,595

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

29. FINANCIAL INSTRUMENTS (CONT'D)

29.4 Reconciliation of Assets and Liabilities Arising from Financing Activities (cont'd)

Company

	1 January 2019 RM	Cash flows RM	Others RM	31 December 2019 RM
Amount due to a related company	14,500	(14,500)	-	-
Proceeds from issuance of share capital	-	55,496,087	(55,496,087)[(i)]	-
	14,500	55,481,587	(55,496,087)	-

	18 May 2018 RM	Cash flows RM	Others RM	31 December 2018 RM
Amount due to a related company	-	14,500	-	14,500
Amount due to Directors	-	14,500	-	14,500
	-	29,000	-	29,000

(i) Being proceeds from issuance of share capital during the financial year.
(ii) Being the net of drawdown of borrowings and repaid during the financial year for the Group amounted to RM3,350,000 and RM10,646,350.
(iii) Being purchase of right-of-use assets under lease liabilities for the Group amounting to RM1,440,220.
(iv) Being interest paid during the financial year.

30. CAPITAL MANAGEMENT

The Group's objective when managing capital is to maintain a strong capital base and safeguard the Group's ability to continue as a going concern, so as to maintain investor, creditor and market confidence and to sustain future development of the business.

The Group sets the amount of capital in proportion to its overall financing structure, that are equity and financial liabilities. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends pay to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debts.

There were no changes in the Group's approach to capital management during the financial year.

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

31. COMPARATIVE INFORMATION

No comparative information has been presented for the Group as this is the Group's first set of financial statements.

32. SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

On 18 February 2019, Securities Commission of Malaysia approved the admission of the Company to the Official List and the listing of and quotation for its entire enlarged issued share capital of the Company on the Ace Market of Bursa Malaysia Securities Berhad. The ordinary shares of the Company were listed on the Ace Market of Bursa Malaysia Securities Berhad on 18 June 2019.

33. EVENT AFTER THE REPORTING PERIOD

The recent outbreak of Coronavirus Disease 2019 ("COVID-19") since end 2019 has seen significant cases increased worldwide which prompted the World Health Organisation to declare it as a pandemic on 11 March 2020. A series of precautionary and control measures have been and continued to be implemented across the world. The Malaysian Government imposed the Movement Control Order ("MCO") from 18 March 2020 to 3 May 2020 and Conditional Movement Control Order ("CMCO") from 4 May 2020 to 9 June 2020. Consequently, the MCO and CMCO are expected to have material adverse effects on the Malaysia's economy for 2020. The deterioration of world economy has also prompted additional uncertainties to the business of the Group in 2020.

As at the date of this report, the management of the Group has assessed the overall impact of the situation on the Group's operations and financial position and concluded that there are no material effects on the consolidated financial statements for the financial year ended 31 December 2019. As at the date of this report, management is unable to reliably estimate the financial impact of COVID-19 on the Group's financial results for the year ending 31 December 2020 as the pandemic has yet to run its full course hence the current situation is still fluid. The Directors shall continuously assess the impact of COVID-19 on its operations as well as the financial position for the year ending 31 December 2020.

LIST OF PROPERTIES

No.	Title Details/ Postal Address	Description of property / Existing use	Land area / Built-up area (sq ft)	Approximate age of building (Years)	Tenure/ Date of expiry of lease	Audited Net Book Value as at 31.12.2019 (RM'000)
1.	Individual title held under Lot 122823 Mukim Dengkil Daerah Sepang Negeri Selangor held under Pajakan Mukim 11252 PT 50105, Jalan Meranti MU 1/9, Seksyen 10, Taman Perindustrian Meranti Permai, 47120 Puchong, Selangor Darul Ehsan.	Main Manufacturing Facility comprising a single storey factory and adjoining office building.	120,190/ 61,518 sq ft	5	99 years lease expiring on 4 March 2085	8,035
2.	Individual title held under Lot 16405 Mukim Dengkil Daerah Sepang Negeri Selangor held under Pajakan Mukim 8240	1 parcel of vacant land adjacent to the Main Manufacturing Facility currently being used as storage area for raw materials, work-in-progress and finished goods.	90,492 sq ft	-	99 years lease expiring on 4 March 2085	8,016
3.	Individual title held under Lot 16393 Mukim Dengkil Daerah Sepang Negeri Selangor eld under Pajakan Mukim 7561	1 parcel of vacant land opposite to the Main Manufacturing Facility currently being used as open shed for storage of work-in-progress and finished goods.	59,438 sq ft	-	99 years lease expiring on 19 March 2080	5,260
4.	Individual title held under Lot 108962 Mukim Dengkil Daerah Sepang Negeri Selangor held under Geran 335760 No. 15, Jalan IMP 1, Taman Industri Meranti Perdana, 47120 Puchong, Selangor Darul Ehsan.	1 1/2 storey factory with extended zinc roofing for manufacturing of decorative compound light poles.	5,008/ 10,563 sq ft	7	Freehold	389

STATISTICS OF SHAREHOLDINGS
AS AT 5 JUNE 2020

SHARE CAPITAL

Total Number of Issued Shares	:	790,000,000
Issued and Paid-up Capital	:	RM55,496,089.00
Class of Shares	:	Ordinary Shares
Voting Rights	:	One vote for each ordinary share held

DISTRIBUTION OF SHAREHOLDINGS AS AT 5 JUNE 2020

Size of Holdings	No. of shareholders	Percentage of shareholders (%)	No. of shares	Percentage of shares (%)
1 – 99	0	0.000	0	0.000
100 - 1,000	250	8.656	153,500	0.019
1,001 - 10,000	920	31.855	6,241,000	0.790
10,001 - 100,000	1,410	48.822	57,043,800	7.220
100,001 – 39,499,999*	306	10.595	180,803,600	22.886
39,500,000 AND ABOVE **	2	0.069	545,758,100	69.083
Total	**2,888**	**99.997**	**790,000,000**	**99.998**

Remark :
* - Less than 5% of Issued Shares
** - 5% and above of Issued Shares

SUBSTANTIAL SHAREHOLDERS AS AT 5 JUNE 2020

		No. of Shares held		No. of Shares held	
No.	**Name of Substantial Shareholders**	**Direct**	**Percentage (%)**	**Indirect**	**Percentage (%)**
1	POR TEONG ENG	269,258,100	34.083	-	-
2	LOON CHIN SENG	276,500,000	35.000	-	-

DIRECTORS' INTERESTS IN SHARES AS AT 5 JUNE 2020

		No. of Shares held		No. of Shares held	
No.	**Name of Directors**	**Direct**	**Percentage (%)**	**Indirect**	**Percentage (%)**
1	TAJUL ARIFIN BIN MOHD TAHIR	160,000	0.020	-	-
2	POR TEONG ENG	269,258,100	34.083	-	-
3	LOON CHIN SENG	276,500,000	35.000	-	-
4	PHANG SZE FUI	130,000	0.016	-	-
5	LEONG PENG PHOOI	130,000	0.016	-	-

STATISTICS OF SHAREHOLDINGS (cont'd)
AS AT 5 JUNE 2020

LIST OF TOP 30 LARGEST SECURITIES ACCOUNTS HOLDERS (ACCORDING TO THE REGISTER OF DEPOSITORS AS AT 5 JUNE 2020)

No.	Name of Shareholders	No. of Shares	%
1	LOON CHIN SENG	276,500,000	35.000
2	POR TEONG ENG	269,258,100	34.083
3	HSBC NOMINEES (ASING) SDN BHD SEB AB FOR EVLI EMERGING FRONTIER FUND	20,000,000	2.531
4	M & A NOMINEE (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT MAJESTIC SALUTE SDN BHD FOR YAHYA BIN RAZALI (M&A)	11,075,000	1.401
5	TAN YU WEI	10,134,400	1.282
6	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR MOHD DOM BIN AHMAD	5,201,000	0.658
7	OAN YEE LAI	5,089,600	0.644
8	AFFIN HWANG NOMINEES (TEMPATAN) SDN. BHD. MAJESTIC SALUTE SDN BHD FOR LIM GAIK ENG	4,500,000	0.569
9	AFFIN HWANG NOMINEES (TEMPATAN) SDN. BHD. MAJESTIC SALUTE SDN BHD FOR CU'S AND DO'S SDN. BHD.	4,300,000	0.544
10	M & A NOMINEE (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT WELMAX CAPITAL SDN BHD FOR TH MESTIKA SDN BHD (PNG)	4,200,000	0.531
11	M & A NOMINEE (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHOW DAI YING (M&A)	2,600,000	0.329
12	M & A NOMINEE (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT WELMAX CAPITAL SDN BHD FOR HEADWIN RESOURCES SDN BHD (PNG)	2,600,000	0.329
13	CGS-CIMB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAY HOCK SOON (MY1055)	2,222,400	0.281
14	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TEOH WEI LIANG (E-PRA)	2,080,000	0.263
15	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LOO SWEE WENG	2,000,000	0.253
16	TEE YONG	2,000,000	0.253
17	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR NG TIEN CHU (E-BPJ)	1,900,000	0.240
18	WELMAX CAPITAL SDN BHD	1,800,000	0.227
19	YEE CHOON KIAT	1,650,000	0.208
20	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TEW BOON TEIK	1,586,700	0.200
21	LEE CHUN HENG	1,565,000	0.198
22	TAN CHUNG LING	1,550,000	0.196
23	MV TECHNOLOGY SDN. BHD.	1,500,000	0.189
24	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACOUNT FOR KHO ENG HUE @ KOH ENG HOOI (CEB)	1,500,000	0.189
25	YUE LAIN HONG	1,300,000	0.164
26	CHEE MAY FOONG	1,250,000	0.158
27	QUEK MEU SAN	1,250,000	0.158
28	TA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN CHOON HWA	1,200,000	0.151
29	WONG WAI LUN	1,126,500	0.142
30	CGS-CIMB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHAI KUET FAR (DAMANSARA UTAMA-CL)	1,116,600	0.141
		644,055,300	**81.525**

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Second ("2nd") Annual General Meeting ("AGM") of Mestron Holdings Berhad ("MESTRON" or "the Company") will be held at Puteri Grand Ballroom, Level 2, Four Points by Sheraton Puchong, 1201, Tower 3, Puchong Financial Corporate Centre, Jalan Puteri ½, Bandar Puteri, 47100 Puchong, Selangor Darul Ehsan, Malaysia on Tuesday, 18 August 2020 at 10.00 a.m. or any adjournment thereof for the purpose of transacting the following businesses:

AGENDA

As Ordinary Business:

1. To receive the Audited Financial Statements for the financial year ended 31 December 2019 together with the Reports of the Directors and Auditors thereon. ***(Please refer to Explanatory Note 1)***

2. To approve the payment of Directors' fees of up to RM220,000.00 and other benefits payable of up to RM15,000.00 payable to Non-Executive Directors of the Company for the period from 1 January 2020 until the conclusion of the next AGM of the Company. ***Ordinary Resolution 1***

3. To re-elect the following Directors who retire in accordance with Clause 105(1) of the Company's Constitution and who being eligible, have offered themselves for re-election: -

   (i) Loon Chin Seng ***Ordinary Resolution 2***
   (ii) Por Teong Eng ***Ordinary Resolution 3***

4. To re-appoint Messrs. Grant Thornton Malaysia as Auditors of the Company until the conclusion of the next AGM and to authorise the Directors to fix their remuneration. ***Ordinary Resolution 4***

As Special Business:

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

5. **Authority to Issue and Allot Shares Pursuant to Sections 75 and 76 of the Companies Act, 2016** ***Ordinary Resolution 5***

   "THAT subject to the Companies Act, 2016 ("the Act"), the Constitution of the Company, the ACE Market Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa Securities"), Additional Temporary Relief Measures to Listed Corporations for COVID-19, issued by Bursa Securities on 16 April 2020 and subject to the approvals of the relevant governmental/ regulatory authorities, the Directors be and are hereby authorised and empowered pursuant to Sections 75 and 76 of the Act, to issue and allot shares in the Company, at any time to such persons and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion deem fit, provided that the aggregate number of shares to be issued pursuant to this resolution does not exceed twenty per centum (20%) of the total number of issued shares of the Company (excluding treasury shares) at any point in time ("20% General Mandate"); AND THAT the Directors be and are hereby also empowered to obtain approval from the Bursa Securities for the listing and quotation of the additional shares so issued pursuant to the 20% General Mandate on Bursa Securities;

   AND THAT such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company"

6. **Proposed Amendments to the Constitution of the Company** ***Special Resolution 1***

   "THAT the proposed amendments to the Constitution of the Company be and are hereby approved and adopted; AND THAT the Board of Directors and Secretaries of the Company be and are hereby authorised to take all steps as are necessary and expedient in order to implement, finalise and give full effect to the proposed amendments to the Constitution of the Company."

NOTICE OF ANNUAL GENERAL MEETING
(cont'd)

7. To transact any other business for which due notice shall have been given in accordance with the Companies Act, 2016.

By order of the Board,

TAN TONG LANG (MAICSA 7045482)
THIEN LEE MEE (LS0009760)
Company Secretaries

Kuala Lumpur
30 June 2020

Notes:

1. *A member of the Company is entitled to appoint one or more proxies to attend and vote in his/her stead. A proxy may but need not, be a member of the Company. Where a member/shareholder appoints more than one proxy to attend and vote at the meeting, such appointment shall be invalid unless he/she specifies the proportion of his/her shareholdings to be represented by each proxy.*

2. *Where a member of the Company is an authorised nominee defined under the Securities Industry (Central Depositories) Act, 1991 ("SICDA"), it may appoint one (1) or more proxies 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 defined under the SICDA which is exempted from compliance with the provision of subsection 25A(1) of SICDA which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.*

4. *Where the authorised nominee or an exempt authorised nominee appoints more than one (1) proxy, the proportion of the shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.*

5. *The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under its Common Seal or under the hand of an officer or attorney duly authorised.*

6. *The Form of Proxy must be deposited at the Company's Share Registrar office at 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 or its Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No.8, Jalan Kerinchi, 59200 Kuala Lumpur, not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.*

7. *For the purpose of determining a member who shall be entitled to attend the meeting, the Company shall be requesting the Bursa Malaysia Depository Sdn Bhd to make available to the Company, a Record of Depositors as at 12 August 2020. Only members whose name appears on the Record of Depositors shall be entitled to attend, speak and vote at the said meeting or appoint proxies to attend, speak and vote and vote on his/her stead.*

8. *Pursuant to Rule 8.31A of the Listing Requirements of Bursa Securities, all resolutions set out in this Notice of the 2nd AGM will be put to vote by way of poll.*

EXPLANATORY NOTES:-

1. **Audited Financial Statements for the Financial Year Ended 31 December 2019**

   The Agenda No. 1 is meant for discussion only as Section 340(1)(a) of the Companies Act, 2016 provide that the audited financial statements are to be laid in the general meeting and does not require a formal approval of the shareholders. Therefore, this Agenda item is not put forward for voting.

NOTICE OF ANNUAL GENERAL MEETING (cont'd)

2. **Ordinary Resolution 1: To Approve the Payment of Directors' Fees and Other Benefits Payable**

Section 230(1) of the Act provides amongst others, that "the fees" of the Directors and "any benefits" payable to the Directors of public company or a listed company and its subsidiaries, shall be approved at a general meeting.

The Company pays Directors' fees and benefits to the Independent Non-Executive Directors ("INEDs"). The Board wishes to seek shareholders' approval for the payment of a maximum aggregate amount of RM220,000 for Directors' fees and a maximum aggregate amount of RM15,000 for the payment of other benefits to the INEDs of the Company for the period from 1 January 2020 until the conclusion of the next AGM of the Company.

Directors' benefits include allowances and other claimable benefits which calculated based on the current Board size and the number of schedule meetings for the period commencing from 1 January 2020 until the conclusion of the next AGM of the Company.

In the event the proposed amount is insufficient (e.g. due to more meetings or enlarged Board size), approval will be sought at the next AGM for additional fees to meet the shortfall.

3. **Ordinary Resolution 5: Authority to Issue Shares Pursuant to Sections 75 and 76 of the Act**

The proposed Ordinary Resolution 5 is a new general mandate and if passed, will empower the Directors of the Company to allot and issue new shares in the Company at any time, to such person or persons, upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit ("General Mandate"), provided that the number of shares issued pursuant to this General Mandate, when aggregated with the total number of any such shares issued during the preceding twelve (12) months, does not exceed 20% of the total number of issued shares of the Company at the time of issue. This General Mandate, unless revoked or varied at a general meeting, will expire at the conclusion of the next AGM of the Company.

The 20% General Mandate is pursuant to directive letter from Bursa Securities dated 16 April 2020 in relation to a temporary relief measures in view of the trying and challenging times due to the COVID-19 pandemic for listed issuer to seek a higher general mandate of not more than 20% of the total number of issued shares (excluding treasury shares) instead of 10%.

Having considered the current economic climate arising from the global Covid-19 pandemic and future financial needs of the Group, the Board would like to procure approval for the 20% General Mandate, inclusive of the Extended Utilisation Period, pursuant to Section 76(4) of the Act, from its shareholders at the forthcoming 2nd AGM of the Company.

The Board of Directors of the Company, after due consideration, is of the opinion that in the face of unprecedented challenges to the Company brought by Covid-19 pandemic, this 20% General Mandate will enable the Company further flexibility to raise funds expeditiously other than incurring additional interest costs as compared to bank borrowings, thereby allowing the Company to preserve its cash flow and achieve a more optimal capital structure. Any funds raised from this 20% General Mandate is expected be used as working capital to finance day-to-day operational expenses, on-going projects or future projects/investments to ensure the long-term sustainability of the Company.

The Board, having considered the current and prospective financial position, needs and capacity of the Company, is of the opinion that the 20% General Mandate is in the best interest of the Company and its subsidiaries.

4. **Special Resolution 1: Proposed Amendments to the Constitution of the Company**

The proposed Special Resolution 1, if passed, will enhance administrative efficiency.

Further information of the Proposed Amendments to the Constitution of the Company is set out in the "Appendix A" accompanying the Notice of AGM dated 30 June 2020.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

Pursuant to Rule 8.29(2) of the Listing Requirements of Bursa Securities:-

1. Details of individual who are standing for election as Directors (excluding Directors for re-election)

   No individual is seeking election as a Director at the 2nd AGM of the Company.

2. General mandate for issue of securities in accordance with Rule 6.04 of the Listing Requirements of Bursa Securities.

   The details of the proposed authority for Directors of the Company to issue shares in the Company pursuant to Sections 75 and 76 of the Companies Act 2016 are set out under Explanatory Notes.

APPENDIX A

PROPOSED AMENDMENTS TO THE CONSTITUTION OF THE COMPANY

The Constitution of the Company is proposed to be amended in the following manner: -

Clause No.	Existing Clause	Proposed Amendment		
190.	A notice or other document may also be served by the Company or the Secretary on any Director in hard copy, in electronic form or partly in hard copy and partly in electronic form. Notices given in hard copy shall be sent to the Director personally or by post to the address supplied by the Director for such purpose, or if given in electronic form, transmitting to the electronic address provided by the Director for such purpose.	190.	190.1	A notice or other document may also be served by the Company or the Secretary on any Director or securities holder in hard copy, in electronic form or partly in hard copy and partly in electronic form. Notices given in hard copy shall be sent to the Director or securities holder personally or by post to the address supplied by the Director or securities holder for such purpose, or if given in electronic form, transmitting to the electronic address provided by the Director or securities holder for such purpose.
			190.2	Any document, including but not limited to the Company's annual report, financial statements or circular required to be sent under the Listing Requirements to the securities holders may be circulated in electronic form, and sent via the following electronic means:- (a) be transmitting to the last known electronic mail address of the member or Director; (b) publishing the notice or document on the Company's website provided that a notification via hard copy or electronic mail to that effect is given in accordance with Section 320 of the Act and the Listing Requirements; or (c) using any other electronic platform maintained by the Company or third parties that can host the information in a secure manner for access by members or Directors, provided that a notification via hard copy or electronic mail to that effect is given to the members or Directors.
			190.3	A notice or other document if served by post shall be deemed to be served in the case of a member or Director having an address for service in Malaysia 2 days following that on which a properly stamped letter containing the same is posted within Malaysia and in the case of a member or Director having an address for service outside Malaysia 5 days following that on which the letter suitably stamped at airmail rates containing the same is posted within Malaysia. In proving service by post it shall be sufficient to prove that the letter containing the notice or document was properly addressed and stamped and put into a Government post office letter box.

APPENDIX A
(cont'd)

Clause No.	Existing Clause	Proposed Amendment		
			190.4	A notice or other document if served by electronic means:- (a) pursuant to Clause 190.2(a), shall be deemed to have been served at the time of transmission to a member's electronic mail address, provided that there is a record of the electronic mail being sent and that no written notification of delivery failure is received by the Company; (b) pursuant to Clause 190.2(b), shall be deemed to have been served 2 days from the date the notification of publication of the notice or other document on the Company's website is given to the members; or (c) pursuant to Clause 190.2(c), shall be deemed to have been served 2 days from the later of the time the notification of the making available of the notice and/or document on the relevant electronic platform is served or deemed served, as the case may be, and the time the notice or other document is first made available or accessible to members on the electronic platform.
			190.5	In the event that service of a notice or other document pursuant to Clause 190.2 is unsuccessful, the Company must, within 2 market days of discovering the delivery failure, make alternative arrangements for service by serving the notice or document by hard copy in accordance with Clause 190.1.
			190.6	The registered address in Malaysia (or if he has no address within Malaysia, to the address within Malaysia supplied by the member or the Director of the Company for giving of notices or other documents to him) and electronic mail address of the member and/or Director appearing in the Record of Depositors, Register of Members or Register of Directors, as the case may be, shall be deemed as the last known address for purposes of service of notices or documents to the member or Director, as the case may be, by the Company.

APPENDIX A
(cont'd)

Clause No.	Existing Clause	Proposed Amendment
193. (1)	Notice of every general meeting shall be given in any manner hereinbefore to: (a) every member at his registered address as appearing in the Record of Depositors, as the case may be, in Malaysia, or (if he has no address within Malaysia) to the address, if any, within Malaysia supplied by him to the Company for the giving of notices to him; (b) to the electronic address provided by the member to the Company for such purpose, or by publishing on a website; (c) every person entitled to a share in consequence of the death or bankruptcy of a member who, but for his death or bankruptcy, would be entitled to receive notice of the meeting; (d) the auditor for the time being of the Company; and (e) the Exchange.	Notice of every general meeting shall be given in any manner hereinbefore to: (a) every member at his registered address as appearing in the Record of Depositors, as the case may be, in Malaysia, or (if he has no address within Malaysia) to the address, if any, within Malaysia supplied by him to the Company for the giving of notices to him; (b) to the electronic address provided by the member to the Company for such purpose, or by publishing on a website; (c) every person entitled to a share in consequence of the death or bankruptcy of a member who, but for his death or bankruptcy, would be entitled to receive notice of the meeting; (d) the existing directors of the company; (e) the existing auditor of the company; (f) the Exchange; and (g) by way of advertisement in at least one (1) Bahasa Malaysia or English language daily newspaper with nationwide circulation.

This page is intentionally left blank

FORM OF PROXY

(Before completing this form please refer to the notes below)

No. of shares held	**:**	
CDS Account No.	**:**	

I/We ____ *NRIC No./Company No.

(Full Name in Capital Letter)

____________________ of ____

(Full Address)

being a member(s) of **MESTRON HOLDINGS BERHAD [Registration No. 201801018716 (1280732-K)]** hereby appoint (Proxy 1) ______________________________________ *NRIC No./Passport No.

(Full Name in Capital Letter)

____________________ of ____

(Full Address)

and failing *him/her (Proxy 2) _________________________________ *NRIC No / Passport No.

(Full Name in Capital Letter)

____________________ of ____

(Full Address)

or failing him/her*, the Chairman of the Meeting as *my/our proxy to vote for *me/us and on *my/our behalf at the Second (2nd) Annual General Meeting of the Company to be held at Puteri Grand Ballroom, Level 2, Four Points by Sheraton Puchong, 1201, Tower 3, Puchong Financial Corporate Centre, Jalan Puteri ½, Bandar Puteri, 47100 Puchong, Selangor Darul Ehsan, Malaysia on Tuesday, 18 August 2020 at 10.00 a.m. and at any adjournment thereof to vote as indicated below:-

Resolution	Agenda	FOR	AGAINST
OR1	To approve the payment of Directors' fees and other benefits of up to RM220,000.00		
OR2	To re-elect Loon Chin Seng as Director		
OR3	To re-elect Por Teong Eng as Director		
OR4	To re-appoint Messrs. Grant Thornton Malaysia as Auditors of the Company		
OR5	Authority to Allot Shares pursuant to Sections 75 and 76 of the Companies Act, 2016		
SR1	Proposed Amendments to the Constitution of the Company		

Please indicate with an "X" in the space provided on how you wish your vote to be cast. In the absence of specific direction, the proxy may vote or abstain from voting on the resolutions as he/she may think fit)

Signed on this __________ day of ________ 2020.

____

Signature of Shareholder(s) or Common Seal

*strike out whichever is inapplicable

The proportions of my/our holdings to be represented by our proxy(ies) are as follows.

Proxy 1
No. of Shares : ________________

Percentage :________________%

Proxy 2
No. of Shares : ________________

Percentage :________________%

Notes:

1. *A member of the Company is entitled to appoint one or more proxies to attend and vote in his/her stead. A proxy may but need not, be a member of the Company. Where a member/shareholder appoints more than one proxy to attend and vote at the meeting, such appointment shall be invalid unless he/she specifies the proportion of his/her shareholdings to be represented by each proxy.*
2. *Where a member of the Company is an authorised nominee defined under the Securities Industry (Central Depositories) Act, 1991 ("SICDA"), it may appoint one (1) or more proxies 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 defined under the SICDA which is exempted from compliance with the provision of subsection 25A(1) of SICDA which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.*
4. *Where the authorised nominee or an exempt authorised nominee appoints more than one (1) proxy, the proportion of the shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.*
5. *The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under its Common Seal or under the hand of an officer or attorney duly authorised.*
6. *The Form of Proxy must be deposited at the Company's Share Registrar office at 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 or its Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No.8, Jalan Kerinchi, 59200 Kuala Lumpur, not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.*
7. *For the purpose of determining a member who shall be entitled to attend the meeting, the Company shall be requesting the Bursa Malaysia Depository Sdn Bhd to make available to the Company, a Record of Depositors as at 12 August 2020. Only members whose name appears on the Record of Depositors shall be entitled to attend, speak and vote at the said meeting or appoint proxies to attend, speak and vote and vote on his/her stead.*
8. *Pursuant to Rule 8.31A of the Listing Requirements of Bursa Securities, all resolutions set out in this Notice of the 2nd AGM will be put to vote by way of poll.*

Please fold here

Place
Stamp Here

The Share Registrar of
MESTRON HOLDINGS BERHAD [Registration No. 201801018716 (1280732-K)]
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

or

Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium,
Avenue 3, Bangsar South, No.8, Jalan Kerinchi, 59200 Kuala Lumpur

Please fold here

Mestron Holdings Berhad
[Registration No. 201801018716 (1280732-K)]

PT 50102, Jalan MU 1/9, Seksyen 10,
Taman Perindustrian Meranti Utama,
47120 Puchong, Selangor Darul Ehsan, Malaysia.

Tel : +603-8069 1815
Fax : +603-8069 1805
Email: info@mestron.com.my