# Annual Report 2018

億利達控股有限公司

**Globaltec Formation Berhad**

(953031-A)

# CONTENTS

# PERFORMANCE HIGHLIGHTS

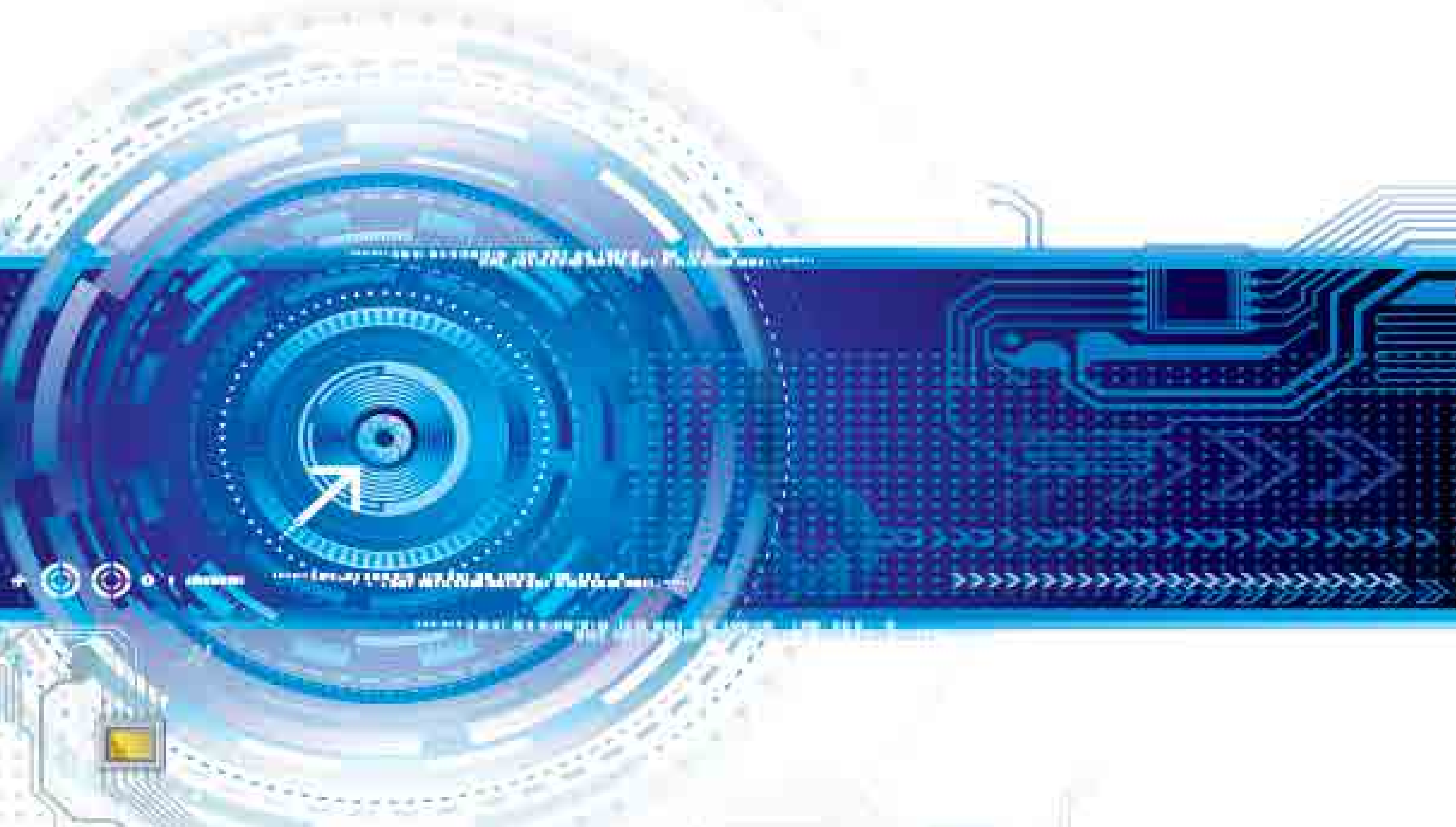


| (RM'000 unless otherwise stated) | FY 2018 | FY 2017 | FY 2016 | FY 2015 | FY 2014 |
|---|---|---|---|---|---|
| Turnover | 194,825 [1] | 177,001 [1][2] | 224,707 [1] | 299,368 [1] | 318,963 [1] |
| Loss before taxation | (36,186) [1] | (12,446) [1][2] | (12,108) [1] | (38,062) [1] | (35,412) [1] |
| Loss after taxation | (39,105) | (18,495) | (21,136) | (45,802) | (37,377) |
| Net loss attributable to owners of the Company | (20,356) | (9,560) | (17,238) | (41,297) | (37,186) |
| Net loss per share (sen) - basic | (0.378) | (0.178) | (0.320) | (0.767) | (0.697) |
| Property, plant and equipment | 102,526 | 109,246 | 157,608 | 166,243 | 177,253 |
| Total assets | 368,062 | 434,605 | 486,275 | 515,245 | 500,106 |
| Shareholders' funds | 246,380 | 276,235 | 287,699 | 305,711 | 348,750 |
| Net tangible assets | 217,999 | 247,230 | 257,650 | 263,366 | 261,786 |
| Total debt | 23,115 | 34,021 | 37,353 | 47,428 | 56,022 |
| Total debt/Shareholders' funds (times) | 0.09 | 0.12 | 0.13 | 0.16 | 0.16 |
| Pre-tax loss/Turnover (%) | (18.57) [1] | (7.03) [1][2] | (5.39) [1] | (12.71) [1] | (11.10) [1] |
| Pre-tax loss/Share capital (%) | (6.72) [1] | (2.31) [1][2] | (2.25) [1] | (7.07) [1] | (6.58) [1] |
| Pre-tax loss/Total assets (%) | (9.83) [1] | (2.86) [1][2] | (2.49) [1] | (7.39) [1] | (7.08) [1] |
| Pre-tax loss/Shareholders' funds (%) | (14.69) [1] | (4.51) [1][2] | (4.21) [1] | (12.45) [1] | (10.15) [1] |
| Current ratio (times) | 2.87 | 2.99 | 2.29 | 2.07 | 1.84 |

***Notes:***

(1) *Excludes discontinued operations.*

(2) *Restated due to a subsidiary within the Automotive Division being classified as discontinued operations in financial year 2018.*



## FY 2018

| Segments/Divisions: | Revenue RM'000 | Net Profit/(Loss) attributable to owners of the Company RM'000 | Total Assets RM'000 |
|---|---|---|---|
| IMS: | | | |
| Precision Machining, Stamping & Tooling | 112,503 | 12,433 | 102,807 |
| Automotive Components Design & Manufacturing | 73,948 | (5,983) | 53,347 |
| **IMS: Total** | 186,451 | 6,450 | 156,154 |
| **Energy** | - | (22,118) | 116,742 |
| **Resources** | 8,278 | (290) | 53,558 |
| **Investment holding** | 96 | (1,406) | 109,031 |
| Consolidation adjustments | - | 18 | (95,776) |
| **Continuing Operations** | 194,825 | (17,346) | 339,709 |
| Discontinued operations | 10,243 | (3,010) | - |
| Customer relationships | | | 5,919 |
| Goodwill arising on consolidation | | | 22,434 |
| **Total** | **205,068** | **(20,356)** | **368,062** |

## FY 2017

| Segments/Divisions: | Revenue RM'000 | Net Profit/(Loss) attributable to owners of the Company RM'000 | Total Assets RM'000 |
|---|---|---|---|
| IMS: | | | |
| Precision Machining, Stamping & Tooling | 105,594 | 10,174 | 100,603 |
| Automotive Components Design & Manufacturing | 60,958 [(1)] | (5,413) [(1)] | 62,730 |
| **IMS: Total** | 166,552 | 4,761 | 163,333 |
| **Energy** | 149 | (9,445) | 172,306 |
| **Resources** | 9,430 | 322 | 57,202 |
| **Investment holding** | 870 | (1,631) | 107,340 |
| Consolidation adjustments | | 2,535 | (94,324) |
| **Continuing Operations** | 177,001 | (3,458) | 405,857 |
| Discontinued operations | 28,098 [(1)] | (6,102) [(1)] | - |
| Customer relationships | | | 6,314 |
| Goodwill arising on consolidation | | | 22,434 |
| **Total** | **205,099** | **(9,560)** | **434,605** |

***Note:***

[(1)] *Restated due to a subsidiary within the Automotive division being classified as discontinued operations in financial year 2018.*

# GROUP STRUCTURE
AS AT 15 OCTOBER 2018



億利達控股有限公司
**Globaltec Formation Berhad**
(953031-A)

- **100% Jotech Holdings Sdn Bhd**
  - 100% PT Indotech Metal Nusantara ^
  - 100% Cergas Fortune Sdn Bhd
  - 100% Malgreen Progress Sdn Bhd
  - 100% Yee Heng Precision Stamping Sdn Bhd

- **100% AutoV Corporation Sdn Bhd**
  - 100% GFB Automotive Sdn Bhd
  - 100% Automako Sdn Bhd
  - 100% Autoventure Corporation Sdn Bhd
  - 100% Autovisor Plastics Sdn Bhd
  - 100% Aventur Door System Sdn Bhd
  - 100% Brimal Holdings Sdn Bhd
  - 100% Proreka (M) Sdn Bhd
    - 100% Proreka Automotive Parts Sdn Bhd
    - 100% Proreka Plastic Sdn Bhd
    - 100% Proreka Tech Sdn Bhd
  - 84% Nobel Decree Sdn Bhd
  - 70% AutoV Mando Sdn Bhd
  - 50% Proreka Sprintex Sdn Bhd

Investment Holding Segment
Integrated Manufacturing Services Segment
Energy Segment
Resources Segment

***Notes***
*# Incorporated in the Cayman Islands*
*~ Incorporated in Australia*
*+ Listed on the Australian Securities Exchange*
*^ Incorporated in Indonesia*
*@ Incorporated in the British Virgin Islands*
*> Incorporated in Singapore*

- **100% AIC Corporation Sdn Bhd**
  - 100% Prodelcon Sdn Bhd
    - 100% Isotrax Engineering Sdn Bhd
  - 100% AIC Technology Sdn Bhd
  - 100% Integral CAD Technologies Sdn Bhd
- 100% GFB Technology Sdn Bhd
- **100% Globaltec Energy Resources Sdn Bhd**
  - 60% New Century Energy Services Limited #
    - 100% New Century Energy Services Sdn Bhd
  - 60% New Century Energy Resources Limited #
    - 65% NuEnergy Gas Limited ~ +
      - 100% Indon CBM Pty Ltd ~
        - 95% PT Trisula CBM Energi ^
      - 100% Indo CBM Sumbagsel II Pte Limited >
      - 100% Sheraton Pines Pty Ltd ~
      - 100% Dart Energy (Indonesia) Holdings Pte Ltd >
        - 95% PT Dart Energy Indonesia ^
        - 100% Dart Energy (Tanjung Enim) Pte Ltd >
        - 100% Dart Energy (Muralim) Pte Ltd >
        - 100% Dart Energy (Bontang Bengalon) Pte Ltd >

# CORPORATE INFORMATION



## BOARD OF DIRECTORS

| | |
|---|---|
| **Tan Sri Datuk Seri Panglima (Dr.) Goh Tian Chuan, JP** | Group Executive Chairman |
| **Kong Kok Keong** | Group Deputy Chairman |
| **Ooi Boon Pin** | Chief Executive Officer ("CEO") of Precision Machining & Automation Division/Executive Director |
| **Chen Heng Mun** | Executive Director/Group Finance Director |
| **Ash'ari Bin Ayub** | Senior Independent Non-Executive Director |
| **Wong Zee Shin** | Independent Non-Executive Director |
| **Mej Jen Dato' Mokhtar Bin Perman *(Rtd)*** | Independent Non-Executive Director |
| **Yong Nam Yun** | CEO of Automotive Division/Alternate Director to Kong Kok Keong |

## AUDIT COMMITTEE

Ash'ari bin Ayub *(Chairman)*
Wong Zee Shin
Mej Jen Dato' Mokhtar Bin Perman *(Rtd)*

## NOMINATING COMMITTEE

Ash'ari bin Ayub *(Chairman)*
Wong Zee Shin
Mej Jen Dato' Mokhtar Bin Perman *(Rtd)*

## REMUNERATION COMMITTEE

Ash'ari bin Ayub *(Chairman)*
Wong Zee Shin
Kong Kok Keong

## COMPANY SECRETARIES

Seow Fei San *(MAICSA 7009732)*
Law Mee Poo *(MAICSA 7033423)*

## EXTERNAL AUDITOR

KPMG PLT

## INTERNAL AUDITOR

Axcelasia Columbus Sdn Bhd

## SOLICITORS

Lee Choon Wan & Co.
Mah-Kamariyah & Philip Koh

## REGISTERED OFFICE

Unit 23A-12, Menara Q Sentral,
No. 2A, Jalan Stesen Sentral 2,
Kuala Lumpur Sentral,
50470 Kuala Lumpur

Tel : (603) 2276 0195
Fax: (603) 2276 1379

## 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 : +603 2783 9299
Fax :+603 2783 9222

## PRINCIPAL BANKERS/FINANCIER

AmBank (M) Berhad
Bank Islam Malaysia Berhad
CIMB Bank Berhad
Citibank Berhad
Malaysian Industrial Development Financ Berhad
Malayan Banking Berhad
National Australia Bank
OCBC Bank NISP
Public Bank Berhad
RHB Bank Berhad
United Overseas Bank (Malaysia) Berhad

## TAN SRI DATUK SERI PANGLIMA (DR.) GOH TIAN CHUAN

*PSM, SSAP, SPDK, PGDK, ASDK, JP, PhD(h)*
*Group Executive Chairman*
*Malaysian Male, aged 57*

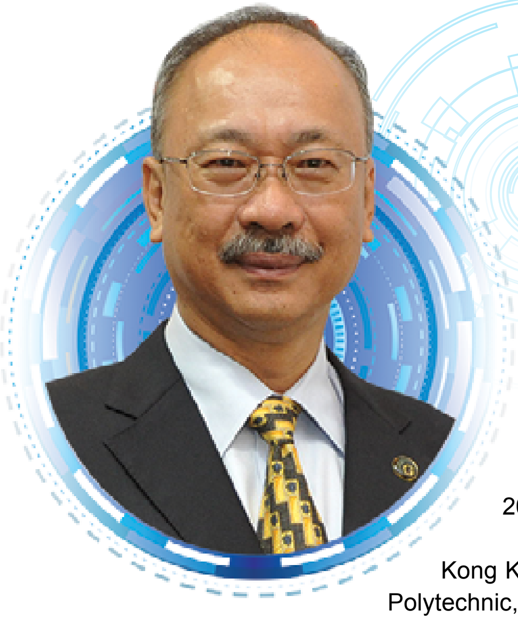
Tan Sri Datuk Seri Panglima (Dr.) Goh Tian Chuan, JP ("Tan Sri Datuk Seri Panglima (Dr.) T.C. Goh, JP") is our founder and Group Executive Chairman. He was appointed to our Board of Directors ("Board") on 20 July 2011 and as a member of the Remuneration Committee on 28 March 2012. He resigned as a member of the Remuneration Committee on 17 October 2017. He is also a Non-Executive Director (appointed on 17 December 2014) of NuEnergy Gas Limited ("NuEnergy"), a subsidiary of the Globaltec Group which is listed on the Australian Securities Exchange.

Tan Sri Datuk Seri Panglima (Dr.) T.C. Goh, JP graduated from the Royal Malaysia Police College in 1982 and was a Senior Police Officer attached to the police headquarters Kota Kinabalu, Sabah, Malaysia for thirteen (13) years. He started his own business after leaving the police force in 1994. His businesses at present, apart from his investments in several public listed companies cover a multitude of industries from investment holding to plantations and property development. Tan Sri Datuk Seri Panglima (Dr) T.C. Goh, JP is actively involved in community activities/services and is holding the post of Vice President of the Federation of Chinese Associations Malaysia (Huazong) and the post of President of The Federation of Chinese Associations Sabah ("FCAS").

On 31 May 2012, a merger exercise which integrated the then AIC Corporation Berhad ("AIC"), Jotech Holdings Berhad ("Jotech") and AutoV Corporation Berhad ("AutoV") respective group of companies under our Company ("Merger") was completed. Tan Sri Datuk Seri Panglima (Dr.) T.C. Goh, JP was the Executive Chairman of AIC and Jotech. He was appointed to the board of directors of AIC on 15 June 2006. He was also appointed as a member of the Remuneration Committee of AIC on 31 July 2006. He was redesignated as Executive Chairman of AIC on 2 July 2007. Tan Sri Datuk Seri Panglima (Dr.) T.C. Goh, JP was appointed to the board of directors of Jotech on 1 June 2006 and was also the Chairman of the Remuneration Committee of Jotech.

On 2 October 2006, he was conferred the title of Panglima Gemilang Darjah Kinabalu ("PGDK") which carries the title of "Datuk" by the Honourable Head of State of Sabah, Malaysia. In December 2011, he was appointed as Justice of the Peace ("JP") by the Honourable Head of State of Malacca, Malaysia. On 26 December 2013, he was conferred the title of Sri Sultan Ahmad Shah Pahang ("SSAP") which carries the title of "Dato' Sri" by the Honourable Sultan Ahmad Shah of Pahang Darul Makmur, Malaysia. On 4 October 2014, he was conferred the award Seri Panglima Darjah Kinabalu ("SPDK") by the Honourable Head of State of Sabah, the highest state award in Sabah which carries the title 'Datuk Seri Panglima'. During this year on 9 September 2017, he was bestowed the Panglima Setia Mahkota ("PSM") , which carries the title "Tan Sri" by His Majesty, the Yang di-Pertuan Agong of Malaysia in recognition of his significant contribution to the country and society.

Based on his experiences as a Senior Police Officer and Corporate Leader in Malaysia, he was conferred Honorary Doctorate of Civil Laws by European University Switzerland on 7 April 2012.



## KONG KOK KEONG

*Group Deputy Chairman, Malaysian Male, aged 64*

Kong Kok Keong was appointed to our Board on 28 March 2012 as the Group Deputy Executive Chairman and was the Executive Chairman of AutoV Group until his re-designation as Group Deputy Chairman (Non-Independent Non-Executive) on 21 December 2015. He was appointed a member of the Remuneration Committee on 17 October 2017. He was appointed a Non-Executive Director on 21 August 2014 and later redesignated as Non-Executive Chairman of NuEnergy on 17 December 2014.

Kong Kok Keong obtained his B.A (Honours) in Business Studies from Leicester Polytechnic, United Kingdom in July 1979. He started his career with Binder Hamlyn (Chartered Accountants) in United Kingdom as an electronic data processing supervisor from September 1979 to January 1983. He then returned to Malaysia and joined Rashid Hussain Securities Sdn Bhd as a Finance Manager from April 1983 to August 1984. He moved on to Larut Tin Fields Bhd as an accountant from September 1984 to August 1985. From September 1985 to October 1987, he was the Financial Controller of Kimara Securities Sdn Bhd before joining Fountain Industries Sdn Bhd as an accountant from January 1988 to December 1988. Subsequently, he was a Director of Visionplan Systems (M) Sdn Bhd from January 1989 to April 1990. From May 1990 to March 1992, he was a commissioned dealer's representative for Arab-Malaysian Securities Sdn Bhd. He later joined Innosabah Securities Sdn Bhd and served as an Executive Director from April 1992 to December 2001.

## OOI BOON PIN

*CEO of AIC Group/Executive Director, Malaysian Male, aged 60*

Ooi Boon Pin was appointed to our Board on 28 March 2012 as an Executive Director and he is the CEO of AIC Group.

He graduated with an Honours Degree in Manufacturing Technology from the National Institute for Higher Education (University of Limerick), Ireland in 1981. While studying for his degree, he joined Analog Devices B.V., Ireland, in 1978, a company involved in design and wafer fabrication, assembly and test of semiconductors, as a Product Development Engineer and later as a Process Engineer in the assembly department. Upon his return to Malaysia in 1981, he joined Micro-Machining Sdn Bhd, as a Quality Assurance Engineer where he was in charge of quality assurance in tool room and lead frame stamping facility. He was promoted to the position of Project Engineering Manager and was responsible for the development of new tool designs and end-of-line assembly equipment from design to manufacturing. In 1985 he founded Prodelcon and is its Managing Director from 1996 till now. He was an Executive Director of Jotech since 30 April 1997 but was redesignated as a Non-Independent Non-Executive Director on 20 August 2008. He is also the Chairman of the Technical Advisory Committee for Applied Engineering at the Penang Skills Development Centre ("PSDC"), a council member of PSDC and a board member of the Malaysian Meister and Industry Board. He was awarded the Pingat Kelakuan Terpuji by the Governor of Penang in July 2006.

## CHEN HENG MUN

*Executive Director/Group Finance Director, Malaysian Male aged 48*

Chen Heng Mun was appointed to our Board on 28 March 2012 as an Executive Director/Group Finance Director. He is also a Non-Executive Director (appointed on 1 January 2015) of NuEnergy.

Prior to passing the professional exams conducted by the then Malaysian Association of Certified Public Accountants in 1995, Chen Heng Mun worked for KPMG, an international accounting firm from January 1991 to February 1996. He started as an Audit Assistant in KPMG and left as an Audit Supervisor. Subsequently, he joined AIC as Group Accountant in February 1996 and was appointed to the board of AIC on 1 August 2007 as an Executive Director/ Chief Financial Officer. He was an Independent Non-Executive Director of Jotech from 3 January 2007 to 2 July 2007. He was appointed to the Board of AutoV on 26 May 2008 as a Non-Independent Non-Executive Director. He is a member of the Malaysian Institute of Accountants, Malaysian Institute of Certified Public Accountants and Certified Public Accountants, Australia.

## ASH'ARI BIN AYUB

*Senior Independent Non-Executive Director, Malaysian Male, aged 76*

Ash'ari bin Ayub is our Senior Independent Non-Executive Director and he was appointed to our Board on 28 March 2012. He is also the Chairman of the Audit Committee, Remuneration Committee and Nominating Committee.

He passed the professional examination of the then Malaysian Association of Certified Public Accountants on 24 June 1967. He is a member of the Malaysian Institute of Certified Public Accountants and the Malaysian Institute of Accountants. He started his career with Coopers Brothers & Co as an articled clerk in 1961 and was later promoted to a qualified audit assistant. He served in Coopers Brothers & Co until 1970. Thereafter, he joined various organisations in the government and private sector. He was a senior partner in Coopers & Lybrand for about 20 years from 1974 until his retirement in 1994. Currently, he is an Independent Non-Executive Director of Metrod Holdings Berhad and BCB Berhad.

He has been an Independent Non-Executive Director of AutoV since 20 February 2001. He was also the Chairman of the Audit Committee and Remuneration Committee of AutoV and was a member of the Nominating Committee of AutoV. Subsequent to the Merger, he has resigned from AutoV on 30 June 2012.

## MEJ JEN DATO' MOKHTAR BIN PERMAN (RTD)

*Independent Non-Executive Director, Malaysian Male, aged 65*

Mej Jen Dato' Mokhtar Bin Perman (Rtd) is our Independent Non-Executive Director. He was appointed to our Board as a Non-Independent Non-Executive Director on 10 June 2013 and was re-designated as Independent Non-Executive Director on 13 June 2018. He is a member of the Audit Committee and Nominating Committee since 2 January 2014. He joined the Malaysian Army in July 1970. After completing his military training at the Royal Military College, he was commissioned into the Royal Malaysian Artillery Regiment. During his service in the Army, he was sent to attend the various academic and professional courses locally as well as overseas.

In his nearly 40 years of service in the Army, Mej Jen Dato Mokhtar (Rtd) has served in both command and staff appointments at the various units, formations and the Ministry of Defence. He has also represented the Malaysian Army at the various international conferences, seminars and workshops locally and overseas. His last appointment in the Malaysian Army was as the General Officer-In-Command of the Training Command, responsible for the individual training of all Malaysian Army officers and soldiers. He retired from the Malaysian Army in December 2010.

## WONG ZEE SHIN

*Independent Non-Executive Director, Malaysian Male, aged 43*

Wong Zee Shin is our Independent Non-Executive Director and he was appointed to our Board on 28 March 2012. He is a member of the Audit Committee, Nominating Committee and Remuneration Committee since 28 March 2012.

He graduated with a Bachelor Degree in Finance and Accounting from the University Technology of Sydney, Australia in July 1999. He is a member of the Malaysian Institute of Accountants and Certified Public Accountants, Australia. He started his career in Ernst & Young, an international public accounting firm in Sandakan, Sabah from December 1999 to 2004. In August 2004, he joined Cepatwawasan Group Berhad as an Accountant and later joined Sogomax Sdn Bhd as an Accountant in June 2006. Subsequently in December 2009 to present, he joined Malbumi Estate Sdn Bhd as their Group Accountant.

He was appointed to the Board of Jotech on 2 July 2007. He was an Independent Non-Executive Director of Jotech and was also the Chairman of the Audit and Nominating Committees and was a member of the Remuneration Committee. Subsequent to the Merger, he has resigned from Jotech on 18 June 2012.

## YONG NAM YUN

*CEO of AutoV Group/Alternate Director to Kong Kok Keong*
*Malaysian Male, aged 52*

Yong Nam Yun was appointed as an alternate director to Kong Kok Keong on 6 January 2014 and he is the CEO of AutoV Group.

He obtained his LCCI Diploma from the Jasa College, Malaysia in 1987. He has been involved in his family businesses since 1987, starting with Kum Loong Enterprise Sdn Bhd as Finance Director from 1987 to 1998 and later as the Chief Operating Officer in Kum Loong Plastic Industries Sdn Bhd from 1998 to 2009. In February 2009, he formed KLPI Resources Sdn Bhd and became the Chief Executive Officer. Yong Nam Yun then co-founded Proreka (M) Sdn Bhd in April 2000 and held the position of Chief Executive Officer. He was appointed as an Executive Director of AutoV on 28 December 2011. Yong Nam Yun is also a director and shareholder in KLPI Resources Sdn Bhd, which provides cubic printing and painting services.

### ADDITIONAL INFORMATION

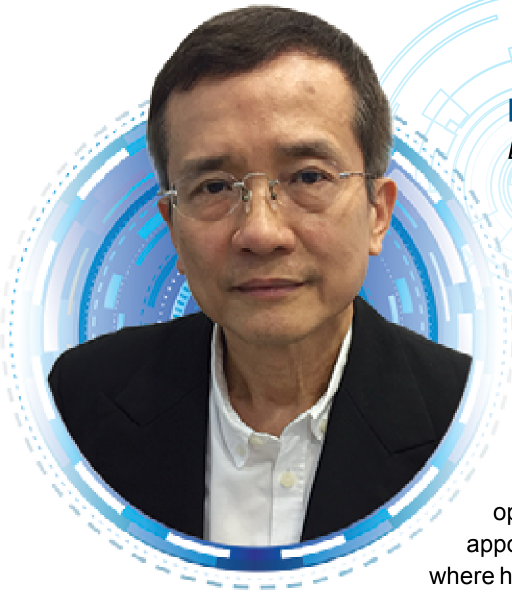
**Conflict of interest with the Company**
None

**Family relationships with any Director and/or major Shareholder of the Company**
None

**Convictions for offences (within the past 5 years, other than traffic offences) and particulars of any public sanction or penalty imposed by the relevant regulatory bodies during the financial year**
None

**Particulars of material contracts of the Group, involving directors and major shareholders' interest**
None

# PROFILES OF OUR KEY SENIOR MANAGEMENT



## KEE YONG WAH

*Executive Director of Energy Segment, Malaysian Male, aged 59*

Kee Yong Wah was appointed a director of NuEnergy Gas Limited ("NuEnergy"), a subsidiary of the Group in the Energy Segment, on 21 August 2014. He was later re-designated as Executive Director on 1 January 2015 and as Deputy Executive Chairman of NuEnergy on 7 April 2016. Mr Kee has more than 30 years of experience in the oil and gas exploration, production and servicing industry. In 1984, he joined Halliburton, a global conventional and unconventional oil and gas servicing company where he held various managerial, business development, operational and manufacturing positions in Asia and the USA. His last appointment in Halliburton was General Manager of Business Development where he was responsible for leading a group of Business Development and Account Managers in undertaking strategic planning and business development projects including mergers and acquisitions for all business units in Haliburton and formulating distributorship and agency agreements with customers. Having left Halliburton, Mr Kee joined Smith International, Inc, a New York Stock Exchange listed company principally involved in the supply of products and services to the oil and gas exploration and production industry, petrochemical industry and other industrial markets as the General Manager of its China operations. Subsequently, Mr Kee served as the Vice President of SPT Energy Group Inc, a company listed on the Hong Kong Stock Exchange that is principally involved in the provision of oilfield services prior to joining NuEnergy. Mr Kee is the founder of New Century Energy Resources Limited, a subsidiary of the Group and a substantial shareholder of NuEnergy.

## WOON WAI THONG

*Chief Financial Officer Malaysian Male, aged 44*

Woon was appointed as Chief Financial Officer of the Company on 1 November 2013. Woon has over 15 years' experience in operational and financial management. He is a Chartered Accountant, member of the Malaysian Institute of Accountants. In 1998, he started his career with Deloitte KassimChan as an Audit Assistant and left as an Audit Senior I in 2002. Subsequently, he joined AIC Corporation Berhad, a company then listed on the Main Market of Bursa Malaysia, now part of Globaltec.

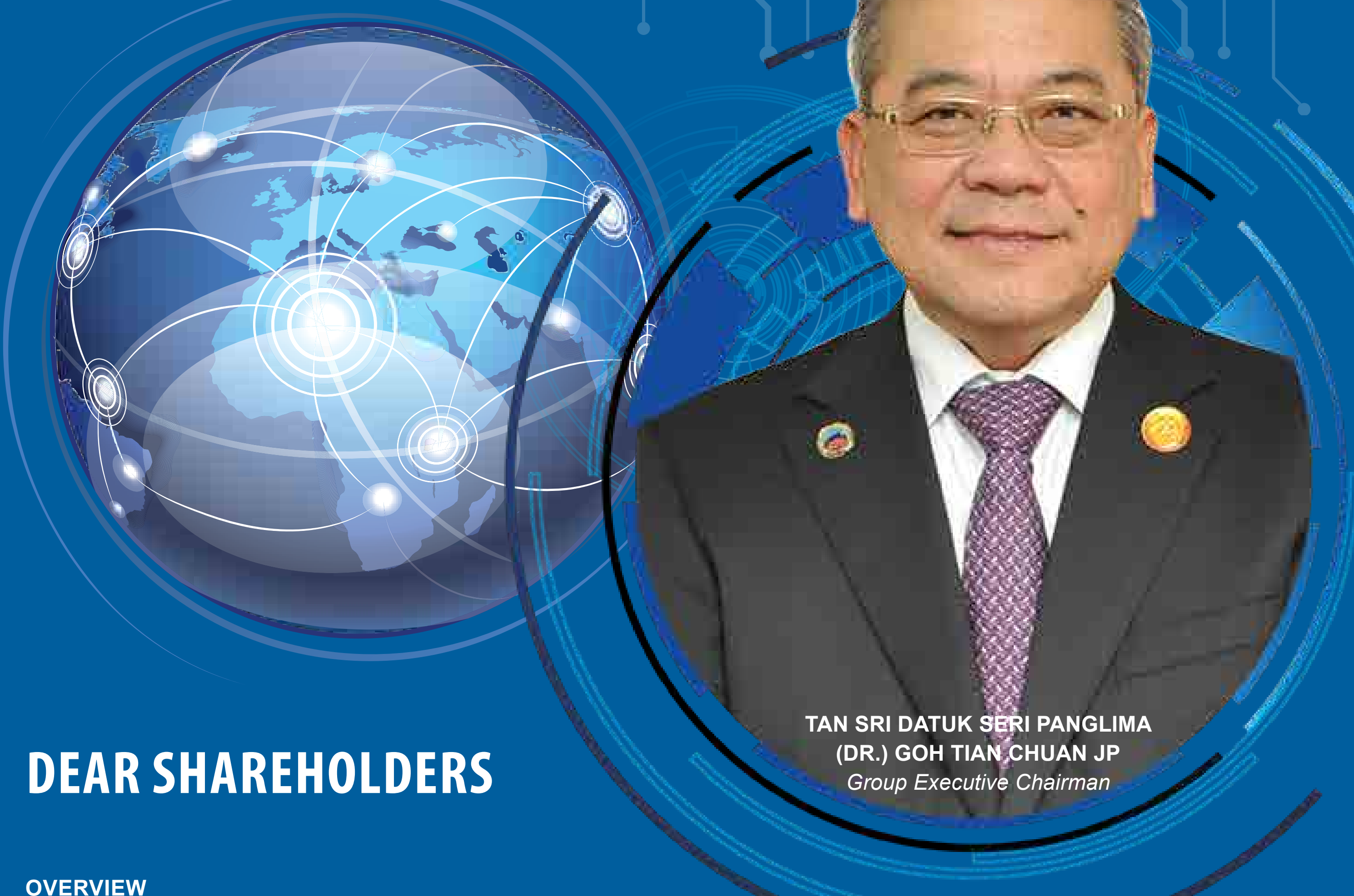
### ADDITIONAL INFORMATION

**Conflict of interest with the Company**
None

**Family relationship with any Director and/or major shareholder of the Company**
None

**Convictions for offences (within the past 5 years, other than traffic offences) and particulars of any public sanction or penalty imposed by the relevant regulatory bodies during the financial year**
None

# EXECUTIVE CHAIRMAN'S STATEMENT



**TAN SRI DATUK SERI PANGLIMA (DR.) GOH TIAN CHUAN JP**
*Group Executive Chairman*

## DEAR SHAREHOLDERS

**OVERVIEW**

The Malaysian economy expanded at a slower pace of 4.5% in the second quarter of 2018 (1Q 2018: 5.4%). Major economic sectors, notably the services and manufacturing sectors (77.5% of Malaysia's Gross Domestic Product ("GDP")), remained supportive of growth.Growth was anchored by domestic demand, reflecting expansion in both private and public sector spending. Similar to the region, despite the volatility, Malaysia benefited from the broad-based global recovery. The materialisation of positive spillovers from the external sector further reinforced domestic demand. The stronger exports was due mainly to higher demand by major trading partners such as the People's Republic of China ("PRC"), ASEAN, the European Union, United States of America and Japan, following the upswing in the global technology cycle, investment expansion in the advanced economies and the turnaround in the prices of commodities such as oil and gas.

## OVERVIEW (Cont'd)

The automotive industry recorded its second highest monthly total industry volume ("TIV") in July 2018 with 68,465 units sold that was driven primarily by reduction in prices due to the zero-rated goods and services tax ("GST"). A total of 358,179 units were sold during the first 7 months of 2018 compared with 333,006 units sold during the same period last year. However, due to the many domestic and global economic factors expected for the second half of the year coupled with the reintroduction of the sales and services tax effective 1 September 2018, the Malaysian Automotive Association ("MAA") has revised downwards its 2018 TIV forecast from 590,000 units to 585,000 units which reflects a modest 1.5% increase over the 2017 TIV figures. Bermaz Auto is now the largest "completely built up" exporter out of Malaysia, being one of Mazda's regional hubs. Proton came in third after Honda, 2 years in a row, with 13.8% of market share for passenger vehicles and 70,991 units sold in 2017. Proton, however with Geely in its stewardship is poised to launch new models (based on Geely's popular and best selling models) and is expected to recapture market share. Both Bermaz Auto and Proton are major customers of the Automotive division of the Group.

After several years of oversupply, the oil and gas industry could very well be moving headlong into a supply crunch. In general, the industry feels much healthier than it did 12 months ago. The price of oil has rebounded, with Brent crude now trading above US$70. The industry is thus recovering from the brutal last few years of weak prices, enforced capital discipline, portfolio realignments, and productivity efficiencies. With oil demand growing, and investment in many major projects having been deferred during the downturn, there is less potential supply available. Oil companies will need to boost their production. The Energy segment's operations are located in Indonesia, where the demographics, economics and government policies and support (as outlined below) are, contrary to global trends, attractive for investments in unconventional gas exploration and production.

- Indonesia contains large reserves of natural gas. Currently, the country contains the 3rd largest gas reserves of the Asia Pacific region (after Australia and China);

- Indonesia is the 4th most populous country in the world, with GDP growth forecasted to be around 5.5% to 6.0% for 2019 to 2020 and is experiencing an increasing trend in energy demand;

- Declining supply of conventional oil and gas resulting in a shortage of gas for domestic industries in Indonesia. Natural gas production has fallen for a 6th year in a row, by 7.4% (-5.3 billion cubic metres) in 2016 (19% lower than in 2010) and supply shortage in Central and South Sumatra will be 296 million standard cubic feet per day ("MMSCFD") in 2020 rising to a supply shortage of 937 MMSCFD in 2030. State owned gas transportation and distribution company Perusahaan Gas Negara ("PGN") has not been able to satisfy domestic demand. This has far reaching consequences as it causes state electricity company Perusahaan Listrik Negara ("PLN"), the biggest domestic gas consumer, to have a structural lack of gas supplies and forces PLN to turn to other - more expensive and environment unfriendly - fossil fuels, such as oil, to generate electricity.However, blackouts happen frequently across the country (in particular outside the bigger cities on Java), thus hurting the nation's industries. Moreover, nearly 80 million Indonesians do not yet have access to electricity as is shown by Indonesia's relatively low electrification rate of 84.1% in 2014;

- Robust domestic gas prices (ranging steadily between US$6 to US$14 per million British thermal unit ("mmbtu") in Indonesia vis-à-vis gas prices in other parts of the world; and

- Indonesian Government's support to increase clean energy production and to reduce carbon footprint through relaxation of rules and ardent advocation of investment and tax incentives.

It is worth noting that the Energy segment has submitted the first Plan of Development for the Tanjung Enim Field ("POD I") within the Tanjung Enim Production Sharing Contract ("PSC") to the Head of the Indonesian Special Task Force for Upstream Oil and Gas Business Activities ("SKK Migas") who upon its final review, will submit to the Indonesia Ministry of Energy and Mineral Resources for approval. The POD I submission represents a key regulatory milestone in the development of the Tanjung Enim PSC and also a first mover advantage in the coal bed methane ("CBM") industry in Indonesia.

The Energy segment signed a Memorandum of Understanding with Pertagas in September 2017 to explore the gas supply from the Tanjung Enim PSC and the Energy segment will now progress on further negotiations on the commercial terms. The proposed POD I plans for the gas production and delivery to plateau at 25 million standard cubic feet per day (mmscfd) for 10 years.

## OVERVIEW (Cont'd)

Continuing from past years effort to streamline and make the Group lean, the Group has to-date divested all of its loss making non-core businesses, with the divestment of an associate which has not commenced its coal mining operations and JP Metal Sdn Bhd, a loss making subsidiary involved in the metal stamping business during the financial year.

## FINANCIAL AND OPERATIONS REVIEW

Revenue from continuing operations for the current year increased from RM177.0 million in the prior year to RM194.8 million. This was due to an increase of RM19.9 million or 12% in the Integrated Manufacturing Services ("IMS") segment's revenue on the back of both the Precision Machining Stamping and Tooling ("PMST") and Automotive divisions registering increased revenue contributions respectively. The increase in IMS segment's revenue was due to higher demand for its products and services. The Resources segment however registered a decrease in its revenue from RM9.4 million to RM8.3 million year on year due to a decrease in oil palm fresh fruit bunch ("FFB") prices.

Included in the Group's results from continuing operations for the current year were the Group's effective share of the impairment loss on exploration assets (net of tax) of RM17.1 million (FY2017: RM3.1 million) and the Automotive division's rationalisation costs of RM3.7 million (FY2017 : Nil). On a normalised basis (after excluding the above items), the Group's continuing operations recorded a positive turnaround from a net loss attributable to owners of the Company ("net loss") of RM0.4 million to a net profit attributable to owners of the Company ("net profit") of RM3.5 million. This was mainly attributable to the higher revenue generated by the IMS segment. Within the IMS segment, the PMST division recorded higher net profits of RM12.4 million for the current year versus net profits of RM10.1 million in the prior year. On a normalised basis, the Automotive division, in its effort to turnaround by reducing reliance on Proton which was loss making and expand its customer base, has more than halved its net losses from RM5.4 million in the previous year to RM2.3 million in the current year. In tandem with the decline in its revenue of RM1.2 million, the Resources segment registered a marginal net loss of RM0.3 million vis-à-vis a net profit of RM0.3 million year on year.

## PROSPECTS

Although Bank Negara Malaysia has lowered Malaysia's economic growth forecast for 2018 to 5% from its earlier estimate of 5.5%-6%, the economic growth for Malaysia in the 2nd half of 2018 and into 2019 is expected to be broadly sustained, supported mainly by private sector spending. The softer growth was a result of the fall in government development expenditure and the lacklustre performance of liquefied natural gas and crude palm oil. The key threat to growth is a full-blown US-China trade war. In addition, the financial turmoil and monetary tightening, such as exchange rate crisis, fiscal woes and twin deficits, in many emerging economies could eventually crimp growth and have a knock-on impact for advanced economies, thus putting the brakes on global growth.

Indonesia's expanding economy in combination with the government's intention to lower reliance on oil as a source for energy supply in industries, power generation and transportation will cause domestic demand for gas to rise in the future. The country contains abundant reserves of gas that can supply Indonesia as well as foreign export markets for many more decades to come. Unconventional gas is benchmarked to play a significant role in meeting this demand growth and the Energy segment is uniquely positioned to capitalise on this. The Indonesian Government is a strong proponent for increasing domestic unconventional gas production, especially as conventional production continues to be on the decline. The Energy segment's strong relationships with the Indonesian Government and joint venture partners within attractive PSCs, means that we operate in a stable political and regulatory environment, where our goals and objectives match Indonesia's interests and targets. Our CBM assets are in prolific hydrocarbons basins, each near major gas export pipelines, underutilised gas infrastructure and high-volume under-supplied markets.

### PROSPECTS (Cont'd)

The Malaysian automotive industry is expected to have a tepid/marginal growth of 2% for 2018 as the euphoria from the 3-month GST-free holiday settles down. The recent join venture between Proton and the PRC's Geely will pave the way for Proton to assemble and market its cars in the PRC. With Proton as one of its major customer, the Group will be able to tag along with Proton, on the opportunity to ride the growth of the world's largest automotive market and reduce Proton's dependency on the domestic market. Geely has surpassed the top 3 renowned Japanese car makers to become the 3rd-largest carmaker in the PRC. Geely has been far outpacing the broader PRC market by posting a 43% increase in its sales in the first 7 months of 2018. The new National Automotive Policy ("NAP") of Malaysia due to be announced end of 2018 is said to ensure that the Malaysian automotive industry remains competitive whilst benefitting the consumers, The new NAP is also expected to dismantle monopolies, However, the Malaysian government's recent move of possibly imposing certain conditions to restrict the import of foreign cars will have negative impact on the automotive industry, create an unlevel playing field and stunt foreign investment growth into the automotive sector.

The captive market (due mainly to proprietary nature of the information and technology) of high precision machining components for photonics, radio frequency microwave products and manufacturing of precision surgical instruments and components for life sciences equipment which the precision machining and automation ("PMA") division, a sub division of the PMST division, is in, will continue to provide stability in profits and cash flow to the PMA sub-division.

Another sub-division of the PMST division is the precision stamping and tooling ("PST") division. The PST sub-division operates in Indonesia and sells mainly to the local market in Indonesia. Passenger vehicles and motorcycles industry in Indonesia is expected to grow at 4% to 7% per annum till 2020. Indonesia's GDP growth forecast for 2019 to 2020 ranges from 5.5% to 6% per annum. The strong growth in Indonesia and high demand for automotive products/accessories will be the main impetus for PST sub-division's growth. In addition, the spillover effects of the collaboration between the supply chain network of Geely and the Automotive division will also augur well for the PST sub-division.

Entering financial year 2019, as the Energy segment takes a step closer to mass development , the Automotive division returns to profit whilst the PMST division goes on an expansion mode and that the loss making non-core businesses have all been hived off, the Group is confident and hopeful that it will turn profitable next financial year.

### FORWARD PLANS AND STRATEGIES

Your Board shares your concerns and urgency to return the Group to profit. It is worth noting, the normalised results year on year and results of the final quarter of financial year 2018 of the Group shows an improving trend in the Group's operations and financials.

In respect of the unconventional gas business, the Group's aim is to be a sustainable explorer of Indonesia. The overall objective is to find resources at low cost, maintaining discretion over which prospects to drill and then monetising them in an efficient way that maximises the value created. The Energy segment will only allocate capital to the highest-quality prospects that offer the best potential risked returns, all whilst keeping cost under control and keeping risks (mainly regulatory risks in relation to exploration commitments and deadlines) in abeyance. The Energy segment will make all efforts to strategise and develop the South Sumatra PSCs (which are located adjacent to each other) in an efficient and effective manner. The Energy segment will continue to take advantage of the lower exploration costs while continuing to focus on monetising its exploration assets expediently, by concentrating on those PSCs which are at advanced stages of exploration and are closer to commercialisation and therefore securing an optimum growth for the segment. The Energy segment's field proven and fit for purpose technological innovation and continuous improvement principle will be fully utilised to improve operational efficiency and ensure it operates successfully and economically in today's global environment of relatively low commodity prices. In relation to the above, the Energy segment is fully committed in securing approval for the POD 1 by 4th quarter of 2018, moving into mass development and first gas production. The Energy segment will also continue to confirm target gas buyers and negotiate optimal gas sales agreements. Once in production our CBM assets can be quickly monetised with several high-price marketing options with available infrastructure in close proximity, including local compressed natural gas users, electricity companies and independent powers producers. The energy/gas consumption in Indonesia is growing year-on-year and our proximity to each consumer base ensures we can secure competitive long-term gas sales contracts at robust prices for all of our gas production.

## FORWARD PLANS AND STRATEGIES (Cont'd)

The Automotive division, the only loss making division within the IMS segment, has shown significant signs of improvement and is well on the road to profitability. In addiion to being more cost streamlined and efficient, the Automotive division has been working relentlessly on developing and securing more businesses from other car makers whilst maintaining a strong and close position in the Proton-Geely supply chain in order to ride on the next growth chapter of Proton-Geely in Malaysia and within the region. Proton-Geely is expected to launch its first new car model under the Geely platform end of 2018. The Automotive division also plans to leverage on its strategic alliance with Ningbo Auto Components Industry Association ("Ningbo AIA") of the PRC, and its members to grow its business with Proton, as Ningbo AIA and its members are existing suppliers to Geely in the PRC.

The PMA sub-division has commenced construction of its 2nd factory in Bukit Minyak, Penang to cater to high demand and address its constraints in capacity. This 2nd factory is expected to be completed in the first quarter of 2019. Capitalising on the buoyant growth in Indonesia, the PST sub-division is too planning to expand its 2nd factory to increase capacity to cater for its customers' expansion needs.

Last but not least, the Company is proposing a consolidation of 20 to 1 shares and an issuance of up to 67.3 million free warrants. The proposed share consolidation is envisioned to increase the Company's profile amongst investors which in turn may increase market interest and activity in the shares of the Company. The proposed share consolidation will rationalise the Company's share capital by reducing the number of shares in issue and hence potentially reduce the degree of volatility in the market price of the shares.

## CORPORATE GOVERNANCE AND INVESTOR RELATIONS

Our Group deems it our top priority in role-modelling ourselves in maintaining high standards in corporate governance practices in managing our businesses and affairs within the Group. To achieve these objectives, your Board and key management staff have been proactively educating ourselves in order for the Group to comply fully with the principles and best practices set out in the Malaysian Code on Corporate Governance and developments of internationally recognised best governance practices. The Group remains committed to espouse and maintain its good corporate governance track record through timely and objective reporting and constant communication with all its stakeholders.

## SUSTAINABILITY

Your Board believes in the importance of sustainability of the environment and stakeholders in which the Group operates, in that the improvement in the conditions surrounding our stakeholders, employees, society and the environment, which is the embodiment of sustainability, is vital to the growth of the Group. Your Board recognises that acting in a responsible and sustainable manner creates new opportunities, enhances investor value, and improves social, economic and environmental returns.

## APPRECIATION

I wish to express my sincere thanks to all our cherished shareholders for your continued support and wish to reiterate that your Board is committed to improve the Group's performance and enhance shareholders' values.

I would like to express our sincere gratitude to our valued customers, business partners, bankers and the relevant government authorities for their invaluable support.

I also wish to express my gratitude to my fellow Board members, the management and staff for their professionalism and undying commitment to steer the Group towards excellence.

**Tan Sri Datuk Seri Panglima (Dr.) TC Goh, JP**
Group Executive Chairman

15 October 2018

# MANAGEMENT DISCUSSION AND ANALYSIS



## OVERVIEW

The Group's revenue from continuing operations for the current year increased from RM177.0 million in the prior year to RM194.8 million. This was due to an increase of RM19.9 million or 12% in the Integrated Manufacturing Services ("IMS") segment's revenue on the back of both the Precision Machining Stamping and Tooling ("PMST") and Automotive divisions registering increased revenue contributions respectively. The increase in IMS segment's revenue was due to higher demand for its products and services. The Resources segment however registered a decrease in its revenue from RM9.4 million to RM8.3 million year on year due to a decrease in oil palm fresh fruit bunch ("FFB") prices.

The Group's revenue and net results by segment/division for the financial year are summarised as follows:

| | Financial year ended 30 June | | | | | |
|---|---|---|---|---|---|---|
| | Revenue | | | | Net profit/(loss) attributable to owners of the Company | |
| | ← 2018 → | | ← 2017 → | | 2018 | 2017 |
| **Segment/Division** | **Amount RM'000** | **%** | **Amount RM'000** | **%** | **Amount RM'000** | **Amount RM'000** |
| PMST | 112,503 | 55 | 105,594 | 51 | 12,433 | 10,174 |
| Automotive | 73,948 | 36 | 60,958 | 30 | (5,983) | (5,413) |
| **IMS** | **186,451** | **91** | **166,552** | **81** | **6,450** | **4,761** |
| **Resources** | **8,278** | **4** | **9,430** | **5** | **(290)** | **322** |
| **Energy** | **-** | **-** | **149** | ***** | **(22,118)** | **(9,445)** |
| **Investment holding** | **96** | ***** | **870** | ***** | **(1,406)** | **(1,631)** |
| Consolidation adjustments | - | - | - | - | 18 | 2,535 |
| **Continuing operations** | **194,825** | **95** | **177,001** | **86** | **(17,346)** | **(3,458)** |
| Discontinued operations | 10,243 | 5 | 28,098 | 14 | (3,010) | (6,102) |
| **Total** | **205,068** | **100** | **205,099** | **100** | **(20,356)** | **(9,560)** |

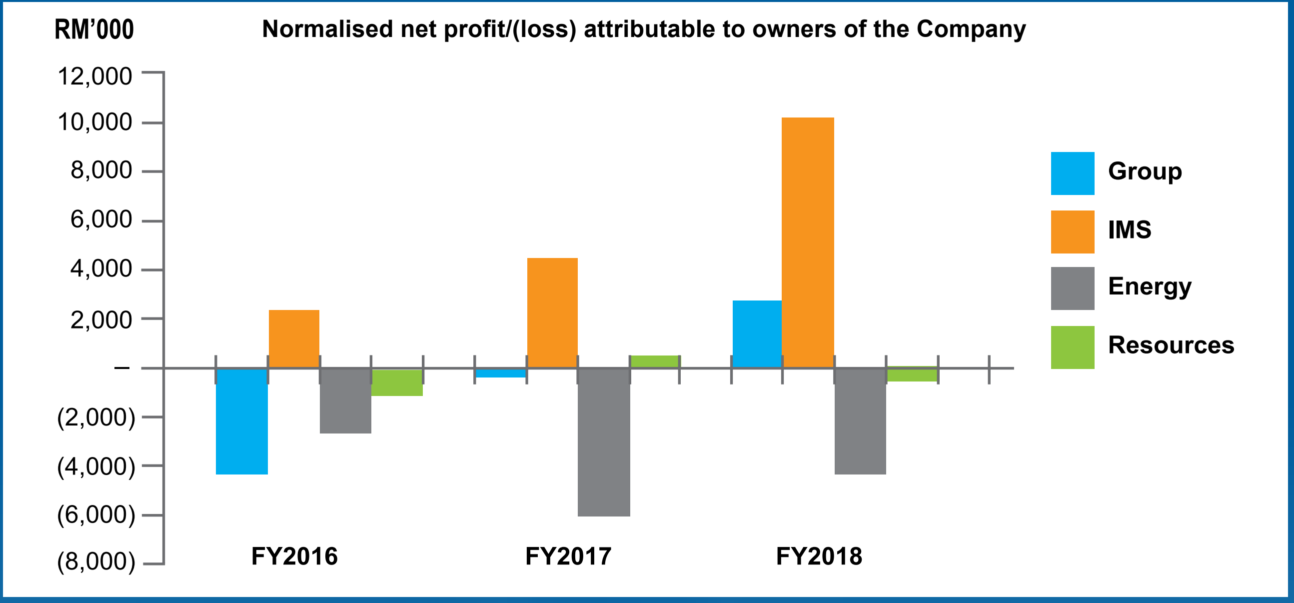
***Note:*** * *Negligible*

Included in the Group's results from continuing operations for the current year were the Group's effective share of the impairment loss on exploration assets (net of tax) of RM17.1 million (FY2017: RM3.1 million) and the Automotive division's integration and rationalisation costs of RM3.7 million (FY2017 : Nil). The impairment loss on exploration assets for the current year arose in respect of the full carrying value of the Rengat Production Sharing Contract ("PSC"). As there have not been any attractive commercial discoveries based on the drilling programs at the Rengat PSC, the Energy segment and Indonesian Special Task Force for Upstream Oil and Gas Business Activities (commonly referred to as SKK Migas) have amicably agreed for the Energy segment to relinquish the Rengat PSC after the completion of the firm commitments. There is no operational impact to the Energy segment after the relinquishment and this is in line with the Energy segment's key strategic focus on its 4 South Sumatra PSCs (namely Tanjung Enim PSC, Muara Enim PSC, Muara Enim II PSC and Muralim PSC) to develop and operate a large CBM supply, and to better utilise its current resources to bring these South Sumatra PSCs to development.

On a normalised basis (after excluding the above items), the Group's continuing operations chalked up a positive turnaround from a net loss attributable to owners of the Company ("net loss") of RM0.4 million to a net profit attributable to owners of the Company ("net profit") of RM3.5 million. This was mainly attributable to the higher revenue achieved by the IMS segment. Within the IMS segment, the PMST division recorded higher net profits of RM12.4 million for the current year versus net profits of RM10.1 million in the preceding year. On a normalised basis, the Automotive division, in its effort to turnaround by reducing reliance on Proton (which was loss making and losing market share), and expand its customer base, has more than halved its net losses from RM5.4 million in the previous year to RM2.3 million in the current year. In tandem with the decline in its revenue of RM1.2 million, the Resources segment registered a marginal net loss of RM0.3 million vis-à-vis a net profit of RM0.3 million year on year.

**OVERVIEW (Cont'd)**

The Group's normalised earnings from continuing operations has been gradually improving year on year from a normalised net loss of RM4.1 million in financial year 2016 to a normalised net profit of RM2.6 million in financial year 2018. This represented a 143% positive turnaround in the earnings from continuing operations. The IMS segment too have seen its normalised net profit quadrupled from RM2.5 million in financial year 2016 to RM10.1 million in financial year 2018.




The Group's operating cash inflow increased from RM0.5 million to RM12.5 million year on year. The Group however registered a total net cash outflow of RM14.3 million due mainly to a net repayment of bank borrowings, exploration expenditure and purchase of plant and machinery. The cash and bank balances as at period end amounts to RM55.4 million. Comparing this year end with the end of the previous financial year, the Group's gearing improved to 0.09 times from 0.12 times and current ratio dropped to 2.87 times from 2.99 times.

**IMS SEGMENT**

**PMST Division**

The PMST Division is involved in precision machining & automation ("PMA") and precision metal stamping & tooling ("PST").

Each financial year, the PMST Division has been steadily recording growth in its yearly revenue. For the current financial year, the PMST Division reported an increase of 6% in revenue from RM105.6 million in the prior financial year to RM112.5 million for the current financial year due mainly to improvement in demand. In line with this increase and better cost management, net profit increased by 22% to RM12.4 million from RM10.2 million.

## IMS SEGMENT (Cont'd)

### PMST Division (Cont'd)

Revenue from the PMA sub-division grew 7% from RM47.7 million in the previous financial year to RM50.8 million for the current financial year. The increase in revenue was driven by favorable demand in the life science, diagnostics and applied markets and tooling businesses. During the financial year, the PMA sub-division has invested in additional machines such as computer numerical control ("CNC") milling, CNC turning machines and robotic handling systems amounting to RM4.9 million to increase machining capacity and capability as well as to reduce the dependency on foreign labor. The PMA sub-division has also placed an order for Roeders high speed CNC milling machine and corresponding high accuracy measurement equipment to support the new business programs from overseas customers dealing in 5G networking products. This important capability will enable the PMA sub-division to offer better solutions for machining highly accurate and complex parts to new and existing customers. The PMA sub-division is exposed to high customer concentration risk, external pricing pressure, threats of new entrants and increasing cost of labour and raw materials. In order to reduce these risks, the PMA sub-division has taken the necessary steps to grow its business with customers from various industries. It also implemented kaizen projects to improve production efficiency, cost saving and maintain competitive advantages with high-quality products. By investing to modernise and upgrade its facilities and equipment, this strategy is expected to strengthen its expertise in engineering and production and thereby increasing effectiveness and efficiency and ultimately maximising profits. The PMA sub-division has kick started its expansion phase and is estimated to spend approximately RM10 million to build a new 60,000 square feet facility at Penang Science Park. The new facility is expected to be completed by the end of the first quarter of 2019. As at to-date, the PMA sub-dvision is working on several new projects that will bring further growth to this sub-divsion which is currently operating at full capacity.

Revenue from the PST sub-division increased 7% to RM61.7 million as compared to preceding financial year's revenue of RM57.9 million underpinned by strong demand. In tandem with the increase in revenue and better cost management, net profit grew 22% from RM5.0 million to RM6.1 million for financial year 2018. The PST sub-division is subjected to external pricing pressure, increasing cost of labour and raw materials and foreign exchange fluctuations. In order to reduce these risks, the PST sub-division has constantly implement ways to improve efficiency such as maximising automation and sourcing for cheaper but quality raw materials, in order to bring down costs and be more competitive. Capitalising on buoyant growth and overwhelming demand from customers but constrained by capacity, the PST sub-division is also planning an expansion of its existing facilities.

*Construction of PMA sub-division's new facility progressing*

**IMS SEGMENT (Cont'd)**

**Automotive Division**

Revenue from the Automotive division increased by 20% from RM61.6 million in financial year 2017 to RM73.9 million for financial year 2018. This was attributable to the effort put in place by the Automotive division to develop and secure more businesses from other car makers whilst reducing reliance on Proton which was experiencing declining revenues and suffering losses yearly. Consequently, sales to Proton for the current financial year declined to about 30% (2017: 58%) of the total revenue of the Automotive division. The sales to Proton continue to incur losses due to the low volume and also steep discounts given to Proton. During the financial year, the Automotive division completed its integration and rationalisation exercise in order to streamline operations, reduce costs and be more efficient. The one-off integration which encompassed principally consolidating the operations of 2 factories into 1 factory and rationalisation costs (including right-sizing of personnel) amounted to RM3.7 million during the financial year. Excluding this non-recurring costs, the Automotive has significantly reduced its losses for the current financial year as compared to the prior years. In addition, the Automotive division disposed of during the financial year, JP Metal Sdn Bhd, a loss making metal stamping subsidiary in order to weed out non-core and loss making subsidiaries.

The Automotive division has 2 major customers that represent about 70% of its total revenue for financial year 2017. As such, the Automotive division is exposed to high customer concentration risk. Apart from this, the Automotive division is exposed to external pricing pressure and threats of competitors. In order to reduce these risks, the Automotive division has taken the necessary steps to grow its business with customers from various car makers. Anticipating future growth in Proton through the launch of new Proton-Geely models (which are based on the tried and tested successful models of Geely in the PRC and within the region) commencing end of this year, the Automotive division actively continues to maintain a strong and close position in the Proton-Geely supply chain in order to ride on the next growth chapter of Proton-Geely in Malaysia and within the region. The Automotive division also plans to leverage on its strategic alliance with Ningbo Auto Components Industry Association ("Ningbo AIA") of the PRC, and its members to grow its business with Proton, as Ningbo AIA and its members are existing suppliers to Geely in the PRC.

*Signing of Memorandum of Understanding with Ningbo AIA and its members*

**RESOURCES SEGMENT**

Despite FFB production increasing from 15,976 metric tonnes to 16,236 metric tonnes, the Resources Segment experienced a drop in its revenue from RM9.4 million to RM8.3 million year on year, due mainly to a decrease in FFB prices. Average FFB prices fell from RM590 per metric tonne in financial year 2017 to RM510 per metric tonne for financial year 2018.

In tandem with the decline in revenue, the Resources segment registered a net loss of RM0.3 million for the current financial year versus a net profit of RM0.3 million in the previous financial year.

## ENERGY SEGMENT

The Energy Segment, which targets to commence commercial production within 3 years from now, incurred a higher net loss of RM22.1 million versus a net loss of RM9.4 million in the prior financial year due mainly to the impairment loss on exploration assets mentioned earlier.

Excluding the non-recurring impairments, the yearly net loss of the Energy segment constituted mainly of administrative and personnel expenditure, which was lower at RM5.0 million as compared to RM6.3 million in the prior year. As at end of the financial year, the carrying value of the exploration and evaluation assets amounted to RM106.9 million with a total of RM8.4 million exploration expenditure incurred in financial year 2018.

The Energy segment has coal bed methane ("CBM") assets in South Sumatra, Central Sumatra and East Kalimantan in Indonesia that gives us a total acreage of 3,658 $km^2$. The Energy segment is the operator of all the CBM assets and 28 wells have been drilled to-date.

During the financial year, the Energy segment operations were mainly focused on the preparation and submission of the Plan of Development ("POD") for the Tanjung Enim PSC. Summary of the expenditure incurred on exploration and development activities during the year under review is as below:

| | PSC | | | | | | |
|---|---|---|---|---|---|---|---|
| | Muara Enim | Muara Enim II | Tanjung Enim | Muralim | Bontang Bengalon | Rengat | Total |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Exploratory activities and drilling programs | - | 330 | 574 | 131 | 20 | 1,635 | **2,690** |

***Tanjung Enim PSC***

In July 2017, the Energy segment submitted the Exploration Status Decision Report to SKK Migas which consisted of 8 years of exploration activities, resources estimate, the POD concept and economic evaluation, and received the approval for the POD preparation in August 2017. The POD preparation process was a core activity during the financial year in collaboration with SKK Migas and both PSC partners, PT Pertamina and PT Bukit Asam, 2 leading state-owned energy and resources companies. The preparation processes were focused on the CBM resource verification and reserves certification, detailed subsurface evaluation, reservoir modelling, pre-Front End Engineering and Design study for the project development layout on the field infrastructure, well drilling completion design, environmental study, other non-subsurface related survey and activities and marketing analysis.

As an initial step of engagement with potential gas buyers, the Energy segment executed the first Memorandum of Understanding ("MOU") with PT Pertamina Gas ("Pertamina Gas") in September 2017. Pertamina Gas is a subsidiary of PT Pertamina and has focus in the midstream and downstream gas in Indonesia with its primary activity in trading, transportation, processing and distribution and other businesses related to natural gas and their associated products. Under the MOU, the Energy segment and Pertamina Gas have agreed to exchange information and to jointly evaluate the economic viability of the CBM gas supply from the Tanjung Enim PSC initial POD to fulfil Pertamina Gas consumers need in Sumatra. The MOU is also an important step that will lead to the negotiation of the Gas Sales and Supply Heads of Agreement to agree on the main commercial terms of the supply period, supply volume and price.

**ENERGY SEGMENT (Cont'd)**

***Tanjung Enim PSC (Cont'd)***

In January 2018, the Indonesia Research and Development Center for Oil and Gas Technology ("LEMIGAS") completed the CBM resources verification and reserves certification on the POD target development areas. LEMIGAS is the Indonesian government research and technology institution operating in the area of upstream and downstream oil and gas business and has key roles in the development of the oil and gas industry through research, engineering and development activities. The CBM reserves certification is one of the compulsory processes for the POD submission in Indonesia that must be administered by an Indonesian government accredited agency such as LEMIGAS. The CBM reserves certification confirmed reserves totalling ~165 Bscf for the POD target development areas.

Subsequent to the endorsement of the Tanjung Enim PSC reserves certification and the completion of the key POD preparation processes by end of April 2018, the Energy segment submitted the first POD for the Tanjung Enim PSC ("POD I") to the Head of SKK Migas. The POD I submission was a significant milestone for the CBM industry in Indonesia as it signified the maiden/first CBM POD in Indonesia. SKK Migas has submitted the recommendation for the POD I proposal to the Indonesia Ministry of Energy and Mineral Resources for approval which is anticipated in the 2nd half of 2018.

The POD I plans for the development in 2 target areas, in the north and south of the PSC covering ~ 33km$^2$ (or 13% of the total acreage) where the Energy segment has focused its exploration, drilling and pilot production activities over the last 8 years. The proposed POD I plans for the development of 209 wells in the identified north and south areas where the gas will be transported through a new 24km pipeline to be built as part of the POD I to the north of the PSC linking the nearby infrastructure including Pertamina Gas transmission pipeline situated in the north of the PSC which has greater market access and flexibility to the Palembang area. The proposed POD I plans for the gas production and delivery to plateau at 25 million standard cubic feet per day ("mmscfd") for 10 years. Field development planning works has commenced and field development will be a core activity in 2019.

***Rengat PSC***

During the financial year, the Energy segment completed the drilling program for 2 exploratory wells for the purpose of fulfilling the remaining firm commitment for the Rengat PSC. The Company has submitted the work completion report to SKK Migas and now is in the process to finalise and to confirm the completion of the firm commitment.

As there have not been attractive discoveries based on the exploration and drilling activities to date, the Energy segment and SKK Migas have amicably agreed for the Energy segment to relinquish the Rengat PSC after completion of the firm commitment. The carrying value of the exploration assets for the Rengat PSC has been fully impaired, resulting in an impairment loss of RM17.1 million (after deducting deferred tax credit and the share by non-controlling interests) during the financial year.

***Muara Enim II PSC***

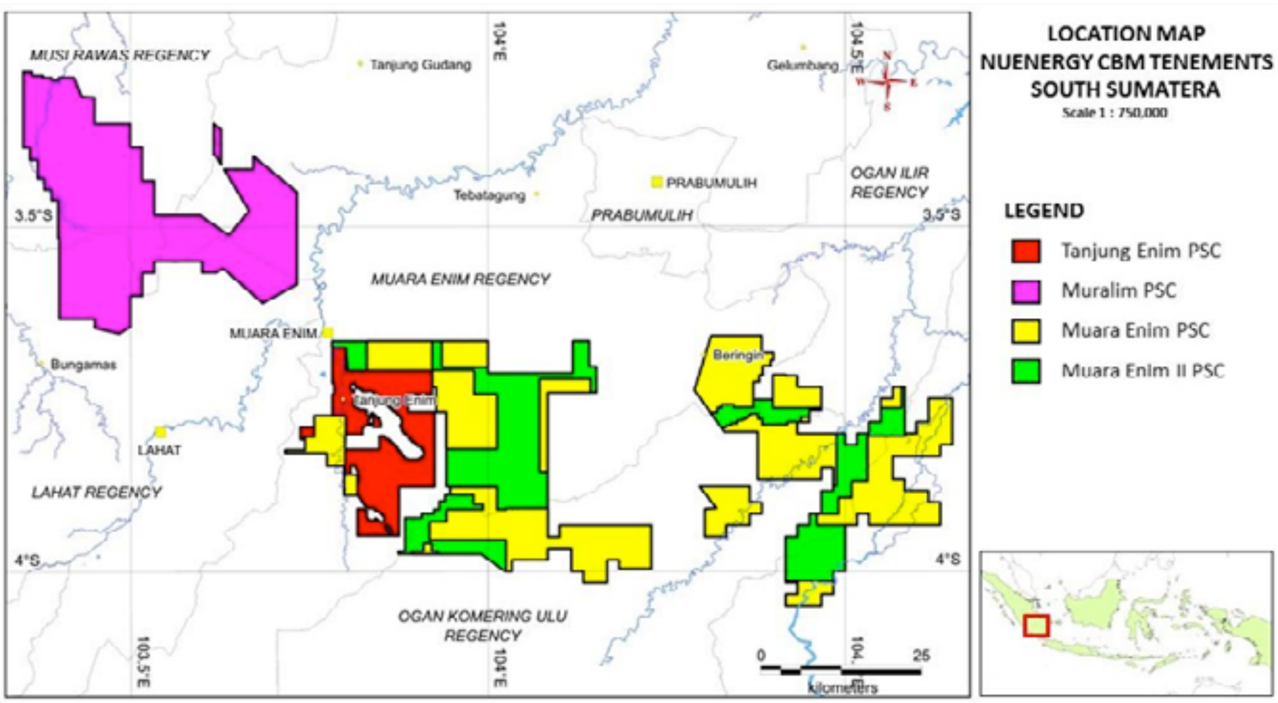
During the financial year, SKK Migas granted the Exploration Period extension to the Muara Enim II PSC for 4 years up to 31 March 2021 after the Energy segment completed drilling 3 production wells in the previous financial year as part of the work to fulfil the PSC commitments to apply for the Exploration Period extension.

The drilling in 2017 revealed similar reservoir characteristic to the Tanjung Enim PSC which is located adjacent to the west of the Muara Enim II PSC and is comparable to the general reservoir characteristic of the South Sumatra basin. The results from logging of each well revealed coal seams ranging in total thickness of 41 – 53 meters and with over 12 meters thickness from a single seam.

The drilling results also confirm the coal continuity throughout all the Energy segment's South Sumatra PSCs. The Energy segment PSCs in South Sumatra cover a total area of 2,280km$^2$ (after full relinquishment under the terms of the PSC) and are situated in one of the most prolific CBM basins in Indonesia, each near major export pipelines, underutilised gas infrastructure and high-volume under supplied markets. The Energy segment has the potential to develop and operate a large scale CBM supply in South Sumatra with the Tanjung Enim PSC, Muara Enim PSC, Muara Enim II PSC and Muralim PSC located in close proximity to one another.

## ENERGY SEGMENT (Cont'd)

**The Muara Enim II PSC located among Energy segment's South Sumatra PSC**




### *Muralim PSC*

During the financial year, SKK Migas granted the Exploration Period extension to the Muralim PSC for 4 years up to 2 December 2020 after the Energy segment successfully completed drilling one exploratory well and conducted permeability tests on 2 existing wells in the previous financial year as part of the program to fulfil the PSC commitments to apply for the Exploration Period extension. The program also enabled the Energy segment to improve the understanding of the coal characterisation and continuity to the eastern part of the Muralim PSC where the other South Sumatra PSCs are located for a potential large scale CBM development.

### *LEMIGAS Reserves Certification*

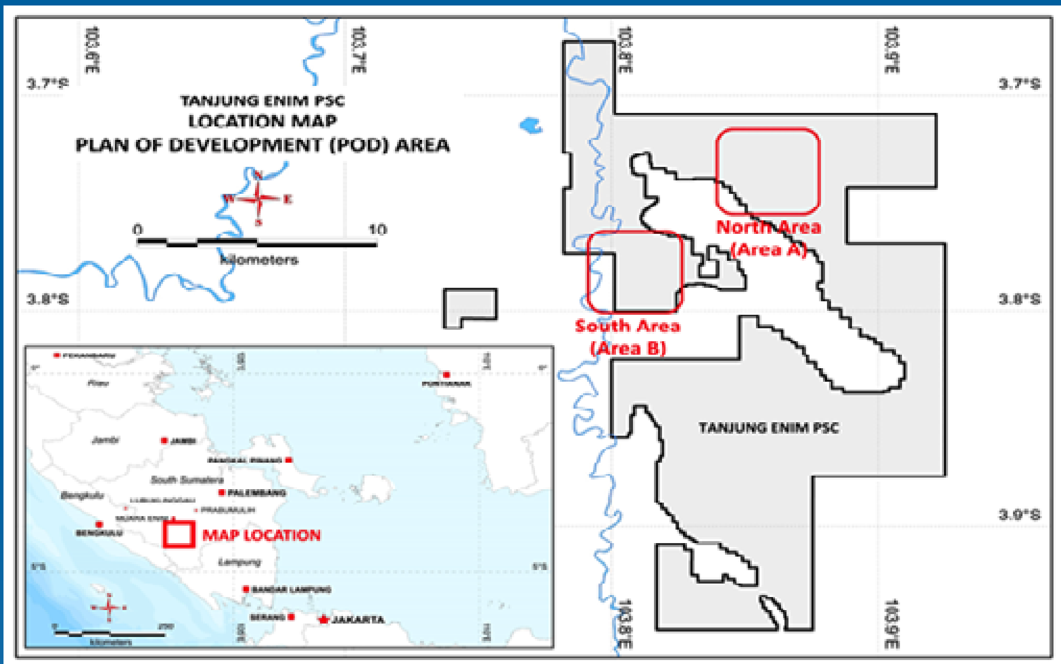
The CBM reserves certification is one of the compulsory and required processes for the POD submission in Indonesia that must be administered by an Indonesian government accredited agency such as LEMIGAS.

The CBM reserves certification covers the POD target development areas that has been identified in the north (Area A) and south (Area B) area of the Tanjung Enim PSC covering 33km$^2$ that will form the basis of the overall POD proposal for submission to the Indonesia Ministry of Energy and Mineral Resources for approval.

**ENERGY SEGMENT (Cont'd)**

***LEMIGAS Reserves Certification (Cont'd)***

**Target Development Areas of the Tanjung Enim PSC POD (POD I)**




In preparing the reserves certification, the quantities of the CBM reserves have been estimated by LEMIGAS based on the most known standard integrated approaches of geological, geophysical and engineering methods which are generally accepted in the CBM industry and oil and gas industry in Indonesia.

The reservoir characterisation was established based on 17 wells drilled before 2017 although no new wells were drilled for the purpose of this reserves certification. However, LEMIGAS has corroborated all the available data from the coal core holes, conventional well data and existing seismic. Using static modelling with the available data from the geological and geophysical analysis, well logs, CBM laboratory data and injection fall off tests, the Original Gas In Place quantity was generated. The reserves figures were estimated as results of prediction using the Dynamic Modelling which are consistent with the reserves and resources certification for the Tanjung Enim PSC Pilot Production Program ("TEPPP") in February 2017.

The following table summarises the Energy segment's participating interest from the LEMIGAS reserves certification classified as P1 (proved) and P2 (probable) deliverable gas reserves:

| Area | Original Gas In Place (Bscf) | | Remaining Gas Reserves (Bscf) | | Remaining Gas Reserves Energy Segment's Participating Interest (Bscf) | |
|---|---|---|---|---|---|---|
| | P1 | P2 | P1 | P2 | P1 | P2 |
| A | 56.239 | 74.575 | 43.968 | 58.304 | 19.786 | 26.237 |
| B | 57.986 | 28.299 | 42.079 | 20.537 | 18.936 | 9.242 |
| **Total** | **114.225** | **102.874** | **86.047** | **78.842** | **38.722** | **35.479** |

The reserves reported by LEMIGAS were not reported net of inert gases and fuel.

## ENERGY SEGMENT (Cont'd)

### *LEMIGAS Reserves Certification (Cont'd)*

The CBM reserves were established according to LEMIGAS definition of proved and probable as follows:

***Proved***

Proved reserves is the quantity of CBM potential which can be estimated with reasonable certainty to be commercially recoverable from a given date forward, from known reservoirs and under current economic conditions, operating methods, and government regulations based upon analysis of geological and engineering data. Commercial productivity has been established by actual production, successful testing, and in certain cases, by well logs and/or core analysis that indicate the subject coal seams. Volumetrically, the structural area extent delineated by drilling and defined as the area which covered optimum area within which wells were proved by production test, otherwise indicated by definitive geological, engineering or performance data.

***Probable***

Probable reserves may include anticipated reserves in formations that appear to be productive based on well log characteristics but lack of core data or definitive tests, therefore sub-surface control is adequate to classify these reserves as proved. These anticipated reserves may be proved by new information provided by normal step-out drilling which would classify these probable reserves as proved reserves.

### *Comparison of LEMIGAS Reserves Certification to Previously Reported Reserves and Resources*

In July 2012, Netherland, Sewell & Associates, Inc ("NSAI") estimated the contingent resources in the northern part of the PSC covering an area ranging from 55km$^2$ to 65km$^2$ and prospective resources in the southern part of the PSC where data from mines, surface mapping and coal exploration boreholes indicates the presence of coal. The contingent resources and prospective resources are summarised below:

| | Unrisked Contingent Gas Resources (Bscf) [1, 4] | | | Unrisked Prospective Gas Resources (Bscf) [2, 5] | |
|---|---|---|---|---|---|
| **Category** | **Gross** | **Participating Interest [3]** | **Category** | **Gross** | **Participating Interest [3]** |
| Low Estimate (1C) | 177 | 75 | Low Estimate | 140 | 60 |
| Best Estimate (2C) | 256 | 109 | Best Estimate | 205 | 88 |
| High Estimate (3C) | 360 | 154 | High Estimate | 296 | 126 |

***Notes:***

1 *Estimated probabilistically based on 2 CBM wells drilled by the Energy segment and other wells drilled by mines covering an estimated productive contingent resource area of the northern part of the PSC ranging between 55km$^2$ and 65km$^2$ with a best estimate of 60km2.*

2 *Estimated probabilistically from an area in the southern part of the PSC where data from mines, surface mapping and coal exploration boreholes indicates the presence of coal.*

3 *Participating interests are after 5% deduction for shrinkage due to system use gas but do not include deductions under provisions of the PSC.*

4 *NSAI did not provide estimates of chance of development for the Contingent Resources.*

5 *NSAI did not provide estimates of chance of success for the Prospective Resources.*

**ENERGY SEGMENT (Cont'd)**

***Comparison of LEMIGAS Reserves Certification to Previously Reported Reserves and Resources (Cont'd)***

In February 2017, RPS Energy Consultants Limited ("RPS") estimated the reserves in the South area (Area B) by evaluating 5 wells drilled for the TEPPP and the immediate vicinity covering an area of 0.8km$^2$. The TEPPP reserves and resources are summarised below:

| | Gross 100% License Basis [1] | | | The Energy Segment's Working Interest Basis [2] | | | The Energy Segment's Net Net Entitlement Basis [3] | | |
|---|---|---|---|---|---|---|---|---|---|
| | 1P | 2P | 3P | 1P | 2P | 3P | 1P | 2P | 3P |
| Gas Reserves (Bscf) [4] | 0.27 | 0.64 | 0.83 | 0.12 | 0.29 | 0.38 | 0.11 | 0.26 | 0.34 |

| | Gross 100% License Basis [1] | | | The Energy Segment's Working Interest Basis [2] | | |
|---|---|---|---|---|---|---|
| | Low | Best | High | Low | Best | High |
| Contingent Gas Resources (Bscf) [5] | 0.49 | 1.13 | 1.45 | 0.22 | 0.51 | 0.65 |

***Notes:***

1. *All volumes reported are based on gross (100%) interest as the fields are within the PSC license boundary. These volumes include the Energy segment's and its partner's interest including the Indonesian Government's share.*
2. *The volumes reported under these columns are based on the Energy segment's net working interest (45%), which includes the Indonesian Government's share under the PSC.*
3. *The volumes reported are based on the Energy segment's net entitlement, which exclude the Indonesian Government's share under the PSC.*
4. *Based on the contractual volume in the Memorandum of Understanding ("MOU") with PT Shalindo Energi signed on 30 November 2016, for a 5 year period starting in mid-2018 and reported net of inert gases and fuel.*
5. *RPS estimates the chance of development for the above resources to be 35% due to the lack of MOU for gas sales or Gas Sales Agreement covering the license period.*

By comparing the LEMIGAS CBM reserves certification with the estimates prepared by NSAI in July 2012 and RPS in February 2017, the Energy segment provides the following updates and objectives:

1) The LEMIGAS CBM reserves certification confirms the reserves for the POD target development areas concentrated in the north (Area A) and south (Area B) area of the PSC covering a total acreage of 33km$^2$.

2) The LEMIGAS CBM reserves certification is one of the compulsory and required processes for the POD submission in Indonesia.

3) The LEMIGAS CBM reserves certification has been prepared based on the most known standard integrated approaches of geological, geophysical and engineering methods which are generally accepted in the CBM industry and oil and gas industry in Indonesia.

# SUSTAINABILITY STATEMENT



Our sustainability leadership is led by our Board of Directors ("Board"), which oversees and ensures that Globaltec Group pursues its commercial objectives, and remains a responsible and sustainable organisation. Information on the Board, Board Charter, Board Committees and their Terms of Reference, Corporate Governance Report, Code of Ethics and Conduct, Shareholders Communication Policy, Whistleblowing policy and Auditors Evaluation Checklist is available on our corporate website.

Our Group Executive Chairman leads and solidifies Globaltec's sustainability practices across the management and operational fronts, with the respective Divisional Chief Executive Officers being responsible and leader for their respective segment or division's sustainability practices. We interact with a large number of different stakeholders. We empower all our business and functional units to regularly engage with their respective stakeholders to ensure that key issues impacting our stakeholders are addressed in our practices and business strategies.

The Board believes the improvement in the conditions surrounding our stakeholders, employees, society and the environment is vital to the growth of the Group. The Board recognises that acting in a responsible and sustainable manner creates new opportunities, enhances investor value, and improves social and environmental returns. The scope of this Sustainability Statement covers the period from 1 July 2017 to 30 June 2018.

Through this Sustainability Statement, we aim to provide greater insight into our Group's sustainability practices. This statement elaborates on the Group's efforts and initiatives undertaken in the financial year ended 30 June 2018 as a baseline for the Group to move forward.

## AWARDS AND RECOGNITIONS

Some of the notable awards and recognition received during the financial year are as below:

*MPC Creanova Lean Award 2017*


*MPC Sustenance of Quality Environment/5S Management System*

*Honda Most Improved Cost Award 2017*


*Mitsubishi Best Development Award 2017*

## STAKEHOLDER ENGAGEMENT

We believe fostering relationships with our key internal and external stakeholders strengthens our Group and we ensure communication channels are kept open as designated representatives from all divisions consistently engage with key stakeholders through various mechanisms, including dialogues and meetings. These engagements are vital to keep us on track towards our sustainability goals – they provide us important feedback and inspiration as we work together to address material sustainability issues.

### STAKEHOLDER ENGAGEMENT (Cont'd)

| Stakeholder Group | Stakeholder Engagement | Material Sustainability Issues |
|---|---|---|
| Employees | • Engagement/Appraisal sessions<br>• Recreational activities<br>• Campaigns/Health checkups<br>• Internal communications<br>• Volunteer programs<br>• Employee survery | • Economic contribution<br>• Job retention<br>• Human rights<br>• Training and development<br>• Employee welfare<br>• Financial stability<br>• Occupational health and safety<br>• Environmental protection |
| Customers | • Customer service (pre, during and post sale)<br>• Customer evaluation<br>• Dialogue sessions<br>• Correspondences<br>• Meetings<br>• Recreational activities | • Environmental protection<br>• Financial stability<br>• Product liability and responsibility |
| Shareholders | • General meetings<br>• Announcements/Media briefings<br>• Quarterly reporting<br>• Correspondences | • Economic contribution<br>• Regulatory compliance |
| Lenders | • General meetings<br>• Announcements/Media briefings<br>• Quarterly reporting<br>• Correspondences<br>• Meetings | • Economic contribution<br>• Regulatory compliance |
| Suppliers | • Periodic meetings<br>• Suppliers evaluation<br>• Dialogue sessions<br>• Correspondences<br>• Meetings<br>• Recreational activities | • Procurement practices<br>• Financial stability<br>• Environmental protection<br>• Product liability and responsibility |
| Communities | • Community health and business awareness programmes<br>• Charitable contribution<br>• Training, internship and job placements<br>• Meetings<br>• Recreational activities | • Economic contribution<br>• Jobs creation<br>• Environmental protection<br>• Product liability and responsibility<br>• Community awareness and development |
| Government and regulatory authorities | • Dialogue sessions<br>• Correspondences<br>• Meetings<br>• On-site inspections | • Regulatory compliance<br>• Environmental protection<br>• Occupational health and safety<br>• Human rights<br>• Product responsibility |

## SUSTAINABILITY PRACTICES

Our sustainability practies cover the following key areas:

### OCCUPATIONAL HEALTH AND SAFETY

Policies, including any updates as well as any training on occupational health and safety matters are provided to employees. In line with this, designated officers, in our major subsidiaries, are assigned to ensure the policies are adhered and implemented effectively and safety audits are conducted regularly. Use of personal protective equipment and regular periodic machine and equipment check and maintenance are enforced throughout the Group to ensure safety of employees as well as visitors who visit the plants. Fire drills and fire-fighting training, health and safety programmes are also carried out every year to create awareness and to educate employees on occupational health and safety related matters. General health and medical checkups for employee are also conducted regularly. In addition, the operations personnel have been trained and are always ever ready to respond promptly in the event of an industrial accident. All personnel are encouraged to report all incidents, near misses and concerns to embed a culture of continual learning and improvement of health, safety and environment ("HSE") performance.

### EMPLOYEE AND COMMUNITY WELFARE AND DEVELOPMENT

We are committed to being an employer that implements good labour and human rights practices with regard to our 1,000 odd employees.

*Prodelcon company dinner*

Training is provided to the employees. The training comprises both technical, soft skills and includes grooming future leaders. Apart from training, employees are also provided with term life, personal accident, medical and healthcare insurance and adequate leave and compensation programs which commensurate with their rank and level of employments.

Further, the Group acknowledges the need to provide a healthy and balanced lifestyle to its employees and also giving back to the community. In this aspect, various initiatives, such as celebrations with the staff on major festival days, health talk, blood donation, traffic safety and anti-dadah campaigns, family day, social events and sports activities were organised by our major subsidiaries. The Energy segment prior to its unconventional gas drilling and related activities will ensure the community in the relevant areas are briefed and educated on the unconventional gas activity, its benefits, effects as well as the risks related thereto in order to provide an understanding and to avoid any untoward accidents to the community. A subsidiary during the financial year made some donations to an orphanage foundation, contributed some medical equipment aid to the community and provided financial aid to employees who were affected by floods.

*Provision of financial aid to employees who were victims of the flood in Penang*

The Board has formalised and adopted a Gender and Workplace Diversity policy. This can be seen in our multi-racial work force with a balanced age and gender composition. In addition, formal succession planning has been put in place at the Group level for key positions, to ensure continuity and to provide assurance as well as drive motivation among senior key management.

### SUSTAINABILITY PRACTICES (Cont'd)

### EMPLOYEE AND COMMUNITY WELFARE AND DEVELOPMENT (Cont'd)

The Group also insures for public liability to compensate for any potential loss that may arise within the operational facilities.

The Energy segment is committed to acting openly and honestly with the local communities in which we operate by establishing engagement programmes at the early stages of any drilling and development projects and keeping the people informed throughout the lifecycle of the project. An important part of local engagement involves setting up a community liaison groups within the local area of any proposed site or planning application. The Energy segment invites local councillors and representatives from the community to attend regular meetings where it can ensure that its 'neighbours' have access to the most up to date and relevant information and expert guidance. This keeps the 'neighbours' well informed of the Energy segment's progress and of the facts about its operations. It also provides an opportunity for the community to share their concerns with us and provide feedback on our plans.

### EDUCATION AND TRAINING

Education continues to be a key beneficiary of the Group's corporate contribution, in line with its belief that education plays a key role in nation building. During the financial year, the Group contributed financially to "Klik & Bijak", a programme for the Royal Malaysian Police Force's children, to provide an e-learning experience through an online education portal. Through this application, the programme's vision is to provide assistance to the police force's children that are still studying to access online tuition classes on the go. The Group also offers industrial training attachments to undergraduates from the local universities and technical colleges as part of ongoing commitment towards providing the necessary exposure and training to students of today. A major subsidiary joined as a host in one of the Skills Upgrading Programmes For Technical Workforce (The Malaysian Meister Program). The programme was initiated by the Penang Skills Development Centre in November 2016 and is funded by the Penang state government. This subsidiary is currently sponsoring 6 trainees beginning in November 2016 for a 2 years programme. The trainees are paid with salary where training is conducted at both the workplace and training institutions under the guidance of competent coaches and classroom trainers.

The objective of the programme is to enable employees/ fresh school leavers to obtain an internationally recognised certification and to ensure consistent supply of outstanding, well-trained, and technically competent employees as the talent pipeline for future business needs. On a yearly basis, the key subsidiaries will conduct regular in-house training by internal senior employees and/or external training providers to promote continuous learning, innovation and improve employees morale and motivation.

### ENVIRONMENTAL PRESERVATION

It is our policy to comply with environmental laws governing plant operations, maintenance and improvement in areas relating to environmental standards, emission standards, energy conservation, housekeeping and storage methods, noise level management and treatment of plant effluents and waste water. In addition, certain of our factories are certified to the international environmental management systems standard, ISO 14001. We practise ethical procurement and vendor management and selection of vendors is governed by the Purchasing Manual.

*Meeting with East Kutai regency government on the environmental permit for Bontang Bengalon PSC*

## SUSTAINABILITY PRACTICES (Cont'd)

### SHAREHOLDERS, INVESTORS AND FINANCIERS

We recognise our responsibility to give our shareholders, investors and financiers a fair return on their investments/lending and are committed to protect their investments/loan entrusted/financed to us. A stringent internal control and risk management system and policies are in place to uphold the principles of good corporate governance and manage risks proactively, to safeguard the best interest of our shareholders. The Group will continuously foster a culture of transparency, credibility, excellence and reliance in our people and business practices. Multiple communication channels have been established to disseminate material information of the Group to its investors, potential investors and public at large, such as quarterly and other announcements made through Bursa Malaysia Securities Berhad, financial highlights and presentations and policies are published on the Company's website and in periodical press releases or presented in general meetings and investor briefings.

*6th Annual General Meeting*

As part of our responsibility to ensure fair and transparent disclosure of information to shareholders and stakeholders, we regularly update the Company's and the major subsidiaries' webpages. In addition, the internal audit of the Group is out sourced to an independent party that reports directly to the Audit Committee which further gives credence of our fair and transparent disclosures to stakeholders.

### CUSTOMERS

Our aspiration to give the best in terms of quality and reliability through our products and services is what pushes us to move ahead. Satisfying customer needs has always been our top priority. The Group's manufacturing division has been accredited with various certifications that reflect our quality processes and manufacturing practices. These accreditations serve as testaments that we only deliver the best to the market. We strive to uphold the highest standards of ethics and professionalism in the provision of goods and services to ensure customer satisfaction. We value customers' feedbacks, comments and engage in constructive discussions and strive to be a key supplier to our customers. Together with our customers, we address complicated challenges and utilise our knowledge and technology to meet their needs. As a result, raw material processing as well as labour and overhead utilisation takes place in the most productive and efficient way.

### SUPPLIERS

We value our suppliers, vendors and contractors as partners and will engage in fair operating practices that promote mutual respect. Our procurement department ensures that we engage in responsible procurement practices which is reinforced with the requirement for all our active registered vendors to periodically acknowledge their commitment to our code of conduct. Our initiatives start with the supplier selection process incorporating sustainability considerations such as quality materials and environmental compliance. Compliance and commitment by vendors and suppliers to conduct business with us in a transparent manner is sought through performing audits and making continuous improvements in our procurement processes and policies. The Group views the vendors as a key business partner and emphasises to the suppliers the need to comply with all rules and regulations including health and safety standards, and labour standards, avoid conflict of interest, conserve the environment, and notify the Group of any breaches or non-conformance.

The Board of Directors ("Board") is committed to ensure that the highest standards of corporate governance are practiced throughout the Group as a fundamental part of discharging its responsibilities to protect and enhance shareholder value and the financial performance of the Group.

Set out below is a statement of how the Group has applied the principles of the Malaysian Code on Corporate Governance 2017 (the "Code"), having regard to the recommendations stated under each principle. The Company also discloses the application of each practice set out in the Code, during the financial year in a report prescribed by Bursa Malaysia Securities Berhad ("Corporate Governance Report"). The Corporate Governance Report is announced together with the Company's Annual Report and can also be found on the Company's website at www.globaltec.com.my.

**SECTION 1: DIRECTORS**

**THE BOARD OF DIRECTORS**

An effective Board leads and controls the Group. The Board meets at least five (5) times a year, with additional meetings convened as necessary. In addition, the Board also attends general meetings and meetings with management from time to time. All Board members bring an independent judgement to bear on issues of strategy, performance, resources and standards of conduct.

The Board held five (5) Board Meetings during the financial year. The details of attendance of each individual Director are as follows:

| Name | Meetings Attended |
|---|---|
| Tan Sri Datuk Seri Panglima (Dr.) Goh Tian Chuan, JP *("Tan Sri Datuk Seri Panglima (Dr.) TC Goh")* | 5/5 |
| Kong Kok Keong | 5/5 |
| Ooi Boon Pin | 5/5 |
| Chen Heng Mun | 5/5 |
| Ash'ari bin Ayub | 5/5 |
| Wong Zee Shin | 5/5 |
| Mej Jen Dato' Mokhtar bin Perman *(Rtd)* | 5/5 |
| Yong Nam Yun *(alternate to Kong Kok Keong)* | 5/5 |

The Board has delegated specific responsibilities to three (3) subcommittees, namely Audit Committee, Nominating Committee and Remuneration Committee. All committees have written terms of reference and procedures, and the Board receives reports of their proceedings and deliberations. These Committees have the authority to examine particular issues and report back to the Board with their recommendations. The ultimate responsibilities for the final decision on all matters, however, lie with the Board. The Company has an authority limit manual that clearly delineates relevant matters and applicable limits which the Board may delegate to the Board Committees and the Management.

Director(s), prior to accepting new directorships in other companies outside the Group, must inform the Group Executive Chairman of the Board of such appointment and an indication of the time the Director(s) will spend on the new external appointment. The Directors should be aware of their responsibilities to the Group and shall dedicate sufficient time to carry out such responsibilities. The Directors are able to devote sufficient time commitment to their roles and responsibilities as Directors of the Company, as only the Senior Independent Non-Executive Director holds independent non-executive director roles in two (2) other public listed companies (which is other than a subsidiary of the Group).

**BOARD CHARTER**

The Board has adopted a charter, which amongst others, provides guidance to the Board in discharging their roles, responsibilities and duties. The Board Charter also inter-alia outlines the balance and composition of the Board, the Board's authorities, schedule of the matters reserved for the Board, the establishment of Board committees and the processes and procedures in convening board meetings. The Board Charter is reviewed annually and is posted on the Company's website. The Board Charter was last reviewed on 28 August 2018.

**SECTION 1: DIRECTORS (Cont'd)**

**BOARD BALANCE AND RESPONSIBILITIES**

The Board, headed by the Group Executive Chairman currently has eight (8) members, comprising three (3) Executive Directors, one (1) Non-Independent Non-Executive Director, three (3) Independent Non-Executive Directors and one (1) alternate director. Together, the Directors bring a wide range of business and financial experience relevant to the Group. A brief description of the background of each Director is presented on pages 7 to 11.

Tan Sri Datuk Seri Panglima (Dr.) TC Goh is the Group Executive Chairman who provides leadership of the overall group strategy/direction, leads the management committee, regularly reviews the overall Group's operational performance and represents the Group to the various stakeholders whereas the day to day business operations are managed and led by the respective divisional Chief Executive Officers ("CEOs")/Managing Directors namely Ooi Boon Pin, the CEO of the Precision Machining and Automation Division, Yong Nam Yun, the CEO of the Automotive Division, Kee Yong Wah, the Deputy Executive Chairman of Energy Segment and Pang Kim Fan, CEO of the Resources Segment. In addition, majority of the Board members are non-executive directors and as such, there is a clear division of responsibility for these roles to ensure balance of power and authority. Premised on the above, the Board deems the departure from the Code's recommendation where the chairman of the Board is not an independent director, majority of the Board must comprise independent directors, as appropriate. Furthermore, the Board acknowledges that the Group Executive Chairman is the single largest shareholder and there is the advantage of shareholder leadership and a natural alignment of interest. In respect of potential conflicts of interest, the board is comfortable that there is no undue risk involved as all related party transactions are disclosed and strictly dealt with in accordance with the Main Market Listing Requirements of Bursa Malaysia. Moreover, the presence of Independent Directors ensures that there is independence of judgement.

The Board is responsible for the stewardship of the Group.

The Board reserves a formal schedule of matters for its decision to ensure that the direction and control of the Group is firmly in its hands. This includes corporate plans, strategic issues and planning, material acquisitions and disposal of assets/investments and capital expenditure, changes to senior management and control structure of the Group, including key policies, procedures and authority limits, material financing and borrowing activities.

The principal responsibilities of the Board are:

- reviewing and adopting a strategic plan for the Group;
- overseeing the conduct of the Group's strategic plan for the investments and capital expenditure;
- identifying principal risks and ensure the implementation of appropriate systems to manage these risks;
- succession planning, including appointing, training, fixing the compensation of and where appropriate, replacing executive directors and senior management;
- developing and implementing an investor relations programme or shareholder communications policy for the Group;
- determining the remuneration of non-executive directors, with the individuals concerned abstaining from discussions of their own remuneration; and
- ensuring that the Group adheres to high standards of ethics and corporate behaviour.

In overseeing the conduct of the Group, the Board shall ensure that an appropriate financial planning, operating and reporting framework as well as an embedded risk management framework are established. Elements under this combined framework include the operating plan and budget, financial statements, divisional strategic/performance reviews reports and risk management reports.

**SECTION 1: DIRECTORS (Cont'd)**

**BOARD BALANCE AND RESPONSIBILITIES (Cont'd)**

The role of the Non-Executive Directors is to provide independent and objective views, constructively challenge and actively play a part in the development of the business objectives and strategies of the Group, ensure effective check and balance in the proceedings of the Board and that no individual has unrestricted power or influence over any Board decision. Ash'ari bin Ayub, the Audit Committee Chairman, is the Senior Independent Non-Executive Director to whom concerns may be conveyed.

The Company considers that the complement of Non-Executive Directors provides an effective Board with a mix of knowledge and broad business and commercial experience. This balance is particularly important in ensuring that the strategies proposed by the executive management are fully discussed and examined, and take into account of the long term interests of the Company. The Board is satisfied that the current Board composition fairly reflects the interest of minority shareholders in the Company.

The Board has formalised and adopted a Gender and Workplace Diversity policy, which encompasses diversity in, amongst others gender, age, ethnicity and cultural background. The Directors, whose experience, knowledge and skills are entrenched in various industries reflect the diverse nature of the Group's operations. However, achieving gender diversity is challenging, particularly in the industries the Group is in. Notwithstanding this, the Board will work towards introducing the female composition of our Board when suitable candidates are identified.

In addition, the Board takes cognisance of the Code's recommendation that the tenure of an Independent Director should not exceed a cumulative term of nine (9) years. As prescribed in the Board Charter, the tenure of an independent director should not exceed a cumulative term 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 redesignation as a non-independent director. The Board must justify and seek shareholders' approval in the event it retains as an independent director, a person who has served in that capacity for more than nine (9) years. As at the end of the financial year, all the Independent Directors have been in service for less than five (5) years.

The Board has established a succession planning process for key senior management staff in all key business areas where candidates are identified for the roles. The potential candidates are nurtured with the relevant training and skill development programmes, as well as relevant job-related exposures to the relevant positions in preparation for such candidates to assume higher levels of responsibilities.

**SUPPLY OF INFORMATION**

All Directors review Board reports prior to the Board meeting. These papers are issued in sufficient time to enable the Directors to obtain further explanations, where necessary, in order to be briefed properly before the meeting. The Board paper includes, among others, the following details:

- Quarterly performance report of the Group
- Major risk, strategic, operational and financial issues
- Business outlook
- Material legal matters
- Information on related party transactions
- Circular resolutions passed
- Announcements and press releases made
- Internal control concerns
- Policies and governance matters
- Reserved matters such as corporate plans, material acquisitions and disposals

**SECTION 1: DIRECTORS (Cont'd)**

**SUPPLY OF INFORMATION (Cont'd)**

All Directors have access to the advice and services of the Company Secretaries and take independent professional advice, if necessary, at the Company's expense. Before incurring such professional fees, the Director concerned must consult with the Group Executive Chairman.

**AUDIT COMMITTEE**

The Audit Committee report is presented on pages 44 to 47 of this annual report.

**APPOINTMENTS TO THE BOARD**

The Code endorses, as good practice, a formal procedure for appointments to the Board, with a Nominating Committee making recommendations to the Board. The Code, however, states that this procedure may be performed by the Board as a whole, although, as a matter of best practice, it recommends that these responsibilities be delegated to a committee.

New appointees will be considered and evaluated by the Nominating Committee. The Nominating Committee will then recommend the candidates to be approved by the Board. The Company Secretary will ensure that all appointments are properly made, that all necessary information is obtained, as well as all legal and regulatory requirements are met.

**NOMINATING COMMITTEE**

The Nominating Committee consists entirely of Independent Non-Executive Directors and the members are as follows:

- Ash'ari bin Ayub *(Chairman)*
- Wong Zee Shin
- Mej Jen Dato' Mokhtar bin Perman *(Rtd)*

The terms of reference and authority of the Nominating Committee is available on the Company's website. The appointment of Chairman to the Nominating Committee is in line with the Code as the Code recommends that the Senior Independent Director be the Chairman of Nominating Committee.

The primary objectives of the Nominating Committee are to assess the performance and effectiveness of the Directors, the Board and Board Committees on an annual basis, to evaluate suitability of candidates and make recommendations to the Board on all new Board appointments. The potential candidate may be proposed by existing directors, senior management, shareholders or third party referrals. In doing so, the Nominating Committee also takes cognisance of the Board's need for the board composition to reflect a range of skill, mix and expertise, high levels of professional skills and appropriate personal qualities. In addition, the Nominating Committee notes that the qualifications for Board membership are the ability to make informed business decisions and recommendations, an entrepreneurial talent for contributing to the creation of shareholder value, relevant experience, the ability to appreciate the wider picture, ability to ask probing operational related questions, high ethical standards, sound practical sense, and total commitment to furthering the interests of shareholders and the achievement of the Company's goals. Besides reviewing the candidate's resume and other biographical information, the assessment process may include, at the Nominating Committee's discretion, conducting legal and background searches as well as formal and informal interview.

**SECTION 1: DIRECTORS (Cont'd)**

**NOMINATING COMMITTEE (Cont'd)**

As an integral element in the process of appointing new directors, the Nominating Committee ensures that there is appropriate orientation and education programme for new Board members, supplemented by visits to key locations and meetings with key senior executives. The Nominating Committee is also empowered to assess the performance of the Directors, effectiveness of the Board and Board Committees as a whole. During the financial year, the assessments for the Board and Board Committees are mainly on their respective roles and responsibilities whereas the assessment for the Directors (including for the purpose of re-appointment) covers inter-alia the following competencies:

- Knowledge
- Integrity
- Governance
- Risk management
- Teamwork
- Judgement and problem solving
- Business alliances and networks

The activities of the Nominating Committee during the year were as follows:

- Reviewed the composition of the Board and the Board Committees;
- Reviewed the performance and effectiveness of the Board, the Directors individually, and the Board Committees;
- Reviewed the term of office of each of the Audit Committee members; and
- Reviewed and recommended to the Board on the re-election of directors retiring at the forthcoming Annual General Meeting ("AGM").

There were no new appointments to the Board (to be assessed) during the year.

**DIRECTORS' TRAINING**

All Directors have attended the Mandatory Accreditation Programme as prescribed by Bursa Malaysia.

During the financial year, the Directors received briefings and updates on the Group's businesses, operations, risk management, internal controls, corporate governance, finance and any changes to relevant legislation, rules and regulations. The Directors are also encouraged to attend seminars and briefings in order to keep themselves abreast with the latest developments in the business environment and to enhance their skills and knowledge.

During the financial year, the Directors collectively or on their own, attended various training programmes, seminars, briefings and/or workshops as follows:

| Director | Name of Conferences, Seminars and Training Programmes Attended |
|---|---|
| Tan Sri Datuk Seri Panglima (Dr.) TC Goh | - 2018 Budget Seminar<br>- Briefings on the Companies Act 2016<br>- Briefings on the new salient requirements under the Code<br>- Briefings on salient amendments to the Main Market Listing Requirements<br>- Briefings on new major accounting standards applicable in Malaysia |
| Kong Kok Keong | - Briefings on the Companies Act 2016<br>- Briefings on the new salient requirements under the Code<br>- Briefings on salient amendments to the Main Market Listing Requirements<br>- Briefings on new major accounting standards applicable in Malaysia |

**SECTION 1: DIRECTORS (Cont'd)**

**DIRECTORS' TRAINING (Cont'd)**

| Director | Name of Conferences, Seminars and Training Programmes Attended |
|---|---|
| Ooi Boon Pin | - Khazanah Megatrends Forum "Fearless Design - Perspectives in Form, Function and the Future"<br>- Metaltech Seminar & Exhibition<br>- Penang Skills Development Centre Industry 4.0 Sharing Session<br>- Briefings on the Companies Act 2016<br>- Briefings on the new salient requirements under the Code<br>- Briefings on salient amendments to the Main Market Listing Requirements<br>- Briefings on new major accounting standards applicable in Malaysia |
| Chen Heng Mun | - Advocacy Sessions on Corporate Disclosure for Directors and Principal Officers of Listed Issuers<br>- RIU Good Oil Conference<br>- Gas Asia Summit, Singapore<br>- KPMG - Tax & Business Summit 2017<br>- Briefings on the Companies Act 2016<br>- Briefings on the new salient requirements under the Code<br>- Briefings on salient amendments to the Main Market Listing Requirements<br>- Briefings on new major accounting standards applicable in Malaysia |
| Ash'ari bin Ayub | - Malaysian Code on Corporate Governance<br>- MIA Conference 2017<br>- Group Accounting – Malaysian Financial Reporting Standards ("MFRS") 3 and MFRS 4<br>- National Tax Conference<br>- Higher Expectations of Directors – Companies Act 2016<br>- Briefings on the Companies Act 2016<br>- Briefings on the new salient requirements under the Code<br>- Briefings on salient amendments to the Main Market Listing Requirements<br>- Briefings on new major accounting standards applicable in Malaysia |
| Wong Zee Shin | - Seminar Percukaian Kebangsaan 2017<br>- Program Taklimat Sistem Insurans Pekerjaan Tahun 2017<br>- Tax Issues and Implications for Property Developers and Investors<br>- Corporate Tea Talk (Peringkat Negeri): Malaysian Business Reporting System – Suruhanjaya Syarikat Malaysia<br>- Briefings on the Companies Act 2016<br>- Briefings on the new salient requirements under the Code<br>- Briefings on salient amendments to the Main Market Listing Requirements<br>- Briefings on new major accounting standards applicable in Malaysia |
| Mej Jen Dato' Mokhtar bin Perman *(Rtd)* | - Bursa CG Breakfast Series - Board Excellence : How to Engage and Enthuse Beyond Compliance with Sustainability<br>- Bursa Malaysia CG Breakfast Series - Leading in a Volatile, Uncertain, Complex, Ambiguous World<br>- Briefings on the Companies Act 2016<br>- Briefings on the new salient requirements under the Code<br>- Briefings on salient amendments to the Main Market Listing Requirements<br>- Briefings on new major accounting standards applicable in Malaysia |

**SECTION 1: DIRECTORS (Cont'd)**

**DIRECTORS' TRAINING (Cont'd)**

| Director | Name of Conferences, Seminars and Training Programmes Attended |
|---|---|
| Yong Nam Yun | - Honda Supplier Conference<br>- Briefings on the Companies Act 2016<br>- Briefings on the new salient requirements under the Code<br>- Briefings on salient amendments to the Main Market Listing Requirements<br>- Briefings on new major accounting standards applicable in Malaysia |

The Company recognises the importance of continuous professional development and training for its directors. The Board as a whole has undertaken an assessment of the training needs of each director after taking into account the training programmes the Directors had attended in the past three (3) years and the qualification, role, responsibilities, knowledge and experience of the respective Directors. The proposed training programmes encompass areas related to the industry or businesses of the Group, governance, risk management and the relevant regulations related to the Group.

**RE-ELECTION**

In accordance with Article 77 of the Company's Constitution, at the first AGM, all Directors shall retire from office and at the AGM in every subsequent year, one-third (1/3) of our Directors or, if the number of Directors is not three (3) or a multiple of three (3), the number nearest to one-third (1/3) shall retire from office and be eligible for re-election provided always that all our Directors shall retire from office once at least in each three (3) years but shall be eligible for re-election. The Directors to retire in each year shall be those who have been longest in office since their last election.

Article 83 of the Constitution of the Company further states that any director newly appointed shall hold office only until the next following AGM and then shall be eligible for re-election but shall not be taken into account in determining the Directors who are to retire by rotation at that AGM.

Accordingly, the following Directors are subject to re-election/re-appointment at this forthcoming AGM:

- Tan Sri Datuk Seri Panglima (Dr.) TC Goh *(Article 77)*
- Ooi Boon Pin *(Article 77)*

The Nominating Committee who is responsible for recommending to the Board those directors who are eligible for re-election/re-appointment has based on formal reviews and assessment of performance of the Directors, recommended to the Board on their re-election/re-appointment, after taking into account their yearly performance evaluation results, contribution to the Board through their skills, experience, strengths and qualities, level of independence and ability to act in the best interest of the Company in decision-making. The above two (2) Directors are eligible to stand for re-election and re-appointment and all of them had expressed their intention to seek for re-election and re-appointment.

At the Board meeting held on 15 October 2018, the Board approved the recommendation of the Nominating Committee on the re-election and re-appointment of the above two (2) Directors.

**SECTION 2: DIRECTORS' REMUNERATION**

**REMUNERATION COMMITTEE**

The Remuneration Committee comprises entirely of Non-Executive Directors, majority of whom are independent. The Remuneration Committee members are as follows:

- Ash'ari bin Ayub *(Chairman)*
- Wong Zee Shin
- Kong Kok Keong

**SECTION 2: DIRECTORS' REMUNERATION (Cont'd)**

**REMUNERATION COMMITTEE (Cont'd)**

The terms of reference and authority of the Remuneration Committee is available on the Company's website. During the financial year, the Remuneration Committee:

- reviewed the remuneration of the Executive Directors and senior management during the financial year and opined that the remuneration is adequate and commensurate with the present job scope of the Executive Directors and senior management. The Remuneration Committee would revisit the remuneration package of the Executive Directors and senior management as and when the need arises; and

- recommended the payment of the directors remuneration for the Executive and Non-Executive Directors and senior management for the financial year to the Board for approval.

The Remuneration Committee is responsible to recommend to the Board a remuneration framework for Directors and senior management with the objective to ensure that the Company attracts and retains the Directors and senior management needed to run the Group successfully. It is the ultimate responsibility of the entire Board to approve the remuneration of the Executive Directors and senior management with the respective Directors abstaining from decisions in respect of their remuneration.

The determination of the remuneration of the Non-Executive Directors is a matter for the Board as a whole with individual Directors abstaining from decision in respect of their remuneration.

**DIRECTORS REMUNERATION**

Details of the Directors' remuneration (including the remuneration for services rendered) and fees for the financial year ended 30 June 2018, are as follows:

***Received from the Company (RM'000):***

| | Fees | Remuneration | Meeting Allowances | Total | Benefits-Kind |
|---|---|---|---|---|---|
| **Executive Directors** | | | | | |
| Tan Sri Datuk Seri Panglima (Dr.) TC Goh | - | 679 | - | 679 | - |
| Ooi Boon Pin | - | - | - | | - |
| Chen Heng Mun | - | 202 | - | 202 | - |
| Yong Nam Yun | - | - | - | - | - |
| *Sub-total: Executive Directors* | - | 881 | - | 881 | - |
| **Non-Executive Directors** | | | | | |
| Kong Kok Keong | 42 | - | 3 | 45 | - |
| Ash'ari Bin Ayub | 42 | - | 3 | 45 | - |
| Mejar Jeneral Dato' Mokhtar bin Perman (Rtd) | 42 | - | 3 | 45 | - |
| Wong Zee Shin | 42 | - | 3 | 45 | - |
| *Sub-total: Non-Executive Directors* | 168 | - | 12 | 180 | - |
| **Total** | **168** | **881** | **12** | **1,061** | **-** |

**SECTION 2: DIRECTORS' REMUNERATION (Cont'd)**

**DIRECTORS REMUNERATION (Cont'd)**

***Received from the Group (RM'000):***

| | Fees | Remuneration | Meeting Allowances | Total | Benefits-Kind |
|---|---|---|---|---|---|
| **Executive Directors** | | | | | |
| Tan Sri Datuk Seri Panglima (Dr.) TC Goh | 126 | 1,761 | - | 1,887 | - |
| Ooi Boon Pin | - | 990 | - | 990 | 11 |
| Chen Heng Mun | 130 | 523 | - | 653 | - |
| Yong Nam Yun | 4 | 531 | - | 535 | - |
| *Sub-total: Executive Directors* | 260 | 3,805 | - | 4,065 | 11 |
| **Non-Executive Directors** | | | | | |
| Kong Kok Keong | 168 | - | 3 | 171 | - |
| Ash'ari Bin Ayub | 42 | - | 3 | 45 | - |
| Mejar Jeneral Dato' Mokhtar bin Perman (Rtd) | 42 | - | 3 | 45 | - |
| Wong Zee Shin | 42 | - | 3 | 45 | - |
| *Sub-total: Non-Executive Directors* | 294 | - | 12 | 306 | - |
| **Total** | **554** | **3,805** | **12** | **4,371** | **11** |

The Board has considered disclosure details of the remuneration of each Director. The Board is of the view that the transparency and accountability aspects of corporate governance as applicable to Directors' remuneration are appropriately served by the above disclosure as required by the listing requirements.

**SECTION 3: PROMOTING ETHICAL CONDUCT**

The Board has adopted a Code of Ethics and Conduct which governs the ethics and conduct of the Directors, management and employees of the Group. The Code of Ethics and Conduct, which is posted on the Company's website includes appropriate communication and feedback channels that facilitate whistleblowing. The Board reviews and amends the Code of Ethics and Conduct when the need arises.

**SECTION 4: PROMOTING SUSTAINABILITY**

The Board has formalised and adopted a Sustainability Policy which form part of the Company's Code of Ethics and Conduct. The Board's commitment to sustainability is outcome-based, innovative and founded on the belief that the Group has a responsibility for its contribution to have a lasting impact on the environment around us. Sustainability is about creating a lasting legacy for the planet and for our community.

The Board recognises that acting in a responsible and sustainable manner creates new opportunities, enhances investor value, and improves social and environmental returns.

The Board has ultimate responsibility for reviewing and approving the sustainability strategy and monitoring the achievement of sustainability objectives through reviewing performance reporting regularly.

The Sustainability Statement is laid out on pages 28 to 32.

## SECTION 5: SHAREHOLDERS

### INVESTOR RELATIONS AND SHAREHOLDERS COMMUNICATION

The Board acknowledges the importance of communication with the shareholders and investors. Discussions, where appropriate, were held between the senior management with the analysts, media, shareholders and investors throughout the year. Presentations based on permissible disclosures are given to explain the Group's performance, major developments and significant events of the Group. The Group has been making timely announcements to the public with regards to the Group's corporate proposals, financial results, other regulatory announcements as well as information which would be of interest to the investors and members of the public.

In addition, the Group has also established a website at www.globaltec.com.my for shareholders and the public to access for information related to the Group. The shareholders communication policy is also posted on the Company's website.

### AGM

The AGM represents the principal forum for dialogue and interaction with all shareholders of the Company. Shareholders are encouraged to attend the AGM and participate in the proceedings and question and answer session. All Directors, senior management and external auditors are available to respond to the shareholders' questions during the AGM.

## SECTION 6: ACCOUNTABILITY AND AUDIT

### FINANCIAL REPORTING

The Board has a responsibility and aims to provide/present a fair, balanced and meaningful assessment of the Group's financial performance and prospects at the end of the financial year, primarily through the annual financial statements, quarterly reports to Bursa Malaysia as well as the Executive Chairman Statement in the annual report to the shareholders. The Audit Committee assists the Board in overseeing the Group's financial reporting processes and the quality of its financial reporting.

### STATEMENT OF DIRECTORS' RESPONSIBILITY FOR PREPARING THE FINANCIAL STATEMENTS

The Directors are required by the Companies Act 2016 to prepare financial statements for each financial year which have been made out in accordance with the applicable approved accounting standards and give a true and fair view of the state of affairs of the Group and of the Company at the end of the financial year and of the results and cash flows of the Group and of the Company for the financial year then ended.

In preparing the financial statements, the Directors have:

- selected suitable accounting policies and applied them consistently;
- made judgements and estimates that are reasonable and prudent;
- ensured that all applicable accounting standards have been followed; and
- prepared financial statements on the going concern basis as the Directors have a reasonable expectation, having made enquiries, that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future.

The Directors have responsibility for ensuring that the Group and the Company keep accounting records which disclose with reasonable accuracy of the financial position of the Group and the Company and which enable them to ensure that the financial statements comply with the applicable approved accounting standards in Malaysia and the Companies Act 2016.

**SECTION 6: ACCOUNTABILITY AND AUDIT (Cont'd)**

**STATEMENT OF DIRECTORS' RESPONSIBILITY FOR PREPARING THE FINANCIAL STATEMENTS (Cont'd)**

The Directors have overall responsibilities for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent other irregularities.

**CORPORATE DISCLOSURE POLICY**

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

The objectives of the Corporate Disclosure Policy are to:

(a) warrant in writing the Group's existing disclosure policies, guidelines and procedures and ensure consistent approach to the Group's disclosure practices throughout the Group;

(b) ensure that all persons to whom the Corporate Disclosure Policy applies, understand their obligations to preserve the confidentiality of material information;

(c) effectively increase understanding of the Group's business and enhance its corporate image by encouraging practices that reflect openness, accessibility and cooperation; and

(d) reinforce the Company's commitment to compliance with the continuous disclosure obligations imposed by Malaysian securities law and regulations and the listing requirements.

**RISK MANAGEMENT AND INTERNAL CONTROL**

The Board has established a risk management framework and reviews it periodically. The Statement on Risk Management and Internal Control presented on pages 48 to 50 provides an overview of the risk profiles and state of internal control within the Group.

**RELATIONSHIP WITH THE AUDITORS**

The role of the Audit Committee in relation to the external auditors is described on pages 44 to 47.

The above statement and the Corporate Governance Report is made in accordance with the resolution of the Board dated 15 October 2018.

# AUDIT COMMITTEE REPORT



## MEMBERS OF THE AUDIT COMMITTEE ("COMMITTEE")

The Committee comprises of the following members:

***Chairman***

| | |
|---|---|
| Ash'ari bin Ayub, Chairman<br>*(The Committee Chairman is a member of the Malaysian Institute of Accountants)* | Senior Independent Non-Executive Director |

***Members***

| | |
|---|---|
| Wong Zee Shin | Independent Non-Executive Director |
| Mej Jen Dato' Mokhtar bin Perman *(Rtd)* | Independent Non-Executive Director |

The terms of reference of the Committee which cover amongst others the composition, authority, attendance and frequency of meetings, procedures, minutes and functions of the Committee can be found on the Company's website at www.globaltec.com.my.

### 1. MEETINGS OF THE COMMITTEE

The details of attendance at the Committee meetings for the financial year ended 30 June 2018 are as follows:

| | Date of Meeting | Total Committee Members | Attendance by Committee Members (Percentage of Attendance) |
|---|---|---|---|
| 1. | 23 August 2017 | 3 | 3 (100%) |
| 2. | 17 October 2017 | 3 | 3 (100%) |
| 3. | 28 November 2017 | 3 | 3 (100%) |
| 4. | 27 February 2018 | 3 | 3 (100%) |
| 5. | 23 May 2018 | 3 | 3 (100%) |

The details of attendance by individual Committee Member for the financial year ended 30 June 2018 are as below:

| | Name of Member | Total Meetings Attended | Percentage of Attendance |
|---|---|---|---|
| 1. | Ash'ari bin Ayub | 5/5 | 100% |
| 2. | Wong Zee Shin | 5/5 | 100% |
| 3. | Mej Jen Dato' Mokhtar bin Perman *(Rtd)* | 5/5 | 100% |

## 2. INTERNAL AUDIT FUNCTION

The Committee assists the Board in maintaining a sound system of internal control for the purposes of safeguarding shareholders' investments and the Group's assets. In discharging its duties, the Committee is supported by an internal audit function which is outsourced to Axcelasia Inc, an independent professional service firm who undertakes the necessary activities to enable the Committee to discharge its functions effectively. The internal audit personnel are free from any relationships or conflicts of interest, which could impair their objectivity and independence in carrying out their internal audit function for the Group. This independent professional service firm has a total of 50 personnel providing internal audit services and can be deployed to render internal audit services to the Group. The key personnel (and their respective qualifications) of this professional service firm are as follows:

| Name | Designation | Role | Qualifications |
|---|---|---|---|
| Ranjit Singh | Group Executive Director of Axcelasia Inc | Engagement Director | • Certified Internal Auditor ("CIA")<br>• Certification of Risk Management Assurance ("CRMA")<br>• Certified Public Accountant ("CPA") (M)<br>• Chartered Accountant ("CA") |
| David Low | Director of Axcelasia Columbus | Engagement Field-In-Charge | • CA<br>• CIA |

The internal auditors reports directly and is accountable to the Audit Committee. The Committee regards the internal audit function as essential to assist in obtaining the assurance it requires regarding the effectiveness of the systems of internal controls within the Company and the Group. During the financial year, the Committee had two (2) meetings with the internal auditors without the presence of the Executive Directors and management.

During the financial year under review, the internal auditors conducted internal audits to assess the effectiveness and integrity of the system of internal controls of the Company and certain operating units in the Group in accordance with the approved audit plan by the Committee. The scope of internal audit comprises both core and support functions of certain operating units in the Group, namely production, inventory management, quality assurance and control, procurement, human resources and finance. The internal auditor conducted seven (7) internal audit cycles during the financial year, covering the major operating locations of the Group.

The findings and recommendations for improvements were presented to the Committee for deliberation and action. The costs incurred by the Group for the internal audit function during the period amounted to RM100,500.

## 3. EXTERNAL AUDITORS

The Company has always maintained a close and transparent relationship with its external auditors in seeking professional advice and ensuring compliance with the accounting standards in Malaysia. The Committee has a direct communication channel with the internal and external auditors. During the financial year, the Committee had two (2) meetings with the external auditors without the presence of the Executive Directors and management. In addition, the external auditors are invited to attend the annual general meeting of the Company and are available to answer shareholders' questions on the conduct of the statutory audit and the preparation and contents of their audit report.

## 3. EXTERNAL AUDITORS (Cont'd)

The Committee conducts annual review and assessment on the appointment or re-appointment of external auditors for statutory audit, recurring audit related and non-audit related services (if any). The objective of the review is to ensure that the independence and objectivity of the external auditors as statutory auditors are not compromised. This annual review and assessment is carried out in accordance with the assessment criteria covering regulatory requirements, performance and independence and objectivity as set out in the External Auditors Evaluation Policy. The External Auditors Evaluation Policy is posted on the Company's website at www.globaltec.com.my. The Board, upon concurrence with the outcome of the assessment at the Board meeting held on 28 August 2018, approved the re-appointment of the external auditors based on the Committee's recommendation subject to the approval by shareholders at the annual general meeting.

The Committee has considered the provision of non-audit services by the external auditors during the year and concluded that the provision of these services did not compromise the external auditors' independence and objectivity and the amount of fees paid for these services was not significant as compared to the total fees paid to the external auditors.

Audit fees paid/payable to the external auditors by the Group and by the Company for the financial year amounted to RM958,000 and RM110,000 respectively whereas non-audit fees paid/payable to the external auditors by the Group and by the Company for the financial year amounted to RM20,000.

## 4. ACTIVITIES

During the financial year and up to the date of this report, the Committee carried out its duties in accordance with its terms of reference. The main activities undertaken by the Committee were as follows:

- Reviewed the external auditors' scope of work and audit plans for the financial year. Prior to the audit, representatives from the external auditors presented their audit strategy and plan.
- Reviewed with the external auditors the results of the audit, the audit report and the management letters.
- Reviewed the independence, objectivity and effectiveness of the external auditors and the services provided, including non-audit services (if any). The written assurance on the independence of the external auditors were obtained on 15 October 2018. As at to-date, the audit firm has been engaged as the external auditors of the Company for 7 years whereas the engagement partner has been assigned to the Company for 4 years.
- Reviewed the internal auditors' scope of work, function, competency and resources in carrying out the internal audit work.
- Held private meetings with the external and internal auditors on 23 August 2017 and 23 May 2018, without the presence of the Executive Directors and Management, which covered topics which include amongst others key risk areas, outstanding information and audit procedures and the smoothness of the audit process itself. There were no material issues arising from these meetings.
- Reviewed the internal audit reports, which highlighted the internal audit findings, recommendations and management's response. Discussed with Management, actions taken to improve the system of internal control based on improvement opportunities identified in the internal audit reports.

4. **ACTIVITIES (Cont'd)**

- Reviewed the Annual Report and the Audited Financial Statements of the Group and the Company, prior to the submission to the Board for their consideration and approval, to ensure that the Audited Financial Statements were drawn up in accordance with the provisions of the Companies Act 2016 and the applicable Approved Accounting Standards as approved by the Malaysian Accounting Standards Board ("MASB"). Any significant issues arising from the audit of the financial statements by the external auditors were deliberated upon.

- Received and reviewed the Enterprise Risk Management reports.

- Reviewed the quarterly unaudited financial results announcements of the Group before recommending them to the Board for its approval. The review and discussion of these announcements was conducted with the presence of the Executive Directors.

- Reviewed and approved the statement of risk management and internal control to be included in the Annual Report.

- In respect of the quarterly and period end financial statements, reviewed the Company's compliance with the Listing Requirements of Bursa Malaysia, applicable approved accounting standards approved by MASB and other relevant legal and regulatory requirements.

- Reviewed related party transactions entered into by the Company and the Group to ensure that such transactions were undertaken in line with the Group's normal commercial terms and that the internal control procedures with regards to such transactions are sufficient.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL



## INTRODUCTION

This Statement on Risk Management and Internal Control by the Board of Directors ("Board") on the Group is made pursuant to the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Malaysia") and in accordance with the Principles and Recommendations as provided in the Malaysian Code on Corporate Governance 2017 ("Code"). This Statement is guided by the *Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers*.

## BOARD'S RESPONSIBILITIES

The Board acknowledges its overall responsibility for the establishment of a sound risk and control framework for the Group and as such, affirms its commitment and responsibility for the Group's risk management and internal control systems covering not only financial controls but also operational, organisational and compliance controls as well as the review of its adequacy, integrity and effectiveness.

The Board determines the Group's level of risk tolerance and identifies, assesses and monitors key business risks to safeguard shareholders' investments and the Group's assets. However, such framework/systems are designed to manage rather than to eliminate the risk of failure to achieve business objectives. In addition, these systems can only provide reasonable but not absolute assurance against material misstatement or loss.

There is an ongoing process for identifying, evaluating and managing the significant risks faced by the Group in its achievement of its objectives and strategies. The process has been in place during the year up to the date of approval of this Statement and is subject to review by the Board.

The Board is assisted by Management in implementing the Board's policies and procedures on risk and control by identifying and analysing risk information, designing and operating suitable internal controls to manage and control these risks, and monitoring effectiveness of risk management and control activities.

The key features of the risk management and internal control systems are described below.

## RISK MANAGEMENT AND INTERNAL CONTROL

### Risk Management

The Group has established an Enterprise Risk Management ("ERM") framework to identify, evaluate and manage the key risks to an acceptable level. Risk management is embedded in the Group's key processes through its ERM framework, in line with Principle B and Guidance 9.1 of the Code. Under the Group's ERM framework, the Group has relevant policies and guidelines on risk reporting and disclosure which cover both operational and financial risks.

Operating risk management ranges from strategic operating risks to managing day-to-day operational risks. The management of the Group's day-to-day operational risks (such as health, safety and environment, quality, production and legal) is mainly decentralised at the business unit level and guided by approved standard operating procedures. Group-wide operational risks (such as statutory compliances) are coordinated centrally.

The Group is exposed to various financial risks relating to credit, liquidity, interest rates and foreign currency. The Group's risk management objectives and policies, together with the required qualitative and quantitative disclosures, are disclosed in Note 27 to the financial statements on pages 127 to 140.

**RISK MANAGEMENT AND INTERNAL CONTROL (Cont'd)**

**Risk Management (Cont'd)**

The Group also maintains a database of risks and controls information captured in the format of risk registers. Key risks of major business units are identified, assessed and categorised to highlight the sources of risks, their impacts and the likelihood of occurrence. Risk profiles for these major operating business units are presented to the Executive Committee, Audit Committee and the Board for deliberation and approval. Action plans to address key risks are developed and their status of implementation is reported to the Executive Committee, Audit Committee and the Board.

The risk profiles of the major operating business units of the Group are being monitored by its respective Management. The risks identified for the Group are considered in formulating the strategies and plans that are approved and adopted by the Board. The strategies and plans are monitored and revised as the need arises.

Briefings on risk management are conducted for Board and Management as part of the Group's efforts to instill a proactive risk management culture and implement a proper risk management framework in the Group.

**Internal Control**

The Group manages its risks by implementing various internal control mechanisms. The key elements of the internal control systems are as follows:

- The Group has an organisation structure that is aligned with its business and operational requirements, with defined lines of responsibilities and authority levels.
- The Board receives and reviews reports from the Management on key financial data, performance indicators and regulatory matters (if any) quarterly. This is to ensure that matters that require the Board and Management's attention are highlighted for review, deliberation and decision on a timely basis. The Board approves appropriate responses or amendments to the Group's policy. Besides, the results of the Group are reported quarterly and any significant fluctuations are analysed and acted on in a timely manner.
- There is a budgeting system that requires preparation of the annual budget by all major operating business units. The annual budget which contains financial and operating targets and performance indicators are reviewed and approved by the Executive Committee together with the Management before being presented to the Board for final review and approval.
- Issues relating to the business operations are highlighted for the Board's attention during Board meetings. Further independent assurance is provided by the Group Internal Audit Function and the Audit Committee. The Audit Committee reviews internal control matters and updates the Board on significant issues for the Board's attention and action.

The Group's internal audit function has been outsourced to a professional service firm, as part of its effort in ensuring that the Group's systems of internal controls are functioning as intended. Further details of the Internal Audit Function are set out on page 45 in the Audit Committee Report.

The other salient features of the Group's systems of internal controls are as follows:

- Quarterly review of the financial performance of the Group by the Board and the Audit Committee;
- Operations review meetings are held by the respective divisions to monitor the progress of business operations, deliberate significant issues and formulate corrective measures;
- Establishment of a whistle blowing policy; and
- Code of ethics and conduct provided to all employees of the Group.

## REVIEW BY BOARD

The Board considered the system of internal controls and risk management described in this Statement to be satisfactory and generally adequate within the context of the Group's business environment. The Board and Management will continue to take measures to strengthen the control environment and monitor the robustness of the internal control framework.

The Board has also obtained assurance from the Group Executive Chairman and Group Finance Director that the Group's risk management and internal control system is operating adequately and effectively, in all material aspects, for the financial year ended 30 June 2018 and up to the date of this Statement.

This Statement on Risk Management and Internal Control has not dealt with the joint venture in which the Group does not have full management control over. However, the Group's interest is served through representations on the Board of the joint venture.

## CONCLUSION

The Board, through the Audit Committee, confirms that it has reviewed the effectiveness of the internal control framework and considers the Group's system of internal controls is sufficient to provide reasonable assurance in safeguarding the shareholders' interests and assets of the Group.

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

# FINANCIAL STATEMENTS

# DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2018



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

## PRINCIPAL ACTIVITIES

The Company is principally engaged in investment holding activities, whilst the principal activities of the subsidiaries are as stated in Note 7 to the financial statements. Save for the disposal of the entire equity interest in JP Metal Sdn Bhd, a subsidiary which was principally involved in the manufacture and fabrication of tools and dies and stamped metal components for electronic and automotive industries, there has been no other significant change in the nature of these activities of the Group during the financial year.

## SUBSIDIARIES

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

## RESULTS

| | Group RM'000 | Company RM'000 |
|---|---|---|
| Loss for the year attributable to: | | |
| Owners of the Company | 20,356 | 47,368 |
| Non-controlling interests | 18,749 | - |
| | 39,105 | 47,368 |

## RESERVES AND PROVISIONS

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

## DIVIDENDS

No dividend was paid during the financial year and the Directors do not recommend any dividend to be paid for the financial year under review.

## DIRECTORS OF THE COMPANY

Directors who served during the financial year and until the date of this report are:

Tan Sri Datuk Seri Panglima (Dr.) Goh Tian Chuan, JP
Kong Kok Keong
Ooi Boon Pin
Chen Heng Mun
Ash'ari bin Ayub
Wong Zee Shin
Mej Jen Dato' Mokhtar bin Perman *(Rtd)*
Yong Nam Yun *(alternate director to Kong Kok Keong)*

## DIRECTORS OF THE SUBSIDIARIES

The following is a list of directors of the subsidiaries (excluding Directors who are also Directors of the Company) who held office during the financial year and until the date of this report:

Alan Robert Fraser
Bhae Hong Yong
Goh Min Yen
Hiew Yon Fo
Hon Poh Chow
Ian Wang
Indra Surya Susanto
Kee Yong Wah
Lee Hwan Boo
Lim Beng Hong
Pang Kim Fan
Tay Tuan Leng
Unggul Setyamoko
Woon Wai Thong

## DIRECTORS' INTERESTS IN SHARES

The interests and deemed interests in the ordinary shares of the Company and of its related corporations (other than wholly-owned subsidiaries) of those who were Directors at financial year end (including the interests of the spouses or children of the Directors who themselves are not Directors of the Company) are as follows:

| | **Number of ordinary shares** | | | |
|---|---|---|---|---|
| | **At 1.7.2017** | **Bought** | **Sold** | **At 30.6.2018** |
| *Interests in the Company* | | | | |
| Tan Sri Datuk Seri Panglima (Dr.) Goh Tian Chuan, JP | | | | |
| – direct interest | 1,050,033,251 | - | - | 1,050,033,251 |
| – indirect interest [(a)] | 10 | - | - | 10 |
| Kong Kok Keong | | | | |
| – direct interest | 615,749,677 | - | - | 615,749,677 |
| – indirect interest [(b)] | 387,953,000 | - | - | 387,953,000 |
| Ooi Boon Pin | | | | |
| – direct interest | 77,985,580 | - | - | 77,985,580 |
| – indirect interest [(c)] | 19,785,800 | - | - | 19,785,800 |
| Chen Heng Mun | | | | |
| – direct interest | 1,862,180 | - | - | 1,862,180 |
| – indirect interest [(c)] | 2,004,716 | - | - | 2,004,716 |
| Wong Zee Shin | 19,327 | - | - | 19,327 |
| Yong Nam Yun | 118,520,799 | - | - | 118,520,799 |

## DIRECTORS' INTERESTS IN SHARES (CONT'D)

| | Number of shares | | | |
|---|---|---|---|---|
| | At 1.7.2017 | Bought | Sold | At 30.6.2018 |
| *Interests in the NuEnergy Gas Limited* | | | | |
| Tan Sri Datuk Seri Panglima (Dr.) Goh Tian Chuan, JP | | | | |
| – direct interest | 68,112,694 | - | - | 68,112,694 |
| Kong Kok Keong | | | | |
| – direct interest | - | 68,112,694 | - | 68,112,694 |
| – indirect interest [(d)] | 68,112,694 | - | 68,112,694 | - |

*Notes:*

[(a)] *Deemed interested by virtue of Section 8 of the Companies Act 2016 ("Act") held through his son.*
[(b)] *Deemed interested by virtue of Section 8 of the Act held through Darulnas (M) Sdn Bhd and by virtue of Section 59(11) of the Act held through his spouse.*
[(c)] *Deemed interested by virtue of Section 59(11) of the Act held through his spouse.*
[(d)] *Deemed interested through Darulnas (M) Sdn Bhd.*

None of the other Directors holding office at 30 June 2018 had any interest in the shares or options of the Company during the financial year.

Save as disclosed above, none of the Directors holding office at 30 June 2018 had any interest in the shares or options of the related corporations of the Company during the financial year.

## DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than those fees and other benefits included in the aggregate amount of remuneration received or due and receivable by Directors as shown in the financial statements of the Company or of related corporations) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest other than as disclosed in Note 31 to the financial statements.

There were no arrangements during and at the end of the financial year which had the object of enabling 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.

## ISSUE OF SHARES AND DEBENTURES

There were no changes in the issued and paid-up capital of the Company during the financial year.

There were no debentures issued during the financial year.

## OPTIONS GRANTED OVER UNISSUED SHARES

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

## INDEMNITY AND INSURANCE COSTS

During the financial year, there were no indemnity insurance given to or effected for Directors, officers or auditors of the Company.

## OTHER STATUTORY INFORMATION

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

i) all known bad debts have been written off and adequate provision made for doubtful debts, and

ii) any current assets which were unlikely to be realised in the ordinary course of business 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:

i) that would render the amount written off for bad debts or the amount of the provision for doubtful debts in the Group and in the Company inadequate to any substantial extent, or

ii) that would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading, or

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

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

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

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

ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

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

In the opinion of the Directors, except for the impairment loss on exploration and evaluation assets of RM36,011,000 as disclosed in Note 19 to the financial statements, the financial performance of the Group for the financial year ended 30 June 2018 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

In the opinion of the Directors, except for the impairment loss on investments in subsidiaries and impairment loss on receivables of RM40,489,000 and RM5,310,000 respectively as disclosed in Note 19 to the financial statements, the financial performance of the Company for the financial year ended 30 June 2018 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

## SIGNIFICANT EVENT

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

## SUBSEQUENT EVENTS

Subsequent to the year end, the Company has proposed to undertake the following proposals:

i) proposed consolidation of every 20 existing ordinary shares in the Company into 1 ordinary share ("Consolidated Share") held on an entitlement date to be determined later ("Entitlement Date"); and

ii) proposed issue of up to 67,271,723 free warrants in the Company ("Warrants") on the basis of 1 Warrant for every 4 Consolidated Shares held on the Entitlement Date.

The above proposals are pending approvals from shareholders as at the date of this report.

## AUDITORS

The auditors, KPMG PLT, have indicated their willingness to accept re-appointment.

The auditors' remuneration is disclosed in Note 19 to the financial statements.

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

**Tan Sri Datuk Seri Panglima (Dr.) Goh Tian Chuan, JP**
Director

**Ooi Boon Pin**
Director

Kuala Lumpur,
Date: 15 October 2018

# STATEMENTS OF FINANCIAL POSITION

AS AT 30 JUNE 2018



| | Note | Group 2018 RM'000 | Group 2017 RM'000 | Company 2018 RM'000 | Company 2017 RM'000 |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Property, plant and equipment | 3 | 102,526 | 109,246 | 444 | 388 |
| Exploration and evaluation assets | 5 | 106,651 | 142,631 | - | - |
| Intangible assets | 6 | 28,381 | 29,005 | - | - |
| Investments in subsidiaries | 7 | - | - | 281,146 | 264,809 |
| Investment in an associate | 8 | - | - | - | - |
| Investment in joint venture | 9 | - | - | - | - |
| Other investments | 10 | 3,534 | 3,857 | - | - |
| Deferred tax assets | 11 | 351 | 216 | - | - |
| **Total non-current assets** | | 241,443 | 284,955 | 281,590 | 265,197 |
| Inventories | 12 | 26,486 | 28,157 | - | - |
| Biological assets | 4 | 279 | 533 | - | - |
| Other investments | 10 | 216 | 247 | - | - |
| Current tax assets | | 2,476 | 2,875 | 159 | 113 |
| Trade and other receivables | 13 | 41,773 | 43,644 | 6,553 | 72,376 |
| Cash and cash equivalents | 14 | 55,389 | 74,194 | 4,333 | 2,285 |
| **Total current assets** | | 126,619 | 149,650 | 11,045 | 74,774 |
| **Total assets** | | 368,062 | 434,605 | 292,635 | 339,971 |
| **Equity** | | | | | |
| Share capital | 15.1 | 538,174 | 538,174 | 538,174 | 538,174 |
| Share premium | 15.2 | 105,473 | 105,473 | 105,473 | 105,473 |
| Reserves | | (397,267) | (367,412) | (352,720) | (305,352) |
| **Total equity attributable to owners of the Company** | | 246,380 | 276,235 | 290,927 | 338,295 |
| **Non-controlling interests** | | 62,834 | 84,908 | - | - |
| **Total equity** | | 309,214 | 361,143 | 290,927 | 338,295 |
| **Liabilities** | | | | | |
| Loans and borrowings | 16 | 9,729 | 14,815 | 249 | 305 |
| Deferred tax liabilities | 11 | 4,973 | 8,513 | - | - |
| **Total non-current liabilities** | | 14,702 | 23,328 | 249 | 305 |
| Loans and borrowings | 16 | 13,386 | 19,206 | 57 | 54 |
| Provisions | 17 | 1,851 | 1,726 | - | - |
| Current tax liabilities | | 630 | 239 | - | - |
| Trade and other payables | 18 | 28,279 | 28,963 | 1,402 | 1,317 |
| **Total current liabilities** | | 44,146 | 50,134 | 1,459 | 1,371 |
| **Total liabilities** | | 58,848 | 73,462 | 1,708 | 1,676 |
| **Total equity and liabilities** | | 368,062 | 434,605 | 292,635 | 339,971 |

*The notes on pages 65 to 145 are an integral part of these financial statements.*

# STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2018



| | Note | Group 2018 RM'000 | Group 2017 RM'000 Restated | Company 2018 RM'000 | Company 2017 RM'000 |
|---|---|---|---|---|---|
| **Continuing operations** | | | | | |
| Revenue | | | | | |
| – sale of goods | | 194,825 | 177,001 | - | - |
| – dividend (gross) | | - | - | - | 16 |
| – services | | - | - | 1,675 | 2,269 |
| | | 194,825 | 177,001 | 1,675 | 2,285 |
| Cost of sales | | (152,499) | (135,990) | - | - |
| **Gross profit** | | 42,326 | 41,011 | 1,675 | 2,285 |
| Administrative expenses | | (39,998) | (42,220) | (3,283) | (3,348) |
| Distribution costs | | (830) | (745) | - | - |
| Other operating expenses | | (41,137) | (11,537) | (45,804) | (159) |
| Other operating income | | 4,701 | 2,948 | - | - |
| **Results from operating activities** | | (34,938) | (10,543) | (47,412) | (1,222) |
| Finance income | 20 | 878 | 1,011 | 62 | 201 |
| Finance costs | 21 | (2,126) | (2,914) | (18) | (21) |
| **Net finance (costs)/income** | | (1,248) | (1,903) | 44 | 180 |
| **Loss before tax** | | (36,186) | (12,446) | (47,368) | (1,042) |
| Tax expense | 22 | 91 | 594 | - | 19 |
| **Loss from continuing operations** | | (36,095) | (11,852) | (47,368) | (1,023) |
| **Discontinued operations** | | | | | |
| Loss from discontinued operations, net of tax | 23 | (3,010) | (6,643) | - | - |
| **Loss for the year** | 19 | (39,105) | (18,495) | (47,368) | (1,023) |

| | Note | Group 2018 RM'000 | Group 2017 RM'000 Restated | Company 2018 RM'000 | Company 2017 RM'000 |
|---|---|---|---|---|---|
| **Other comprehensive (expense)/income, net of tax Items that may be reclassified subsequently to profit or loss** | | | | | |
| Foreign currency translation differences for foreign operations | | (12,824) | 10,048 | - | - |
| **Total comprehensive expense for the year** | | (51,929) | (8,447) | (47,368) | (1,023) |
| **Loss attributable to:** | | | | | |
| Owners of the Company | | | | | |
| – from continuing operations | | (17,346) | (3,458) | (47,368) | (1,023) |
| – from discontinued operations | | (3,010) | (6,102) | - | - |
| Non-controlling interests | | | | | |
| – from continuing operations | | (18,749) | (8,394) | - | - |
| – from discontinued operations | | - | (541) | - | - |
| **Loss for the year** | | (39,105) | (18,495) | (47,368) | (1,023) |
| **Total comprehensive (expense)/ income attributable to:** | | | | | |
| Owners of the Company | | | | | |
| – from continuing operations | | (26,845) | 2,092 | (47,368) | (1,023) |
| – from discontinued operations | | (3,010) | (6,102) | - | - |
| Non-controlling interests | | | | | |
| – from continuing operations | | (22,074) | (3,896) | - | - |
| – from discontinued operations | | - | (541) | - | - |
| **Total comprehensive expense for the year** | | (51,929) | (8,447) | (47,368) | (1,023) |
| **Basic loss per ordinary share (sen):** | 25 | | | | |
| – from continuing operations | | (0.322) | (0.064) | | |
| – from discontinued operations | | (0.056) | (0.114) | | |
| | | (0.378) | (0.178) | | |

*The notes on pages 65 to 145 are an integral part of these financial statements.*

# STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2018

| Group | Attributable to owners of the Company | | | | | | Non-controlling interests RM'000 | Total equity RM'000 |
|---|---|---|---|---|---|---|---|---|
| | | *Non-distributable* | | | | | | |
| | Share capital RM'000 | Share premium RM'000 | Capital reserve RM'000 | Other reserves RM'000 | Accumulated losses RM'000 | Total RM'000 | | |
| **At 1 July 2016** | 538,174 | 105,473 | 6,041 | (197,826) | (164,163) | 287,699 | 92,232 | 379,931 |
| Foreign currency translation differences for foreign operations | - | - | - | 5,550 | - | 5,550 | 4,498 | 10,048 |
| Total other comprehensive income for the year | - | - | - | 5,550 | - | 5,550 | 4,498 | 10,048 |
| Loss for the year | - | - | - | - | (9,560) | (9,560) | (8,935) | (18,495) |
| **Total comprehensive income/(expense) for the year** | - | - | - | 5,550 | (9,560) | (4,010) | (4,437) | (8,447) |
| *Contributions by and distributions to owners of the Company* | | | | | | | | |
| Disposal of subsidiaries | - | - | - | (3,742) | 3,742 | - | (10,794) | (10,794) |
| Transfer to accumulated losses due to permanent indication of impairment | - | - | - | 3 | 317 | 320 | - | 320 |
| Rights issue in a subsidiary (Note 33) | - | - | - | - | (7,774) | (7,774) | 7,907 | 133 |
| **Total transactions with owners of the Company** | - | - | - | (3,739) | (3,715) | (7,454) | (2,887) | (10,341) |
| **At 30 June 2017/1 July 2017** | 538,174 | 105,473 | 6,041 | (196,015) | (177,438) | 276,235 | 84,908 | 361,143 |
| Foreign currency translation differences for foreign operations | - | - | - | (9,499) | - | (9,499) | (3,325) | (12,824) |
| Total other comprehensive expense for the year | - | - | - | (9,499) | - | (9,499) | (3,325) | (12,824) |
| Loss for the year | - | - | - | - | (20,356) | (20,356) | (18,749) | (39,105) |
| **Total comprehensive expense for the year** | - | - | - | (9,499) | (20,356) | (29,855) | (22,074) | (51,929) |
| *Contributions by and distributions to owners of the Company* | | | | | | | | |
| Disposal of associate | - | - | - | 33 | (33) | - | - | - |
| **Total transactions with owners of the Company** | - | - | - | 33 | (33) | - | - | - |
| **At 30 June 2018** | 538,174 | 105,473 | 6,041 | (205,481) | (197,827) | 246,380 | 62,834 | 309,214 |
| | Note 15.1 | Note 15.2 | Note 15.3 | Note 15.4 | | | | |

| | *Attributable to owners of the Company* | | | | |
|---|---|---|---|---|---|
| | | *Non-distributable* | | | |
| **Company** | **Share capital RM'000** | **Share premium RM'000** | **Fair value adjustment reserve RM'000** | **Accumulated losses RM'000** | **Total equity RM'000** |
| **At 1 July 2016** | 538,174 | 105,473 | (83,429) | (220,900) | 339,318 |
| **Loss and total comprehensive expense for the year** | - | - | - | (1,023) | (1,023) |
| **At 30 June 2017/1 July 2017** | 538,174 | 105,473 | (83,429) | (221,923) | 338,295 |
| **Loss and total comprehensive expense for the year** | - | - | - | (47,368) | (47,368) |
| **At 30 June 2018** | 538,174 | 105,473 | (83,429) | (269,291) | 290,927 |
| | Note 15.1 | Note 15.2 | Note 15.4 | | |

*The notes on pages 65 to 145 are an integral part of these financial statements.*

# STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2018



| | Note | Group 2018 RM'000 | Group 2017 RM'000 Restated | Company 2018 RM'000 | Company 2017 RM'000 |
|---|---|---|---|---|---|
| **Cash flows from operating activities** | | | | | |
| Loss before tax: | | | | | |
| – continuing operations | | (36,186) | (12,446) | (47,368) | (1,042) |
| – discontinued operations | | (3,018) | (6,985) | - | - |
| | | (39,204) | (19,431) | (47,368) | (1,042) |
| Adjustments for: | | | | | |
| Amortisation of customer relationships | | 395 | 395 | - | - |
| Amortisation of development costs | | 229 | 385 | - | - |
| Depreciation of property, plant and equipment | | 10,617 | 14,080 | 113 | 110 |
| Development costs written off | 6 | - | 238 | - | - |
| Dividend income | | - | - | - | (16) |
| Fair value loss on biological assets | | 254 | 258 | - | - |
| Fair value loss on financial assets at fair value through profit or loss | | 31 | 10 | - | - |
| Finance costs | | 2,154 | 2,974 | 18 | 21 |
| Finance income | | (880) | (1,069) | (62) | (201) |
| Gain on disposal of associate | | (1,158) | - | - | - |
| Gain on disposal of property, plant and equipment | | (353) | (29) | - | - |
| Impairment loss on exploration and evaluation assets (net) | | 36,011 | 10,045 | - | - |
| Impairment loss on investment in a subsidiary | | - | - | 40,489 | - |
| Impairment loss on available-for-sale financial assets | | 323 | 327 | - | - |
| Impairment loss on property, plant and equipment | | 243 | 4,968 | - | - |
| Impairment loss on receivables | | 147 | 130 | 5,310 | 158 |
| Inventories written off | 12 | 390 | 1,716 | - | - |
| Inventories written down to net realisable value | 12 | 174 | 2,178 | - | - |
| Reversal of inventories written down | 12 | (2,106) | - | - | - |
| Loss/(Gain) on sale of discontinued operations (net) | | 44 | (3,478) | - | - |
| Property, plant and equipment written off | | 1,126 | 59 | 7 | - |
| Provision for warranties | | 300 | 472 | - | - |
| Prepayments written off | | 723 | - | - | - |
| Unrealised foreign exchange loss/(gain) | | 830 | (404) | - | - |
| **Operating profit/(loss) before changes in working capital** | | 10,290 | 13,824 | (1,493) | (970) |
| Change in inventories | | 761 | 601 | - | - |
| Change in trade and other receivables | | (3,101) | 17,821 | (329) | (13,201) |
| Change in trade and other payables | | 7,441 | (25,361) | 85 | (33,494) |
| **Cash generated from/(used in) operations** | | 15,391 | 6,885 | (1,737) | (47,665) |
| Employee benefit paid | | (65) | (56) | - | - |
| Tax paid (net) | | (2,695) | (5,901) | (46) | (94) |
| Warranties paid | | (175) | (467) | - | - |
| **Net cash from/(used in) operating activities** | | 12,456 | 461 | (1,783) | (47,759) |

| | Note | Group 2018 RM'000 | Group 2017 RM'000 Restated | Company 2018 RM'000 | Company 2017 RM'000 |
|---|---|---|---|---|---|
| **Cash flows from investing activities** | | | | | |
| Development costs paid | | - | (1) | - | - |
| Dividend received | | - | - | 16 | - |
| Exploration and evaluation expenditure incurred | | (8,378) | (15,794) | - | - |
| Interest received | | 880 | 1,069 | 62 | 201 |
| Proceeds from disposal of property, plant and equipment | | 395 | 115 | - | - |
| Net proceeds from disposal of subsidiaries | 23 | 267 | 36,204 | - | - |
| Proceeds from disposal of associate | | 1,158 | - | - | - |
| Purchase of property, plant and equipment | (ii) | (7,914) | (2,088) | (176) | (8) |
| Redemption of preference shares in a subsidiary | | - | - | 4,000 | 49,300 |
| Withdrawal of other investments | | - | 171 | - | - |
| **Net cash (used in)/from investing activities** | | (13,592) | 19,676 | 3,902 | 49,493 |
| **Cash flows from financing activities** | | | | | |
| Repayment of borrowings | | (10,643) | (2,156) | - | - |
| Repayment of finance lease liabilities | | (539) | (894) | (53) | (51) |
| Withdrawal of pledged deposits with licensed banks | | 176 | 692 | - | - |
| Subscription of shares in a subsidiary by non-controlling interests | 33 | - | 133 | - | - |
| Interest paid | | (2,154) | (2,974) | (18) | (21) |
| **Net cash used in financing activities** | | (13,160) | (5,199) | (71) | (72) |
| **Net (decrease)/increase in cash and cash equivalents** | | (14,296) | 14,938 | 2,048 | 1,662 |
| Effect of exchange rate fluctuations on cash and cash equivalents | | (4,333) | 5,458 | - | - |
| Cash and cash equivalents at beginning of the year | | 74,018 | 53,622 | 2,285 | 623 |
| **Cash and cash equivalents at end of the year** | (i) | 55,389 | 74,018 | 4,333 | 2,285 |

### *(i) Cash and Cash Equivalents*

Cash and cash equivalents included in the statement of cash flows of the Group and of the Company comprise the following statements of financial position amounts:

| | Group | | Company | |
|---|---|---|---|---|
| | **2018 RM'000** | **2017 RM'000** | **2018 RM'000** | **2017 RM'000** |
| Cash and bank balances | 30,731 | 48,029 | 1,333 | 1,285 |
| Short term placement funds with approved financial institutions | 19,608 | 14,634 | - | - |
| Deposits with licensed banks | 5,050 | 11,531 | 3,000 | 1,000 |
| | 55,389 | 74,194 | 4,333 | 2,285 |
| Less: | | | | |
| Deposits pledged as security | - | (176) | - | - |
| | 55,389 | 74,018 | 4,333 | 2,285 |

### *(ii) Purchase of Property, Plant and Equipment*

During the year, the Group purchased property, plant and equipment with the following aggregate cost, of which RM436,000 (2017: Nil) was acquired by means of finance leases.

| | | Group | | Company | |
|---|---|---|---|---|---|
| | **Note** | **2018 RM'000** | **2017 RM'000** | **2018 RM'000** | **2017 RM'000** |
| By means of: | | | | | |
| – Finance leases | | 436 | - | - | - |
| – Cash and cash equivalents | | 7,914 | 2,088 | 176 | 8 |
| | 3 | 8,350 | 2,088 | 176 | 8 |

*The notes on pages 65 to 145 are an integral part of these financial statements.*

Globaltec Formation Berhad is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad. The address of the registered office and principal place of business of the Company is as follows:

**Registered Office/Principal Place of Business**

Unit 23A-12, Menara Q Sentral
No. 2A, Jalan Stesen Sentral 2
Kuala Lumpur Sentral
50470 Kuala Lumpur

The consolidated financial statements of the Company as at and for the financial year ended 30 June 2018 comprise the Company and its subsidiaries (together referred to as the "Group" and individually referred to as "Group entities") and the Group's interest in an associate and a joint venture. The financial statements of the Company as at and for the financial year ended 30 June 2018 do not include other entities.

The Company is principally engaged in investment holding activities, whilst the principal activities of the subsidiaries are as stated in Note 7 to the financial statements. Save for the disposal of the entire equity interest in JP Metal Sdn Bhd, a subsidiary which was principally involved in the manufacture and fabrication of tools and dies and stamped metal components for electronic and automotive industries, there has been no other significant change in the nature of these activities of the Group during the financial year.

The financial statements were authorised for issue by the Board of Directors on 15 October 2018.

## 1. BASIS OF PREPARATION

### (a) Statement of Compliance

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

The following are accounting standards, amendments and interpretations that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been adopted by the Group and the Company:

***MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2018***

- MFRS 9, *Financial Instruments (2014)*
- MFRS 15, *Revenue from Contracts with Customers*
- Clarifications to MFRS 15, *Revenue from Contracts with Customers*
- IC Interpretation 22, *Foreign Currency Transactions and Advance Consideration*
- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
- Amendments to MFRS 2, *Share-based Payment – Classification and Measurement of Share-based Payment Transactions*
- Amendments to MFRS 4, *Insurance Contracts – Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts*
- Amendments to MFRS 128, *Investments in Associates and Joint Ventures (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
- Amendments to MFRS 140, *Investment Property – Transfers of Investment Property*

## 1. BASIS OF PREPARATION (CONT'D)

### (a) Statement of Compliance (Cont'd)

***MFRSs, Interpretations and amendments 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 3, *Business Combinations (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 9, *Financial Instruments – Prepayment Features with Negative Compensation*
- Amendments to MFRS 11, *Joint Arrangements (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 112, *Income Taxes (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 119, *Employee Benefits – Plan Amendment, Curtailment and Settlement*
- Amendments to MFRS 123, *Borrowing Costs (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 128, *Investments in Associates and Joint Ventures – Long term Interests in Associates and Joint Ventures*

***MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2021***

- MFRS 17, Insurance Contracts

***MFRSs, Interpretations and amendments effective for annual periods beginning on or after a date yet to be confirmed***

- Amendments to MFRS 10, *Consolidated Financial Statements* and MFRS 128, *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The Group and the Company plan to apply the abovementioned accounting standards, amendments and interpretations:

- from the annual period beginning on 1 July 2018 for those accounting standards, amendments and interpretation that are effective for annual periods beginning on or after 1 January 2018, except for Amendments to MFRS 1, Amendments to MFRS 2, Amendments to MFRS 4 and Amendments to MFRS 140 which are not applicable to the Group and the Company.

- from the annual period beginning on 1 July 2019 for those accounting standard, amendments and interpretation that are effective for annual periods beginning on or after 1 January 2019.

The Group and the Company do not plan to apply MFRS 17, Insurance Contracts that is effective for annual periods beginning on 1 January 2021 as it is not applicable to the Group and the Company.

The initial application of the accounting standards, amendments or interpretations are not expected to have any material financial impacts to the current period and prior period financial statements of the Group and of the Company except as mentioned below:

#### (i) MFRS 15, *Revenue from Contracts with Customers*

MFRS 15 replaces the guidance in MFRS 111, *Construction Contracts,* MFRS 118, *Revenue,* IC Interpretation 13, *Customer Loyalty Programmes,* IC Interpretation 15, *Agreements for Construction of Real Estate,* IC Interpretation 18, *Transfers of Assets from Customers* and IC Interpretation 131, *Revenue - Barter Transactions Involving Advertising Services.*

1. **BASIS OF PREPARATION (CONT'D)**

(a) **Statement of Compliance (Cont'd)**

***MFRSs, Interpretations and amendments effective for annual periods beginning on or after a date yet to be confirmed (Cont'd)***

(i) **MFRS 15, *Revenue from Contracts with Customers (Cont'd)***

Currently, the Group recognises revenue from contracts with customers on the basis that persuasive evidence exists, usually in the form of an executed sales agreement, and that the significant risks and rewards of ownership have been transferred to the customers. Upon adoption of MFRS 15, the Group will recognise the revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customers.

The Group has assessed the estimated impact that the initial application of MFRS 15 will have on its consolidated financial statements as at 30 June 2018 as below. The estimated impact on initial application is based on assessment undertaken to date and the actual impacts of adopting the standard may change because the new accounting policies are subject to change until the Group presents its first financial statements that include the date of initial application.

| | ← | Debit/(Credit) | → |
|---|---|---|---|
| **Group** | **As Reported At 30 June 2018 RM'000** | **Estimated Adjustments due to Adoption of MFRS 15 RM'000** | **Estimated Adjusted Opening Balance At 1 July 2018 RM'000** |
| Trade and other receivables | 41,773 | (5,868) | 35,905 |
| Contract assets | - | 7,476 | 7,476 |
| Reserves | 397,267 | (1,608) | 395,659 |

(ii) **MFRS 9, *Financial Instruments***

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

In respect of impairment of financial assets, MFRS 9 replaces the "incurred loss" model in MFRS 139 with an "expected credit loss" ("ECL") model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments measured at fair value through other comprehensive income, but not to investments in equity instruments.

The Group and the Company do not expect the application of MFRS 9 to have material financial impact on its consolidated financial statements as at 1 July 2018 other than extended disclosure requirements. The estimated impact on initial application is based on assessment undertaken to date and the actual impacts of adopting the standard may change because the new accounting policies are subject to change until the Group and the Company present their first financial statements that include the date of initial application.

(iii) **MFRS 16, *Leases***

MFRS 16 replaces the guidance in 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*.

MFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligations to make lease payments. There are recognition exemptions for short term leases and leases of low-value items. Lessor accounting remains similar to the current standard which continues to be classified as finance or operating lease.

## 1. BASIS OF PREPARATION (CONT'D)

### (a) Statement of Compliance (Cont'd)

***MFRSs, Interpretations and amendments effective for annual periods beginning on or after a date yet to be confirmed (Cont'd)***

**(iii) MFRS 16, *Leases (Cont'd)***

The Group and the Company are currently assessing the financial impact that may arise from the adoption of MFRS 16.

### (b) Basis of Measurement

The financial statements have been prepared on the historical cost basis other than as disclosed in Note 2 and on the assumption that the Group and the Company are going concern.

The Group and the Company incurred loss for the year of RM39,105,000 and RM47,368,000 respectively during the year ended 30 June 2018. This may cast significant doubt on the ability of the Group and of the Company to continue as a going concern.

The validity of the going concern assumption is dependent upon the ability of the Group and of the Company to generate sufficient positive cash flows from their operations to enable the Group and the Company to fulfil their obligations as and when they fall due.

At the date of this report, based on management's plans for future actions and the cash flows projections for the Group's existing operations, there is no reason for the Directors to believe that there is any material uncertainty that the Group and the Company will not be able to generate sufficient positive cash flows from their operations. Accordingly, the financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or to amounts and classification of liabilities that may be necessary if the Group and the Company are unable to continue as a going concern.

### (c) Functional and Presentation Currency

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

### (d) Use of Estimates and Judgements

The preparation of financial statements in conformity with MFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than those disclosed in the following notes:

- Note 4 – *fair value of biological assets*
- Note 5 – *impairment assessment on exploration and evaluation assets*
- Note 6 – *impairment assessment on intangible assets*
- Note 7 – *impairment assessment on investments in subsidiaries*
- Note 11 – *deferred tax assets and liabilities*

## 2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to the periods presented in these financial statements and have been applied consistently by Group entities.

### (a) Basis of Consolidation

#### *(i) Subsidiaries*

Subsidiaries are entities, including structured entities, controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The Group controls an entity when it 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.

The Group also 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.

Investments in subsidiaries are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investment includes transaction costs.

#### *(ii) Business Combinations*

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group.

For new acquisitions, the Group measures the cost of goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

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

For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

#### *(iii) Acquisitions of Non-controlling Interests*

The Group accounts for all changes in its ownership interest in a subsidiary that do not result in a loss of control as equity transactions between the Group and its non-controlling interest holders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserves.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (a) Basis of Consolidation (Cont'd)

#### *(iv) Loss of Control*

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

#### *(v) Associates*

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

Investments in associates are accounted for in the consolidated financial statements using the equity method less any impairment losses, unless it is classified as held for sale or distribution. The cost of the investment includes transaction costs. The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of the associates, after adjustments if any, to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

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

When the Group ceases to have significant influence over an associate, any retained interest in the former associate at the date when significant influence is lost is measured at fair value and this amount is regarded as the initial carrying amount of a financial asset. The difference between the fair value of any retained interest plus proceeds from the interest disposed of and the carrying amount of the investment at the date when equity method is discontinued is recognised in profit or loss.

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

Investments in associates are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of the investment includes transaction costs.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (a) Basis of Consolidation (Cont'd)

#### *(vi) Joint Arrangements*

Joint arrangements are arrangements of which the Group has joint control, established by contracts requiring unanimous consent for decisions about the activities that significantly affect the arrangements' returns.

Joint arrangements are classified and accounted for as follows:

- A joint arrangement is classified as "joint operation" when the Group or the Company has rights to the assets and obligations for the liabilities relating to an arrangement. The Group accounts for each of its share of the assets, liabilities and transactions, including its share of those held or incurred jointly with the other investors, in relation to the joint operation.

- A joint arrangement is classified as "joint venture" when the Group has rights only to the net assets of the arrangements. The Group accounts for its interest in the joint venture using the equity method. Investments in joint venture are measured in the investor's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investment includes transaction costs.

#### *(vii) Non-controlling Interests*

Non-controlling interests at the end of the reporting period, being the equity in a subsidiary not attributable directly or indirectly to the equity holders of the Company, are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group is presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of the profit or loss and the comprehensive income for the year between non-controlling interests and owners of the Company.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

#### *(viii) Transactions Eliminated on Consolidation*

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

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

### (b) Foreign Currency

#### *(i) Foreign Currency Transactions*

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated to the functional currency at the exchange rate at that date.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (b) Foreign Currency (Cont'd)

#### *(i) Foreign Currency Transactions (Cont'd)*

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting period, except for those that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments or a financial instrument designated as a hedge of currency risk, which are recognised in other comprehensive income.

In the consolidated financial statements, when settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented in the foreign currency translation reserve ("FCTR") in equity.

#### *(ii) Operations Denominated in Functional Currencies other than Ringgit Malaysia*

The assets and liabilities of operations denominated in functional currencies other than RM, including goodwill and fair value adjustments arising on acquisition, are translated to RM at exchange rates at the end of the reporting period, except for goodwill and fair value adjustments arising from business combinations before 1 January 2011 (the date when the Group first adopted MFRS) which are treated as assets and liabilities of the Company. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economics are translated to RM at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income and accumulated in the FCTR in equity. However, if the operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the FCTR related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

### (c) Financial Instruments

#### *(i) Initial Recognition and Measurement*

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the instrument.

A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

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

2. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

(c) **Financial Instruments (Cont'd)**

***(ii) Financial Instrument Categories and Subsequent Measurement***

The Group and the Company categorise financial instruments as follows:

***Financial Assets***

***(a) Financial Assets at Fair Value through Profit or Loss***

Fair value through profit or loss category comprises financial assets that are held for trading, including derivatives (except for a derivative that is a financial guarantee contract or designated as an effective hedging instrument), contingent considerations in a business combination or financial assets that are specifically designated into this category upon initial recognition.

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

Other financial assets categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

***(b) Loans and Receivables***

Loans and receivables category comprises debt instruments that are not quoted in an active market.

Financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective interest method.

***(c) Available-for-sale Financial Assets***

Available-for-sale category comprises investment in equity and debt securities instruments that are not held for trading.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost. Other financial assets categorised as available-for-sale are subsequently measured at their fair values with the gain or loss recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses arising from monetary items and gains and losses of hedged items attributable to hedge risks of fair value hedges which are recognised in profit or loss. On derecognition, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity into profit or loss. Interest calculated for a debt instrument using the effective interest method is recognised in profit or loss.

All financial assets, except for those measured at fair value through profit or loss, are subject to review for impairment (see Note 2(j)(i)).

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (c) Financial Instruments (Cont'd)

#### *(ii) Financial Instrument Categories and Subsequent Measurement (Cont'd)*

***Financial Liabilities***

All financial liabilities are subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprises financial liabilities that are derivatives (except for a derivative that is a financial guarantee contract or designated as an effective hedging instrument) contingent consideration in a business combination or financial liabilities that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of equity instruments that do not have a quoted price in an active market for identical instruments whose fair values otherwise cannot be reliably measured are measured at cost.

Other financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

#### *(iii) Financial Guarantee Contracts*

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

Fair values arising from financial guarantee contracts are classified as deferred income and are amortised to profit or loss using a straight-line method over the contractual period or, when there is no specified contractual period, recognised in profit or loss upon discharge of the guarantee. When settlement of a financial guarantee contract becomes probable, an estimate of the obligation is made. If the carrying value of the financial guarantee contract is lower than the obligation, the carrying value is adjusted to the obligation amount and accounted for as a provision.

#### *(iv) Regular Way Purchase or Sale of Financial Assets*

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

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date accounting. Trade date accounting refers to:

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

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

#### *(v) Derecognition*

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

2. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

(c) **Financial Instruments (Cont'd)**

***(v) Derecognition (Cont'd)***

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

(d) **Property, Plant and Equipment**

***(i) Recognition and Measurement***

Items of property, plant and equipment are measured at cost less any accumulated depreciation and any accumulated impairment losses.

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

Cost also may include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

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

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

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and is recognised net within "other operating income" and "other operating expenses" respectively in profit or loss.

***(ii) Subsequent Costs***

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group or the Company, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised to profit or loss. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

***(iii) Depreciation***

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment from the date that they are available for use. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Freehold land is not depreciated. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (d) Property, Plant and Equipment (Cont'd)

#### *(iii) Depreciation (Cont'd)*

The estimated useful lives for the current and comparative periods are as follows:

| | |
|---|---|
| • Leasehold land | 30 - 99 years |
| • Buildings | 50 - 60 years |
| • Plant and machinery | 3 - 10 years |
| • Tools, jigs and fixtures | 1 - 4 years |
| • Furniture, fittings, office equipment, renovation and signboards | 3 - 10 years |
| • Motor vehicles | 5 years |
| • Bearer plants (oil palm trees) | 22 years |

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

### (e) Biological Assets

Biological assets relate to the agriculture produce growing on the bearer plants. These comprised of mature and immature fresh fruit brunches that are on the bearer plants as at the reporting date. Biological assets are measured at fair value less costs to sell. Any gains or losses arising from changes in the fair value less costs to sell of produce growing on bearer plants are recognised in profit or loss. Fair value is determined based on the present value of expected net cash flows from the produce growing on bearer plants. The expected net cash flows are estimated using expected output method and the estimated market price of the produce growing on bearer plants.

### (f) Leased Assets

#### *(i) Finance Lease*

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

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

Leasehold land which in substance is a finance lease is classified as property, plant and equipment, or as investment property if held to earn rental income or for capital appreciation or for both.

#### *(ii) Operating Leases*

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(f) Leased Assets (Cont'd)

*(ii) Operating Leases (Cont'd)*

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

Leasehold land which in substance is an operating lease is classified as prepaid lease payments.

(g) Intangible Assets

*(i) Goodwill*

Goodwill arises on business combination is measured at cost less any accumulated impairment losses. In respect of equity-accounted associates and joint venture, the carrying amount of goodwill is included in the carrying amount of the investment and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the equity-accounted associates and joint venture.

*(ii) Research and Development*

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in profit or loss as incurred.

Expenditure on development activities, whereby the application of research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to and has sufficient resources to complete development and to use or sell the asset.

The expenditure capitalised includes the cost of materials, direct labour and overheads costs that are directly attributable to preparing the asset for its intended use. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. Other development expenditure is recognised in profit or loss as incurred.

Capitalised development expenditure is measured at cost less any accumulated amortisation and any accumulated impairment losses.

*(iii) Customer Relationships*

Customer relationships are intangible assets acquired in a business combination and are arising from supply arrangements with selected established long term customers. Customer relationships are determined using fair value at acquisition, which have finite useful lives, and are measured at cost less any accumulated amortisation and any accumulated impairment losses.

*(iv) Subsequent Expenditure*

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

**2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

***(g) Intangible Assets (Cont'd)***

***(v) Amortisation***

Goodwill is not amortised but is tested for impairment annually and whenever there is an indication that they may be impaired.

Development costs and customer relationships are amortised from the date that they are available for use and recognised in profit or loss on a straight-line basis over their respective estimated useful lives. Amortisation is based on the cost of an asset less its residual value.

The estimated useful lives for the current and comparative periods are as follows:

- capitalised development costs 4 - 5 years
- customer relationships 20 years

Amortisation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted, if appropriate.

**(h) Inventories**

Inventories are measured at the lower of cost and net realisable value.

The cost of inventories is calculated using the weighted average method, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of work-in-progress and finished goods, cost includes an appropriate share of production overheads based on normal operating capacity.

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

**(i) Cash and Cash Equivalents**

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in fair value with original maturities of three months or less, and are used by the Group and the Company in the management of their short term commitments. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

**(j) Impairment**

***(i) Financial Assets***

All financial assets (except for financial assets categorised as fair value through profit or loss, investments in subsidiaries, investments in associate and joint venture) are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. For an investment in an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment. If any such objective evidence exists, then the impairment loss of the financial asset is estimated.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(j) Impairment (Cont'd)

*(i) Financial Assets (Cont'd)*

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

An impairment loss in respect of available-for-sale financial assets is recognised in profit or loss and is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and the asset's current fair value, less any impairment loss previously recognised. Where a decline in the fair value of an available-for-sale financial asset has been recognised in the other comprehensive income, the cumulative loss in other comprehensive income is reclassified from equity to profit or loss.

An impairment loss in respect of unquoted equity instrument that is carried at cost is recognised in profit or loss and is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available-for-sale is not reversed through profit or loss.

If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss.

*(ii) Other Assets*

The carrying amounts of other assets (except for inventories and deferred tax assets) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each period at the same time.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units. Subject to an operating segment ceiling test, for the purpose of goodwill impairment testing, cash-generating units to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to a cash-generating unit or a group of cash-generating units that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use ("VIU") and its fair value less costs of disposal. In assessing VIU, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount.

**2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**(j) Impairment (Cont'd)**

***(ii) Other Assets (Cont'd)***

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or a group of cash-generating units) and then to reduce the carrying amounts of the other assets in the cash-generating unit (or a group of cash-generating units) on a *pro-rata* basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the financial year in which the reversals are recognised.

**(k) Equity Instruments**

Instruments classified as equity are measured at cost on initial recognition and are not remeasured subsequently.

***(i) Issue Expenses***

Costs directly attributable to the issue of instruments classified as equity are recognised as a deduction from equity.

***(ii) Ordinary Shares***

Ordinary shares are classified as equity.

**(l) Employee Benefits**

***(i) Short Term Employee Benefits***

Short term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably. The obligations for employees' annual leave and long service leave entitlements are recognised as provisions in the statement of financial position.

***(ii) State Plans***

The Group's contributions to Employees' Provident Fund are charged to profit or loss in the financial year to which they relate. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

**2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**(l) Employee Benefits (Cont'd)**

***(iii) Defined Benefit Plans***

The Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in other comprehensive income. The Group determines the net interest expense or income on the net defined liability or asset for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then net defined benefit liability or asset, taking into account any changes in the net defined benefit liability or asset during the period as a result of contributions and benefit payments.

Net interest expense and other expenses relating to defined benefit plans are recognised in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

***(iv) Termination Benefits***

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the end of the reporting period, then they are discounted.

**(m) Provisions**

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

**Warranties**

A provision for warranties is recognised when the underlying products or services are sold. The provision is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (n) Exploration and Evaluation Assets

Exploration and evaluation assets in relation to separate areas of interest, for which rights of tenure are current, are capitalised in the year in which they are incurred and are carried at cost less accumulated impairment losses where the following conditions are satisfied:

(i) the right of tenure of the area of interest are current; and

(ii) at least one of the following conditions is also met:

- the exploration and evaluation expenditures are expected to be recouped through successful development and exploitation of the area of interest, or alternatively, by its sale; or
- exploration and evaluation activities in the area of interest have not at the reporting date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

Capitalised exploration costs are reviewed at each reporting date as to whether an indication of impairment exists. If any such indication exists, the recoverable amount of the capitalised exploration costs is estimated to determine the extent of the impairment loss (if any). Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in previous years. Where a decision is made to proceed with development, accumulated expenditure will be tested for impairment, transferred to development properties, and then amortised over the life of the reserves associated with the area of interest once mining operations have commenced.

Project costs relating to the oil and gas sector are carried forward to the extent that the following conditions have been met:

- it is probable that the future economic benefits embodied in the asset will eventuate; and
- the asset possesses a cost or other value that can be measured reliably.

Costs which no longer satisfy the above conditions are written off in profit or loss.

### (o) Revenue and Other Income

#### *(i) Goods Sold*

Revenue from the sale of goods in the course of ordinary activities is measured at fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

#### *(ii) Services*

Revenue from services rendered is recognised in profit or loss when the services have been rendered. Revenue from management services is accrued, by reference to the agreements entered.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(o) **Revenue and Other Income (Cont'd)**

***(iii) Rental Income***

Rental income is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease. Rental income from sub-leased property is recognised as other income.

***(iv) Dividend Income***

Dividend income is recognised in profit or loss on the date that the Group's or the Company's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

***(v) Interest Income***

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

(p) **Borrowing Costs**

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.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

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

(q) **Income Tax**

Income 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.

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

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 following temporary differences: the initial recognition of goodwill, the initial recognition of assets or 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.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (q) Income Tax (Cont'd)

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 assets and liabilities on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Unutilised reinvestment allowance and investment tax allowance, being tax incentive that is not a tax base of an asset, is recognised as a deferred tax asset to the extent that it is probable that the future taxable profits will be available against which the unutilised tax incentive can be utilised.

### (r) Discontinued Operations

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale or distribution, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative statement of profit or loss and other comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative period.

### (s) Earnings per Ordinary Share

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

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

### (t) 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 revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' results are reviewed regularly by the chief operating decision makers, which in this case are the Executive Directors of the Group, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

### (u) 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.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (v) Fair Value Measurement

Fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

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

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation technique as follows:

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

The Group recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

## 3. PROPERTY, PLANT AND EQUIPMENT

| Group | Land RM'000 | Buildings RM'000 | Plant and machinery RM'000 | Tools, jigs and fixtures RM'000 | Furniture, fittings, office equipment, renovation and signboard RM'000 | Motor vehicles RM'000 | Bearer plants RM'000 | Construction work-in-progress RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | | | |
| At 1 July 2016 | 51,121 | 50,585 | 312,325 | 13,271 | 21,176 | 3,772 | 36,931 | 171 | 489,352 |
| Additions | - | - | 261 | 30 | 1,740 | 57 | - | - | 2,088 |
| Disposal of subsidiary | (8,000) | (34,851) | (265,056) | - | (16,201) | - | - | - | (324,108) |
| Disposals | - | - | (1,185) | - | (12) | (196) | - | - | (1,393) |
| Written off | - | (15) | (5) | (5) | (121) | - | - | - | (146) |
| Effect of movements in exchange rates | 173 | 451 | 2,001 | 7 | 102 | 14 | - | - | 2,748 |
| At 30 June 2017/1 July 2017 | 43,294 | 16,170 | 48,341 | 13,303 | 6,684 | 3,647 | 36,931 | 171 | 168,541 |
| Additions | - | 36 | 4,858 | 48 | 1,628 | 753 | - | 1,027 | 8,350 |
| Disposal of subsidiary | - | - | (6,999) | - | - | (459) | - | - | (7,458) |
| Disposals | - | - | (4,940) | (6) | (113) | (1,108) | - | - | (6,167) |
| Written off | - | - | (1,522) | (5,524) | (3,183) | (65) | - | (8) | (10,302) |
| Effect of movements in exchange rates | (407) | (1,063) | (4,461) | (7) | (314) | (29) | - | - | (6,281) |
| At 30 June 2018 | 42,887 | 15,143 | 35,277 | 7,814 | 4,702 | 2,739 | 36,931 | 1,190 | 146,683 |

3. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

| Group (Cont'd) | Land RM'000 | Buildings RM'000 | Plant and machinery RM'000 | Tools, jigs and fixtures RM'000 | Furniture, fittings, office equipment, renovation and signboard RM'000 | Motor vehicles RM'000 | Bearer plants RM'000 | Construction work-in-progress RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|---|---|
| **Depreciation and impairment losses** | | | | | | | | | |
| At 1 July 2016 | | | | | | | | | |
| Accumulated depreciation | 6,351 | 10,300 | 269,121 | 5,269 | 16,803 | 1,725 | 5,402 | - | 314,971 |
| Accumulated impairment losses | - | - | 15,344 | 1,379 | 50 | - | - | - | 16,773 |
| | 6,351 | 10,300 | 284,465 | 6,648 | 16,853 | 1,725 | 5,402 | - | 331,744 |
| Depreciation for the year | 1,086 | 1,151 | 6,684 | 1,727 | 1,161 | 593 | 1,678 | - | 14,080 |
| Impairment loss | - | 416 | 4,552 | - | - | - | - | - | 4,968 |
| Disposal of subsidiary | (2,271) | (9,827) | (263,997) | - | (15,619) | - | - | - | (291,714) |
| Disposals | - | - | (1,107) | - | (10) | (190) | - | - | (1,307) |
| Written off | - | (4) | (2) | (5) | (76) | - | - | - | (87) |
| Effect of movements in exchange rates | - | 166 | 1,378 | 6 | 47 | 14 | - | - | 1,611 |
| At 30 June 2017 | | | | | | | | | |
| Accumulated depreciation | 5,166 | 2,202 | 31,337 | 6,997 | 2,306 | 2,142 | 7,080 | - | 57,230 |
| Accumulated impairment losses | - | - | 636 | 1,379 | 50 | - | - | - | 2,065 |
| | 5,166 | 2,202 | 31,973 | 8,376 | 2,356 | 2,142 | 7,080 | - | 59,295 |

## 3. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

| Group (Cont'd) | Land RM'000 | Buildings RM'000 | Plant and machinery RM'000 | Tools, jigs and fixtures RM'000 | Furniture, fittings, office equipment, renovation and signboard RM'000 | Motor vehicles RM'000 | Bearer plants RM'000 | Construction work-in-progress RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|---|---|
| **Depreciation and impairment losses (cont'd)** | | | | | | | | | |
| At 1 July 2017 | | | | | | | | | |
| Accumulated depreciation | 5,166 | 2,202 | 31,337 | 6,997 | 2,306 | 2,142 | 7,080 | - | 57,230 |
| Accumulated impairment losses | - | - | 636 | 1,379 | 50 | - | - | - | 2,065 |
| | 5,166 | 2,202 | 31,973 | 8,376 | 2,356 | 2,142 | 7,080 | - | 59,295 |
| Depreciation for the year | 984 | 625 | 5,839 | 168 | 756 | 567 | 1,678 | - | 10,617 |
| Impairment loss | - | - | - | 38 | 205 | - | - | - | 243 |
| Disposal of subsidiary | - | - | (6,156) | - | - | (447) | - | - | (6,603) |
| Disposals | - | - | (4,940) | (6) | (74) | (1,105) | - | - | (6,125) |
| Written off | - | - | (1,120) | (5,294) | (2,697) | (65) | - | - | (9,176) |
| Effect of movements in exchange rates | - | (462) | (3,486) | (7) | (119) | (20) | - | - | (4,094) |
| At 30 June 2018 | | | | | | | | | |
| Accumulated depreciation | 6,150 | 2,365 | 21,474 | 1,858 | 172 | 1,072 | 8,758 | - | 41,849 |
| Accumulated impairment losses | - | - | 636 | 1,417 | 255 | - | - | - | 2,308 |
| | 6,150 | 2,365 | 22,110 | 3,275 | 427 | 1,072 | 8,758 | - | 44,157 |
| **Carrying amounts** | | | | | | | | | |
| At 1 July 2016 | 44,770 | 40,285 | 27,860 | 6,623 | 4,323 | 2,047 | 31,529 | 171 | 157,608 |
| At 30 June 2017/1 July 2017 | 38,128 | 13,968 | 16,368 | 4,927 | 4,328 | 1,505 | 29,851 | 171 | 109,246 |
| At 30 June 2018 | 36,737 | 12,778 | 13,167 | 4,539 | 4,275 | 1,667 | 28,173 | 1,190 | 102,526 |

## 3. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

| Company | Furniture, fittings and office equipment RM'000 | Motor vehicles RM'000 | Total RM'000 |
|---|---|---|---|
| **Cost** | | | |
| At 1 July 2016 | 53 | 495 | 548 |
| Additions | 8 | - | 8 |
| At 30 June 2017/1 July 2017 | 61 | 495 | 556 |
| Additions | 176 | - | 176 |
| Written off | (49) | - | (49) |
| At 30 June 2018 | 188 | 495 | 683 |
| **Accumulated depreciation** | | | |
| At 1 July 2016 | 31 | 27 | 58 |
| Depreciation for the year | 11 | 99 | 110 |
| At 30 June 2017/1 July 2017 | 42 | 126 | 168 |
| Depreciation for the year | 14 | 99 | 113 |
| Written off | (42) | - | (42) |
| At 30 June 2018 | 14 | 225 | 239 |
| **Carrying amounts** | | | |
| At 1 July 2016 | 22 | 468 | 490 |
| At 30 June 2017/1 July 2017 | 19 | 369 | 388 |
| At 30 June 2018 | 174 | 270 | 444 |

### 3.1 Leased Plant and Equipment

At 30 June 2018, the carrying amounts of plant and equipment of the Group and of the Company under finance lease arrangement are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2018 RM'000 | 2017 RM'000 | 2018 RM'000 | 2017 RM'000 |
| **Carrying amounts** | | | | |
| Plant and machinery | 98 | 777 | - | - |
| Motor vehicles | 765 | 539 | 270 | 369 |
| | 863 | 1,316 | 270 | 369 |

## 3. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

### 3.2 Security

At 30 June 2018, the property, plant and equipment of the Group with the following carrying amounts are charged to financial institutions as security for borrowings of the Group as disclosed in Note 16:

| | Group 2018 RM'000 | Group 2017 RM'000 |
|---|---|---|
| **Carrying amounts** | | |
| Land | 7,376 | 7,504 |
| Buildings | 4,326 | 4,458 |
| Plant and machinery | 9,760 | 9,938 |
| Bearer plants | 28,173 | 29,851 |
| | 49,635 | 51,751 |

### 3.3 Land

Included in the carrying amounts of land are:

| | Group 2018 RM'000 | Group 2017 RM'000 |
|---|---|---|
| Freehold land | 3,000 | 3,000 |
| Short term leasehold land with unexpired lease period of less than 50 years | 20,789 | 22,069 |
| Long term leasehold land with unexpired lease period of more than 50 years | 12,948 | 13,059 |
| | 36,737 | 38,128 |

Included in the long term leasehold land of the Group is a piece of land with a net carrying amount of RM3,367,000 and is held in trust by a third party.

## 4. BIOLOGICAL ASSETS

| | Group 2018 RM'000 | Group 2017 RM'000 |
|---|---|---|
| At fair value | 279 | 533 |

These relate to the agriculture produce growing on the bearer plants.

**Analysis of the biological assets**

| | Group 2018 RM'000 | Group 2017 RM'000 |
|---|---|---|
| Planted area (in hectares) | | |
| Mature | 776 | 771 |
| Immature | 47 | 52 |
| | 823 | 823 |
| Output harvested | | |
| Oil palm fresh fruit bunches (in metric ton) | 16,236 | 15,976 |
| Fair value less costs to sell (in RM'000) | 8,278 | 9,430 |

## 4. BIOLOGICAL ASSETS (CONT'D)

**Security**

Biological assets with a carrying amount of RM279,000 (2017: RM533,000) are charged to financial institutions as security for borrowings of the Group as disclosed in Note 16.

**Fair Value Information**

The fair value measurement for biological assets has been categorised as Level 3 fair value based on the inputs to the valuation techniques used.

**Level 3 Fair Value**

Level 3 fair value is estimated using unobservable inputs for the biological assets.

The following tables shows a reconciliation of Level 3 fair value:

| | Group | |
|---|---|---|
| | 2018 RM'000 | 2017 RM'000 |
| At beginning of the year | 533 | 791 |
| Change in fair value | (254) | (258) |
| At end of the year | 279 | 533 |

The following table shows the valuation techniques used in the determination of fair values within Level 3, as well as the significant unobservable inputs used in the valuation models.

| Valuation technique | Significant unobservable inputs | Inter-relationship between significant unobservable inputs and fair value measurement |
|---|---|---|
| The fair value of the biological assets is derived at based on the value of the fresh fruit bunches ("FFB") that are on the oil palm trees as at the reporting date. The fair value represents the expected gross profit margin of the FFB, after taking into account its state of maturity and condition and the market prices for FFB as at the reporting date. | Expected price of FFB. | The estimated fair value would increase/(decrease) if:<br>– fair value of FFB were higher/(lower). |

**Analysis of Measurement**

The oil palms were mainly planted between 1996 and 2018, and are currently aged between 0 to 22 years old.

Significant assumptions made in determining the fair values of the biological assets are as follows:

(a) The FFB on the oil palm trees will continue to ripen according to its normal cycle of about 5 months;

(b) There is keen demand for oil palm FFB from local mills; and

(c) The favourable combination of high rainfall conditions, moderate to fairly good soil and terrain for oil palm cultivation.

## 4. BIOLOGICAL ASSETS (CONT'D)

### Valuation Processes Applied by the Group for Level 3 Fair Value

The Group has an established control framework in respect to the measurement of fair values of biological assets. This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the Board of Directors. The valuation team reviews annually significant unobservable inputs and valuation adjustments.

### Financial Risk Management Strategies

The Group is exposed to financial risks arising from changes in oil palm FFB prices. The Group does not anticipate that FFB prices will decline significantly in the foreseeable future and, therefore, has not entered into derivatives or other contracts to manage the risk of decline in FFB prices. The Group reviews its outlook for FFB prices regularly in considering the need for active financial risk management.

## 5. EXPLORATION AND EVALUATION ASSETS

| Group | Exploratory rights RM'000 | Exploration expenditure RM'000 | Total RM'000 |
|---|---|---|---|
| At 1 July 2016 | 16,476 | 111,744 | 128,220 |
| Effect of movements in exchange rates | 1,140 | 7,522 | 8,662 |
| Additions | - | 15,794 | 15,794 |
| Impairment loss | (10,045) | - | (10,045) |
| At 30 June 2017/1 July 2017 | 7,571 | 135,060 | 142,631 |
| Effect of movements in exchange rates | (347) | (8,000) | (8,347) |
| Additions | - | 8,378 | 8,378 |
| Impairment loss | (7,224) | (28,787) | (36,011) |
| At 30 June 2018 | - | 106,651 | 106,651 |

Exploration and evaluation assets principally comprise exploration and evaluation related costs incurred for several coal bed methane production sharing contracts ("PSC") in Indonesia. Exploratory rights relate to the premium paid for the participating interest in the Muara Enim and Rengat PSCs by a group entity, NuEnergy Gas Limited.

The exploration and evaluation assets are not amortised as the PSCs have not commenced commercial production during the financial year.

### Impairment Assessment

During the financial year, as there have not been attractive commercial discoveries based on the drilling programs to date, the Group and the Indonesian Special Task Force for Upstream Oil and Gas Business Activities (commonly referred to as SKK Migas) have amicably agreed for the Group to relinquish the Rengat PSC after confirmation from SKK Migas of the completion of the firm commitments. As a result, a full impairment loss of RM36,011,000 was recorded in profit or loss during the year for the Rengat PSC.

In 2017, an independent expert was engaged by the Group to assess the fair value/recoverable amount of the exploration and evaluation assets. As the PSCs have not commenced commercial production, the fair value or the recoverable amount of the exploration and evaluation assets is based on their VIU. As a result of this assessment, an impairment loss of RM10,045,000 was recognised in profit or loss in 2017 in respect of the exploratory rights of the Rengat PSC.

VIU was determined by the independent expert, based on the total of:

- the cost of the work programs of the PSCs to-date; and
- the cost of future work programs of the PSCs discounted based on a promotion factor of 42% being applied onto the cost of the future work programs as prescribed under each respective PSC.

## 6. INTANGIBLE ASSETS

| Group | Goodwill RM'000 | Customer relationships RM'000 | Development cost RM'000 | Total RM'000 |
|---|---|---|---|---|
| **Cost** | | | | |
| At 1 July 2016 | 95,141 | 31,499 | 3,135 | 129,775 |
| Addition | - | - | 1 | 1 |
| Written off | - | - | (469) | (469) |
| Reclassification | - | - | (27) | (27) |
| At 30 June 2017/1 July 2017/ 30 June 2018 | 95,141 | 31,499 | 2,640 | 129,280 |
| **Amortisation and impairment loss** | | | | |
| At 1 July 2016 | | | | |
| Accumulated amortisation | - | 3,711 | 2,229 | 5,940 |
| Accumulated impairment loss | 72,707 | 21,079 | - | 93,786 |
| | 72,707 | 24,790 | 2,229 | 99,726 |
| Amortisation for the year | - | 395 | 385 | 780 |
| Written off | - | - | (231) | (231) |
| At 30 June 2017/1 July 2017 | | | | |
| Accumulated amortisation | - | 4,106 | 2,383 | 6,489 |
| Accumulated impairment loss | 72,707 | 21,079 | - | 93,786 |
| | 72,707 | 25,185 | 2,383 | 100,275 |
| Amortisation for the year | - | 395 | 229 | 624 |
| At 30 June 2018 | | | | |
| Accumulated amortisation | - | 4,501 | 2,612 | 7,113 |
| Accumulated impairment loss | 72,707 | 21,079 | - | 93,786 |
| | 72,707 | 25,580 | 2,612 | 100,899 |
| **Carrying amounts** | | | | |
| At 1 July 2016 | 22,434 | 6,709 | 906 | 30,049 |
| At 30 June 2017/1 July 2017 | 22,434 | 6,314 | 257 | 29,005 |
| At 30 June 2018 | 22,434 | 5,919 | 28 | 28,381 |

### 6.1 Amortisation

The amortisation of customer relationships and development costs is recognised as other operating expenses in profit or loss and is amortised over their respective estimated useful lives.

## 6. INTANGIBLE ASSETS (CONT'D)

### 6.2 Impairment Testing for CGUs Containing Customer Relationships and Goodwill

For the purpose of impairment testing, goodwill of RM22,182,000 (2017: RM22,182,000) and RM252,000 (2017: RM252,000) are allocated to the Integrated Manufacturing Services ("IMS") and Energy segments respectively, while customer relationships of RM5,919,000 (2017: RM6,314,000) is allocated to the IMS segment. However, for the purpose of segmental reporting which reflects the internal management reports reviewed by the chief operating decision makers, goodwill and customer relationships are not allocated to any of the reportable segment.

The goodwill and customer relationships related to the Automotive Division (a division within the IMS) has been fully impaired in 2016 and 2015 respectively.

In assessing whether goodwill and customer relationships are impaired, the carrying amount of the CGU (including goodwill and customer relationships) is compared with the recoverable amount of the CGU. The recoverable amount is the higher of fair value less costs to sell ("FVLCTS") and VIU.

The recoverable amount of the IMS segment was determined based on the higher of its FVLCTS and VIU. As at 30 June 2018, the recoverable amount of the IMS segment was higher than its carrying amount and hence, no impairment loss was recognised.

The recoverable amount of the Energy segment was determined based on the higher of its FVLCTS and VIU. The recoverable amount of the Energy segment was higher than its carrying amount and hence, no impairment loss was recognised.

VIU was determined by discounting the future cash flows expected to be generated from the continuing operations of the CGUs and was based on the following key assumptions:

- Cash flows were projected based on past experience, actual operating results in 2018 and the 5-year business plan approved by the Board of Directors.
- The anticipated annual revenue growth included in the cash flows projections was between 2% and 3% for the years from 2019 to 2023 (2017: between 2.5% and 5% for the years from 2018 to 2022) based on average growth experienced over the past five years.
- Cash flows for more than 5 years were extrapolated using a constant terminal growth rate of 4% (2017: 4%) for the cash flows generated by CGUs in Indonesia.
- Projected gross profit margin which reflects the average historical gross margin, adjusted for projected market and economic conditions and internal resources efficiency.
- Pre-tax discount rate of 11% (2017: 12%) was applied in discounting the cash flows. The discount rate was determined based on the Group's weighted average cost of capital adjusted for the risk of the underlying assets.

The values assigned to the key assumptions represent management's assessment of future trends in the industries and are based on both external sources and internal sources.

**Sensitivity Analysis**

The above estimates are sensitive in the following key areas:

(a) an increase/(decrease) of a one percentage point in discount rate used would have (decreased)/increased the recoverable amount by approximately (RM13,602,000)/RM17,878,000.

(b) an increase/(decrease) of a one percentage point in terminal growth rate used would have increased/(decreased) the recoverable amount by approximately RM13,556,000/(RM10,301,000).

## 7. INVESTMENTS IN SUBSIDIARIES

| | Company 2018 RM'000 | 2017 RM'000 |
|---|---|---|
| **At cost** | | |
| Unquoted shares | 480,085 | 484,085 |
| Less: Impairment loss | (259,765) | (219,276) |
| | 220,320 | 264,809 |
| Advances to subsidiaries * | 60,826 | - |
| | 281,146 | 264,809 |

* These advances to subsidiaries were classified as non-current as the Company recognises these advances as a long term source of capital to the subsidiaries.

During the financial year, the Company redeemed:

i) 3,000,000 of its redeemable convertible preference shares in Jotech Holdings Sdn Bhd, a wholly-owned subsidiary at a redemption price of RM1.00 per share.

ii) 1,000,000 of its redeemable convertible preference shares in AutoV Corporation Sdn Bhd, a wholly-owned subsidiary at a redemption price of RM1.00 per share.

In the prior year, the Company redeemed 39,300,000 and 10,000,000 of its redeemable convertible preference shares in Jotech Holdings Sdn Bhd and AIC Corporation Sdn Bhd respectively, both are wholly-owned subsidiaries at a redemption price of RM1.00 per share.

**Impairment Testing for Cost of Investment in Subsidiaries**

Management assessed the recoverable amounts of the investments in subsidiaries based on the higher of FVLCTS and VIU of these subsidiaries. The assessment resulted in an additional impairment loss of RM40,489,000 (2017: Nil). The key assumptions used in arriving at the recoverable amounts, where VIU method is used, are as follows:

- Cash flows were projected based on past experience, actual operating results in 2018 and the 5 to 10 years businesses plan approved by the Board of Directors.

- The anticipated annual revenue growth included in the cash flows projections was between 2% and 42% for the years from 2019 to 2028 based on average growth experienced over the past 5 years and future plans of the subsidiaries.

- Cash flows for more than 5 years were extrapolated using a terminal growth rate of 0% to 5% for the cash flows generated by the subsidiaries.

- Projected gross profit margin which reflects the average historical gross margin, adjusted for projected market and economic conditions and internal resources efficiency.

- Pre-tax discount rate of 9% to 11% was applied in discounting the cash flows. The discount rate was determined based on the Group's weighted average cost of capital adjusted for the risk of the underlying assets.

The values assigned to the key assumptions represent management's assessment of future trends in the industries and are based on both external sources and internal sources.

## 7. INVESTMENTS IN SUBSIDIARIES (CONT'D)

**Impairment Testing for Cost of Investment in Subsidiaries (Cont'd)**

**Sensitivity Analysis**

The above estimates are sensitive in the following key areas:

(a) an increase/(decrease) of a one percentage point in discount rate used would have (decreased)/increased the recoverable amount by approximately (RM65,911,000)/ RM115,702,000.

(b) an increase/(decrease) of a one percentage point in terminal growth rate used would have increased/(decreased) the recoverable amount by approximately RM81,051,000/(RM49,415,000).

The details of the subsidiaries are as follows:

| Name of subsidiary | Principal place of business/ Country of incorporation | Principal activities | Effective ownership interest and voting interest 2018 % | 2017 % |
|---|---|---|---|---|
| AIC Corporation Sdn Bhd ("AIC") [(1)] | Malaysia | Investment holding | 100 | 100 |
| AutoV Corporation Sdn Bhd ("AutoV") [(1)] | Malaysia | Investment holding | 100 | 100 |
| Jotech Holdings Sdn Bhd ("Jotech") | Malaysia | Investment holding | 100 | 100 |
| Globaltec Energy Resources Sdn Bhd *("GER")* [(1)] | Malaysia | Investment holding | 100 | 100 |
| GFB Technology Sdn Bhd [(1)] | Malaysia | Dormant | 100 | 100 |
| **Subsidiaries of GER** | | | | |
| New Century Energy Resources Limited ("NCE") [(5)] | Cayman Islands | Investment holding and exploration and production of oil and gas | 60 | 60 |
| New Century Energy Services Limited ("NCES") [(5)] | Cayman Islands | Provision of services to the oil and gas industry | 60 | 60 |
| NuEnergy Gas Limited ("NuEnergy") [(1) (6) (8)] | Australia | Investment holding and exploration and production of oil and gas | 52 | 52 |
| **Subsidiary of NCES** | | | | |
| New Century Energy Services Sdn Bhd [(2)] | Malaysia | Dormant | 60 | 60 |
| **Subsidiaries of NuEnergy** | | | | |
| Indon CBM Pty Ltd [(5)] | Australia | Coal bed methane exploration | 52 | 52 |
| PT Trisula CBM Energi [(2)] | Indonesia | Coal bed methane exploration | 50 | 50 |

## 7. INVESTMENTS IN SUBSIDIARIES (CONT'D)

The details of the subsidiaries are as follows (Cont'd):

| Name of subsidiary | Principal place of business/ Country of incorporation | Principal activities | Effective ownership interest and voting interest 2018 % | 2017 % |
|---|---|---|---|---|
| **Subsidiaries of NuEnergy (Cont'd)** | | | | |
| Indo CBM Sumbagsel II Pte Limited (2) | Singapore | Coal bed methane exploration | 52 | 52 |
| NuEnergy Gas (Singapore) Pte Limited (9) | Singapore | Dormant | 52 | 52 |
| Pourmore Pty Ltd (7) | Australia | Dormant | - | 52 |
| Sheraton Pines Pty Ltd (5) | Australia | Dormant | 52 | 52 |
| Dart Energy (Indonesia) Holdings Pte Ltd ("DEIH") (8) | Singapore | Investment holding | 52 | 52 |
| **Subsidiaries of DEIH** | | | | |
| PT Dart Energy Indonesia (2) | Indonesia | Dormant | 50 | 50 |
| Dart Energy (Tanjung Enim) Pte Ltd (8) | Singapore | 45% joint interest in the Tanjung Enim PSC, in South Sumatra, Indonesia, undertaking coal seam gas exploration activities | 52 | 52 |
| Dart Energy (Muralim) Pte Ltd (8) | Singapore | 50% joint interest in the Muralim PSC, in South Sumatra, Indonesia, undertaking coal seam gas exploration activities | 52 | 52 |
| Dart Energy (Bontang Bengalon) Pte Ltd (8) | Singapore | 100% interest in Bontang Bengalon PSC, in East Kalimantan, Indonesia, undertaking coal seam gas exploration activities | 52 | 52 |
| Dart Energy (CBM Power Indonesia) Pte Ltd (9) | Singapore | Dormant | 52 | 52 |
| **Subsidiaries of Jotech** | | | | |
| Cergas Fortune Sdn Bhd | Malaysia | Cultivation and sales of oil palm fruit bunches | 100 | 100 |
| Malgreen Progress Sdn Bhd (1) | Malaysia | Cultivation and sales of oil palm fruit bunches | 100 | 100 |

## 7. INVESTMENTS IN SUBSIDIARIES (CONT'D)

The details of the subsidiaries are as follows (Cont'd):

| Name of subsidiary | Principal place of business/ Country of incorporation | Principal activities | Effective ownership interest and voting interest 2018 % | 2017 % |
|---|---|---|---|---|
| **Subsidiaries of Jotech (Cont'd)** | | | | |
| PT Indotech Metal Nusantara (2) | Indonesia | Manufacturing and fabrication of tools and dies and stamped metal components for electronics and automotive industries | 100 | 100 |
| Yee Heng Precision Stamping Sdn Bhd (2) | Malaysia | Dormant | 100 | 100 |
| **Subsidiaries of AIC** | | | | |
| Prodelcon Sdn Bhd | Malaysia | Manufacture of high precision tooling, die-sets, semiconductor moulds and parts and high precision components, jigs and fixtures and the design and manufacture of turnkey automation systems | 100 | 100 |
| AIC Technology Sdn Bhd (2) | Malaysia | Dormant | 100 | 100 |
| Integral CAD Technologies Sdn Bhd (2) | Malaysia | Dormant | 100 | 100 |
| **Subsidiary of Prodelcon Sdn Bhd** | | | | |
| Isotrax Engineering Sdn Bhd (3) | Malaysia | Dormant | 100 | 100 |
| **Subsidiaries of AutoV** | | | | |
| AutoV Mando Sdn Bhd | Malaysia | Manufacture of automotive steering columns and related vehicle components | 70 | 70 |
| GFB Automotive Sdn Bhd | Malaysia | Marketing and manufacture of automotive components | 100 | 100 |
| Automako Sdn Bhd (2) | Malaysia | Dormant | 100 | 100 |
| Autoventure Corporation Sdn Bhd (2) | Malaysia | Dormant | 100 | 100 |

**7. INVESTMENTS IN SUBSIDIARIES (CONT'D)**

The details of the subsidiaries are as follows (Cont'd):

| Name of subsidiary | Principal place of business/ Country of incorporation | Principal activities | Effective ownership interest and voting interest 2018 % | 2017 % |
|---|---|---|---|---|
| **Subsidiaries of AutoV (Cont'd)** | | | | |
| Autovisor Plastics Sdn Bhd [2] | Malaysia | Dormant | 100 | 100 |
| Aventur Door System Sdn Bhd [2] | Malaysia | Dormant | 100 | 100 |
| Brimal Holdings Sdn Bhd [2] | Malaysia | Dormant | 100 | 100 |
| JP Metal Sdn Bhd ("JP Metal") [4] | Malaysia | Manufacture and fabrication of tools and dies and stamped metal components for electronics and automotive industries | - | 100 |
| Nobel Decree Sdn Bhd [2] | Malaysia | Dormant | 84 | 84 |
| Proreka (M) Sdn Bhd ("Proreka") [1] | Malaysia | Manufacturing and sourcing of parts for the automotive industry | 100 | 100 |
| **Subsidiaries of Autoventure Corporation Sdn Bhd** | | | | |
| AutoV Marketing Sdn Bhd [7] | Malaysia | Dormant | - | 100 |
| HKR Manufacturing Sdn Bhd [7] | Malaysia | Dormant | - | 100 |
| **Subsidiaries of Proreka** | | | | |
| Proreka Plastic Sdn Bhd [2] | Malaysia | Dormant | 100 | 100 |
| Proreka Tech Sdn Bhd [2] | Malaysia | Dormant | 100 | 100 |
| Proreka Automotive Parts Sdn Bhd | Malaysia | Dormant | 100 | 100 |

(1) *The auditors' reports on the financial statements of these subsidiaries contain a material uncertainty related to going concern. The ability of these subsidiaries to continue as going concerns is dependent on the continuing financial support from the Company.*

(2) *Not audited by member firms of KPMG International.*

(3) *An application has been made to de-register this subsidiary during the year.*

(4) *This subsidiary was disposed of during the year (See Note 23).*

## 7. INVESTMENTS IN SUBSIDIARIES (CONT'D)

(5) *Not required to be audited pursuant to the relevant regulations of the country of incorporation. The results of these entities are not material to the Group.*

(6) *The subsidiary is listed on the Australian Securities Exchange.*

(7) *These subsidiaries have been de-registered during the year.*

(8) *Audited by other member firms of KPMG International.*

(9) *These subsidiaries were de-registered subsequent to the year end.*

**Non-controlling Interests in Subsidiaries**

The Group's subsidiaries that have material non-controlling interests ("NCI") are as follows:

| 2018 | NuEnergy Group* RM'000 | Other individually insignificant subsidiaries RM'000 | Total RM'000 |
|---|---|---|---|
| **NCI percentage of ownership interest and voting interest** | 48% | | |
| Carrying amount of NCI | 55,854 | 6,980 | 62,834 |
| (Loss)/Profit allocated to NCI | (19,127) | 378 | (18,749) |

**Summarised Financial Information before Intra-group Elimination**

| | NuEnergy Group* RM'000 |
|---|---|
| **As at 30 June** | |
| Non-current assets | 111,027 |
| Current assets | 7,457 |
| Non-current liabilities | - |
| Current liabilities | (3,135) |
| Non-controlling interests | (338) |
| Net assets attributable to owners of the Company | 115,011 |
| **Year ended 30 June** | |
| Revenue | - |
| Loss for the year | (39,617) |
| Cash flows used in operating activities | (7,457) |
| Cash flows used in investing activities | (12,213) |
| Effect of exchange rate fluctuations | 463 |
| Net decrease in cash and cash equivalents | (19,207) |

## 7. INVESTMENTS IN SUBSIDIARIES (CONT'D)

**Non-controlling Interests in Subsidiaries (Cont'd)**

| 2017 | NuEnergy Group* RM'000 | Other individually insignificant subsidiaries RM'000 | Total RM'000 |
|---|---|---|---|
| **NCI percentage of ownership interest and voting interest** | 48% | | |
| Carrying amount of NCI | 79,228 | 5,680 | 84,908 |
| Loss allocated to NCI | (7,662) | (1,273) | (8,935) |

**Summarised Financial Information before Intra-group Elimination**

| | NuEnergy Group* RM'000 |
|---|---|
| **As at 30 June** | |
| Non-current assets | 147,166 |
| Current assets | 26,714 |
| Non-current liabilities | (3,157) |
| Current liabilities | (6,998) |
| Non-controlling interests | (383) |
| Net assets attributable to owners of the Company | 163,342 |
| **Year ended 30 June** | |
| Revenue | - |
| Loss for the year | (15,170) |
| Cash flows used in operating activities | (5,402) |
| Cash flows used in investing activities | (16,478) |
| Cash flows from financing activities | 36,898 |
| Effect of exchange rate fluctuations | (190) |
| Net increase in cash and cash equivalents | 14,828 |

*Note:*
** NuEnergy Group denotes NuEnergy and its subsidiaries*

## 8. INVESTMENT IN AN ASSOCIATE

| | Group 2018 RM'000 | Group 2017 RM'000 |
|---|---|---|
| Unquoted shares outside Malaysia | | |
| At cost: | | |
| At beginning of the year | 7,221 | 7,221 |
| Disposal | (7,221) | - |
| At end of the year | - | 7,221 |
| Share of post-acquisition reserves | | |
| At beginning of the year | (298) | (298) |
| Disposal | 298 | - |
| At end of the year | - | (298) |
| Less: Impairment loss | | |
| At beginning of the year | (6,923) | (6,923) |
| Disposal | 6,923 | - |
| At end of the year | - | (6,923) |
| Net | - | - |

Details of the associate are as follows:

| Name of entity | Principal place of business/ Country of incorporation | Nature of the relationship | Effective ownership interest and voting interest 2018 % | Effective ownership interest and voting interest 2017 % |
|---|---|---|---|---|
| Rockhill Resources Ltd | British Virgin Islands | Intended business activity is exploration and extraction of coal. Business operation has yet to commence | - | 40 |

The associate, which has been fully impaired in 2016, was disposed of during the year for a cash consideration of RM1,158,000.

No financial information is presented as the associate remained dormant and the financial information is not material.

## 9. INVESTMENT IN JOINT VENTURE

| | Group 2018 RM'000 | Group 2017 RM'000 |
|---|---|---|
| **At cost:** | | |
| Unquoted shares in Malaysia | 4,646 | 4,646 |
| Share of post-acquisition reserves | (1,763) | (1,763) |
| Less: Impairment loss | (2,883) | (2,883) |
| | - | - |

Proreka Sprintex Sdn Bhd ("PSSB") is the only joint arrangement in which the Group participates. PSSB is structured as a separate vehicle and provides the Group the right to its net assets. Accordingly, the Group has classified the investment in PSSB as a joint venture.

Details of the joint venture are as follows:

| Name of entity | Principal place of business/ Country of incorporation | Nature of the relationship | Effective ownership interest and voting interest 2018 % | 2017 % |
|---|---|---|---|---|
| Proreka Sprintex Sdn Bhd ("PSSB") | Malaysia | Supplier of the Group in manufacturing and trading of automotive parts and accessories | 50 | 50 |

The following tables summarise the financial information of PSSB, adjusted for any differences in accounting policies. The tables also reconcile the summarised financial information to the carrying amount of the Group's interest in PSSB, which is accounted for using the equity method.

**Summarised Financial Information**

| | 2018 RM'000 | 2017 RM'000 |
|---|---|---|
| **As at 30 June** | | |
| Non-current assets | 1,790 | 2,623 |
| Current assets | 3,908 | 2,352 |
| Current liabilities | (13,563) | (10,518) |
| Net liabilities | (7,865) | (5,543) |
| **Year ended 30 June** | | |
| Loss and other comprehensive expense | 2,322 | 3,374 |

## 9. INVESTMENT IN JOINT VENTURE (CONT'D)

**Summarised Financial Information (Cont'd)**

| | 2018 RM'000 | 2017 RM'000 |
|---|---|---|
| **Included in the total comprehensive expense** | | |
| Revenue | 1,764 | 977 |
| Depreciation | (833) | (1,112) |
| Interest expense | (10) | (18) |
| **Reconciliation of net assets to carrying amount as at 30 June** | | |
| Group's share of net liabilities | (3,933) | (2,772) |
| Share of post-acquisition losses not recognised | 6,816 | 5,655 |
| Impairment loss | (2,883) | (2,883) |
| Carrying amount in the Group's statement of financial position | - | - |

**Impairment Assessment**

In 2013, the Group has fully impaired its investment in the joint venture due to continued losses faced by the joint venture in the prior years.

**Contingent Liability**

In 2017, the Company had outstanding corporate guarantee of RM5.0 million granted in favour of a licensed bank for credit facilities granted to the joint venture. Out of the total banking facilities granted to the joint venture, a total of RM95,000 was outstanding in 2017. The banking facilities was fully settled during the financial year.

## 10. OTHER INVESTMENTS

| Group | Quoted in Malaysia Shares RM'000 | Unquoted in Malaysia Shares RM'000 | Quoted outside Malaysia Shares RM'000 | Total RM'000 |
|---|---|---|---|---|
| **2018** | | | | |
| **Non-Current** | | | | |
| Available-for-sale financial assets | - | 3,820 | 37 | 3,857 |
| Less: Impairment loss | - | (300) | (23) | (323) |
| **Total** | - | 3,520 | 14 | 3,534 |
| **Current** | | | | |
| Financial assets at fair value through profit or loss: | | | | |
| – Held for trading | 216 | - | - | 216 |
| **Total** | 216 | 3,520 | 14 | 3,750 |
| Market value | 216 | N/A | 14 | |

## 10. OTHER INVESTMENTS (CONT'D)

| Group | Quoted in Malaysia Shares RM'000 | Unquoted in Malaysia Shares RM'000 | Quoted outside Malaysia Shares RM'000 | Total RM'000 |
|---|---|---|---|---|
| **2017** | | | | |
| **Non-current** | | | | |
| Available-for-sale financial assets | - | 3,820 | 37 | 3,857 |
| **Total** | - | 3,820 | 37 | 3,857 |
| **Current** | | | | |
| Financial assets at fair value through profit or loss: | | | | |
| – Held for trading | 247 | - | - | 247 |
| **Total** | 247 | 3,820 | 37 | 4,104 |
| Market value | 247 | N/A | 37 | |

## 11. DEFERRED TAX ASSETS/(LIABILITIES)

**Recognised Deferred Tax Assets/(Liabilities)**

Deferred tax assets and liabilities are attributable to the following:

| Group | Assets 2018 RM'000 | Assets 2017 RM'000 | Liabilities 2018 RM'000 | Liabilities 2017 RM'000 | Net 2018 RM'000 | Net 2017 RM'000 |
|---|---|---|---|---|---|---|
| Property, plant and equipment | | | | | | |
| – capital allowances in excess of depreciation | - | - | (4,353) | (4,740) | (4,353) | (4,740) |
| – revaluation prior to MFRS adoption | - | - | (1,632) | (1,686) | (1,632) | (1,686) |
| – fair value of biological assets | - | - | (67) | (128) | (67) | (128) |
| Exploratory rights | - | - | - | (5,006) | - | (5,006) |
| Exploration expenditure | - | 1,882 | - | - | - | 1,882 |
| Unabsorbed capital allowances | 217 | 187 | - | - | 217 | 187 |
| Provisions | 91 | 44 | - | - | 91 | 44 |
| Unabsorbed tax losses | 138 | 210 | - | - | 138 | 210 |
| Other items | 984 | 940 | - | - | 984 | 940 |
| Tax assets/(liabilities) | 1,430 | 3,263 | (6,052) | (11,560) | (4,622) | (8,297) |
| Set off | (1,079) | (3,047) | 1,079 | 3,047 | - | - |
| Net tax liabilities | 351 | 216 | (4,973) | (8,513) | (4,622) | (8,297) |

## 11. DEFERRED TAX ASSETS/(LIABILITIES) (CONTINUED)

### Movement in Recognised Temporary Differences During the Year

| Group | At 1.7.2016 RM'000 Restated | Recognised in profit or loss (Note 22) RM'000 | Translation exchange differences RM'000 | At 30.6.2017/ 1.7.2017 RM'000 | Recognised in profit or loss (Note 22) RM'000 | Translation exchange differences RM'000 | At 30.6.2018 RM'000 |
|---|---|---|---|---|---|---|---|
| Property, plant and equipment | | | | | | | |
| – capital allowances in excess of depreciation | (5,857) | 1,078 | 39 | (4,740) | 34 | 353 | (4,353) |
| – revaluation prior to MFRS adoption | (1,735) | 49 | - | (1,686) | 54 | - | (1,632) |
| – fair value of biological assets | (191) | 63 | - | (128) | 61 | - | (67) |
| Exploratory rights | (8,307) | 4,018 | (717) | (5,006) | 4,809 | 197 | - |
| Exploration expenditure | 1,717 | - | 165 | 1,882 | (1,808) | (74) | - |
| Unabsorbed capital allowances | 38 | 149 | - | 187 | 30 | - | 217 |
| Unabsorbed tax losses | 134 | 76 | - | 210 | (72) | - | 138 |
| Provisions | 887 | (843) | - | 44 | 47 | - | 91 |
| Other items | - | 991 | (51) | 940 | 593 | (549) | 984 |
| | (13,314) | 5,581 | (564) | (8,297) | 3,748 | (73) | (4,622) |

## 11. DEFERRED TAX ASSETS/(LIABILITIES) (CONT'D)

**Unrecognised Deferred Tax Assets**

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

| | Group | |
|---|---|---|
| | **2018 RM'000** | **2017 RM'000** |
| Unabsorbed tax losses | 92,622 | 86,175 |
| Unabsorbed capital allowances | 10,692 | 9,020 |
| | 103,314 | 95,195 |

The temporary differences above do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profits of the Group entities will be available against which the Group entities can utilise the benefits therefrom.

## 12. INVENTORIES

| | Group | |
|---|---|---|
| | **2018 RM'000** | **2017 RM'000** |
| Raw materials | 15,975 | 14,811 |
| Work-in-progress | 3,245 | 4,120 |
| Finished goods | 7,109 | 9,200 |
| Consumable goods | 157 | 26 |
| | 26,486 | 28,157 |
| Carrying amount of inventories pledged as security for borrowings of a subsidiary (Note 16) | 10,764 | 7,760 |
| **Recognised in profit or loss (Debit/(Credit)):** | | |
| Inventories recognised as cost of sales | 96,016 | 85,102 |
| Inventories written off | 390 | 1,716 |
| Inventories written down to net realisable value | 174 | 2,178 |
| Reversal of inventories written down | (2,106) | - |

*The inventories written off, written down and reversal of written down are included in cost of sales.*

## 13. TRADE AND OTHER RECEIVABLES

| | Note | Group 2018 RM'000 | Group 2017 RM'000 | Company 2018 RM'000 | Company 2017 RM'000 |
|---|---|---|---|---|---|
| **Trade** | | | | | |
| Trade receivables | 13.1 | 25,587 | 29,637 | - | - |
| Less: Impairment loss | | - | (954) | - | - |
| | | 25,587 | 28,683 | - | - |
| Amount due from subsidiaries | 13.2 | - | - | 915 | 635 |
| | | 25,587 | 28,683 | 915 | 635 |
| **Non-trade** | | | | | |
| Other receivables | | 4,925 | 5,172 | 106 | 10 |
| Less: Impairment loss | | (846) | (894) | - | - |
| | | 4,079 | 4,278 | 106 | 10 |
| Deposits | | 3,385 | 1,370 | 61 | 7 |
| Amount due from subsidiaries | 13.2 | - | - | 9,939 | 70,882 |
| Less: Impairment loss | | - | - | (5,468) | (158) |
| | | - | - | 4,471 | 70,724 |
| Prepayments | | 8,722 | 9,313 | 1,000 | 1,000 |
| | | 16,186 | 14,961 | 5,638 | 71,741 |
| **Total** | | 41,773 | 43,644 | 6,553 | 72,376 |

### 13.1 Trade Receivables

Included in trade receivables of the Group:

a) is an amount of RM11,000 (2017: RM4,000) owing by a company in which a person related to a director has interests. The trade receivable is subject to normal trade terms; and

b) is an amount of RM23,000 (2017: RM24,000) owing by a company in which a director has interests. The trade receivable is subject to normal trade terms.

### 13.2 Amount Due from Subsidiaries

The trade amount due from subsidiaries is subject to negotiated trade term.

The non-trade amount due from subsidiaries is unsecured, interest free and repayable on demand.

## 14. CASH AND CASH EQUIVALENTS

| | Group | | Company | |
|---|---|---|---|---|
| | 2018 RM'000 | 2017 RM'000 | 2018 RM'000 | 2017 RM'000 |
| Deposits placed with licensed banks | 5,050 | 11,531 | 3,000 | 1,000 |
| Short term placement funds with approved financial institutions | 19,608 | 14,634 | - | - |
| Cash and bank balances | 30,731 | 48,029 | 1,333 | 1,285 |
| | 55,389 | 74,194 | 4,333 | 2,285 |

In 2017, included in deposits placed with licensed banks of the Group were deposits of RM176,000 pledged for bank facilities granted to subsidiaries.

## 15. CAPITAL AND RESERVES

### 15.1 Share Capital

| | Group and Company | | | |
|---|---|---|---|---|
| | Number of shares 2018 '000 | Amount 2018 RM'000 | Number of shares 2017 '000 | Amount 2017 RM'000 |
| **Issued and fully paid up:** | | | | |
| Ordinary shares | 5,381,738 | 538,174 | 5,381,738 | 538,174 |

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company and rank equally with regard to the Company's residual assets.

With the Companies Act 2016 ("New Act") coming into effect on 31 January 2017, all shares issued before or upon the commencement of the New Act shall have no par or nominal value, and any amount standing to the credit of a company's share premium account shall become part of the company's share capital. Notwithstanding this, the company may, within twenty-four months from 31 January 2017, use the share premium for certain purposes pursuant to Section 618 of the New Act.

As at 30 June 2018, the Company has adopted the transitional provision pursuant to Section 618 of the New Act to utilise the share premium on or before 31 January 2019 and hence, share capital as of the reporting date has not included the share premium which can be utilised for certain purposes stated under the New Act.

### 15.2 Share Premium

This comprises the premium paid on subscription of ordinary shares in the Company over and above the par value of the shares.

In accordance with Section 618 of the Companies Act 2016, any amount standing to the credit of the share premium account is to become part of the Company's share capital. The Company has twenty-four months upon the commencement of the Companies Act 2016 on 31 January 2017 to utilise the credit.

### 15.3 Capital Reserve – Group

The capital reserve arose from the redemption of preference shares by a subsidiary in prior years.

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## 15. CAPITAL AND RESERVES (CONT'D)

### 15.4 Other Reserves

| (Debit)/Credit | Business combination deficit RM'000 | Fair value adjustment reserve RM'000 | Foreign currency translation reserve RM'000 | Available-for-sale financial assets reserve RM'000 | Total RM'000 |
|---|---|---|---|---|---|
| **Group** | | | | | |
| At 1 July 2016 | (157,064) | (44,479) | 3,720 | (3) | (197,826) |
| Transfer to accumulated losses due to permanent indication of impairment | - | - | - | 3 | 3 |
| Foreign currency translation differences of foreign operations | - | - | 5,550 | - | 5,550 |
| Disposal of subsidiaries | - | - | (3,742) | - | (3,742) |
| At 30 June 2017/ 1 July 2017 | (157,064) | (44,479) | 5,528 | - | (196,015) |
| Foreign currency translation differences of foreign operations | - | - | (9,499) | - | (9,499) |
| Disposal of associate | - | - | 33 | - | 33 |
| At 30 June 2018 | (157,064) | (44,479) | (3,938) | - | (205,481) |
| **Company** | | | | | |
| At 1 July 2016/ 30 June 2017/ 1 July 2017/ 30 June 2018 | - | (83,429) | - | - | (83,429) |

i) The business combination deficit represents the excess of the purchase consideration paid by the Company, the legal acquirer, over the net assets of AIC, the accounting acquirer in 2012.

ii) The fair value adjustment reserve represents the difference between the fair value and the issue price of the ordinary shares in the Company issued:

(a) as consideration for the acquisition of the business and undertakings, including all the assets and liabilities of AutoV and Jotech in 2012; and

(b) on conversion of the redeemable convertible preference shares in a subsidiary in 2014.

iii) The foreign currency translation reserve comprises all foreign currency differences arising from the translation of the financial statements of the Group entities with functional currencies other than RM.

iv) The available-for-sale financial assets reserve was attributable to fair value changes of the available-for-sale financial assets of the Group.

## 16. LOANS AND BORROWINGS

| | Note | Group 2018 RM'000 | Group 2017 RM'000 | Company 2018 RM'000 | Company 2017 RM'000 |
|---|---|---|---|---|---|
| **Non-current** | | | | | |
| Term loans | 16.1 | 9,018 | 14,032 | - | - |
| Finance lease liabilities | 16.3 | 711 | 783 | 249 | 305 |
| | | 9,729 | 14,815 | 249 | 305 |
| **Current** | | | | | |
| Term loans | 16.1 | 3,620 | 8,366 | - | - |
| Trade financing | 16.2 | 9,339 | 10,247 | - | - |
| Murabahah capital financing | 16.4 | 52 | 130 | - | - |
| Finance lease liabilities | 16.3 | 375 | 463 | 57 | 54 |
| | | 13,386 | 19,206 | 57 | 54 |
| **Total loans and borrowings** | | 23,115 | 34,021 | 306 | 359 |

### 16.1 Term Loans

The term loans are secured by either single security or combination of securities, comprising freehold and leasehold land, buildings, plant and equipment, biological assets, inventories, fixed and floating charges on certain assets as well as corporate guarantees from certain Group entities as disclosed in Notes 3, 4 and 12.

### 16.2 Trade Financing

The trade financing are secured by either single security or combination of securities, comprising fixed and floating charges on assets as well as corporate guarantees from certain Group entities.

### 16.3 Finance Lease Liabilities

Finance lease liabilities of the Group are repayable as follows:

| | Future minimum lease payments 2018 RM'000 | Interest 2018 RM'000 | Present value of minimum lease payments 2018 RM'000 | Future minimum lease payments 2017 RM'000 | Interest 2017 RM'000 | Present value of minimum lease payments 2017 RM'000 |
|---|---|---|---|---|---|---|
| **Group** | | | | | | |
| Less than one year | 428 | 53 | 375 | 540 | 77 | 463 |
| Between one and five years | 770 | 59 | 711 | 879 | 96 | 783 |
| | 1,198 | 112 | 1,086 | 1,419 | 173 | 1,246 |

## 16. LOANS AND BORROWINGS (CONT"D)

### 16.3 Finance Lease Liabilities (Cont'd)

Finance lease liabilities of the Company are repayable as follows:

| | Future minimum lease payments 2018 RM'000 | Interest 2018 RM'000 | Present value of minimum lease payments 2018 RM'000 | Future minimum lease payments 2017 RM'000 | Interest 2017 RM'000 | Present value of minimum lease payments 2017 RM'000 |
|---|---|---|---|---|---|---|
| **Company** | | | | | | |
| Less than one year | 71 | 14 | 57 | 71 | 17 | 54 |
| Between one and five years | 274 | 25 | 249 | 345 | 40 | 305 |
| | 345 | 39 | 306 | 416 | 57 | 359 |

### 16.4 Murabahah Capital Financing

The borrowings are secured by fixed and floating charges on assets as well as corporate guarantees from a Group entity.

These borrowings are subject to repayment terms and interest rates as disclosed in Note 27.5.

### 16.5 Reconciliation of Movement of Liabilities to Cash Flows Arising from Financing Activities

| | At 1.7.2017 RM'000 | Net changes from financing cash flows RM'000 | Acquisition of new lease RM'000 | Disposal of subsidiary RM'000 | Foreign exchange movement RM'000 | At 30.6.2018 RM'000 |
|---|---|---|---|---|---|---|
| **Group** | | | | | | |
| Term loans | 22,398 | (9,657) | - | - | (103) | 12,638 |
| Trade financing | 10,247 | (908) | - | - | - | 9,339 |
| Finance lease liabilities | 1,246 | (539) | 436 | (52) | (5) | 1,086 |
| Murabahah capital financing | 130 | (78) | - | - | - | 52 |
| Total liabilities from financing activities | 34,021 | (11,182) | 436 | (52) | (108) | 23,115 |

| | At 1.7.2017 RM'000 | Net changes from financing cash flows RM'000 | At 30.6.2018 RM'000 |
|---|---|---|---|
| **Company** | | | |
| Finance lease liabilities | 359 | (53) | 306 |

## 17. PROVISIONS

| | Group 2018 RM'000 | Group 2017 RM'000 |
|---|---|---|
| **Provision for warranties** | | |
| At beginning of the year | 1,726 | 1,721 |
| Provisions made during the year | 300 | 472 |
| Provisions used during the year | (175) | (467) |
| At end of the year | 1,851 | 1,726 |

The provision for warranties relates to finished goods sold during the year. The provision is based on estimates made from historical warranty data associated with similar products and services. The Group expects to incur the liability over the next 2 to 3 financial years.

## 18. TRADE AND OTHER PAYABLES

| | Note | Group 2018 RM'000 | Group 2017 RM'000 | Company 2018 RM'000 | Company 2017 RM'000 |
|---|---|---|---|---|---|
| **Trade** | | | | | |
| Trade payables | 18.1 | 13,226 | 11,830 | - | - |
| **Non-trade** | | | | | |
| Accrued expenses | | 4,399 | 4,805 | 416 | 244 |
| Employee benefits liabilities | 18.2 | 4,284 | 4,765 | - | - |
| Other payables | | 6,370 | 7,563 | 8 | 15 |
| Amount due to subsidiaries | 18.3 | - | - | 978 | 1,058 |
| | | 15,053 | 17,133 | 1,402 | 1,317 |
| | | 28,279 | 28,963 | 1,402 | 1,317 |

### 18.1 Trade Payables

Included in trade payables of the Group:

a) is an amount of RM49,000 (2017: RM73,000) due to a company in which a director has interests, which is subject to normal trade terms; and

b) in 2017, was an amount of RM34,000 due to the non-controlling interest of a subsidiary, which was subject to normal trade terms.

### 18.2 Employee Benefits Liabilities

A Group entity operates a non-contributory unfunded defined benefit plan that provides pension for its employees upon retirement. Under the plan, eligible employees are entitled to retirement benefits, depending on the employees' last drawn salary for each completed year of service upon the retirement age.

The defined benefit plan exposes the Group to actuarial risks, such as mortality risk, currency risk and interest rate risk.

## 18. TRADE AND OTHER PAYABLES (CONT'D)

### 18.2 Employee benefits liabilities (Cont'd)

**Movement in Net Defined Benefit Liabilities**

The following table shows a reconciliation from beginning of year to the end of year for net defined benefit liabilities and its components:

| | Group | |
|---|---|---|
| | 2018 RM'000 | 2017 RM'000 |
| Balance at beginning of the year | 4,765 | 3,690 |
| **Included in profit or loss** | | |
| Current service cost | 497 | 600 |
| Actuarial changes | (640) | 14 |
| Remeasurement | (4) | (1) |
| Interest cost | 330 | 312 |
| | 183 | 925 |
| Benefit payment | (65) | (56) |
| Effect of movements in exchange rate | (599) | 206 |
| | (481) | 1,075 |
| Balance at end of the year | 4,284 | 4,765 |

**Actuarial Assumptions**

Principal actuarial assumptions at the end of the reporting period (expressed as weighted averages):

| | Group | |
|---|---|---|
| | 2018 | 2017 |
| Discount rate | 8.44% | 7.47% |
| Future salary growth | 10.0% | 10.0% |
| Mortality rate | 0.00064 | 0.00064 |
| Disability rate | 0.00006 | 0.00006 |

**Sensitivity Analysis**

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation. However, the Directors are of the view that the above risks are not significant.

### 18.3 Amount due to subsidiaries

The non-trade amount due to subsidiaries represents advances received which are unsecured, interest free and repayable on demand.

## 19. LOSS FOR THE YEAR

| | Group | | Company | |
|---|---|---|---|---|
| | 2018 RM'000 | 2017 RM'000 | 2018 RM'000 | 2017 RM'000 |
| **Loss for the year is arrived at after charging:** | | | | |
| Amortisation of customer relationships | 395 | 395 | - | - |
| Amortisation of development costs | 229 | 385 | - | - |
| Auditors' remuneration: | | | | |
| – Audit fees | | | | |
| KPMG PLT | | | | |
| – current year | 897 | 887 | 110 | 110 |
| – prior year | - | 14 | - | 7 |
| Other auditors | 61 | 73 | - | - |
| – Non-audit fees | | | | |
| KPMG PLT | 20 | 35 | 20 | 33 |
| Depreciation of property, plant and equipment | 10,617 | 14,080 | 113 | 110 |
| Development costs written off | - | 238 | - | - |
| Fair value loss on biological assets | 254 | 258 | - | - |
| Fair value loss on financial assets at fair value through profit or loss | 31 | 10 | - | - |
| Impairment loss on available-for-sale financial assets | 323 | 327 | - | - |
| Impairment loss on exploration and evaluation assets (net) | 36,011 | 10,045 | - | - |
| Impairment loss on investments in subsidiaries | - | - | 40,489 | - |
| Impairment loss on property, plant and equipment | 243 | 4,968 | - | - |
| Impairment loss on receivables | 147 | 130 | 5,310 | 158 |
| Inventories written off | 390 | 1,716 | - | - |
| Inventories written down to net realisable value | 174 | 2,178 | - | - |
| Loss on sale of discontinued operations (net) | 44 | - | - | - |
| Personnel expenses (including key management personnel): | | | | |
| – Contributions to Employees' Provident Fund | 2,158 | 2,627 | 200 | 213 |
| – Wages, salaries and others | 39,623 | 44,255 | 1,606 | 1,596 |
| – Expenses related to defined benefit plans (net) | 183 | 925 | - | - |
| Property, plant and equipment written off | 1,126 | 59 | 7 | - |
| Provision for warranties | 300 | 472 | - | - |
| Prepayments written off | 723 | - | - | - |
| Rental expense in respect of: | | | | |
| – Equipment | 95 | 20 | 5 | 5 |
| – Premises | 1,984 | 2,292 | 55 | 335 |
| Royalty expense | 44 | 71 | - | - |
| Realised foreign exchange loss | 119 | - | - | - |
| Unrealised foreign exchange loss | 830 | - | - | - |
| **and after crediting:** | | | | |
| Dividend income | - | - | - | 16 |
| Gain on disposal of property, plant and equipment | 353 | 29 | - | - |
| Gain on sale of discontinued operations (net) | - | 3,478 | - | - |
| Gain on disposal of associate | 1,158 | - | - | - |
| Management fees received | - | - | 1,675 | 1,920 |
| Rental income from property | 481 | 209 | - | 349 |
| Realised foreign exchange gain | - | 499 | 1 | - |
| Reversal of inventories written down | 2,106 | - | - | - |
| Unrealised foreign exchange gain | - | 404 | - | - |

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## 20. FINANCE INCOME

| | Group 2018 RM'000 | Group 2017 RM'000 Restated | Company 2018 RM'000 | Company 2017 RM'000 |
|---|---|---|---|---|
| Interest income on: | | | | |
| – other investment of quoted fund in Malaysia | - | - | - | 124 |
| – deposits and short term placements with licensed banks and approved financial institutions | 878 | 1,011 | 62 | 77 |
| | 878 | 1,011 | 62 | 201 |

## 21. FINANCE COSTS

| | Group 2018 RM'000 | Group 2017 RM'000 Restated | Company 2018 RM'000 | Company 2017 RM'000 |
|---|---|---|---|---|
| Interest expense on: | | | | |
| – Term loans | 911 | 1,156 | - | - |
| – Finance lease liabilities | 65 | 73 | 17 | 21 |
| – Trade financing facilities | 642 | 822 | - | - |
| | 1,618 | 2,051 | 17 | 21 |
| Other finance costs | 508 | 863 | 1 | - |
| | 2,126 | 2,914 | 18 | 21 |

## 22. TAX EXPENSE

### Recognised in Profit or Loss

| | Note | Group 2018 RM'000 | Group 2017 RM'000 Restated | Company 2018 RM'000 | Company 2017 RM'000 |
|---|---|---|---|---|---|
| Tax expense on | | | | | |
| – continuing operations | | (91) | (594) | - | (19) |
| – discontinued operations | 23 | (8) | (342) | - | - |
| Total tax expense | | (99) | (936) | - | (19) |

## 22. TAX EXPENSE (CONT'D)

### Recognised in Profit or Loss (Cont'd)

| | Group 2018 RM'000 | Group 2017 RM'000 Restated | Company 2018 RM'000 | Company 2017 RM'000 |
|---|---|---|---|---|
| **Income tax expense** | | | | |
| Malaysian – current year | 2,105 | 2,430 | - | - |
| – prior years | (440) | 437 | - | (19) |
| Overseas – current year | 1,984 | 1,778 | - | - |
| Total income tax expense recognised in profit or loss | 3,649 | 4,645 | - | (19) |
| **Deferred tax expense** | | | | |
| Origination and reversal of temporary differences | (3,555) | (5,239) | - | - |
| Over provision in prior year | (139) | (293) | - | - |
| Crystallisation of deferred tax liabilities on revaluation surplus | (54) | (49) | - | - |
| Total deferred tax recognised in profit or loss | (3,748) | (5,581) | - | - |
| Total tax expense | (99) | (936) | - | (19) |
| **Reconciliation of tax expense** | | | | |
| Loss for the year | (39,105) | (18,495) | (47,368) | (1,023) |
| Total tax expense | (99) | (936) | - | (19) |
| Loss excluding tax | (39,204) | (19,431) | (47,368) | (1,042) |
| Income tax calculated using tax rate of 24% | (9,409) | (4,663) | (11,368) | (250) |
| Non-deductible expenses | 16,527 | 5,013 | 11,368 | 152 |
| Tax incentive | (718) | (285) | - | - |
| Tax exempt income | (579) | (1,228) | - | (30) |
| Effect of deferred tax assets not recognised | 1,949 | 1,807 | - | 128 |
| Recognition of previously unrecognised deferred tax assets | - | (20) | - | - |
| (Over)/Under provision in prior years | (579) | 144 | - | (19) |
| Crystallisation of deferred tax liability on revaluation surplus of property arising prior to MFRS adoption | (54) | (49) | - | - |
| Effect of different tax rates in foreign jurisdictions | (7,236) | (1,655) | - | - |
| | (99) | (936) | - | (19) |

## 23. DISCONTINUED OPERATIONS

In 2015, Jotech had decided to cease the operations of GuangDong Jotech Kong Yue Precision Industries Ltd ("JKY"). In 2016, the Group had entered into equity transfer agreements to dispose of JKY. In 2017, the Group disposed of its entire 60% equity interest in JKY.

In 2017, the Group had also entered into a sale and purchase agreement to dispose of a controlling interest in AICS. The disposal was completed in 2017 and the Group now has an 8% equity interest in AICS. Accordingly, the investment in AICS has been reclassified as other investments in 2017.

## 23. DISCONTINUED OPERATIONS (CONT'D)

During the financial year, the Group had identified, planned and disposed of JP Metal, a loss making subsidiary for a cash consideration of RM400,000.

Consequently, the results of JP Metal were presented as discontinued operations in accordance to MFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*, in the financial statements. As JP Metal was not classified as a discontinued operations as at 30 June 2017 and the consolidated statement of profit or loss and other comprehensive income for the comparative period has been restated to present the after-tax results of JP Metal separately from continuing operations.

Loss attributable to the discontinued operations was as follows:

**Results of Discontinued Operations**

| | Note | Group 2018 RM'000 | Group 2017 RM'000 Restated |
|---|---|---|---|
| Revenue | | 10,243 | 28,098 |
| Expenses | | (13,217) | (38,561) |
| **Results from operating activities** | | (2,974) | (10,463) |
| Tax expense | 22 | 8 | 342 |
| **Results from operating activities, net of tax** | | (2,966) | (10,121) |
| (Loss)/Gain on sale of discontinued operations (net) | | (44) | 3,478 |
| **Loss for the year** | | (3,010) | (6,643) |
| **Included in results from operating activities are:** | | | |
| Depreciation of property, plant and equipment | | (373) | (2,081) |
| Inventories written off | | (227) | (1,387) |
| Impairment loss on property, plant and equipment | | (243) | (4,968) |
| Impairment loss on trade receivables | | (127) | (31) |
| Prepayments written off | | (723) | - |
| Finance costs | | (28) | (60) |
| Finance income | | 2 | 58 |

The total comprehensive expense from discontinued operations of RM3,010,000 (2017: total comprehensive expense of RM6,643,000) is attributable to the owners of the Company.

| | Group 2018 RM'000 | Group 2017 RM'000 Restated |
|---|---|---|
| **Cash flows (used in)/from discontinued operations** | | |
| Net cash (used in)/from operating activities | (4,573) | 6,808 |
| Net cash from/(used in) investing activities | 4,502 | (28) |
| Net cash used in financing activities | (165) | (311) |
| Effect on cash flows | (236) | 6,469 |

## 23. DISCONTINUED OPERATIONS (CONT'D)

**Effect of the disposals of discontinued operations on the financial position of the Group**

| | 2018 RM'000 | 2017 RM'000 |
|---|---|---|
| Property, plant and equipment | 855 | 32,394 |
| Inventories | 1,289 | 4,891 |
| Trade and other receivables | 1,748 | 4,830 |
| Current tax assets | 32 | - |
| Cash and cash equivalents | 133 | 8,579 |
| Assets classified as held for sale in 2016 | - | 12,006 |
| Trade and other payables | (3,561) | (2,961) |
| Borrowings | (52) | - |
| Liabilities classified as held for sale in 2016 | - | (1,984) |
| Net assets | 444 | 57,755 |
| Share of net assets | 444 | 43,139 |
| (Loss)/Gain on sale of discontinued operations (net) | (44) | 3,478 |
| Cash consideration received | 400 | 46,617 |
| Cash and cash equivalents disposed of | (133) | (10,413) |
| Net cash inflow | 267 | 36,204 |
| Net (loss)/gain on sale of discontinued operations | (44) | 3,478 |

## 24. KEY MANAGEMENT PERSONNEL COMPENSATIONS

The key management personnel compensations are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2018 RM'000 | 2017 RM'000 | 2018 RM'000 | 2017 RM'000 |
| Directors: | | | | |
| – Fees | 554 | 558 | 168 | 168 |
| – Remuneration | 3,817 | 3,771 | 893 | 855 |
| – Estimated monetary value of benefits-in-kind | 11 | 11 | - | - |
| | 4,382 | 4,340 | 1,061 | 1,023 |
| Other key management personnel: | | | | |
| – Short term employee benefits | 5,721 | 6,664 | 285 | 272 |
| – Estimated monetary value of benefits-in-kind | 7 | 15 | - | - |
| | 5,728 | 6,679 | 285 | 272 |
| | 10,110 | 11,019 | 1,346 | 1,295 |

## 25. EARNINGS PER ORDINARY SHARE – GROUP

### i) Basic Loss per Ordinary Share

The calculation of basic loss per ordinary share was based on the profit/loss attributable to owners of the Company and the weighted average number of ordinary shares outstanding, calculated as follows:

| | Group | |
|---|---|---|
| | **2018 RM'000** | **2017 RM'000 Restated** |
| ***Loss attributable to owners of the Company*** | | |
| Continuing operations | 17,346 | 3,458 |
| Discontinued operations | 3,010 | 6,102 |
| | 20,356 | 9,560 |
| | **'000** | **'000** |
| ***Weighted average number of ordinary shares*** | 5,381,738 | 5,381,738 |
| | **Sen** | **Sen Restated** |
| ***Basic loss per ordinary share*** | | |
| Continuing operations | 0.322 | 0.064 |
| Discontinued operations | 0.056 | 0.114 |
| | 0.378 | 0.178 |

### ii) Diluted Earnings per Ordinary Share

Diluted earnings per ordinary share is not applicable as there were no dilutive instruments as at the end of the reporting period.

## 26. OPERATING SEGMENTS

The Group has four reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately because they require different technology and marketing strategies. For each of the strategic business units, the Group's Executive Directors (the chief operating decision makers) review internal management reports at least on a monthly basis. The following summary describes the operations in each of the Group's reportable segments:

- *IMS* — Includes automotive components design and manufacturing, precision machining, stamping and tooling and semiconductor divisions
- *Resources* — Includes oil palm plantation
- *Energy* — Includes oil and gas exploration and production and services
- *Investment holding* — Includes investments in subsidiaries

The accounting policies on the determination of the reportable segments are as described in Note 2(t).

Performance is measured primarily on segment profit before tax ("segment profit") as included in the internal management reports that are reviewed by the Group's Executive Directors. Segment Profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

**Segment Assets**

Segment assets are measured based on all assets (excluding goodwill) of a segment, as included in the internal management reports that are reviewed by the Group's Executive Directors. Segment assets are used to measure the return of assets of each segment.

**Segment Liabilities**

Segment liabilities are measured based on all liabilities of a segment, as included in the internal management reports that are reviewed by the Group's Executive Directors.  Segment liabilities are used to measure the gearing of each segment.

**Segment Capital Expenditure**

Segment capital expenditure is the total cost incurred during the financial year to acquire property, plant and equipment and intangible assets other than goodwill.

## 26. OPERATING SEGMENTS (CONT'D)

| | IMS RM'000 | Resources RM'000 | Energy RM'000 | Investment holding RM'000 | Consolidation adjustments RM'000 | Total RM'000 | Discontinued operations RM'000 | Continuing operations RM'000 |
|---|---|---|---|---|---|---|---|---|
| **2018** | | | | | | | | |
| **Segment (Loss)/Profit** | 6,310 | (58) | (44,055) | (1,024) | 18 | (38,809) | (3,018) | (35,791) |
| *Income/(Expense) included in the measure of Segment Profit/(Loss) are:* | | | | | | | | |
| Revenue from external customers | 196,694 | 8,278 | - | 96 | - | 205,068 | 10,243 | 194,825 |
| Inter-segment revenue | 30 | - | - | 1,675 | (1,705) | - | - | - |
| Depreciation and amortisation | (7,656) | (2,796) | (275) | (119) | - | (10,846) | (373) | (10,473) |
| Fair value loss on biological assets | - | (254) | - | - | - | (254) | - | (254) |
| Fair value loss on financial assets at fair value through profit or loss | - | - | - | (31) | - | (31) | - | (31) |
| Finance costs | (750) | (922) | (464) | (18) | - | (2,154) | (28) | (2,126) |
| Finance income | 817 | - | - | 63 | - | 880 | 2 | 878 |
| Impairment loss on available-for-sale financial assets | - | - | (323) | - | - | (323) | - | (323) |
| Impairment loss on exploration and evaluation assets | - | - | (36,011) | - | - | (36,011) | - | (36,011) |
| Impairment loss on property, plant and equipment | (243) | - | - | - | - | (243) | (243) | - |
| Impairment loss on trade receivables | (147) | - | - | - | - | (147) | (127) | (20) |
| Inventories written off | (390) | - | - | - | - | (390) | (227) | (163) |
| Inventories written down to net realisable value | (174) | - | - | - | - | (174) | - | (174) |
| Reversal of inventories written down | 2,106 | - | - | - | - | 2,106 | - | 2,106 |
| Property, plant and equipment written off | (1,120) | - | - | (6) | - | (1,126) | - | (1,126) |
| Prepayments written off | - | - | - | - | - | (723) | (723) | - |

## 26. OPERATING SEGMENTS (CONT'D)

| | IMS RM'000 | Resources RM'000 | Energy RM'000 | Investment holding RM'000 | Consolidation adjustments RM'000 | Total RM'000 | Discontinued operations RM'000 | Continuing operations RM'000 |
|---|---|---|---|---|---|---|---|---|
| **2017 – Restated** | | | | | | | | |
| **Segment (Loss)/Profit** | (3,016) | 1,212 | (22,005) | 2,238 | 2,535 | (19,036) | (6,985) | (12,051) |
| *Income/(Expense) included in the measure of Segment Profit/(Loss) are:* | | | | | | | | |
| Revenue from external customers | 194,650 | 9,430 | 149 | 870 | - | 205,099 | 28,098 | 177,001 |
| Inter-segment revenue | 58 | - | - | 2,021 | (2,079) | - | - | - |
| Depreciation and amortisation | (11,145) | (2,795) | (344) | (181) | - | (14,465) | (2,081) | (12,384) |
| Fair value loss on biological assets | - | (258) | - | - | - | (258) | - | (258) |
| Fair value loss on other investments | - | - | - | (10) | - | (10) | - | (10) |
| Finance costs | (1,120) | (1,049) | (828) | (27) | 50 | (2,974) | (60) | (2,914) |
| Finance income | 841 | - | 24 | 254 | (50) | 1,069 | 58 | 1,011 |
| Impairment loss on available-for-sale financial assets | - | - | (327) | - | - | (327) | - | (327) |
| Impairment loss on exploration and evaluation assets | - | - | (10,045) | - | - | (10,045) | - | (10,045) |
| Impairment loss on property, plant and equipment | (4,968) | - | - | - | - | (4,968) | (4,968) | - |
| Impairment loss on trade receivables | (130) | - | - | (158) | 158 | (130) | (31) | (99) |
| Inventories written off | (1,716) | - | - | - | - | (1,716) | (1,387) | (329) |
| Inventories written down to net realisable value | (2,178) | - | - | - | - | (2,178) | - | (2,178) |

## 26. OPERATING SEGMENTS (CONT'D)

| | IMS RM'000 | Resources RM'000 | Energy RM'000 | Investment holding RM'000 | Consolidation adjustments RM'000 | Total RM'000 | Discontinued operations RM'000 | Continuing operations RM'000 |
|---|---|---|---|---|---|---|---|---|
| **2018** | | | | | | | | |
| **Segment assets** | 156,154 | 53,558 | 116,742 | 109,031 | (95,776) | 339,709 | - | 339,709 |
| *Included in the measure of segment assets are:* | | | | | | | | |
| Additions to non-current assets other than financial instruments and deferred tax assets | 8,024 | 141 | 8,387 | 176 | - | 16,728 | - | 16,728 |
| **Segment liabilities** | 41,409 | 18,616 | 93,835 | 764 | (95,776) | 58,848 | - | 58,848 |
| **2017** | | | | | | | | |
| **Segment assets** | 163,333 | 57,202 | 172,306 | 107,340 | (94,324) | 405,857 | - | 405,857 |
| *Included in the measure of segment assets are:* | | | | | | | | |
| Additions to non-current assets other than financial instruments and deferred tax assets | 1,657 | 52 | 16,165 | 8 | - | 17,882 | 14 | 17,868 |
| **Segment liabilities** | 45,611 | 21,941 | 99,466 | 768 | (94,324) | 73,462 | - | 73,462 |

## 26. OPERATING SEGMENTS (CONT'D)

### Reconciliation of Segment Profit, Segment Assets and Liabilities

***Reconciliation to Consolidated Loss before Tax***

| | Group | |
|---|---|---|
| | 2018 RM'000 | 2017 RM'000 Restated |
| Total segment loss | (38,809) | (19,036) |
| Less: Discontinued operations | 3,018 | 6,985 |
| Unallocated expenses: | | |
| Amortisation of customer relationships | (395) | (395) |
| Consolidated loss before tax | (36,186) | (12,446) |

***Reconciliation to Consolidated Total Assets***

| | Group | |
|---|---|---|
| | 2018 RM'000 | 2017 RM'000 |
| Total segment assets | 339,709 | 405,857 |
| Customer relationships | 5,919 | 6,314 |
| Goodwill on consolidation | 22,434 | 22,434 |
| Consolidated total assets | 368,062 | 434,605 |

### Geographical Segments

The Group's Executive Directors (the chief operating decision makers) review and monitor the performance and financial information of the continuing operations by geographical segments at least on a monthly basis. There were no geographical information provided to the chief operating decision makers in relation to the discontinued operations.

In presenting information on the basis of geographical segments, segment revenue is based on geographical location of customers. Segment assets are based on the geographical location of the assets. The amounts of non-current assets do not include financial instruments, investment in an associate and deferred tax assets.

## 26. OPERATING SEGMENTS (CONT'D)

**Geographical Segments (Cont'd)**

The geographical information in regards to revenue, non-current assets (excluding financial instruments, investment in an associate and deferred tax assets) and trade receivables of the Group can be shown as follows:

| 2018 | Revenue RM'000 | Non-current assets RM'000 | Trade receivables RM'000 |
|---|---|---|---|
| Malaysia | 108,007 | 114,915 | 17,131 |
| Australia | 317 | - | - |
| United Kingdom | 8 | - | 1 |
| Singapore | 17,130 | - | 2,132 |
| Taiwan | - | - | 140 |
| United States of America | 2,354 | - | 338 |
| Indonesia | 61,659 | 122,637 | 5,083 |
| The People's Republic of China | 2,097 | 6 | 581 |
| Other countries | 3,253 | - | 181 |
| | 194,825 | 237,558 | 25,587 |
| **2017 – Restated** | | | |
| Malaysia | 100,624 | 119,168 | 19,180 |
| Australia | 1,271 | - | 165 |
| United Kingdom | 4 | - | 4 |
| Singapore | 9,976 | - | 1,728 |
| Taiwan | 744 | - | 92 |
| United States of America | 2,650 | - | 298 |
| Indonesia | 58,015 | 161,685 | 6,791 |
| The People's Republic of China | 2,399 | 29 | 401 |
| Other countries | 1,318 | - | 24 |
| | 177,001 | 280,882 | 28,683 |

**Major Customers**

The following are major customers with revenue equal or more than 10% of the Group's total revenue:

| | 2018 | | 2017 | |
|---|---|---|---|---|
| | Number of customers | RM'000 | Number of customers | RM'000 |
| **Segment** | | | | |
| IMS | 2 | 55,853 | 1 | 41,683 |

## 27. FINANCIAL INSTRUMENTS

### 27.1 Categories of Financial Instruments

The table below provides an analysis of financial instruments categorised as follows:

(a) Loans and receivables ("L&R");
(b) Fair value through profit or loss ("FVTPL"):
– Held for trading ("HFT");
(c) Available-for-sale financial assets ("AFS"); and
(d) Finance liabilities measured at amortised cost ("FL").

| **2018** | **Carrying amount RM'000** | **L&R/ (FL) RM'000** | **FVTPL-HFT RM'000** | **AFS RM'000** |
|---|---|---|---|---|
| **Financial assets** | | | | |
| **Group** | | | | |
| Other investments | 3,750 | - | 216 | 3,534 |
| Trade and other receivables* | 33,051 | 33,051 | - | - |
| Cash and cash equivalents | 55,389 | 55,389 | - | - |
| | 92,190 | 88,440 | 216 | 3,534 |
| **Company** | | | | |
| Trade and other receivables* | 5,553 | 5,553 | - | - |
| Cash and cash equivalents | 4,333 | 4,333 | - | - |
| | 9,886 | 9,886 | - | - |
| **Financial liabilities** | | | | |
| **Group** | | | | |
| Loans and borrowings | (23,115) | (23,115) | - | - |
| Trade and other payables^ | (23,995) | (23,995) | - | - |
| | (47,110) | (47,110) | - | - |
| **Company** | | | | |
| Loans and borrowings | (306) | (306) | - | - |
| Trade and other payables | (1,402) | (1,402) | - | - |
| | (1,708) | (1,708) | - | - |

## 27. FINANCIAL INSTRUMENTS (CONT'D)

### 27.1 Categories of Financial Instruments (Cont'd)

| 2017 | Carrying amount RM'000 | L&R/ (FL) RM'000 | FVTPL-HFT RM'000 | AFS RM'000 |
|---|---|---|---|---|
| **Financial assets** | | | | |
| **Group** | | | | |
| Other investments | 4,104 | - | 247 | 3,857 |
| Trade and other receivables * | 34,331 | 34,331 | - | - |
| Cash and cash equivalents | 74,194 | 74,194 | - | - |
| | 112,629 | 108,525 | 247 | 3,857 |
| **Company** | | | | |
| Trade and other receivables * | 71,376 | 71,376 | - | - |
| Cash and cash equivalents | 2,285 | 2,285 | - | - |
| | 73,661 | 73,661 | - | - |
| **Financial liabilities** | | | | |
| **Group** | | | | |
| Loans and borrowings | (34,021) | (34,021) | - | - |
| Trade and other payables ^ | (24,198) | (24,198) | - | - |
| | (58,219) | (58,219) | - | - |
| **Company** | | | | |
| Loans and borrowings | (359) | (359) | - | - |
| Trade and other payables | (1,317) | (1,317) | - | - |
| | (1,676) | (1,676) | - | - |

* Excludes prepayments
^ Excludes employee benefits liabilities

### 27.2 Net Gains and Losses Arising from Financial Instruments

| | Group | | Company | |
|---|---|---|---|---|
| | 2018 RM'000 | 2017 RM'000 Restated | 2018 RM'000 | 2017 RM'000 |
| Net (losses)/gains on: | | | | |
| Fair value through profit or loss: | | | | |
| – HFT | (31) | (10) | - | - |
| Available-for-sale financial assets | (323) | - | - | - |
| Loans and receivables | (216) | 1,842 | (5,248) | 59 |
| Financial liabilities measured at amortised cost | (2,154) | (2,974) | (18) | (21) |
| | (2,724) | (1,142) | (5,266) | 38 |

## 27. FINANCIAL INSTRUMENTS (CONT'D)

### 27.3 Financial Risk Management

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

### 27.4 Credit Risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its receivables from customers and investment in debt securities. The Company's exposure to credit risk arises principally from advances to subsidiaries and the corporate guarantees given to banks for credit facilities granted to subsidiaries.

**(a) Receivables**

*Risk management objectives, policies and processes for managing the risk*

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Normally, financial guarantees given by banks, shareholders or directors of customers are obtained, and credit evaluations are performed on customers requiring credit over a certain amount.

*Exposure to credit risk, credit quality and collateral*

As at the end of the reporting period, the maximum exposure to credit risk arising from receivables is represented by the carrying amounts in the statement of financial position. The Group has credit risk concentration of approximately RM10,130,000 (2017: RM8,388,000) arising from the exposure to 2 major customers (2017: 1 major customer). Management constantly monitors the recovery of this outstanding balance and is confident of its recoverability.

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are stated at their realisable values. A significant portion of these receivables are regular customers that have been transacting with the Group. The Group uses ageing analysis to monitor the credit quality of the receivables. Any receivables having significant balances past due more than 120 days, which are deemed to have higher credit risk, are monitored individually.

The exposure of credit risk for trade receivables as at the end of the reporting period by geographic region is disclosed in Note 26.

## 27. FINANCIAL INSTRUMENTS (CONT'D)

### 27.4 Credit Risk (Cont'd)

#### (a) Receivables (Cont'd)

*Impairment losses*

The ageing of trade receivables of the Group as at the end of the reporting period was:

| Group | Gross RM'000 | Individual impairment RM'000 | Collective impairment RM'000 | Net RM'000 |
|---|---|---|---|---|
| **2018** | | | | |
| Not past due | 16,834 | - | - | 15,021 |
| Past due 1 - 30 days | 5,611 | - | - | 6,324 |
| Past due 31 - 120 days | 2,604 | - | - | 2,741 |
| Past due more than 120 days | 538 | - | - | 1,501 |
| | 25,587 | - | - | 25,587 |
| **2017** | | | | |
| Not past due | 14,983 | - | - | 14,983 |
| Past due 1 - 30 days | 7,578 | - | - | 7,578 |
| Past due 31 - 120 days | 4,369 | - | - | 4,369 |
| Past due more than 120 days | 2,707 | (954) | - | 1,753 |
| | 29,637 | (954) | - | 28,683 |

The movements in the allowance for impairment losses on trade receivables during the financial year were:

| | Group 2018 RM'000 | Group 2017 RM'000 |
|---|---|---|
| At beginning of the year | 954 | 1,432 |
| Impairment loss recognised | 147 | 31 |
| Disposal of subsidiary | (127) | (31) |
| Impairment loss written off | (974) | (478) |
| At end of the year | - | 954 |

The allowance account in respect of receivables is used to record impairment losses. Unless the Group is satisfied that recovery of the amount is possible, the amount considered irrecoverable is written off against the receivable directly.

#### (b) Investments and Other Financial Assets

*Risk management objectives, policies and processes for managing the risk*

Investments are allowed only in liquid securities and only with counterparties that have a credit rating equal to or better than the Group. Transactions involving derivative financial instruments are with approved financial institutions.

## 27. FINANCIAL INSTRUMENTS (CONT'D)

### 27.4 Credit Risk (Cont'd)

**(b) Investments and Other Financial Assets (Cont'd)**

*Exposure to credit risk, credit quality and collateral*

The Group minimises credit risk by dealing exclusively with high credit rating counterparties for investments and other financial assets. The maximum exposure to credit risk is represented by the carrying amounts in the statement of financial position.

In view of the sound credit rating of counterparties, management does not expect any counterparty to fail to meet its obligations.

The investments and other financial assets are unsecured.

*Impairment losses*

The movements in the allowance for impairment loss on other investments during the financial year were:

| | Group | |
|---|---|---|
| | 2018<br>RM'000 | 2017<br>RM'000 |
| At beginning of the year | - | - |
| Impairment loss recognised | 323 | - |
| At end of the year | 323 | - |

**(c) Financial Guarantees**

*Risk management objectives, policies and processes for managing the risk*

The Company provides unsecured corporate guarantees to banks in respect of banking facilities granted to the subsidiaries and joint venture. The Company monitors on an ongoing basis the results of the subsidiaries and joint venture and repayments made by these entities.

*Exposure to credit risk, credit quality and collateral*

As at 30 June 2018, the Company had executed corporate guarantees in favour of licensed financial institutions up to a limit of RM42.7 million (2017: RM47.7 million) for credit facilities granted to its subsidiaries. Out of the total banking facilities secured by corporate guarantees issued by the Company, a total of RM21.0 million (2017: RM31.7 million) was outstanding at the end of the reporting period.

In 2017, the Company has outstanding corporate guarantee of RM5.0 million granted in favour of a licensed bank for credit facilities granted to the joint venture. Out of the total banking facilities granted to the joint venture, a total of RM95,000 was outstanding in 2017. The credit facilities was fully settled during the financial year end.

As at the end of the reporting period, there was no indication that any subsidiary would default on the repayment of their outstanding credit facilities. The corporate guarantees have not been recognised since the fair value was not material.

## 27. FINANCIAL INSTRUMENTS (CONT'D)

### 27.4 Credit Risk (Cont'd)

#### (d) Inter-company Loans and Advances

*Risk management objectives, policies and processes for managing the risk*

The Company provides unsecured loans and advances to subsidiaries. The Company monitors the results of the subsidiaries regularly.

*Exposure to credit risk, credit quality and collateral*

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

*Impairment losses*

During the financial year, an impairment loss of RM5,310,000 (2017: RM158,000) on amount due from subsidiaries was recognised.

### 27.5 Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's exposure to liquidity risk arises principally from its various payables and borrowings.

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents and the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying businesses, the Group aims at maintaining flexibility in funding by maintaining committed credit lines available. In addition, the objective for debt maturities monitoring is to ensure that the amount of debt maturing in any one year is not beyond the Group's means to repay and/or refinance.

## 27. FINANCIAL INSTRUMENTS (CONT'D)

### 27.5 Liquidity Risk (Cont'd)

*Maturity analysis*

The table below summarises the maturity profile of the Group's financial liabilities as at the end of the reporting period based on undiscounted contractual payments:

| | Carrying amounts RM'000 | Contractual interest rate % | Contractual cash flows RM'000 | Under 1 year RM'000 | 1 - 2 years RM'000 | 2 - 5 years RM'000 | More than 5 years RM'000 |
|---|---|---|---|---|---|---|---|
| **Group** | | | | | | | |
| **Financial liabilities** | | | | | | | |
| **2018** | | | | | | | |
| *Non-derivative financial liabilities* | | | | | | | |
| Secured term loans | | | | | | | |
| – fixed rate | 1,254 | 5.00 | 1,359 | 601 | 758 | - | - |
| – floating rate | 11,384 | 4.55-8.22 | 12,539 | 3,627 | 3,842 | 3,853 | 1,217 |
| Trade financing | 9,339 | 5.55 | 9,339 | 9,339 | - | - | - |
| Murabahah capital financing | 52 | 6.10 | 52 | 52 | - | - | - |
| Finance lease liabilities | 1,086 | 4.65-9.22 | 1,198 | 428 | 353 | 417 | - |
| Trade and other payables* | 23,995 | - | 23,995 | 23,995 | - | - | - |
| | 47,110 | | 48,482 | 38,042 | 4,953 | 4,270 | 1,217 |
| **Financial liabilities** | | | | | | | |
| **2017** | | | | | | | |
| *Non-derivative financial liabilities* | | | | | | | |
| Secured term loans | | | | | | | |
| – fixed rate | 1,719 | 5.00 | 1,903 | 551 | 1,202 | 150 | - |
| – floating rate | 20,679 | 4.55-7.97 | 22,667 | 9,997 | 4,223 | 6,341 | 2,106 |
| Trade financing | 10,247 | 5.00-5.27 | 10,247 | 10,247 | - | - | - |
| Murabahah capital financing | 130 | 5.90 | 138 | 138 | - | - | - |
| Finance lease liabilities | 1,246 | 5.17-9.22 | 1,419 | 540 | 312 | 435 | 132 |
| Trade and other payables* | 24,198 | - | 24,198 | 24,198 | - | - | - |
| Financial guarantees | - | - | 95 | 95 | - | - | - |
| | 58,219 | | 60,667 | 45,766 | 5,737 | 6,926 | 2,238 |

* *Accruals for interest on borrowings have been included in the contractual cash flows of the respective financial liabilities.*

## 27. FINANCIAL INSTRUMENTS (CONT'D)

### 27.5 Liquidity Risk (Cont'd)

*Maturity analysis (Cont'd)*

The table below summarises the maturity profile of the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments:

| | Carrying amounts RM'000 | Contractual interest rate % | Contractual cash flows RM'000 | Under 1 year RM'000 | 1 - 2 years RM'000 | 2 - 5 years RM'000 | More than 5 years RM'000 |
|---|---|---|---|---|---|---|---|
| **Company** | | | | | | | |
| **Financial liabilities** | | | | | | | |
| **2018** | | | | | | | |
| *Non-derivative financial liabilities* | | | | | | | |
| Finance lease liabilities | 306 | 5.17 | 345 | 71 | 71 | 203 | - |
| Other payables | 1,402 | - | 1,402 | 1,402 | - | - | - |
| Financial guarantees | - | - | 21,000 | 21,000 | - | - | - |
| | 1,708 | | 22,747 | 22,473 | 71 | 203 | - |
| **Financial liabilities** | | | | | | | |
| **2017** | | | | | | | |
| *Non-derivative financial liabilities* | | | | | | | |
| Finance lease liabilities | 359 | 5.17 | 416 | 71 | 71 | 214 | 60 |
| Other payables | 1,317 | - | 1,317 | 1,317 | - | - | - |
| Financial guarantees | - | - | 31,700 | 31,700 | - | - | - |
| | 1,676 | | 33,433 | 33,088 | 71 | 214 | 60 |

## 27. FINANCIAL INSTRUMENTS (CONT'D)

### 27.6 Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and other prices that will affect the Group's financial position or cash flows.

#### *(a) Currency Risk*

The Group is exposed to foreign currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of Group entities. The currencies giving rise to this risk are primarily the United States Dollar ("USD"), Singapore Dollar ("SGD"), Euro ("EUR"), Japanese Yen ("JPY") and Australian Dollar ("AUD").

*Risk management objectives, policies and processes for managing the risk*

The Group maintains a natural hedge, whenever possible, by buying materials and selling its products and services in similar currencies other than its functional currency. In addition, the Group enters into foreign currency forward contracts in the normal course of business, where appropriate, to manage its exposure against foreign currency fluctuations on sales and purchases transactions denominated in foreign currencies.

The Group and the Company are also exposed to foreign currency risk in respect of their investment in foreign subsidiaries. The Group does not hedge this exposure by having foreign currency borrowings but keeps this policy under review and will take necessary action to minimise the exposure of this risk.

*Exposure to foreign currency risk*

The Group's exposure to foreign currency (a currency which is other than the functional currency of the Group entities) risk, based on carrying amounts as at the end of the reporting period was:

| | Assets/(Liabilities) denominated in | | | | |
|---|---|---|---|---|---|
| **Group** | **USD RM'000** | **SGD RM'000** | **EUR RM'000** | **JPY RM'000** | **AUD RM'000** |
| **2018** | | | | | |
| Trade and other receivables | 2,024 | 30 | 101 | - | - |
| Cash and cash equivalents | 4,515 | - | 546 | 75 | - |
| Trade and other payables | (1,164) | (10) | (407) | (378) | (32) |
| Net exposure | 5,375 | 20 | 240 | (303) | (32) |
| **2017** | | | | | |
| Trade and other receivables | 2,612 | 33 | 2 | 40 | 168 |
| Cash and cash equivalents | 6,248 | (45) | (88) | (421) | - |
| Trade and other payables | (1,436) | - | 585 | 11 | - |
| Net exposure | 7,424 | (12) | 499 | (370) | 168 |

## 27. FINANCIAL INSTRUMENTS (CONT'D)

### 27.6 Market Risk (Cont'd)

#### *(a) Currency Risk (Cont'd)*

*Currency risk sensitivity analysis*

A 10% (2017: 10%) strengthening of RM against the following currencies at the end of the reporting period would have increased/(decreased) profit for the year by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecasted sales and purchases.

| | Group | |
|---|---|---|
| | **2018 RM'000** | **2017 RM'000** |
| *USD* | (409) | (564) |
| *SGD* | (2) | 1 |
| *EUR* | (18) | (38) |
| *JPY* | 23 | 28 |
| *AUD* | 2 | (13) |

A 10% (2017: 10%) weakening of RM against the above currencies at the end of the reporting period would have had equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

#### *(b) Interest Rate Risk*

The Group's fixed rate borrowings are exposed to a risk of change in their fair value due to changes in interest rates. The Group's variable rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates.

Investments in equity securities and short term receivables and payables are not significantly exposed to interest rate risk.

*Risk management objectives, policies and processes for managing the risk*

The Group's income and operating cash flows are substantially independent of changes in market interest rates. Interest rate exposure arises from the Group's borrowings and deposits, and is managed through the use of fixed and floating rate borrowings and deposits. The Group does not use derivative financial instruments to hedge its interest rate risk.

## 27. FINANCIAL INSTRUMENTS (CONT'D)

### 27.6 Market Risk (Cont'd)

#### *(b) Interest Rate Risk (Cont'd)*

*Exposure to interest rate risk*

The interest rate profile of the Group's and the Company's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period was:

| | Group | | Company | |
|---|---|---|---|---|
| | 2018 RM'000 | 2017 RM'000 | 2018 RM'000 | 2017 RM'000 |
| **Fixed rate instruments** | | | | |
| Financial assets | 5,050 | 11,531 | 3,000 | 1,000 |
| Financial liabilities | (2,392) | (3,095) | (306) | (359) |
| | 2,658 | 8,436 | 2,694 | (641) |
| **Floating rate instruments** | | | | |
| Financial assets | 19,608 | 14,634 | - | - |
| Financial liabilities | (20,723) | (30,926) | - | - |
| | (1,115) | (16,292) | - | - |

*Interest rate risk sensitivity analysis*

**Fair Value Sensitivity Analysis for Fixed Rate Instruments**

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

**Cash Flow Sensitivity Analysis for Variable Rate Instruments**

A change of 100 basis points ("bp") in interest rates at the end of the reporting period would have increased/(decreased) profit for the year by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

| | 2018 | | 2017 | |
|---|---|---|---|---|
| | 100 bp increase RM'000 | 100 bp decrease RM'000 | 100 bp increase RM'000 | 100 bp decrease RM'000 |
| **Group** | | | | |
| Floating rate instruments | (8) | 8 | (124) | 124 |

## 27. FINANCIAL INSTRUMENTS (CONT'D)

### 27.6 Market Risk (Cont'd)

#### *(c) Other Price Risk*

Equity price risk arises from the Group's investments in equity securities.

*Risk management objectives, policies and processes for managing the risk*

Management of the Group monitors the equity investments on a portfolio basis. Material investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by the Directors of the Group entities.

*Equity price risk sensitivity analysis*

Investments in equity securities are not significant, as such, sensitivity analysis is not presented.

### 27.7 Fair Value Information

The carrying amounts of cash and cash equivalents, short term receivables and payables and short term borrowings reasonably approximate their fair values due to the relatively short term nature of these financial instruments.

It was not practicable to estimate the fair value of the Group's investment in unquoted shares due to the lack of comparable quoted market prices in an active market and the fair value cannot be reliably measured.

## 27. FINANCIAL INSTRUMENTS (CONT'D)

### 27.7 Fair Value Information (Cont'd)

The table below analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statement of financial position.

| Group | Fair value of financial instruments carried at fair value | | | | Fair value of financial instruments not carried at fair value | | | | Total fair value | Carrying amount |
|---|---|---|---|---|---|---|---|---|---|---|
| | Level 1 RM'000 | Level 2 RM'000 | Level 3 RM'000 | Total RM'000 | Level 1 RM'000 | Level 2 RM'000 | Level 3 RM'000 | Total RM'000 | RM'000 | RM'000 |
| **2018** | | | | | | | | | | |
| **Financial assets** | | | | | | | | | | |
| Quoted shares | 230 | - | - | 230 | - | - | - | - | 230 | 230 |
| Financial liabilities | | | | | | | | | | |
| Term loans | | | | | | | | | | |
| – fixed rate | - | - | - | - | - | - | 1,254 | 1,254 | 1,254 | 1,254 |
| – floating rate | - | - | - | - | - | - | 11,384 | 11,384 | 11,384 | 11,384 |
| Trade financing | - | - | - | - | - | - | 9,339 | 9,339 | 9,339 | 9,339 |
| Murabahah capital financing | - | - | - | - | - | - | 52 | 52 | 52 | 52 |
| Finance lease liabilities | - | - | - | - | - | - | 1,086 | 1,086 | 1,086 | 1,086 |
| | - | - | - | - | - | - | 23,115 | 23,115 | 23,115 | 23,115 |
| **2017** | | | | | | | | | | |
| **Financial assets** | | | | | | | | | | |
| Quoted shares | 284 | - | - | 284 | - | - | - | - | 284 | 284 |
| Financial liabilities | | | | | | | | | | |
| Term loans | | | | | | | | | | |
| – fixed rate | - | - | - | - | - | - | 1,719 | 1,719 | 1,719 | 1,719 |
| – floating rate | - | - | - | - | - | - | 20,679 | 20,679 | 20,679 | 20,679 |
| Trade financing | - | - | - | - | - | - | 10,247 | 10,247 | 10,247 | 10,247 |
| Murabahah capital financing | - | - | - | - | - | - | 130 | 130 | 130 | 130 |
| Finance lease liabilities | - | - | - | - | - | - | 1,246 | 1,246 | 1,246 | 1,246 |
| | - | - | - | - | - | - | 34,021 | 34,021 | 34,021 | 34,021 |

## 27. FINANCIAL INSTRUMENTS (CONT'D)

### 27.7 Fair Value Information (Cont'd)

| Company | 2018 | | 2017 | |
|---|---|---|---|---|
| | Carrying amount RM'000 | Fair value Level 3 RM'000 | Carrying amount RM'000 | Fair value Level 3 RM'000 |
| **Financial liabilities** | | | | |
| Finance lease liabilities | 306 | 306 | 359 | 359 |

**Policy on Transfer between Levels**

The fair value of a financial asset or liability to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

**Transfers between Level 1 and Level 2 Fair Values**

There has been no transfer between Level 1 and 2 fair values during the financial year (2017: no transfer in either direction).

**Level 1 Fair Value**

Level 1 fair value is derived from quoted price (unadjusted) in active markets for identical financial assets or liabilities that the entity can access at the measurement date.

**Level 2 Fair Value**

Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the financial assets or liabilities, either directly or indirectly.

**Level 3 Fair Value**

Level 3 fair value is estimated using unobservable inputs for the financial assets and liabilities.

*Non-derivative Financial Liabilities*

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period. The market rate of interest of loans and borrowings is determined by reference to similar borrowing arrangements.

The following table shows the valuation techniques used in the determination of fair values within Level 3, as well as the key unobservable inputs used in the valuation models.

***Fair Value of Financial Instruments Not Carried at Fair Value***

| Type | Description of valuation technique and inputs used |
|---|---|
| Non-current loans and borrowings with fixed interest rate | Discounted cash flows using a rate based on the current market rate of borrowing of the respective Group entities at the reporting date. |
| Non-current loans and borrowings with variable interest rate | As the loans and borrowings will be re-priced to market interest rates, the carrying amount approximates fair value. |

## 28. CAPITAL MANAGEMENT

The Group's objectives 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 Directors monitor and are determined to maintain an optimal debt-to-equity ratio that complies with debt covenants and regulatory requirements.

The Group's debt-to-equity ratios were as follows:

| | Group | |
|---|---|---|
| | 2018 RM'000 | 2017 RM'000 |
| Total loans and borrowings (Note 16) | (23,115) | (34,021) |
| Less: Cash and cash equivalents (Note 14) | 55,389 | 74,194 |
| Net cash | 32,274 | 40,173 |
| Total equity attributable to owners of the Company | 246,380 | 276,235 |
| Debt-to-equity ratio (times) | N/A | N/A |

There were no changes in the Group's approach to capital management during the financial year.

## 29. CAPITAL COMMITMENTS

| | Group | |
|---|---|---|
| | 2018 RM'000 | 2017 RM'000 |
| Capital expenditure commitments in respect of: | | |
| Property, plant and equipment: | | |
| – Approved and contracted for | 7,329 | 1,455 |
| – Approved but not contracted for | 11,780 | - |
| Unconventional gas exploration activities: | | |
| – Approved but not contracted for | 45,693 | 38,364 |
| | 64,802 | 39,819 |

## 30. OPERATING LEASES

**Leases as Lessee**

Non-cancellable operating lease rentals are payable as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **2018 RM'000** | **2017 RM'000** | **2018 RM'000** | **2017 RM'000** |
| Less than one year | 911 | 1,142 | 134 | - |
| Between one and five years | 1,236 | 1,024 | 245 | - |
| | 2,147 | 2,166 | 379 | - |

The Group rents certain office premises under operating leases. The leases typically run for a period of 36 months with a remaining period of 18 months to 34 months at the end of the reporting period and an option to renew the lease after that date.

None of the leases includes contingent rentals.

## 31. RELATED PARTIES

### 31.1 Identity of Related Parties

For the purposes of these financial statements, parties are considered to be related to the Group or the Company if the Group or the Company has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. Key management personnel include all the Directors of the Group and certain members of senior management of the Group.

## 31. RELATED PARTIES (CONT'D)

### 31.2 Related Party Transactions

The balances with related parties are disclosed in Notes 13 and 18. The significant related party transactions of the Group and of the Company, other than key management personnel compensations (see Note 24) are as follows:

| Group<br>2018 | Amount transacted for the year<br>RM'000 | Gross balance Debit/(Credit) outstanding at year end<br>RM'000 | Allowance for impairment loss at year end<br>RM'000 | Net balance Debit/(Credit) outstanding at year end<br>RM'000 | Impairment loss recognised for the year<br>RM'000 |
|---|---|---|---|---|---|
| Management fees payable to a company in which a director of a subsidiary has interests | 31 | - | - | - | - |
| Sales to a company in which a person related to a director has interests | (141) | 11 | - | 11 | - |
| Sales to a company in which a director has interests | (124) | 23 | - | 23 | - |
| Purchases from companies in which a director has interests | 409 | (49) | - | (49) | - |
| Purchases from non-controlling interest of a subsidiary | 245 | (1) | - | (1) | - |
| Royalty fee payable to non-controlling interest of a subsidiary | 45 | (1) | - | (1) | - |
| Rental expense payable to a company in which a director has interests | 37 | - | - | - | - |
| Rental income receivable from a company in which a director of a subsidiary has interests | (12) | - | - | - | - |

## 31. RELATED PARTIES (CONT'D)

### 31.2 Related Party Transactions (Cont'd)

| Group<br>2017 | Amount transacted for the year RM'000 | Gross balance Debit/(Credit) outstanding at year end RM'000 | Allowance for impairment loss at year end RM'000 | Net balance Debit/(Credit) outstanding at year end RM'000 | Impairment loss recognised for the year RM'000 |
|---|---|---|---|---|---|
| Consultancy fees payable to a company in which a director has interests | 33 | - | - | - | - |
| Management fees payable to a company in which a director of a subsidiary has interests | 103 | - | - | - | - |
| Sales to non-controlling interests of subsidiaries | (3,119) | - | - | - | - |
| Sales to a company in which a person related to a director has interests | (60) | 4 | - | 4 | - |
| Sales to a company in which a director has interests | (98) | 24 | - | 24 | - |
| Sales commission paid/payable to a company in which a person related to a director has interests | 81 | - | - | - | - |
| Purchases from companies in which a director has interests | 690 | (73) | - | (73) | - |
| Purchases from non-controlling interest of a subsidiary | 894 | (34) | - | (34) | - |
| Royalty fee payable to non-controlling interest of a subsidiary | 71 | - | - | - | - |
| Rental expense payable to a company in which a director has interests | 206 | - | - | - | |
| Rental income receivable from a company in which a director of a subsidiary has interests | (12) | - | - | - | - |

| Company | Amount transacted for the year RM'000 | Gross balance Debit/(Credit) outstanding at year end RM'000 | Allowance for impairment loss at year end RM'000 | Net balance Debit/(Credit) outstanding at year end RM'000 | Impairment loss recognised for the year RM'000 |
|---|---|---|---|---|---|
| **2018** | | | | | |
| Management fees received/receivable from subsidiaries | (1,675) | 915 | - | 915 | - |
| Rental payable to a subsidiary | 31 | - | - | - | - |
| **2017** | | | | | |
| Management fees received/receivable from subsidiaries | (1,920) | 580 | - | 580 | - |
| Rental received/receivable from subsidiaries | (349) | - | - | - | - |
| Rental payable to a subsidiary | 27 | (8) | - | (8) | - |

All of the outstanding balances are expected to be settled in cash by the related parties.

## 32. SIGNIFICANT EVENT DURING THE YEAR

During the financial year, the Group had completed its disposal of JP Metal (See Note 23).

## 33. RIGHTS ISSUE IN A SUBSIDIARY

In 2017, NuEnergy completed its renounceable *pro-rata* entitlement offer of 1 new share in NuEnergy ("NuEnergy Share") for every 2 NuEnergy Shares held at an issue price of A$0.035 each ("NuEnergy Offer"). The Group has subscribed for its entitlement of 319.1 million NuEnergy Shares under the NuEnergy Offer for a total subscription consideration of A$11.2 million. On completion of the NuEnergy Offer, the Group's direct shareholding in NuEnergy increased from 55% to 65% due to the NuEnergy Offer was only 57% subscribed. The NuEnergy Offer has the following effects to the Group in 2017:

| | RM'000 | RM'000 |
|---|---|---|
| Subscription consideration paid | | 37,034 |
| Increase in net assets of NuEnergy | 37,167 | |
| Effective share of increase in net assets of NuEnergy | | 29,260 |
| Excess of subscription over the effective share of increase in net assets adjusted against accumulated losses | | 7,774 |
| Net cash received by NuEnergy pursuant to the NuEnergy Offer | | 37,167 |
| Group's subscription consideration satisfied by cash | | (37,034) |
| Net cash inflow to the Group | | 133 |

## 34. SUBSEQUENT EVENTS

Subsequent to the year end, the Company has proposed to undertake the following proposals:

i) proposed consolidation of every 20 existing ordinary shares in the Company into 1 ordinary share ("Consolidated Share") held on an entitlement date to be determined later ("Entitlement Date"); and

ii) proposed issue of up to 67,271,723 free warrants in the Company ("Warrants") on the basis of 1 Warrant for every 4 Consolidated Shares held on the Entitlement Date.

The above proposals are pending approvals from shareholders as at the date of this report.

# STATEMENT BY DIRECTORS

PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016

In the opinion of the Directors, the financial statements set out on pages 57 to 145 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 30 June 2018 and of their financial performance and cash flows for the financial year then ended.

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

**Tan Sri Datuk Seri Panglima (Dr.) Goh Tian Chuan, JP**
Director

**Ooi Boon Pin**
Director

Kuala Lumpur,

Date: 15 October 2018

# STATUTORY DECLARATION

PURSUANT TO SECTION 251(1)(B) OF THE COMPANIES ACT 2016

I, **Chen Heng Mun,** the Director primarily responsible for the financial management of Globaltec Formation Berhad, do solemnly and sincerely declare that the financial statements set out on pages 57 to 145 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed Chen Heng Mun, MIA CA10264, at Kuala Lumpur in the Federal Territory on 15 October 2018.

**Chen Heng Mun**

Before me:

Samugam Vassoo Amn
Commissioner for Oaths (W632)

## REPORT ON THE FINANCIAL STATEMENTS

### Opinion

We have audited the financial statements of Globaltec Formation Berhad, which comprise the statements of financial position as at 30 June 2018 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 57 to 145.

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 30 June 2018, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

### Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our auditors' 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.

**Revenue Recognition**
Refer to Note 2(o) - Significant accounting policy: Revenue and other income.

| The key audit matter | How the matter was addressed in our audit |
|---|---|
| The Group recorded revenue from continuing operations of RM194,825,000 for the current financial year. Revenue of the Group is derived from manufacturing and sale of automotive components, precision machining and stamping and sale of fresh fruit bunches from oil palm.<br><br>We have identified revenue recognition as a key audit matter because revenue is a key performance indicator of the Group and, therefore, is subject to an inherent risk of being recognised when the conditions for revenue recognition are not yet met and because of the risk of manipulation of revenue due to internal incentives or external pressures over financial performance. | Our audit procedures included, among others:<br><br>• We evaluated the design and implementation and tested the operating effectiveness of selected controls over the process of revenue recognition.<br><br>• We checked samples of sales transactions recorded throughout the financial year to circularisations replied by customers, invoices and delivery documents that substantiated the transfer of significant risks and rewards of ownership of the goods.<br><br>• We checked samples of sales transactions that were recorded before and after the financial year end date of 30 June 2018 to invoices and delivery documents to assess whether the revenue was recognised in the appropriate financial periods. |

## REPORT ON THE FINANCIAL STATEMENTS (CONT'D)

### Key Audit Matters (Cont'd)

**Impairment of Exploration and Evaluation Expenditure**

Refer to Note 2(n) – Significant accounting policy: Exploration and evaluation assets and Note 5 – Exploration and evaluation assets.

| The key audit matter | How the matter was addressed in our audit |
|---|---|
| As at 30 June 2018, the Group had incurred and recognised exploration and evaluation expenditure of RM106,651,000 in relation to several coal bed methane production sharing contracts ("PSC") in Indonesia. In accordance with the relevant accounting standards, certain PSCs were subjected to impairment assessment due to facts and circumstances suggest that the carrying amount may exceed their recoverable amount.<br><br>We have identified the impairment assessment on the exploration and evaluation assets as a key audit matter as it involves significant judgement and there are inherent uncertainties on key assumptions used, including whether the activities have reached a stage which permits a reasonable assessment on the existence of methane gas. | Our audit procedures included, among others:<br><br>• We obtained and assessed the validity of the relevant permits in the areas of interest, the financing arrangement and the future plans for these methane gas exploration and evaluation projects and assessed the relevant supporting documents for impairment indicators of these assets.<br><br>• We assessed the impact of the uncertain rights to tenure over particular areas of interest to the planned continued exploration and evaluation activities. We analysed correspondence with regulatory authorities to understand the status of rights to tenure, and compared this to the proposed level and timing of activity prior to and after the expiration of exploration licenses for those tenements. We used this knowledge to assess the management's decision to continue to carry exploration and evaluation on these areas, and the consistency of the decision for commercial continuation of activities. |

**Impairment of Investments in Subsidiaries**

Refer to Note 2(a)(i) - Significant accounting policy: Basis of consolidation - Subsidiaries and Note 7 - Investments in subsidiaries.

| The key audit matter | How the matter was addressed in our audit |
|---|---|
| As at 30 June 2018, the carrying amount of investments in subsidiaries stood at RM281,146,000. We focused on impairment assessment of investments in subsidiaries as the impairment testing relies on value-in-use estimates based on estimated future cash flows.<br><br>We have identified the impairment assessment on the investments in subsidiaries as a key audit matter as it involves management judgement and is based on assumptions that are affected by future market and economic conditions. | Our audit procedures included, among others:<br><br>• We tested the basis of preparing the cash flows projections taking into account the historical evidence supporting underlying assumptions. We also assessed the appropriateness of the other key assumptions, such as the weighted-average cost of capital discount rates, as well as the sales and long-term growth rates, by comparing against internal information, and external economic and market data.<br><br>• We also performed the sensitivity analysis on the key inputs used in preparing the cash flows projections, to understand the impact that reasonable alternative assumptions would have on the overall carrying amount. |

## 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 annual report 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 annual report and, in doing so, consider whether the annual report is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of the annual report, we are required to report that fact. We have nothing to report in this regard.

## RESPONSIBILITIES OF THE DIRECTORS FOR THE FINANCIAL STATEMENTS

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

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

## AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

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

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

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

## AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'S)

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group or of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

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

- 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 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 auditors' report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors are disclosed in Note 7 to the financial statements.

## OTHER MATTER

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

**KPMG PLT**
(LLP0010081-LCA & AF 0758)
Chartered Accountants

**Tai Yoon Foo**
Approval Number: 02948/05/2020 J
Chartered Accountant

Petaling Jaya,

Date: 15 October 2018

# OTHER INFORMATION

REQUIRED UNDER THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD



## UTILISATION OF PROCEEDS FROM PROPOSALS

There were no proposals for the raising of funds during the financial year.

## MATERIAL CONTRACTS

There were no material contracts entered into by the Group involving Directors and substantial shareholders either subsisting at the end of the financial year ended 30 June 2018 or entered into since the end of the previous financial year.

## RECURRENT RELATED PARTY TRANSACTIONS

There are no recurrent related party transactions that need to be disclosed in accordance with Paragraph 10.09(2)(b) and Paragraph 3.1.5 of Practice Note 12 of the listing requirements of Bursa Malaysia Securities Berhad.

# STATISTICS ON SHAREHOLDINGS
AS AT 2 OCTOBER 2018



| | | |
|---|---|---|
| Issued and Fully Paid-up Shares | : | RM538,173,791 |
| Class of Shares | : | Ordinary shares |
| Voting Rights | : | One vote per ordinary share |

## ANALYSIS BY SIZE OF HOLDINGS

| Size of Shareholdings | No. of Holders | % | No. of Shares | % |
|---|---|---|---|---|
| 1 – 99 | 533 | 4.310 | 24,551 | 0.000 |
| 100 – 1,000 | 480 | 3.880 | 200,259 | 0.004 |
| 1,001 – 10,000 | 1,540 | 12.450 | 9,489,459 | 0.177 |
| 10,001 – 100,000 | 6,706 | 54.216 | 319,372,016 | 5.934 |
| 100,001 – 269,086,894 * | 3,107 | 25.119 | 4,110,772,048 | 76.384 |
| 269,086,895 and above ** | 3 | 0.025 | 941,879,578 | 17.501 |
| **Total** | **12,369** | **100.000** | **5,381,737,911** | **100.000** |

* *Less than 5% of issued shares*
** *5% and above of issued shares*

## LIST OF TOP 30 SHAREHOLDERS

| No. | Name | Shares Held | % Of Issued Capital |
|---|---|---|---|
| 1. | Kong Kok Keong | 351,153,178 | 6.524 |
| 2. | Darulnas (M) Sdn Bhd | 298,000,000 | 5.537 |
| 3. | Goh Tian Chuan | 292,726,400 | 5.439 |
| 4. | Cartaban Nominees (Asing) Sdn Bhd<br>*Exempt an for Standard Chartered Bank Singapore (EFGBHK-Asing)* | 226,333,176 | 4.205 |
| 5. | Maybank Nominees (Tempatan) Sdn Bhd<br>*Pledged Securities Account for Goh Tian Chuan* | 203,623,143 | 3.783 |
| 6. | Kenanga Nominees (Tempatan) Sdn Bhd<br>*Pledged Securities Account for Goh Tian Chuan* | 177,074,200 | 3.290 |
| 7. | Kong Kok Keong | 150,041,666 | 2.787 |
| 8. | Alliancegroup Nominees (Tempatan) Sdn Bhd<br>*Pledged Securities Account for Goh Tian Chuan (8026702)* | 126,938,291 | 2.358 |
| 9. | Maybank Nominees (Tempatan) Sdn Bhd<br>*Pledged Securities Account for Juddy Chu Yen Tien* | 125,950,000 | 2.340 |
| 10. | AMSEC Nominees (Tempatan) Sdn Bhd<br>*Pledged Securities Account for Goh Tian Chuan* | 125,645,216 | 2.334 |

**LIST OF TOP 30 SHAREHOLDERS (Cont'd)**

| No. | Name | Shares Held | % Of Issued Capital |
|---|---|---|---|
| 11. | Kong Kok Keong | 114,554,833 | 2.128 |
| 12. | Loke Mei Ping | 89,953,000 | 1.671 |
| 13. | DB (Malaysia) Nominee (Asing) Sdn Bhd<br>*Exempt an for Bank of Singapore Limited* | 74,368,900 | 1.381 |
| 14. | Ooi Boon Pin | 67,554,600 | 1.255 |
| 15. | CIMSEC Nominees (Tempatan) Sdn Bhd<br>*CIMB for Yong Nam Yun (PB)* | 63,000,000 | 1.170 |
| 16. | Malacca Equity Nominees (Tempatan) Sdn Bhd<br>*Pledged Securities Account for Juddy Chu Yen Tien* | 57,205,385 | 1.062 |
| 17. | CIMSEC Nominees (Tempatan) Sdn Bhd<br>*CIMB Bank for Goh Tian Chuan (MQ0008)* | 54,500,860 | 1.012 |
| 18. | Hiew Yon Fo | 52,500,000 | 0.975 |
| 19. | Alliancegroup Nominees (Tempatan) Sdn Bhd<br>*Pledged Securities Account for Juddy Chu Yen Tien (8026715)* | 49,824,902 | 0.925 |
| 20. | Maybank Nominees (Tempatan) Sdn Bhd<br>*Pledged Securities Account for Liaw Kit Siong* | 48,064,000 | 0.893 |
| 21. | Amsec Nominees (Tempatan) Sdn Bhd<br>*Pledged Securities Account for Cheong Yen Yoon* | 41,450,000 | 0.770 |
| 22. | Alliancegroup Nominees (Tempatan) Sdn Bhd<br>Pledged Securities Account For Goh Tian Chuan | 34,948,208 | 0.649 |
| 23. | Malacca Equity Nominees (Tempatan) Sdn Bhd<br>*Pledged Securities Account for Goh Tian Chuan* | 34,576,933 | 0.642 |
| 24. | Alliancegroup Nominees (Tempatan) Sdn Bhd<br>*Pledged Securities Account for Ang Hung Teck (8083175)* | 30,000,000 | 0.557 |
| 25. | CIMSEC Nominees (Tempatan) Sdn Bhd<br>*CIMB Bank for Yong Nam Yun (Pbcl-0G0030)* | 30,000,000 | 0.557 |
| 26. | Alliancegroup Nominees (Tempatan) Sdn Bhd<br>*Pledged Securities Account for Pang Kim Fan (120012)* | 29,500,000 | 0.548 |
| 27. | CIMSEC Nominees (Asing) Sdn Bhd<br>*Exempt an for CGS-CIMB Securities (Singapore) Pte. Ltd. (Retail Clients)* | 28,091,000 | 0.521 |
| 28. | Alliancegroup Nominees (Tempatan) Sdn Bhd<br>*Pledged Securities Account for Pang Kim Fan (8051066)* | 26,000,000 | 0.483 |
| 29. | Yong Nam Yun | 25,520,799 | 0.474 |
| 30. | Te Kim Leng | 25,000,000 | 0.464 |
| | **Total** | **3,054,098,690** | **56.734** |

# STATISTICS ON SHAREHOLDINGS (CONT'D)

AS AT 2 OCTOBER 2018



## SUBSTANTIAL SHAREHOLERS' SHAREHOLDINGS AS PER THE REGISTER OF SUBSTANTIAL SHAREHOLDERS

| | Name | No. of Shares Direct | % | No. of Shares Indirect | % |
|---|---|---|---|---|---|
| 1. | Tan Sri Datuk Seri Panglima (Dr.) Goh Tian Chuan, *JP* | 1,050,033,251 | 19.51 | 10 | * (1) |
| 2. | Kong Kok Keong | 615,749,677 | 11.44 | 298,000,000 | 5.54 (2) |
| 3. | Darulnas (M) Sdn Bhd | 298,000,000 | 5.54 | - | - |

***Notes:***

(1) *Deemed interested by virtue his son's interest pursuant to Section 8 of the Companies Act 2016.*
(2) *Deemed interested by virtue of his shareholdings in Darulnas (M) Sdn. Bhd. pursuant to Section 8 of the Companies Act 2016.*
* *Negligible.*

## DIRECTORS' SHAREHOLDINGS AS PER THE REGISTER OF DIRECTORS' SHAREHOLDINGS

| | Name | No. of Shares Direct | % | No. of Shares Indirect | % |
|---|---|---|---|---|---|
| 1. | Tan Sri Datuk Seri Panglima (Dr.) Goh Tian Chuan, *JP* | 1,050,033,251 | 19.51 | 10 | * (1) |
| 2. | Kong Kok Keong | 615,749,677 | 11.44 | 387,953,000 | 7.21 (2) |
| 3. | Ooi Boon Pin | 77,985,580 | 1.45 | 19,785,800 | 0.37 (3) |
| 4. | Chen Heng Mun | 1,862,180 | 0.03 | 2,004,716 | 0.04 (3) |
| 5. | Ash'ari Bin Ayub | - | - | - | - |
| 6 | Wong Zee Shin | 19,327 | * | - | - |
| 7. | Mej Jen Dato' Mohktar Bin Perman *(Rtd)* | - | - | - | - |
| 8. | Yong Nam Yun | 118,520,799 | 2.20 | - | - |

***Notes:***

(1) *Deemed interested by virtue his son's interest pursuant to Section 8 of the Companies Act 2016.*
(2) *Deemed interested by virtue of his shareholdings in Darulnas (M) Sdn. Bhd. pursuant to Section 8 of the Companies Act 2016 and spouse's interest pursuant to Section 59(11) of the Companies Act 2016.*
(3) *Deemed interested by virtue of his spouse's interest pursuant to Section 59(11) of the Companies Act 2016.*
* *Negligible.*

# PROPERTIES OF THE GROUP
AS AT 30 JUNE 2018



## LAND AND BUILDINGS

| No. | Location/ Address | Description/ Existing use | Land area (sq. ft.) | Built up area (sq. ft.) | Age of building | Tenure/ Date of expiry of lease | Net book value as at 30 June 2018 RM'000 | Latest date of revaluation*/ Date of purchase |
|---|---|---|---|---|---|---|---|---|
| 1. | Plot 78 Lintang Bayan Lepas 7 Phase IV Kawasan Perindustrian Bayan Lepas 11900 Pulau Pinang Malaysia | Office building annexed to a factory building/Manufacture of tooling products, automation systems and precision machining | 66,000 | 51,000 | 20 years | Lease over 60 years/ 10.7.2057 | 4,926 | 2 May 2012 * |
| 2. | Lot 27217, Jalan Haji Abdul Manan Batu 5 1/2 Off Jalan Meru 41050 Klang Selangor Malaysia | Single storey detached factory with a double storey office/Manufacturing of automotive components | 53,604 | 37,502 | 23 years | Freehold | 5,359 | 25 May 2012 |
| 3. | Lot 6, Jalan 6/4 Kawasan Perindustrian Seri Kembangan 43300 Seri Kembangan Petaling Jaya Selangor Malaysia | Single storey detached factory with a double storey office/Metal stamping operations | 48,319 | 29,881 | 29 years | Lease over 99 years/ 10.1.2089 | 5,383 | 25 May 2012 |
| 4. | Kawasan Industri KIIC, Lot C-7C Jln. Tol Jakarta-Cikampek KM 47 Teluk Jambe Karawang 41361 Jawa Barat Indonesia | 2-storey office with single storey detached factory building/ Manufacturing and fabrication of tools and dies and precision stamping parts for the electronic and automotive industries | 79,040 | 46,228 | 21 years | Lease over 30 years/ 24.9.2021 | 1,577 | 25 May 2012 |

## LAND AND BUILDINGS (Cont'd)

| No. | Location/ Address | Description/ Existing use | Land area (sq. ft.) | Built up area (sq. ft.) | Age of building | Tenure/ Date of expiry of lease | Net book value as at 30 June 2018 RM'000 | Latest date of revaluation*/ Date of purchase |
|---|---|---|---|---|---|---|---|---|
| 5. | Kawasan Industri KIIC, Lot E-4B Jln. Tol Jakarta-Cikampek KM47 Teluk Jambe Karawang, 41361 Jawa Barat Indonesia | 2-storey office and single storey detached factory/ Manufacturing and fabrication of tools and dies and precision stamping parts for the electronic and automotive industries | 107,639 | 44,627 | 6 years | Lease over 30 years/ 24.9.2025 | 5,368 | 25 May 2012 |
| 6. | Plot 321, Mukim 13 Daerah Tengah Seberang Perai Tengah Penang Malaysia | Vacant land | 174,719 | N/A | N/A | Lease over 60 years/ 25.1.2072 | 3,491 | October 2011 |

***Note:***

* *Treated as deemed costs in the audited financial statements of the Group, in accordance to the transitional provisions of MFRS 1, First-Time Adoption of Malaysian Financial Reporting Standards.*

**PLANTATION ESTATES**

| No. | Location/ Address | Title type | Crop planted | Land area Hectares ("ha.") | Tenure/ Date of expiry of lease | Net book value as at 30 June 2018 RM'000 | Date of purchase |
|---|---|---|---|---|---|---|---|
| 1. | Division 1<br>Bukit Garam/<br>Sg. Lokan<br>Off KM 76.5<br>Sandakan-Lahad<br>Datu Highway<br>Kinabatangan<br>Sabah, Malaysia | Country Lease ("**CL**") and Native Title ("**NT**") | Oil palm | (i) CL: 142.883 | a) 17.293 ha. Leasehold/ 31.12.2081<br>b) 59.570 ha. Leasehold/ 31.12.2082<br>c) 5.830 ha. Leasehold/ 31.12.2082<br>d) 36.200 ha. Leasehold/ 31.12.2096<br>e) 23.990 ha. Leasehold/ 31.12.2100 | 9,872 | 25 May 2012 |
| | | | | (ii) NT: 40.510 | Perpetual/ 31.5.2039 | | |
| | Division 2<br>Bukit Garam/<br>Sg. Lokan<br>Off KM 76.5<br>Sandakan-Lahad<br>Datu Highway<br>Kinabatangan<br>Sabah, Malaysia | NT, Provisional List ("**PL**") and Field Register ("**FR**") | Oil palm | (i) NT: 225.219 | a) 205.829 ha. Perpetual/ 12.12.2098<br>b) 19.390 ha. Perpetual/ 31.5.2039 | 13,086 | 25 May 2012 |
| | | | | (ii) FR: 4.828 | Perpetual/ 31.5.2039 | | |
| | | | | (iii) PL : 9.801 | Leasehold/ 31.12.2079 | | |

# PROPERTIES
## OF THE GROUP (CONT'D)
AS AT 30 JUNE 2018



### PLANTATION ESTATES (Cont'd)

| No. | Location/ Address | Title type | Crop planted | Land area Hectares ("ha.") | Tenure/ Date of expiry of lease | Net book value as at 30 June 2018 RM'000 | Date of purchase |
|---|---|---|---|---|---|---|---|
| | Division 3<br>Bukit Garam/<br>Sg. Lokan<br>Off KM 76.5<br>Sandakan- Lahad<br>Datu Highway<br>Kinabatangan<br>Sabah, Malaysia | CL and NT | Oil palm | (i) CL: 24.270<br>(ii) NT: 364.534 | Leasehold/<br>31.12.2096<br>a) 361.271 ha.<br>Perpetual/<br>31.5.2039<br>b) 3.263 ha.<br>Perpetual/<br>13.7.2040 | 24,241 | 25 May 2012 |
| 2. | Bukit Garam/<br>Sg. Lokan<br>Off KM 76.5<br>Sandakan – Lahad<br>Datu Highway<br>Kinabatangan<br>Sabah, Malaysia | NT | Oil palm | NT: 104.205 | a) 97.185 ha.<br>Perpetual/<br>7.12.2040<br>b) 7.020 ha.<br>Perpetual/<br>18.12.2038 | 5,323 | 25 May 2012 |

**NOTICE IS HEREBY GIVEN THAT** the Seventh Annual General Meeting of the Company will be held at Selangor 1, Dorsett Grand Subang, Jalan SS 12/1, 47500 Subang Jaya, Selangor Darul Ehsan on 29 November 2018 at 10.00 a.m. to transact the following businesses:

**AGENDA**

**As Ordinary Business:**

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

2. To approve the payment of Directors' fees up to an amount of RM168,000 from 30 November 2018 until the next annual general meeting of the Company. **Ordinary Resolution 1**

3. To approve the payment of Directors' benefits (excluding Directors' fees) up to an amount of RM12,000 from 30 November 2018 until the next annual general meeting of the Company. **Ordinary Resolution 2**

4. To re-elect the following Directors who retire in accordance with the Company's Constitution:

   (a) Tan Sri Datuk Seri Panglima Dr. Goh Tian Chuan, JP **Ordinary Resolution 3**
   (b) Mr. Ooi Boon Pin **Ordinary Resolution 4**

5. To appoint KPMG PLT as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration. **Ordinary Resolution 5**

6. **AUTHORITY TO ALLOT SHARES PURSUANT TO SECTION 75 OF THE COMPANIES ACT 2016**

   As Special Business to consider and if thought fit, to pass the following Ordinary Resolution, with or without modifications:-

   "THAT subject always to the Companies Act 2016 ("Act") and the approvals of the relevant authorities, the Directors be and are hereby authorised pursuant to Section 75 of the Act, to allot shares in the Company at any time until the conclusion of the next Annual General Meeting 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 10% of the total number of issued shares of the Company for the time being." **Ordinary Resolution 6**

7. **PROPOSED AMENDMENTS TO THE CONSTITUTION OF THE COMPANY**

   As Special Business to consider and if thought fit, to pass the following Special Resolution, with or without modifications:-

   "THAT the new set of the Constitution of the Company in the form and manner as set out in Appendix A attached herewith be and is hereby approved and adopted as the new Constitution of the Company, in substitution for, and to the exclusion of, the existing Constitution of the Company AND THAT the Directors be and are hereby authorised to do all such acts and things and to take such steps that are necessary to give effect to the adoption of the new Constitution of the Company." **Special Resolution 1**

8. To transact any other business for which due notice shall have been given.

**BY ORDER OF THE BOARD**

**Seow Fei San**
**Law Mee Poo**
Secretaries

Petaling Jaya

31 October 2018

***Notes to the Notice of the Seventh Annual General Meeting:***

1. The shareholders' approval on the Audited Financial Statements is not required pursuant to the provision of Section 340(1) of the Companies Act 2016 and hence, the matter will not be put for voting.

2. Only depositors whose names appear in the Record of Depositors as at 22 November 2018 shall be regarded as members and entitled to attend, speak and vote at the Meeting.

3. A member entitled to attend and vote at the Meeting is entitled to appoint a proxy or proxies to attend, speak and vote on his/her behalf. A proxy may but need not be a member of the Company.

4. A member may appoint up to two (2) proxies to attend the Meeting. Where a member appoints two (2) proxies, he/she shall specifies the proportions of his/her holdings to be represented by each proxy.

5. Where a member of the Company is an Authorised Nominee as defined under the Securities Industry (Central Depositories) Act, 1991, it may appoint at least one (1) proxy but not more than two (2) proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.

6. Where a member of the Company is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.

7. The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing, or if the appointer is a corporation, either under its Common Seal or under the hand of its officer or attorney duly authorised.

8. The instrument appointing a proxy must be deposited at the Company's Share Registrar's 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 not less than forty-eight (48) hours before the time appointed for holding the Meeting or any adjournment thereof.

9. Explanatory Notes:

   **Ordinary Resolutions 1 and 2**
   **Proposed Payment of Directors' Fees**
   **Proposed Payment of Directors' Benefits**

   Pursuant to Section 230(1) of the Companies Act 2016, the fees of the directors and any benefits payable to the directors of a listed company and its subsidiaries shall be approved at a general meeting. In this respect, the Board of Directors ("Board") agreed that the shareholders' approval shall be sought at the Seventh Annual General Meeting ("AGM") on the Directors' fees and benefits in two (2) separate resolutions as follows:-

***Notes to the Notice of the Seventh Annual General Meeting (Cont'd):***

9. *Explanatory Notes: (Cont'd)*

- Ordinary Resolution 1 on payment of Directors' fees from 30 November 2018 until the next AGM; and
- Ordinary Resolution 2 on payment of Directors' benefits (excluding Directors' fees) from 30 November 2018 until the next AGM.

The total amount of Directors' fees payable to the Non-Executive Directors by the Company from 30 November 2018 until the next AGM tabled for the shareholders' approval is up to RM168,000. The figure is calculated with the assumption that there is no adjustment to the Directors' fees and no change in the Board size during the aforesaid period.

The Directors' benefits payable to the Non-Executive Directors are essentially the meeting allowance for attendance of meetings of the Board, Board Committees and general meetings. The Directors' benefits from 30 November 2018 until the conclusion of next AGM is estimated not to exceed RM12,000.

The Board will seek shareholders' approval at the next AGM in the event the amount of Directors' fees and benefits is insufficient due to an increase in Board size and/or number of meetings.

**Ordinary Resolution 6**
**Authority to Allot Shares Pursuant to Section 75 of the Companies Act 2016**

The Proposed Ordinary Resolution 6, if passed, will empower the Directors of the Company to allot not more than 10% of the total number of issued shares of the Company subject to approvals of all the relevant governmental and/or other regulatory bodies and for such purposes as the Directors consider would be in the interest of the Company. This authorisation will, unless revoked or varied by the Company in general meeting, expire at the next AGM of the Company.

As at the date of printing of this Notice, no new shares in the Company were issued pursuant to the authority granted to the Directors at the Sixth AGM held on 29 November 2017 and which will lapse at the conclusion of the Seventh AGM.

The authority will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placing of shares, for purpose of funding future investment project(s), working capital, acquisitions, repayment of bank borrowings, etc.

**Special Resolution 1**
**Proposed Amendments to the Constitution of the Company**

The Proposed Special Resolution, if passed, will give full effect to the proposed amendments to the Constitution of the Company by substituting the existing Constitution with the new set of Constitution as set out in Appendix A.

The rationale of the proposed amendments to the existing Constitution is to ensure continued compliance and to bring the Constitution of the Company in line with the following laws and regulations:-

- Amended Bursa Malaysia Securities Berhad Main Market Listing Requirements which was issued on 29 November 2017; and
- Companies Act 2016 which came into effect on 31 January 2017.

**THE COMPANIES ACT 2016**

**MALAYSIA**

**PUBLIC COMPANY LIMITED BY SHARES**

# CONSTITUTION

# OF

# GLOBALTEC FORMATION BERHAD
(Company No. 953031-A)
(Incorporated in Malaysia)

**Incorporated on the 15th of July, 2011**

**THE COMPANIES ACT 2016**

**PUBLIC COMPANY LIMITED BY SHARES**

**CONSTITUTION**

**OF**

**GLOBALTEC FORMATION BERHAD**

1. The name of the Company is **GLOBALTEC FORMATION BERHAD**. Name of the Company

2. The registered office of the Company shall be situated in Malaysia. Registered office

3. The Company shall be capable of exercising all the functions of a body corporate and have full capacity to carry on or undertake any business or activity; and shall have for these purposes unlimited capacity with full rights, powers and privileges as contained in Section 21 of the Act. Power of the Company

4. The liability of the Members is limited. Members' liabilities

**INTERPRETATION**

5. In this Constitution the words standing in the first column of the Table next hereinafter contained shall bear the meanings set opposite to them respectively in the second column thereof, if not inconsistent with the subject or context. Interpretation Clause

| Words | Meanings |
|---|---|
| Act | The Companies Act 2016 as amended from time to time and any re-enactment thereof. |
| Allottees | Such persons whose application for the Company's unissued Shares has been accepted by the Company and notice of allotment duly sent to him. |
| Article | Any provisions in this Constitution. |
| Bursa Depository | Bursa Malaysia Depository Sdn. Bhd. |
| Central Depositories Act | The Securities Industry (Central Depositories) Act 1991 or any statutory modification, amendment or re-enactment thereof for the time being in force. |
| CMSA | The Capital Markets and Services Act 2007 as amended from time to time and any re-enactment thereof. |
| Company | Globaltec Formation Berhad. |
| Constitution | This Constitution as originally framed or as altered from time to time in accordance with the Act. |

| Words | Meanings |
|---|---|
| Directors | The Directors for the time being of the Company. |
| Deposited Security | A security standing to the credit of a Securities Account, and includes securities in a Securities Account that is in suspense. |
| Depositor | A holder of a Securities Account established by the Bursa Depository. |
| Exempt Authorised Nominee | An authorised nominee defined under Central Depositories Act which is exempted from compliance with the provisions of subsection 25A(1) of the Central Depositories Act. |
| Exchange | Bursa Malaysia Securities Berhad. |
| Listing Requirements | The Main Market Listing Requirements of the Exchange including any amendments thereto that may be made from time to time. |
| Market Day | A day on which the stock market of the Exchange is open for trading in securities. |
| Meetings of Members | Any meetings of members of the Company and includes annual general meetings. |
| Member | Any person/persons for the time being holding shares in the Company and whose names appear in the Register of Members and Depositors whose names appear on the Record of Depositors but excludes Bursa Malaysia Depository Nominees Sdn. Bhd. in its capacity as a bare trustee. |
| Office | The Registered Office for the time being of the Company. |
| Record of Depositors | The record of depositors provided by the Bursa Depository to the Company under Chapter 24.0 of the Rules of the Bursa Depository. |
| Register | The Register of Members to be kept pursuant to the Act. |
| Registrar of Companies | The Registrar designated under subsection 20A(1) of the Companies Commission of Malaysia Act 2001. |
| RM and sen | Ringgit Malaysia and sen respectively. |
| Rules of the Bursa Depository | Shall have the meaning given in Section 2 of the Securities Industry (Central Depositories) Act 1991. |
| Securities | Shall have the meaning given in Section 2 of the CMSA. |
| Securities Account | An account established by the Bursa Depository for a Depositor for the recording of deposit of securities and for dealing in such securities by the Depositor. |
| Secretary | Any person or persons appointed to perform the duties of a secretary of the Company. |
| Seal | The common seal of the Company. |

In this Constitution, the following shall be applied unless the context requires otherwise:-

(a) Headings are for convenience only and do not affect interpretation.

(b) Writing shall include printing and lithography and any other mode or modes of representing or reproducing words in a visible form.

(c) Words importing the singular number only shall include the plural number and vice versa.

(d) Words importing the masculine gender only shall include the feminine gender.

(e) Words importing persons shall include corporations, partnerships, unincorporated bodies and any other entities.

(f) Subject as aforesaid, any words or expressions defined in the Act shall, except where the subject or context forbids, bear the same meanings in this Constitution.

(g) A reference to a statute or a statutory provision herein shall be deemed to include any modification, re-enactment or consolidation thereof and any regulations, rules, orders or other statutory instruments made pursuant thereto.

(h) Expressions referring to "electronic means" shall include, but shall not be limited to, unless the contrary intention appears, references to delivery of documents or information in electronic form by electronic means to the electronic mail address or any other address or number of the addressee, as permitted by the applicable laws.

**SHARES**

6. Subject to the provisions of the Act and to this Constitution, the shares in the Company shall be under the control of the Directors who may issue, allot, place under option or otherwise deal with or dispose of them to such persons at such times and generally on such terms and conditions as they think proper. — Allotment of shares

Provided that:-

(a) The Company shall not issue shares so as to transfer a controlling interest in the Company without the prior approval of the Members duly signified at a Meeting of Members called for that purpose.

(b) Every issue of shares pursuant to a share option granted to employees and/or Directors shall be approved by Members in Meetings of Members and such approval shall specifically detail the amount of shares or options to be issued to each Director.

(c) The rights attaching to shares of a class other than ordinary shares shall be expressed in the resolution creating the same.

(d) The rights conferred upon the holders of the shares of any class issued with preferred or other rights shall not unless otherwise expressly provided by the terms of the issue of the shares of that class, be deemed to be varied by the creation or issue of further shares ranking pari passu therewith but in no respect in priority thereto.

(e) Preference shareholders shall have the same rights as ordinary shareholders as regards to receiving notices, reports and audited accounts of the Company. Preference shareholders shall also have the right to vote at any meeting convened in each of the following circumstances:

(i) when the dividend or part of the dividend on the preference share(s) is in arrears;

(ii) on a proposal to reduce the Company's share capital;

(iii) on a proposal for the disposal of the whole of the Company's property, business and undertaking;

(iv) on a proposal that affects the rights attached to the preference shares;

(v) on a proposal to wind-up the Company; and

(vi) during the winding-up of the Company.

7. Without prejudice to any special rights previously conferred on the holder of any share or class of shares for the time being issued, any shares in the Company may be issued with such preferred, deferred or other special rights or such restrictions whether in regard to dividend, voting, return of capital or otherwise as the Company may from time to time by ordinary resolution determine and subject to the provisions of the Act the Company may issue preference shares which are, or at the option of the Company are to be liable to be redeemed on such terms and in such manner as the Company before the issue thereof may by special resolution determine. — Power to issue redeemable preference shares

8. The Company may make arrangements on the issue of shares for a difference between the holders of such shares in the amount of calls to be paid and in the time of payment of such calls. — Difference in amounts paid on shares

9. Subject always to the compliance with the provisions of the Act, all other applicable laws and the Listing Requirements, the Company may, with the sanction of the Members in a Meeting of Members, purchase any of its own shares upon and subject to such terms and conditions as the Directors may in their discretion deem fit and the Directors shall have the power to deal with such shares so purchased in a manner they think fit in accordance with the provisions of the Act. — Purchase of own shares

10. The Company may pay to any person a commission in consideration of his subscribing or agreeing to subscribe, whether absolutely or conditionally, or procuring or agreeing to procure subscriptions, whether absolute or conditional, for any shares in the Company; provided that such commission shall not exceed ten per cent (10%) of the price at which such shares are issued, or an amount equivalent to such percentage; and the requirements of the Act shall be observed. Any such commission may be satisfied in cash or fully paid shares of the Company, in which case the provisions of the Act shall be duly complied with. The Company may also on any issue of shares pay such brokerage as may be lawful. — Commission in subscription of shares

11. Where any shares are issued for the purpose of raising money to defray the expenses of the construction of any works or buildings or the provision of any plant which cannot be made profitable for a lengthy period, the Company may pay interest on so much of such share capital as is for the time being paid up for the period and subject to the conditions and restrictions mentioned in the Act and may charge the same to capital as part of the cost of construction of the works, building or plant. — Interest on share capital during construction

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| 12. | Except as required by law and as provided under the Rules of the Bursa Depository, no person shall be recognised by the Company as holding any share upon any trust, and the Company shall not be bound by or required to recognise any equitable, contingent, future or partial interest in any share or any right whatsoever in respect of any share other than an absolute right to the entirety thereof in the registered holder, except as by this Constitution otherwise expressly provided or as by the Act required or pursuant to any Order of Court or the Rules of the Bursa Depository. | Trust not recognised |
| | **SECURITIES** | |
| 13. | The Company must ensure that all new issues of Securities for which listing is sought are made by way of crediting the Securities Accounts of the Allottees with such Securities save and except where it is specifically exempted from compliance with Section 38 of the Securities Industry (Central Depositories) Act, 1991, in which event it shall so similarly be exempted from compliance with this requirement. For this purpose, the Company must notify the Bursa Depository of the names of the Allottees and all such particulars required by the Bursa Depository, to enable the Bursa Depository to make the appropriate entries in the Securities Accounts of such Allottees. | Issue of new Securities |
| 14. | The Company shall not cause or authorise its share registrar of the Company to cause the Securities Accounts of the Allottees to be credited with additional shares until after it has filed with the Exchange on applications for admission of such additional shares and in the case where the Exchange's approval is required, it had been notified by the Exchange that they have been authorised for listing. | Crediting of Securities Account |
| | **CALLS ON SHARES** | |
| 15. | No person shall exercise any rights as a Member of the Company until his name has been entered into the Record of Depositors in accordance with the Rules of the Bursa Depository and he shall have paid all calls and moneys for the time being due and payable by him on any shares in the Company so held by him. | Member not entitled to privileges or membership until all calls paid |
| 16. | The Directors may subject to the provisions of this Constitution, from time to time make such calls upon the Members in respect of all monies unpaid on their shares as they think fit, provided that fourteen (14) days' notice at least is given of each call and each Member shall be liable to pay the amount of every call so made upon him to the Company in such manner and at the time and places appointed by the Directors. | Directors may make calls |
| 17. | A call shall be deemed to have been made at the time when the resolution of the Directors authorising such call was passed. A call may be revoked or postponed as the Directors may determine. | When call deemed made |
| 18. | If before or on the day appointed for payment thereof a call or instalment payable in respect of a share is not paid, the person from whom the same is due shall pay interest on the amount of the call or instalment at such rate not exceeding eight per cent (8%) per annum as the Directors shall fix from the day appointed for payment thereof to the time of actual payment, but the Directors may waive payment of such interest wholly or in part. | Interest on unpaid call |
| 19. | Any sum which by the terms of allotment of a share is made payable upon allotment or at any fixed date whether on account of the amount of the share or by way of premium, shall, for all purposes of this Constitution, be deemed to be a call duly made and payable on the date fixed for payment, and in case of non-payment the provisions of this Constitution as to payment of interest and expenses, forfeiture and the like, and all the relevant provisions of this Constitution shall apply as if such sum were a call duly made and notified as hereby provided. | Sums payable on allotment deemed a call |

20. The Directors may if they think fit, receive from any Member willing to advance the same, all or any part of the money unpaid upon the shares held by him beyond the sums actually called for and upon the money so paid in advance or so much thereof as from time to time exceeds the amount of calls then made upon the shares in respect of which such advance has been made the Company, at its sole discretion, may pay interest at such rate not exceeding without the sanction of the Company in Meetings of Members eight per cent (8%) per annum as the Member paying such sum in advance and the Directors agree upon. Money so paid in excess of the amount of calls shall not rank for dividends and until appropriated towards satisfaction of any call shall be treated as a loan to the Company and not as part of its capital and shall be repayable at any time if the Directors so decide. Payment of calls in advance

21. Any capital paid on shares in advance of calls shall not, whilst carrying interest, confer a right to participate in profits. Except in liquidation, sums paid in advance of calls shall not, until the same would but for such advance have become payable, be treated as paid up in the shares in respect of which they have been paid. Capital paid on shares in advance of calls

22. On the trial or hearing of any action for the recovery of any money due on any call, it shall be sufficient to prove that the name of the Member sued is entered in the register as the holder of the shares in respect of which such debt accrued, that the resolution making the call is duly recorded in the minute book, and that notice of such call was duly given to the Member sued in pursuance of this Constitution, and it shall not be necessary to prove the appointment of the Directors who made such call nor that the meeting at which any call was made was duly convened and constituted nor any other matter whatsoever, but the proof of the matters aforesaid shall be conclusive evidence of the debt. Evidence of sums for calls

**FORFEITURE OF SHARES**

23. If any Member fails to pay the whole or any part of any call or instalment of a call on or before the day appointed for the payment thereof, the Directors may at any time thereafter, during such time as the call or instalment or any part thereof remains unpaid, serve a notice on him or on the persons entitled to the share by transmission requiring him to pay such call or instalments, or such part thereof as remains unpaid, together with interest at such rate not exceeding eight per cent (8%) per annum as the Directors shall determine, and any expenses that may have accrued by reason of such non-payment. Directors may require payment of call with interest and expenses

24. The notice shall name a further day (not earlier than the expiration of seven (7) days from the date of the notice) on or before which such call or instalment or such part as aforesaid, and all interest and expenses that have accrued by reason of such non-payment, are to be paid. In the event of non-payment at or before the expiration date, the shares in respect of which such call was made will be liable to be forfeited. Notice requiring payment to contain certain particulars

25. If the requirements of any such notice as aforesaid are not complied with, any shares in respect of which such notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Directors to that effect. A forfeiture of shares shall include all dividends in respect of the shares not actually paid before the forfeiture, notwithstanding that they shall have been declared. The Directors may accept a surrender of any share when they are in a position to forfeit such share or by way of compromise of any question as to the holder being properly registered in respect thereof or in any other case allowed by law. On non-compliance with notice shares forfeited on resolution of Directors and surrender of shares

26. Where any share has been forfeited in accordance with this Constitution, notice of the forfeiture shall forthwith be given to the holder of the share or to the person entitled to the share by transmission, as the case may be and any entry of such notice having been given, and of the forfeiture with the date thereof, shall forthwith be made in the Register or Record of Depositors opposite to the share, but the provisions of this Article are directory only, and no forfeiture shall be in any manner invalidated by any omission or neglect to give such notice or to make such entry as aforesaid. Notice of forfeiture to be given and entered in Register or Record of Depositors

27. Notwithstanding any such forfeiture as aforesaid, the Directors may, at any time before the forfeited shares have been otherwise disposed of, annul the forfeiture upon the terms of payment of all calls and interest due thereon and all expenses incurred in respect of the shares and upon such further terms (if any) as they shall see fit. Directors may allow forfeited shares to be redeemed

28. Every share which shall be forfeited may be sold, re-allotted, or otherwise disposed of, either to the person who was before forfeiture the holder thereof, or entitled thereto, or to any other person, upon such terms and in such manner as the Directors shall think fit, and the Directors may, if necessary, authorise some person to transfer the same to such other person as aforesaid. If any shares are forfeited and sold, any residue after the satisfaction of the unpaid calls and accrued interest and expenses, shall be paid to the person whose shares have been forfeited, or his executors, administrators or assignees or as he directs. Procedure for shares forfeited

29. A Member whose shares have been forfeited shall cease to be a Member in respect of the forfeited shares but notwithstanding, be liable to pay to the Company all calls made and not paid on such shares at the time of forfeiture, and interest thereon to the day of payment in the same manner in all respects as if the shares had not been forfeited, and to satisfy all (if any) the claims and demands which the Company might have enforced in respect of the shares at the time of forfeiture, without any deduction or allowance for the value of the shares at the time of forfeiture. Former holders of forfeited shares liable for calls made before forfeited

30. The forfeiture of a share shall involve the extinction at the time of forfeiture of all interest in and all claims and demands against the Company in respect of the share, and all other rights and liabilities incidental to the shares as between the Members whose share is forfeited and the Company except only such of those rights and liabilities as are by this Constitution expressly saved or as may by the Act be given or imposed in the case of past Members. Consequences of forfeiture

**LIEN ON SHARES**

31. The Company shall have a first and paramount lien and charge on every share (not being a fully paid share) registered in the name of each Member for all moneys, payable by him or his estate to the Company and on the dividend declared or payable in respect thereof for all calls and instalments due on any such share and interest and expenses thereon but such lien shall only be upon specific shares in respect of which such calls or instalments are due and unpaid and to such amount as the Company may be called upon by law to pay in respect of the shares of the Member or deceased Member. The Directors may resolve that any share shall for some specified period be exempt from the provision of this Article. Company to have a paramount lien

32. For the purpose of enforcing such lien, the Directors may sell the shares subject thereto, in such manner as they think fit; but no sale shall be made until such period for the payment of unpaid calls, instalments and interest thereon shall have arrived and until notice in writing of the intention to sell shall have been served on such Member, his executors and administrators and default shall have been made by him or them in the payment, fulfillment or discharge of such debts, liabilities or engagements, for fourteen (14) days after such notice. Enforcement of lien by sale

33. The net proceeds of any such sale shall be applied in or towards satisfaction of the unpaid calls and accrued interest and expenses, and the residue (if any) paid to the person whose shares have been forfeited, his executors, administrators or assignees or as he directs. Application of proceeds of sale

34. A statutory declaration in writing that the declarant is a Director or the Secretary, and that a share in the Company has been duly forfeited or surrendered or sold to satisfy a lien on a date stated in the declaration shall be conclusive evidence of the facts stated therein as against all persons claiming to be entitled to the shares. The Company may receive the consideration, if any, given for the forfeited share on any sale or disposition thereof and the Directors may authorise some person to execute a transfer of the share in favour of the person to whom the share is sold or otherwise disposed of and he shall thereupon be registered as the holder of the share, and shall not be bound to see to the application of the consideration, if any, nor shall his title to the share be affected by any irregularity or invalidity in the proceedings in reference to the forfeiture, sale or other disposal of the share. Statutory Declaration of forfeiture

35. When any share has been forfeited in accordance with this Constitution, notice of the forfeiture shall be given to the holders of the share or to the person entitled to the share by reason of the death or bankruptcy as the case may be, and an entry of such notice having been given, and of the forfeiture with the date thereof shall forthwith be made in the Register or Record of Depositors. The validity of the sale shall not be impeached by any person, and the remedy of any person aggrieved by the sale shall be in damages only and against the Company exclusively. Protection of purchaser

**TRANSFER OF SECURITIES**

36. The transfer of any securities or class of securities of the Company shall be by way of book entry by the Bursa Depository in accordance with the Rules of the Bursa Depository and notwithstanding sections 105, 106 or 110 of the Act but subject to section 148(2) of the Act and any exemption that may be made from the compliance with section 148(1) of the Act the Company shall be precluded from registering and effecting any transfer of securities. Transfer by book entry

37. Neither the Company nor its Directors nor any of its officers shall incur any liability for any transfer of shares apparently made by sufficient parties, although the same may, by reason of any fraud or other cause not known to the Company or its Directors or other officers be legally inoperative or insufficient to pass the property in the shares proposed or professed to be transferred, and although transferred, the transfer may, as between the transferor and transferee be liable to be set aside, and notwithstanding that the Company may have notice of such transfer. And in every such case, the transferee, his executors, administrators and assignees alone shall be entitled to be recognised as the holder of such shares and the previous holder shall, so far as the Company is concerned, be deemed to have transferred his whole title hereto. No liability for fraudulent transfers

38. The Bursa Depository may in its absolute discretion refuse to register any transfer that does not comply with the Central Depositories Act and the Rules of the Bursa Depository. Refusal to register transfers

39. The instruments of transfer of any security shall be executed by or on behalf of the transferor, and the transferor shall be deemed to remain the holder of the security until the name of the transferee is entered in the Record of Depositors in respect thereof. Enter in Record of Depositors

40. The registration of transfers may be suspended at such times and for such period as the Directors may from time to time determine, provided always that such registration shall not be suspended for more than thirty (30) days in any year or such number of days as may be prescribed by the Exchange. The Company shall give the Exchange prior written notice in accordance with the requirements of the Exchange. In relation to the closure, the Company shall give written notice in accordance with the Rules of the Bursa Depository to prepare the appropriate Record of Depositors. — Closing of transfer books and register

41. Subject to the provision of this Constitution the Directors may recognise a renunciation of any share by the Allottee thereof in favour of some other person. — Recognition of renunciation of share

**TRANSMISSION OF SECURITIES**

42. In the case of the death of a Member, the legal representatives of the deceased where he was a sole holder shall be the only person recognised by the Company as having any title to his interest in the shares. — Transmission of Securities

43. Subject to the Rules of the Bursa Depository, any person becoming entitled to a share in consequence of the death or bankruptcy of a Member may, upon such evidence being produced as may from time to time properly be required by the Directors and subject as hereinafter provided, elect either to be registered himself as holder of the share or to have some person nominated by him registered as the transferee thereof, but the Directors shall, in either case, have the same rights to decline or suspend registration as they would have had in the case of a transfer of the share by that Member before his death or bankruptcy. — Death or bankruptcy of a Member

44. If the person so becoming entitled to have the share transferred to him, a notice in writing signed by him stating that he so elects must be served by him on the Bursa Depository. If he elects to have the shares transferred to another person he shall testify his election by serving a notice in writing to that effect to the Company and on the Bursa Depository. All the limitations, restrictions and provisions of this Constitution relating to the rights to transfer shall be applicable to any such notice of transfer as aforesaid as if the death or bankruptcy of the Member had not occurred and the notice or transfer were a transfer signed by that Member. — Serving of notice to the Bursa Depository

45. Where the registered holder of any share dies or becomes bankrupt his personal representative of the assignee of his estate, as the case may be, shall, upon the production of such evidence as may from time to time be properly required by the Directors in that behalf, be entitled to the same dividends and other advantages and to the same rights (whether in relation to meetings of the Company or to voting or otherwise) as the registered holder would have been entitled to if he had not died or become bankrupt. — Person entitled to receive and give discharge for dividends

46. Where, — Transmission of Securities from other stock exchange

(a) The Securities of the Company are listed on another stock exchange; and

(b) The Company is exempted from compliance with Section 14 of the Central Depositories Act or Section 29 of the Securities Industry (Central Depositories) (Amendment) Act, 1998, as the case may be, under the Rules of the Bursa Depository in respect of such Securities,

the Company shall upon request of a Securities holder, permit a transmission of securities held by such Securities holder from the register of holders maintained by the share registrar of the Company in the jurisdiction of the other stock exchange, to the register of holders maintained by the share registrar of the Company in Malaysia and vice versa provided that there shall be no change in the ownership of such Securities.

### CONVERSION OF SHARES INTO STOCK

47. The Company may from time to time, by ordinary resolution convert all or any of its paid-up shares into stock and may from time to time, in like manner, re-convert any such stock into paid-up shares of any denomination. *Conversion to be at general meeting*

48. When any shares have been converted into stock, the several holders of such stock may transfer their respective interests therein, or any part of such interests, in such manner as the Company in Meetings of Members shall direct, but in default of any such direction in the same manner and subject to the same regulations as and subject to which the shares from which the stock arose might previously to conversion have been transferred, or as near thereto as circumstances will admit. But the Directors may, if they think fit from time to time fix the minimum amount of stock transferable and restrict or forbid the transfer of fractions of that minimum. *Transfer of stock*

49. The several holders of stock shall be entitled to participate in the dividends and profits of the Company according to the amount of their respective interest in such stock, and such interests shall, in proportion to the amount thereof, confer on the holders thereof respectively the same privileges and advantages for the purpose of voting at meetings of the Company and for other purposes as if they held the shares from which the stock arose, but so that none of such privileges or advantages, except the participation in the dividends, profits and assets of the Company, shall be conferred by any holding or part of a holding of stock as would not, if existing in shares, have conferred such privileges or advantages. *Participation of stockholders in dividends*

50. All such provisions of this Constitution as are applicable to paid-up shares shall apply to stock, and in all such provisions the words “share” and “shareholder” shall include “stock” and “stockholders”. *Definition*

### ALTERATIONS OF CAPITAL

51. (1) The Company may from time to time by ordinary resolution: *Power to consolidate, sub-divide and reduce share capital*

    (a) Consolidate and divide all or any part of its share capital, the proportion between the amount paid and the amount, if any, unpaid on each subdivided share shall be the same as it was in the case of the share from which the subdivided share is derived; or

    (b) Sub-divide its shares or any of the shares, whatever is in the subdivision, the proportion between the amount paid and the amount, if any, unpaid on each subdivided share shall be the same as it was in the case of the share from which the subdivided share is derived; or

    (c) Reduce its share capital in any manner permitted or authorised under the law and subject to any consent required by the law.

    (2) Anything done in pursuance of this Article shall be done in the manner provided by and subject to any conditions imposed by the Act or so far as the Act shall not be applicable then in accordance with the terms of the resolution authorising the same or so far as such resolution shall not be applicable then in such manner as the Directors deem most expedient.

52. Subject to this Constitution, the new shares shall be issued upon such terms and conditions and with such rights and privileges annexed thereto as the Meetings of Members resolving upon the creation thereof shall direct and, in default of such direction, as the Directors may determine and in particular such shares may be issued with a preferential or qualified right to dividends and in the distribution of assets of the Company and with a special or without any right of voting. *On what conditions new shares may be issued*

53. Except so far as otherwise provided by the conditions of issue or by this Constitution any capital raised by the issuance and allotment of new shares shall be considered part of the original share capital of the Company and shall be subject to the provisions herein contained with reference to the payment of calls and instalments, transfer and transmission, forfeiture, lien, surrender, voting and otherwise. — How far new shares to rank with original shares

54. Subject to any direction to the contrary that may be given by the Company in a Meeting of Members, all new shares or other convertible securities shall, before issue, be offered to such persons as at the date of the offer are entitled to receive notices from the Company of Meetings of Members in proportion as nearly as the circumstances admit, to the amount of the existing shares or Securities to which they are entitled. The offer shall be made by notice specifying the number of shares or Securities offered, and limiting a time within which the offer, if not accepted, will be deemed to be declined, and, after the expiration of that time, or on the receipt of an intimation from the person to whom the offer is made that he declines to accept the shares or Securities offered, the Directors may dispose of those shares or Securities in such manner as they think most beneficial to the Company. The Directors may likewise also dispose of any new share or Securities which (by reason of the ratio which the new shares or Securities bear to shares or Securities held by persons entitled to an offer of new shares or Securities) cannot, in the opinion of the Directors, be conveniently offered under this Constitution. — New shares to be offered to existing Members

55. Notwithstanding Article 54 above and where there is still in effect a resolution approving the issuance of shares by the Company in accordance with the provisions of Sections 75 and 76 of the Act, the Company may apply to the relevant stock exchanges on which its shares are listed for waiver of convening a Meeting of Members to obtain shareholders' approval for further issues of shares (other than bonus or rights issues) where the aggregate issues of which in any one financial year do not exceed ten per cent (10%) of the issued capital. — Application of waiver of Meetings of Members

**MODIFICATION OF CLASS RIGHTS**

56. If at any time the share capital is divided into different classes of shares, the rights attached to shares in a class of shares of the Company may only be varied with the consent of shareholders in that class given in accordance with the provisions in the Act. — Variation of class rights

**MEETINGS OF MEMBERS**

57. The Company shall in each year hold an annual general meeting in addition to any other meetings of members in that year. The annual general meeting shall be held within six (6) months of the Company's financial year end and not more than fifteen (15) months after the last preceding annual general meeting. — Annual general meetings

58. The Directors may call Meetings of Members whenever they think fit, and Meetings of Members shall also be convened by such requisitionists, as provided by the Act. — Convening of Meetings of Members

59. In the case of a meeting of members called in pursuance of a requisition, no business other than that stated in the requisition as the objects of the meetings shall be transacted. — Business at meetings called by requisition

60. (1) Subject to the provisions of the Act, every notice convening meetings shall specify the place, the day and the hour of the meeting and shall be given to all Members at least fourteen (14) days before the meeting or at least twenty one (21) days before the meeting where any special resolution is to be proposed or where it is an annual general meeting, but with the consent of all persons for the time being entitled as aforesaid, a meeting may be convened in such manner as such persons may approve. Any notice of a meeting called to consider special business shall also specify the general nature of such business (accompanied by statement regarding the effect of any proposed resolution in respect of such special business) shall be given in manner hereinafter mentioned to such persons as are under the provisions of this Constitution entitled to receive notice of Meetings of Members from the Company. The accidental omission to give such notice to, or the non-receipt of such notice by any such person shall not invalidate any resolution passed or proceeding held at any such meeting. At least fourteen (14) days' notice or twenty one (21) days' notice in the case where any such special resolution is proposed or where it is an annual general meeting, notice of every such meeting shall also be given by advertisement in at least one (1) nationally circulated Bahasa Malaysia or English daily newspaper at the same time as Members are notified and in writing to each stock exchange upon which the Company is listed. For the purposes of this Article, the notice shall be exclusive of the day on which it is served or deemed to be served and the day of the meeting. — Notice of meeting

(2) The Company shall request the Bursa Depository in accordance with the Rules of the Bursa Depository, to issue a Record of Depositors to whom notices of Meetings of Members shall be given by the Company.

(3) The Company shall also request the Bursa Depository in accordance with the Rules of the Bursa Depository, to issue a Record of Depositors, as at the latest date which is reasonably practicable which shall in any event be not less than three (3) Market Days before the Meetings of Members (hereinafter referred to as the "Meetings of Members Record of Depositors").

(4) Subject to the Securities Industry (Central Depositories) (Foreign Ownership) Regulations, 1996 (where applicable) and notwithstanding any provision in the Act, a Depositor shall not be regarded as a Member entitled to attend any Meetings of Members and to speak and vote thereat unless his name appears in the Meetings of Members Record of Depositors.

(5) Subject to Articles 60(2), (3) and (4) above, a Member of the Company shall be entitled to be present and to vote at any Meetings of Members in respect of any share or shares upon which all calls due to the Company have been paid.

**PROCEEDINGS AT MEETINGS OF MEMBERS**

61. Subject always to the provisions of the Act, no business shall be transacted at Meetings of Members except business of which notice has been given in the notice convening the meeting. An annual general meeting shall be held to transact the business in accordance with the Act. — Business of Meetings of Members

62. The Chairman (if any) of the Board of Directors shall preside as Chairman at every Meeting of Members but if there be no Chairman, or if at any meeting he shall not be present within fifteen (15) minutes after the time appointed for holding the same, or if he shall be unwilling to act as Chairman, the Deputy Chairman of the Company (if any) shall be the Chairman or if the Deputy Chairman is not present or shall be unwilling to act as Chairman, the Directors present shall choose one (1) of the Directors to act as Chairman of such meeting or if no Director be present or if all the Directors present decline to take the Chair, the Members present shall elect one (1) of their numbers to be Chairman of the meeting. Chairman of Meetings of Members

63. No business shall be transacted at any Meetings of Members unless the quorum is present at the commencement of the business. Save as herein otherwise provided, two (2) Members personally present shall form a quorum. For the purposes of this Article, "Member" includes a person attending by proxy or represented by attorney (or in the case of corporations which are Members, present by their representatives appointed pursuant to the provisions of this Constitution and entitled to vote). Quorum and no business to be done unless a quorum is present

64. If within half an hour from the time appointed for holding a Meeting of Members, a quorum is not present, the meeting, if convened upon the requisition of Members shall be dissolved. In any other case, it shall stand adjourned to the same day in the next week at the same time and place or to such other day, time and place as the Directors may by notice to the Members appoint. If at such adjourned meeting a quorum is not present within half an hour from the time appointed for holding the adjourned meeting, any Member present shall form the quorum. Adjournment

65. The Chairman of a Meeting of Members may with the consent of the meeting at which a quorum is present, adjourn any meeting from time to time and from place to place. When a meeting is adjourned for thirty (30) days or more, notice of the adjourned meeting shall be given in the same manner as in the case of an original meeting. Save as aforesaid, it shall not be necessary to give any notice of an adjournment or of the business to be transacted at an adjourned meeting. No business shall be transacted at any adjourned meeting other than the business left unfinished at the meeting from which the adjournment took place. Adjournment with consent of meeting.

66. (1) Every resolution submitted to any Meetings of Members shall be decided by a show of hands unless:- How resolution to be decided at Meetings of Members

(a) resolutions which are set out in the notice of any Meetings of Members, or in any notice of resolution which may properly be moved and is intended to be moved at any Meetings of Members, whereupon such resolutions shall be voted by poll; or

(b) before or upon the declaration of the result of the show of hands, a poll is demanded by the Chairman or by at least five (5) Members present or by proxy or attorney or by any Member or Members holding or representing by proxy or power of attorney not less than one-tenth (1/10) of the issued shares of the Company or holding shares on which an aggregate sum has been paid up equal to not less than one-tenth (1/10) of the total sum paid up on all the shares issued by the Company conferring a right to vote and entitle to vote in respect thereof.

(2) In the case of an equality of votes the Chairman shall, both on a show of hands and at a poll, have a casting vote in addition to the vote or votes to which he may be entitled as a Member.

67. Unless a poll is so required or demanded, a declaration by the Chairman that a resolution has on a show of hands been carried or carried unanimously or carried by a particular majority, or lost, and an entry to that effect in the minutes of the proceedings of the meeting shall be conclusive evidence of the fact without proof of the number of proportion of the votes recorded in favour of or against such resolution. — What is evidence of passing of resolution

68. If a poll is duly demanded it shall be taken in such manner and at such time and place as the Chairman of the meeting shall direct and either at once or after an interval or adjournment or otherwise and the result of the poll shall be deemed to be the resolution of the meeting at which the poll was required or demanded. The demand for a poll may be withdrawn. — How poll is to be taken

69. A poll demanded on the election of a Chairman of a meeting and a poll demanded on a question of adjournment shall be taken at the meeting without adjournment. — Poll without adjournment

70. The demand of a poll shall not prevent the continuance of a meeting for the transaction of any business other than the business on which a poll has been demanded. — Business may proceed not-withstanding demand for poll

71. Minutes shall be made in books provided for the purpose of all resolutions and proceedings at Meetings of Members and any such minutes if signed by the Chairman of Meeting to which they relate or by the Chairman of the next subsequent Meetings of Members, shall be receivable as evidence of the facts herein stated without further proof. Such books shall be kept at the Office and be open to inspection by a Member without charge at such times as the Directors may from time to time to decide in accordance with the Act. — Minutes of Meetings of Members

72. If at any Meetings of Members any vote shall be counted which ought not to have been counted the error shall not vitiate the result of the voting unless it be pointed out at the same meeting and be of such magnitude to vitiate the result of the voting. — Votes wrongly counted

**VOTES OF MEMBERS**

73. (1) Subject and without prejudice to any special privileges or restrictions as to voting for the time being attached to any special class of shares for the time being forming part of the capital of the Company, every holder of ordinary or preference shares who is personally present, who is a Member or proxy or represented by attorney on a show of hands on any question shall have one vote and upon a poll every such Member shall have one vote for every ordinary or preference share held by him. A proxy need not be a Member of the Company and there shall be no restriction as to the qualification of the proxy. A proxy appointed to attend and vote at a meeting of the Company shall have the same rights as the Member to speak at the meeting. — How votes may be given and who can act as proxy

(2) A Member may appoint not more than two (2) proxies to attend the same meeting. Where a Member appoints two (2) proxies, he shall specify the proportion of his shareholdings to be represented by each proxy.

(3) Where a Member of the Company is an authorised nominee as defined under Central Depositories Act, it may appoint at least one (1) proxy in respect of each Securities Account it holds with ordinary shares of the Company standing to the credit of the said Securities Account.

(4) Where a Member of the Company is an Exempt Authorised Nominee which holds ordinary share 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.

73. (5) Where the capital of the Company consists of shares of different monetary denominations, voting rights shall be prescribed in such manner that a unit of capital in each class, when reduced to a common denominator, shall carry the same voting power when such right is exercisable.

74. If any Member be a lunatic or of unsound mind he may vote by his committee, receiver, curator bonis or other legal curator, and such last mentioned persons may give their votes either personally or by proxy or by attorney or by other duly authorised representative. But no person claiming to vote pursuant to this Article shall do so unless such evidence as the Directors may require of his authority shall have been deposited at the Office not less than forty-eight (48) hours before the time for holding the meeting at which he wishes to vote. *Votes of lunatic Member*

75. No Member shall be entitled to be present or to vote on any question either personally or otherwise in respect of any shares upon which calls are due and unpaid. *Members debarred from voting etc. while call due*

76. 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 such appointor be a corporation, under its common seal or under the hand of an officer or attorney duly authorised or in some other manner approved by Directors). An instrument appointing a proxy to vote at a meeting shall be deemed to include the power to demand or concur in demanding a poll on behalf of the appointor. *Instrument appointing proxy to be in writing*

77. Any corporation which is a Member of the Company may by resolution of its Directors or other governing body or by power of attorney authorise such person as it thinks fit to act as its representative at any meeting of the Company, and the person so authorised shall in accordance with his authority and until his authority is revoked by the corporation be entitled to exercise the same powers on behalf of the corporation which he represents as that corporation could exercise if it were an individual Member of the Company. *Corporation representative*

78. The instrument appointing a proxy, together with the power of attorney or other authority (if any) under which it is signed or certified copy thereof shall be deposited at the Office or at such other place within Malaysia or in such other manner as is specified for that purpose in the notice convening the meeting, at least forty-eight (48) hours before the time appointed for holding the meeting or adjourned meeting at which the person named in such instrument proposes to vote or, in the case of a poll, not less than twenty-four (24) hours before the time appointed for taking of the poll, otherwise the person so named shall not be entitled to vote in respect thereof. Notwithstanding the foregoing, the Directors may but shall not be bound to require evidence of the authority of any such attorney or authority. *Instrument appointing proxy to be left at Office*

79. The instrument appointing a proxy shall substantially be in the following form with such variations as circumstances may require or the statutes permit or in such other form as the Directors may approve. *Form of Proxy*

**GLOBALTEC FORMATION BERHAD**

CDS Account No……………….
I/We ……………, of …………, being a member/members of Globaltec Formation Berhad, hereby appoint …………… of ……………… or failing him/her, …………………… of …………………… or failing him/her, the CHAIRMAN OF THE MEETING as my/our proxy to vote for me/us on my/our behalf at the (Annual General Meeting or Meeting of Members, as the case may be) of the Company, to be held on the …… day of ……………………, and at any adjournment thereof and to vote as indicated below:-

| NO. | RESOLUTION | FOR | AGAINST |
|---|---|---|---|
| | | | |

Please indicate with an 'X' in the space above on how you wish to cast your vote. In the absence of specific directions, your proxy will vote or abstain as he/she thinks fit.

No. of ordinary shares held :………………

Signed this ......... day of ............................

Signature ....................................................

80. A vote given in accordance with the terms of an instrument of proxy shall be treated as valid notwithstanding the previous death or insanity of the principal or revocation of the proxy or of the authority under which the proxy was executed or the transfer of the share in respect of which the proxy is given provided that no intimation in writing of such death, insanity, revocation or transfer as aforesaid shall have been received by the Company at the Office before the commencement of the meeting or adjourned meeting at which the instrument is used. — Proxy votes

**DIRECTORS**

81. Until otherwise determined by a Meeting of Members the number of Directors shall not be less than two (2). — Number of Directors

82. The continuing directors may act notwithstanding any vacancy in their body, but if and so long as the number of Directors is reduced below the minimum number fixed by or pursuant to this Constitution, the continuing Director may, except in an emergency, act only for the purpose of increasing the number of Directors to such minimum number, or to summon a meeting of members of the Company but not for any other purposes. If the Director is not able or unwilling to act, any two (2) Members may summon a meeting of members for the purpose of appointing Directors. — Directors may act notwithstanding vacancy

83. The Directors shall have power from time to time and at any time to appoint additional Directors either to fill a casual vacancy or as an addition to the Board. A Director so appointed shall hold office only until the conclusion of the next annual general meeting, but shall be eligible for re-election (but shall not be taken into account in determining the Directors who are to retire by rotation at that meeting). — Power to add Directors

84. A Director shall not be required to hold any share qualification in the Company. — Director's qualification

85. (1) The fees of the Directors and any benefits payable to the Directors shall from time to time be determined by the Company in Meetings of Members. Such fees and any benefits payable to the Directors shall be subject to annual approval at annual general meeting and shall not be increased except pursuant to a resolution passed at the Meetings of Members where notice of the proposed increase shall have been given in the notice convening the meeting. Such fees shall, so far as a Director who is not an executive Director is concerned, be by way of a fixed sum and not by way of a commission on or percentage of profit or turnover. The fees of the Directors shall be divisible among the Directors in such proportions and manner as they may agree (or failing agreement, equally). Director's remuneration

(2) Salaries and other remuneration including benefits payable to executive Directors pursuant to a contract of service need not be determined by the Company in Meetings of Members and it may not include a commission on or a percentage of turnover.

In this Constitution, the expression "executive director" shall mean and include a managing director.

86. The Directors shall also be paid such travelling, hotel and other expenses as may reasonably be incurred by them in the execution of their duties including any such expenses incurred in connection with their attendance at meetings of Directors. Reimbursement of expenses

87. (1) If by arrangement with the Directors, any Director may perform or render any special duties outside his ordinary duties as a Director in particular without limiting to the generality of the foregoing and if any Director being willing shall be called upon to perform extra services or to make any special exertions in going or residing away from his usual place of business or residence for any of the purposes of the Company or in giving special attention to the business of the Company as a member of a committee of Directors, the Directors may pay him special remuneration, in addition to his Director's fees, and such special remuneration may be by way of a fixed sum, or otherwise as may be arranged provided that the special remuneration payable to non-executive Director shall not by way of a commission on or percentage of profits or turnover. Special remuneration & Director may act in his professional capacity

(2) Any Director may act by himself or his firm in a professional capacity for the Company and he and his firm shall be entitled to remuneration for his or his firm's professional services as if he was not a Director, provided that nothing herein contained shall authorise a Director or his firm to act as auditor of the Company and provided further that such shall be at normal commercial terms.

88. A Director may hold any other office or place of profit under the Company (except that of Auditor) in conjunction with his office of Director and on such terms as to remuneration and otherwise as the Directors shall arrange. Power of Directors to hold offices of profit

89. Subject as herein otherwise provided or to the terms of any subsisting agreement, the office of a Director shall be vacated if the Director:- Vacation of office of Directors

(a) becomes bankrupt or makes any arrangement or composition with his creditors during his term of office; or

(b) becomes of unsound mind or a person whose person or estate is liable to be dealt with in any way under the Mental Health Act 2001; or

(c) absents himself from more than 50% of the total meetings of Directors from the date of his election or appointment to the end of any financial year of the Company, unless an exemption or waiver is obtained from the Exchange; or

(d) is removed from his office of director by a resolution of the Company in Meetings of Members of which special notice has been given; or

(e) ceases to be or is prohibited from being a director by virtue of the Act or becomes disqualified from being a director under Sections 198 or 199 of the Act; or

(f) resigns his office by notice in writing to the Company; or

(g) dies; or

(h) retires.

90. (1) An election of Directors shall take place each year. At the annual general meeting in every year any Director bound to retire under Article 83 and one-third of the other Directors for the time being, or if the number is not a multiple of three, then the number nearest to one-third shall retire from office so that all Directors shall retire from office once at least in each three (3) years. A retiring Director shall retain office until the close of the meeting at which he retires. — Retirement of Directors

(2) The independent director, as defined by the Listing Requirements, shall be subject to:-

(a) Annual re-appointment by the Members at annual general meeting by way of an ordinary resolution, if he has served for a cumulative term of nine (9) years; and

(b) Annual re-appointment by the Members at annual general meeting by ordinary resolution through a two-tier voting process as recommended by the Malaysian Code on Corporate Governance if he has served for a cumulative term of beyond twelve (12) years.

91. The Directors to retire at the annual general meeting in each year (other than those bound to retire under Article 83) shall be the Directors who have been longest in office since their last election. As between Directors of equal seniority, the Directors to retire, shall, unless they shall agree among themselves, be selected from among them by lot. A retiring Director shall be eligible for re-election. — Selection of Directors to retire

92. The Company at the meeting at which a Director so retires may fill the vacated office by electing a person thereto, and in default the retiring Director shall if offering himself for re-election and not being disqualified or prohibited under the Act or the Listing Requirements from holding office as Director be deemed to have been re-elected, unless at that meeting it is expressly resolved not to fill such vacated office or unless a resolution for the re-election of such retiring Director is put to the meeting and lost. — Retiring Directors deemed to be re-elected

93. No person not being a retiring Director shall be eligible for election to the office of Directors at any Meetings of Members unless some Members intending to propose him has, at least eleven (11) clear days before the meeting, left at the Office a notice in writing duly signed by the nominee, giving his consent to the nomination and signifying his candidature for the office or the intention of such Member to propose him for election, provided that in the case of a person recommended by the Directors for election, nine (9) clear days' notice only shall be necessary and notice of each and every candidature for election to the Board of Directors shall be served on the registered holder of shares at least seven (7) days prior to the meeting at which the election is to take place. — Notice of candidate as a Director to be given

**MANAGING DIRECTOR**

94. The Directors may from time to time appoint any one or more of their body to be Managing Director(s) of the Company (which term shall be deemed to include the Deputy Managing Director, Executive Director or such designation of the Company's chief executive officer) upon such terms as they think fit (provided the appointment for such terms shall not exceed the maximum period as shall be permitted by the Listing Requirements) and may vest in such Managing Director(s) such of the powers hereby vested in the Directors generally as they may think fit and such powers may be made exercisable for such period or periods and upon such conditions and subject to such restrictions and generally upon such terms as to remuneration and otherwise as they may determine. A Managing Director shall be subject to the control of the Directors. *Directors may appoint Managing Director*

95. The remuneration of a Managing Director shall be fixed by the Directors and may be by way of salary or commission or participation in profits or by any or all of these modes or otherwise as may be thought expedient provided that no remuneration shall be by way of commission or percentage of turnover. *Remuneration of Managing Director*

96. A Managing Director shall subject to the provisions or any contract between him and the Company be subject to the same provisions as to resignation and removal as the other Directors of the Company. If he ceases to hold the office of Director he shall ipso facto and immediately cease to be a Managing Director. *Resignation and removal of Managing Director*

97. A Managing Director shall be subject to retirement by rotation and he shall be taken into account in determining the rotation of retirement of Directors and he shall be subject to the provisions of any contract between him and the Company. *Managing Director to retire by rotation*

**ALTERNATE DIRECTORS**

98. Any Director may from time to time and at any time appoint any person to act as his alternate provided that: *Appointment and removal of alternate Directors*

    (a) such person is not a Director of the Company;

    (b) such person does not act as an alternate for more than one (1) Director of the Company; and

    (c) his appointment is approved by majority of the other Directors for the time being.

    Any Director may at any time remove the alternate Director so appointed by him from office.

99. An alternate Director so appointed shall not be entitled to receive any remuneration from the Company provided that any remuneration paid by the Company to him shall be deducted from the appointing Director's remuneration. An alternate Director shall be entitled to receive notices of and attend all meetings of the Directors, and to speak and vote as a Director at any such meeting at which the Director appointing him is not present and generally in the absence of his appointor to perform all the functions of his appointor as a Director (except as regards to the power to appoint an alternate director and remuneration). An alternate Director shall not be taken into account in reckoning the minimum or maximum number of Directors allowed for the time being but he shall be counted for the purposes of reckoning whether a quorum is present at any meeting of the Directors attended by him at which he is entitled to vote. *Rights of alternate Directors*

100. An alternate Director may be removed from office by resolution of the Board and shall ipso facto cease to be an alternate Director if his appointor ceases for any reason to be a Director. All appointments and removals of alternate Directors made by any Director in pursuance of the provisions of this Constitution shall be in writing under the hand of the Director making the same and left at the Office by hand, post, facsimile or in any electronic means. — Cessation of alternate Directors

**PROCEEDINGS OF DIRECTORS**

101. The Directors may meet together for the despatch of business, adjourn and otherwise regulate their meetings as they think fit and determine the quorum necessary for the transaction of business. Unless otherwise determined two (2) shall form a quorum. — Meeting of Directors

102. A meeting of Directors at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions by or under this Constitution vested in or exercisable by the Directors generally. — General powers of Company vested in Directors

103. Questions arising at any meeting shall be decided by a majority of votes, each Director having one (1) vote and in case of an equality of votes the Chairman shall have a second or casting vote except when only two (2) Directors are present and form a quorum or only two (2) are competent to vote on the question at issue whereupon the Chairman shall not have a casting vote. — How business at meeting of Directors decided

104. Notice of every Directors' meeting shall be sent to each Director and (subject to his giving to the Company an address within Malaysia at which notices may be served on him) to the Alternate Directors. — Notice of meeting of Director

105. A Director shall be deemed to be present at a meeting of Directors if he participates by telephone, video-conferencing or other electronic means and all Directors participating in the meeting are able to hear each other and recognise each other's voice and for this purpose, participation constitutes prima facie proof of recognition. For the purposes of recording attendance, the Chairman or Secretary shall mark on the attendance sheet that the Director was present and participating by telephone, video-conferencing or other electronic means. — Teleconferencing

106. A Director may at any time and the Secretary upon the request of a Director shall summon a meeting of the Directors. — Director may call meeting of Board

107. The Directors may elect one of their numbers as their Chairman, who shall preside at meetings of the Directors, and determine the period for which he is to hold office, but if no such Chairman be elected, or if at any meeting the Chairman be not present within fifteen (15) minutes after the time appointed for holding the same, the Directors present shall choose one (1) of their numbers to be Chairman of such meeting. — Chairman of Directors

108. The Directors may delegate any of their powers to committees consisting of at least two (2) members of their body as they think fit. Any committee so formed shall in the exercise of the powers so delegated conform to any regulations that may be imposed on it by the Directors. — Power for Directors to appoint Committees

109. A Committee may elect a Chairman of its meetings. If no such Chairman is elected, or if at any meeting the Chairman is not present within fifteen (15) minutes after the time appointed for holding the same, the members present may choose one (1) of their numbers to be Chairman of the meeting. — Chairman of Committees

110. A Committee may meet and adjourn as its members think proper. Questions arising at any meeting shall be determined by a majority of votes of the members present and in case of an equality of votes the Chairman shall have a second or casting vote except when only two (2) committee members are present and form a quorum or only two (2) are competent to vote on the question at issue. — Meeting of Committees

111. A resolution in writing signed by a majority of Directors shall be as valid and effectual as if it had been passed at a meeting of the Directors duly called and constituted. Any such resolution may consist of several documents in like form, each signed by one (1) or more Directors. A resolution signed by an alternate Director need not also be signed by his appointor and, if it is signed by a Director who has appointed an alternate Director it need not be signed by the alternate Director in that capacity. A Directors' resolution in writing signed and transmitted by facsimile or any electronic means shall be deemed to be an original. — Resolution by circulation

112. No Director shall be disqualified by his office from contracting with the Company, either as vendor, purchaser or otherwise, nor shall any such contract or arrangement, or any contract or arrangement entered into by or on behalf of the Company with any company or partnership of or in which any Director shall be a member or otherwise interested be avoided-nor-shall any Director so contracting or being such member or so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason only of such Director holding that office, or of the fiduciary relations thereby established, but the nature of his interest must be disclosed by him at the meeting of the Directors at which the contract or arrangement is determined on, if his interest then exists, or in any other case at the first meeting of the Directors after the acquisition of his interest, and no Director so interested shall vote as a Director in respect of any contract or arrangement in which he is so interested and if he does vote his vote shall not be counted, nor shall he be counted for the purpose of any resolution regarding the same, in the quorum present at the Meeting. — Directors may contract with Company and interested Directors not to participate or vote

113. A Director notwithstanding his interest may be counted in the quorum present at any meeting whereat he or any other Director is appointed to hold any executive office or other office or place of profit under the Company or whereat the Directors resolve to exercise any of the rights of the Company (whether by the exercise of voting rights or otherwise) to appoint or concur in the appointment of a Director to hold any office or place of profit under any other company or whereat the terms of any such appointment are considered and he may vote on any such matter other than in respect of his own appointment or the arrangement of the terms thereof. — Relaxation of restriction voting

114. All facts bona fide done by any meeting of Directors, or of a committee of Directors, or by any person acting as a Director, shall notwithstanding it be afterwards discovered that there was some defect in the appointment of any such Director or person acting as aforesaid, or that they or any of them were disqualified be as valid as if every such person had been fully appointed and was qualified to be a Director. — All acts done by Directors to be valid

115. The Directors shall cause proper minutes to be made of all Meetings of Members of the Company and also of all appointments of officers, and of the proceedings of all meetings of Directors and Committees and of the attendance thereat, and of all business transacted at such meeting, and any such minute of any meeting, if purporting to be signed by the Chairman of such meeting, or by the Chairman of the next succeeding meeting, shall be conclusive evidence without any further proof of the facts therein stated. — Minutes to be made and when signed by Chairman to be conclusive evidence

## POWERS AND DUTIES OF DIRECTORS

116. The business and affairs of the Company shall be managed by the Directors who may pay all such expenses preliminary and incidental to the promotion, formation, establishment and registration of the Company as they think fit, and exercise all such powers of the Company and do on behalf of the Company all such acts as may be exercised and done by the Company, and as are not by the Act or by this Constitution required to be exercised or done by the Company in Meetings of Members, subject nevertheless to any regulations of this Constitution, to the provisions of the Act and to such regulations being not inconsistent with the aforesaid regulations or provisions as may be prescribed by the Company in Meetings of Members but no regulation made by the Company in Meetings of Members shall invalidate any prior act of the Directors which would have been valid if such regulation had not been made. *Business of Company to be managed by Directors*

117. The Directors may from time to time provide for the management of the affairs of and for the transaction of business on behalf of the Company elsewhere in such manner as they shall think fit and provisions contained in the next three (3) following Articles shall be without prejudice to the general powers conferred by this clause. *Local management*

118. The Directors may from time to time and at any time establish any local management committee or agencies for managing any of the affairs of the Company, transacting business on behalf of the Company or advising the Directors, and may appoint any persons to be members of such management committee or any managers or agents and may fix their remuneration. *Local management committee*

119. The Directors may from time to time and at any time delegate to any local management committee, agency or person so appointed, any of the powers, authorities and discretions for the time being vested in the Directors, and may authorise the members for the time being of any such management committee or any of them to fill up any vacancies therein, and to act notwithstanding vacancies and any such appointment or delegation may be made on such terms and subject to such conditions as the Directors may think fit and the Directors may at any time remove any person so appointed and may annul or vary any such delegation. *Delegation*

120. The Directors may from time to time by power of attorney appoint any corporation, firm, or person or body or persons, whether nominated directly or indirectly by the Directors, to be the attorney or attorneys of the Company for such purposes and with such powers, authorities, and discretions (not exceeding those vested in or exercisable by the Directors under this Constitution) and for such period and subject to such conditions as they may think fit, and any such powers of attorney may contain such provisions for the protection and convenience of persons dealing with any such attorney as the Directors may think fit and the Directors may also authorise any such attorney to delegate all or any of the powers, authorities, and discretions vested in him. *Power to appoint attorneys*

121. All cheques, promissory notes, drafts, bills of exchange and other negotiable or transferable instruments and all receipts for moneys paid to the Company shall be signed, drawn, accepted, endorsed or otherwise executed, as the case may be, in such manner as the Directors shall from time to time by resolution determine. *Signature of cheques and bills*

122. Subject to the Act, the Directors may procure the establishment and maintenance of or participate in or contribute to any non-contributory or contributory pension or superannuation fund or life assurance scheme for the benefit of, and pay, provide for or procure the grant of donations, gratuities, pensions, allowances, benefits or emoluments to any person (including Directors and other officers) who are or shall have been at any time in the employment or service of the Company or of any company which is a subsidiary of the Company or of the predecessors in business of the Company or of any such subsidiary company or the wives, widows, families or dependents of any such persons. The Directors may also procure the establishment and subsidy of or subscription and support to any institutions, associations, clubs, funds or trusts calculated to be for the benefit of any such persons as aforesaid or otherwise to advance the interests and well-being of the Company or of any such other company as aforesaid or of its members and payment for or towards the insurance of any such persons as aforesaid, and subscriptions or guarantee of money for charitable or benevolent objects or for any exhibition or for any public, general or useful objects. Power to maintain Pension Fund

**DIRECTORS' BORROWING POWERS**

123. (1) The Directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property and uncalled capital, and to issue debentures and other securities whether outright or as collateral security for any debt, liability or obligation of the Company. Directors' borrowing powers

(2) The Directors shall not borrow any money or mortgage or charge any of the Company or subsidiaries' undertaking, property, or any uncalled capital, or to issue debentures and other securities whether outright or as security for any debt, liability or obligation of an unrelated third party.

(3) If the Directors or any of them, or any other persons, shall become personally liable for the payment of any sum primarily due from the Company, the Directors may execute or cause to be executed any mortgage, charge or security over or affecting the whole or any part of the assets of the Company by way of indemnity to secure the Directors or persons so becoming liable as aforesaid from any loss in respect of such liability.

**SECRETARY**

124. The Secretary shall in accordance with the Act be appointed by the Directors for such term, at such remuneration, and upon such conditions as they may think fit. Appointment of Secretary

125. The office of the Secretary shall become vacant, Vacation of office of Secretary

(a) if the Secretary is removed from office by the Directors; or

(b) if the Secretary resigns his office by notice in writing to the Directors; or

(c) where none of the Directors can be communicated with at the last known residential address, on the expiry of thirty (30) days of the notification by the Secretary in accordance with section 237(2) of the Act.

126. A provision of the Act or this Constitution requiring or authorising a thing to be done by or to a Director and the Secretary shall not be satisfied by its being done by or to the same person acting both as Director and as or in place of the Secretary. Acts of Secretary who is also a Director

**THE SEAL**

127. (1) The Directors shall provide for the custody of the seal, which shall only be used by the authority of the Director or of a Committee of the Directors authorised by the Directors in that behalf, and every instrument to which the seal is affixed shall be signed by a Director and shall be countersigned by the Secretary or by a second Director or by some other person appointed by the Directors for the purpose, or the Directors may by resolution determine (either generally or in any particular case) that any such signature may be affixed or reproduced by some facsimile, autographic or other mechanical means to be specified in such resolution provided that the use of such means is by such resolutions restricted to a share transfer or certificate or other document of title in respect of any share, stock or other marketable security created or issued by the Company. The Company may exercise the powers of Section 62 of the Act (i.e. official seal for use abroad), and such powers are accordingly hereby vested in the Directors.

Seal to be affixed by authority of resolution of Directors

(2) The Company may exercise the powers conferred by the Act with regard to having an official seal for use abroad and such powers shall be vested in the Directors. The Company may also have a share seal pursuant to Section 63 of the Act.

**AUTHENTICATION OF DOCUMENTS**

128. Any Director or the Secretary or any person appointed by the Directors for the purpose shall have power to authenticate any documents affecting the constitution of the Company and any resolution passed by the Company or the Directors, and any books, records, documents and accounts relating to the business of the Company, and to certify copies thereof or extracts therefrom as true copies or extracts; and where any books, records, documents or accounts are elsewhere than at the Office, the local manager and other officer of the Company having the custody thereof shall be deemed to be a person appointed by the Directors as aforesaid.

Power to have a seal for use abroad

129. A document purporting to be a copy of a resolution of the Directors or an extract from the minutes of a meeting of Directors which is certified as such in accordance with the provisions of Article 128 shall be conclusive evidence in favour of all persons dealing with the Company upon the faith thereof that such resolution has been duly passed or, as the case may be, that such extract is a true and accurate record of a duly constituted meeting of the Directors.

Certified copies of resolution of the Directors

**RESERVE FUND**

130. Before declaring any dividend and subject to due provisions having been made for any annual payment or payments in respect of any debenture sinking fund or funds, the Directors may (but shall not be under any obligation so to do) set aside out of the reserves to meet depreciation or contingencies or for special dividend or bonuses or for equalising dividends or for repairing, improving and maintaining property of the Company or for such other purposes as the Directors shall in their absolute discretion think conducive to the interests of the Company, or any of them and the same may be applied accordingly from time to time in such manner as the Directors may determine and the Directors may, without placing the same to reserve, carry over any profits which they may not think it prudent to divide. The Directors may invest, apply and deal with the several sums to set aside upon such investments and in such manner as they think fit, and from time to time may deal with and vary such investments and dispose of all or any part thereof for the benefit of the Company, and may divide the reserve or reserves into such special funds as they think fit, and may employ the reserve or reserves in the business of the Company, and that without keeping the same separate from the other assets, or in purchase or redemption of debentures or debenture stock or other encumbrances on the Company's property.

Power to carry profit to reserve

**DIVIDENDS**

| | | |
|---|---|---|
| 131. | Subject to the provisions of the Act, the Directors may from time to time declare dividend to the Members out of profit of the Company available if the Company is solvent and such distribution shall be paid to the Members in proportion to the amount for the time being paid up on the shares or stock held by them respectively. Such dividend may be paid wholly or in part by the distribution of specific assets and in particular of paid up shares or debentures of any other company or in any one or more of such ways; and the Directors shall give effect to such resolution and where any difficulty arises in regard to such distribution, the Directors may settle the same as they think expedient and in particular may issue fractional certificates and fix the value for distribution of such specific assets or any part thereof and may determine that cash payments shall be made to any Members upon the footing of the value so fixed in order to adjust the rights of all parties and may vest any such specific assets in trustees as may seem expedient to the Directors. | Declaration of dividends |
| 132. | Where capital is paid up in advance of calls upon the footing that the same shall carry interest such capital shall not, while carrying interest, confer a right to participate in profits. | Payment in advance of call not to participate in dividend |
| 133. | The Directors may deduct from the dividends payable to any Member all such sums of money as may be due from him to the Company on account of calls or otherwise. | Debts may be deducted |
| 134. | No dividends shall bear interest as against the Company. | Dividends not to bear interest |
| 135. | A transfer of shares shall not pass the right to any dividend declared on such shares before the registration of the transfer provided that any dividend declared on Deposited Securities shall accrue to the Depositors whose names appear on the Record of Depositors issued to the Company or the Company's share registrar pursuant to the Rules of the Bursa Depository. | Rights to Dividend |
| 136. | The Directors may retain the dividends payable upon registered shares in respect of which any person is, under the transmission clause, entitled to become a Member, or which any person under that clause is entitled to transfer, until such person shall become a Member in respect of such shares or shall duly transfer the same, and any dividends so retained shall only be paid by the Directors to the person who next becomes a Member in respect of such shares. | Power to retain dividends in respect of transmission of shares |
| 137. | Unless otherwise directed or permitted by the relevant authorities, any dividend, interest or other money payable in cash in respect of shares may be paid by direct deposit into bank account of the Members or other person as the Members may in writing direct; by cheque or warrant and sent through post to the registered address of the Member or to such person and to such address as the Member may in writing direct; or in any other manner as the Directors so decide. Every such direct deposit into bank account or cheque or warrant shall be made payable to the order of the person to whom it is sent or to such person as the Member may direct and the payment of such manner shall operate as a good discharge to the Company in respect of the dividend represented thereby, notwithstanding that it may subsequently appear that the cheque or warrant has been stolen or that the endorsement thereon has been forged. Every such direct deposit into bank account, cheque or warrant shall be sent at the risk of the person entitled to the money thereby represented. | Manner of payment of dividend |

**CAPITALISATION OF PROFITS AND RESERVES, ETC**

138. The Company in Meetings of Members may upon the recommendation of the Board resolve that it is desirable to capitalise any part of the amount for the time being standing to the credit of any of the Company's reserve accounts or to the credit of the profit and loss account or otherwise available for distribution and accordingly that such sum be set free for distribution amongst the Members who would have been entitled thereto if distributed by way of dividend and in the same proportions on condition that the same be not paid in cash but be applied either in or towards paying up any amounts for the time being unpaid on any shares held by such Members respectively or paying up in full, credited as fully paid up to and amongst such Members in the proportion aforesaid or partly in the one way and partly in the other and the Directors shall give effect to such resolution. Bonus Issues

139. Whenever such a resolution as aforesaid in Article 138 hereof shall have been passed, the Directors shall make all appropriations and applications of the undivided profits resolved to be capitalised thereby and all allotments and issues of fully paid up shares or debentures, if any, and generally shall do all acts and things required to give effect thereto, with full power to the Directors to make such provision by the issue of fractional certificates or by payment in cash in discharging debentures of the Company or otherwise as it thinks fit for the case of shares or debentures becoming distributable in fractions and also to authorise any person to enter on behalf of all the Members entitled thereto into an agreement with the Company providing for the allotment to them respectively, credited as fully paid-up, of any further shares or debentures to which they may be entitled upon such capitalisation or (as the case may require) for payment by the Company on their behalf, by the application thereto of their respective proportions of the profits of the amounts remaining unpaid on their existing shares and any agreement made under such authority shall be effective and binding on all such Members. Power of applications of undivided profits

**ACCOUNTS**

140. The Directors shall cause proper accounting and other records to be kept and shall distribute copies of the financial statements and other documents as required by the Act and shall from time to time determine whether, in any particular case or class of cases, or generally, and to what extent, and at what times and places and under what conditions or regulations, the accounting records and other records of the Company or any of them, shall be open to the inspection of Members and no Member (not being a Director) shall have any rights of inspecting any account or book or accounting records or document of the Company except as conferred by the Act or authorised by the Directors or by a resolution of the Company in Meetings of Members. Accounts and books to be kept

141. The Directors shall cause to be prepared, sent to every Member and laid before the Company in its annual general meeting the audited financial statements and reports of the directors and auditors in accordance with the Act. The interval between close of a financial year end of the Company and the issue of the audited financial statements and reports of the directors and auditors shall not exceed four (4) months or such other period as permitted by the Act and Listing Requirements. Preparation and issuance of audited financial statements and reports of the directors and auditors thereon

**AUDIT**

142. Once at least in every year the financial statements of the Company shall be examined, and the correctness of the profit and loss accounts and balance sheet ascertained by one or more auditor or auditors, and the provisions of the Act and any modification or re-enactment thereof for the time being in force in regard to audit and auditors shall be observed. Accounts to be audited

**NOTICES AND OTHER DOCUMENTS**

143. Subject to the provisions in the Act and Listing Requirements, a notice or documents required to be sent to Members may be given by the Company or the Secretary to any Member: — Service of notices

(a) in hard copy, either personally or send by post to him in a prepaid letter addressed to him at his last known address;

(b) in electronic form and send by the following electronic means:-

(i) transmitting to his last known electronic mail address; or

(ii) publishing the notice or document on the Company's website provided that a notification of the publication of the notice or documents on the website via hard copy or electronic mail or short messaging service has been given in accordance with Section 320 of the Act and the Listing Requirements; or

(iii) using any other electronic platform maintained by the Company or third parties that can host the information in a secure manner for access by Members provided that a notification of the publication or availability of the notice or document on the electronic platform via a hard copy or electronic mail or short messaging service has been given to them accordingly.

144. Every person who by operation of law, transfer, transmission or other means whatsoever, shall become entitled to any share, shall be bound by every notice in respect of such share, which previously to his name and address being entered in the Register or the Record of Depositors as the registered holder of such share, shall have been duly given to the person from whom he derives the title to such share. — Persons bound by notice

145. Any Member described in the Register and Record of Depositors by an address not within Malaysia who shall from time to time give the Company an address within Malaysia at which notices may be served upon him, shall be entitled under this Constitution, but save as aforesaid, only Members described in the Register and Record of Depositors by an address within Malaysia shall be entitled to receive any notice from the Company. — Members abroad not entitled to notice unless they give address

146. Notice of a Meeting of Members shall be given to every Member, Directors, auditor and all other persons entitled to receive notice of meetings under the Act or the Listing Requirements or by operation of law. — Persons entitled to receive notice of Meetings of Members

147. A notice may be given by the Company to the persons entitled to any share in consequence of the death or bankruptcy of a Member addressed to them by name or by the title of representatives or trustees of such deceased or bankrupt Member, at his last known address (if any) in Malaysia supplied the purpose of such persons as aforesaid or (until such an address has been supplied) by giving the notice in the manner in which the same would have been given if the death or bankruptcy had not occurred. — Notice in case of death or bankruptcy

148. A notice or other documents is deemed served by the Company to a Member: — When service effected

(a) Where the notice or document is sent in hard copy by post, on the day after the time when the letter containing the same is put into the post, and in proving such service or sending it shall be sufficient to prove that the letter containing the notice or document was properly addressed and put into the post office as a prepaid letter.

(b) Where the notice or documents is sent by electronic means:-

(i) via electronic mail, at the time of transmission to the Member's electronic mail address pursuant to Article 143(b)(i), provided that the Company has record of the electronic mail being sent and that no written notification of delivery failure is received by the Company;

(ii) via publication on the Company's website, on the date the notice of document is first made available on the Company's website provided that the notification on the publication of the notice or documents on the website has been given pursuant to Article 143(b)(ii); or

(iii) via electronic platform maintained by the Company or third parties, on the date the notice of document is first made available thereon provided that the notification on the publication of the notice or documents on the relevant electronic platform has been given pursuant to Article 143(b)(iii).

(c) In the event that service of a notice or document pursuant to Article 148(b) is unsuccessful, the Company shall within two (2) markets days from discovery of delivery failure, make alternative arrangements for service by serving the notice or documents in hard copy in accordance with Article 143(a) hereof.

149. A Member's address, electronic mail address and any other contact details provided to Bursa Depository shall be deemed as the last known address, electronic mail address and contact details respectively for the purposes of communication including but not limiting to service of notices and/or documents to the Member. — Last known address for service

**WINDING UP**

150. If the Company shall be wound up, the liquidators may, with the sanction of a Special Resolution divide among the Members in specie any part of the assets of the Company and any such division may be otherwise than in accordance with the existing rights of the Members, but so that if any division is resolved on otherwise than in accordance with such rights the Members shall have the same rights of dissent and consequential rights if such resolution were a special resolution passed pursuant to the Act. A special resolution sanctioning a transfer or sale to another company duly passed pursuant to the Act may in like manner authorise the distribution of any shares or other consideration receivable by the liquidators amongst the Members otherwise than in accordance with their existing rights, and any such determination shall be binding upon all the Members, subject to the right of dissent and consequential rights conferred by the Act. — Distribution of assets in specie

151. No commission or fee shall be paid to a liquidator or Director on the voluntary liquidation of the Company unless it shall have been approved by the Members in a Meeting of Members. The amount of such payment shall be notified to all Members at least seven (7) days prior to the meeting at which this is to be considered. — Remuneration of liquidator or Director

**INDEMNITY**

152. Every Director or other officer of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities (including any such liability as is mentioned in the Act) which he may sustain or incur in or about the execution of the duties of his office or otherwise in relation thereto, and no such Director or other officer shall be liable for any loss, damage or misfortune which may happen to or be incurred by the Company in the execution of the duties of his office or in relation thereto. But this Article shall only have effect in so far as its provisions are not avoided by the Act. — Officers entitled to indemnity

**SECRECY CLAUSE**

153. Save as may be expressly provided by the Act, no Member shall be entitled to enter into or upon or inspect any premises or property of the Company nor to require discovery of information respecting any detail of the Company's trading or any matter which is or may be in the nature of a trade secret, mystery or trade or secret process which may relate to the conduct of the business of the Company and which, in the opinion of the Directors it would be inexpedient in the interests of the Members of the Company to communicate to the public. — Secrecy Clause

**ALTERATION OF CONSTITUTION**

154. No amendment or alteration shall be made to this Constitution unless the same has been passed by special resolution as provided in the Act. — Alteration of Constitution

**EFFECT OF LISTING REQUIREMENTS**

155. (1) Notwithstanding anything contained in this Constitution, if the Listing Requirements prohibit an act being done, the act shall not be done. — Listing Requirements

(2) Nothing contained in this Constitution prevents an act being done that the Listing Requirements require to be done.

(3) If the Listing Requirements require an act to be done or not to be done, authority is given for that act to be done or not to be done (as the case may be).

(4) If the Listing Requirements require this Constitution to contain a provision and they do not contain such a provision, this Constitution are deemed to contain that provision.

(5) If the Listing Requirements require this Constitution not to contain a provision and they contain such a provision, this Constitution are deemed not to contain that provision.

(6) If any provision of this Constitution is or becomes inconsistent with the Listing Requirements, this Constitution are deemed not to contain that provision to the extent of the inconsistency.

(7) Notwithstanding the above, nothing herein shall prevent the Company from applying to the exchange for any waiver of any of the Listing Requirements and in the event the compliance or observance of any of the Listing Requirements is waived by the Exchange, the Company shall be exempted from such compliance.

**COMPLIANCE WITH STATUTES, REGULATIONS AND RULES**

156. The Company shall comply with provisions of the relevant governing statutes, regulations and rules as may be amended, modified or varied from time to time, or any other directive or requirement imposed by the Exchange, the Bursa Depository and other appropriate authorities to the extend required by law notwithstanding any provision in this Constitution to the contrary. — Compliance with Statutes, Regulations and Rules

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億利達控股有限公司
**Globaltec Formation Berhad**
(953031-A)

# FORM OF PROXY

CDS Account No. |  |
Number of Shares Held |  |

I/We ______________________________________________ (BLOCK LETTERS)
NRIC No./Company No. ______________________________________________ of
______________________________________________
being (a) Member(s) of **GLOBALTEC FORMATION BERHAD** (953031-A) hereby appoint the following person(s):

| Name of proxy, NRIC No. | No. of shares to be represented by proxy |
|---|---|
| 1. ______________________ | ______________________ |
| 2. ______________________ | ______________________ |

or failing him/her,

| | |
|---|---|
| 1. ______________________ | ______________________ |
| 2. ______________________ | ______________________ |

or failing him/her, THE CHAIRMAN OF THE MEETING as my/our proxy to vote for me/us on my/our behalf at the Seventh Annual General Meeting of the Company to be held at Selangor 1, Dorsett Grand Subang, Jalan SS 12/1, 47500 Subang Jaya, Selangor Darul Ehsan on 29 November 2018 at 10.00 a.m. and at any adjournment thereof and to vote as indicated below:

| RESOLUTION NO. | FOR | AGAINST |
|---|---|---|
| Ordinary Resolution 1 | | |
| Ordinary Resolution 2 | | |
| Ordinary Resolution 3 | | |
| Ordinary Resolution 4 | | |
| Ordinary Resolution 5 | | |
| Ordinary Resolution 6 | | |
| Special Resolution 1 | | |

Please indicate with an “X” in the space above on how you wish to cast your vote. In the absence of specific directions, your proxy will vote or abstain as he/she thinks fit.

Dated this ________________ day of ________________ 2018

______________________________
Signature/Seal of Member

***Notes:***

1. *The shareholders' approval on the Audited Financial Statements is not required pursuant to the provision of Section 340(1) of the Companies Act 2016 and hence, the matter will not be put for voting.*
2. *Only depositors whose names appear in the Record of Depositors as at 22 November 2018 shall be regarded as members and entitled to attend, speak and vote at the Meeting.*
3. *A member entitled to attend and vote at the Meeting is entitled to appoint a proxy or proxies to attend, speak and vote on his/her behalf. A proxy may but need not be a member of the Company.*
4. *A member may appoint up to two (2) proxies to attend the Meeting. Where a member appoints two (2) proxies, he/she shall specifies the proportions of his/her holdings to be represented by each proxy.*
5. *Where a member of the Company is an Authorised Nominee as defined under the Securities Industry (Central Depositories) Act, 1991, it may appoint at least one (1) proxy but not more than two (2) proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.*

*Fold Here*

**STAMP**

**GLOBALTEC FORMATION BERHAD** (953031-A)
**c/o 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

*Fold Here*

***Notes:***

6. *Where a member of the Company is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.*
7. *The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing, or if the appointer is a corporation, either under its Common Seal or under the hand of its officer or attorney duly authorised.*
8. *The instrument appointing a proxy must be deposited at the Company's Share Registrar's 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 not less than forty-eight (48) hours before the time appointed for holding the Meeting or any adjournment thereof.*