



ANNUAL REPORT **2018**



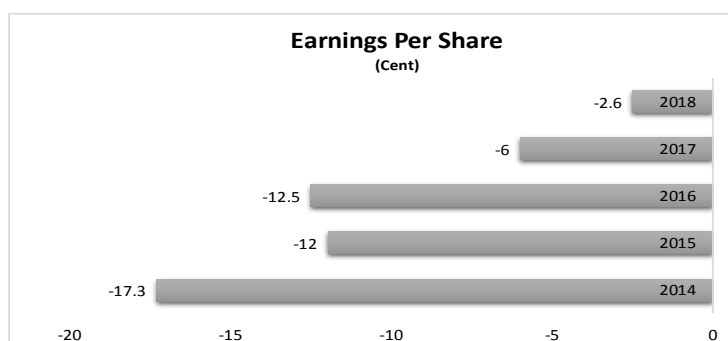
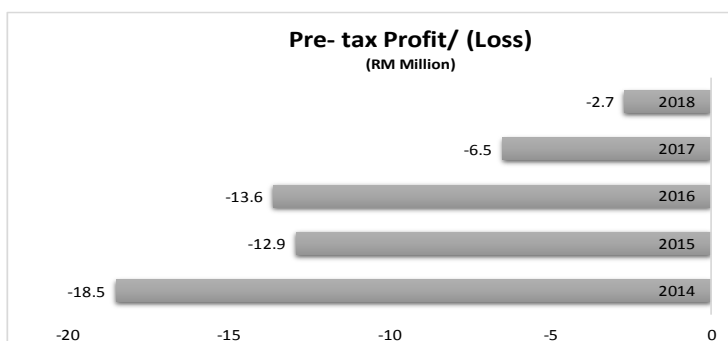
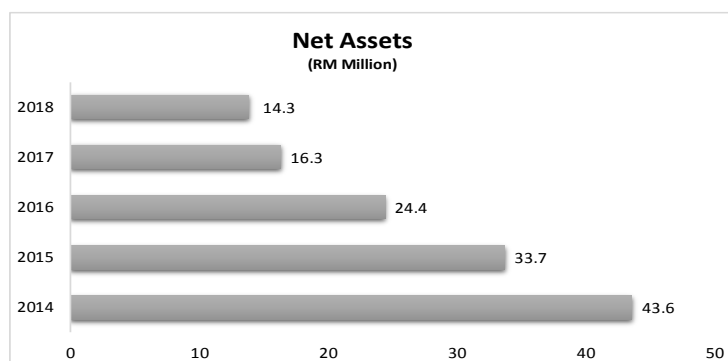
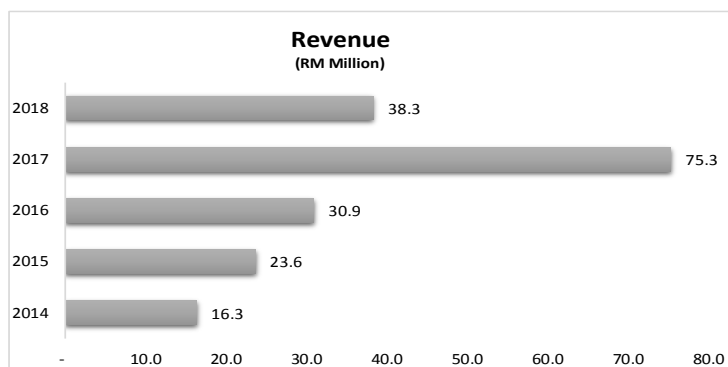
INDUSTRONICS BERHAD
(company No.23699-X)

Contents

<i>Corporate Review</i>		Page
	Financial Highlights	1
	Corporate Information	2 - 3
	Corporate Structure	4
	Executive Director's Message	5 - 7
	Management Discussion and Analysis	8
	Sustainability Report	9 - 11
	Statement on Corporate Governance	12 - 18
	Directors' Responsibility Statement	19 - 21
	Audit Committee Report	22 - 24
	Statement on Risk Management and Internal Control	25 - 27
	Profile of Directors	28 - 30
	Profile of Key Senior Management	31
<i>Reports And Financial Statements</i>		
	Directors' Report	32 - 36
	Statement by Directors	37
	Statutory Declaration	38
	Independent Auditors' Report	39 - 44
	Statements of Financial Position	45 - 46
	Statements of Comprehensive Income	47 - 48
	Statements of Changes in Equity	49 - 51
	Statements of Cash Flows	52 - 53
	Notes to the Financial Statements	54 - 131
<i>Other information</i>		
	Additional Compliance information	132
	List of Properties	133
	Analysis of Shareholdings	134 - 135
	Notice of Annual General Meeting	136 - 138
	Enclosed Proxy Form	139

Financial Highlights

RM Million	2014	2015	2016	2017	2018
Revenue	16.3	23.6	30.9	75.3	38.3
Profit / (Loss) Before Taxation	(18.5)	(12.9)	(13.6)	(6.5)	(2.7)
Profit / (Loss) Attributable to Shareholders	(17.7)	(12.3)	(12.8)	(6.2)	(2.7)
Net Assets	43.6	33.7	24.4	16.3	14.3
CENT	2014	2015	2016	2017	2018
Earnings Per Share	(17.3)	(12.0)	(12.5)	(6.0)	(2.6)
Net Assets Per Share	42.4	32.8	23.8	15.9	13.9



CORPORATE INFORMATION

BOARD OF DIRECTORS

Liu Wing Yee Amy (*Executive Director*)

Chu Boon Tiong (*Executive Director*)

Chow Yun Cheung (*Non-Independent Non-Executive Director*)

Lu Zhi Qin (*Independent Non-Executive Director*)

Chui Ee Mien (*Independent Non-Executive Director*)

AUDIT COMMITTEE

Lu Zhi Qin (*Chairman*)

Chui Ee Mien

Chow Yun Cheung

NOMINATION COMMITTEE

Lu Zhi Qin (*Chairman*)

Chui Ee Mien

Chow Yun Cheung

REMUNERATION COMMITTEE

Lu Zhi Qin (*Chairman*)

Chui Ee Mien

Chow Yun Cheung

COMPANY SECRETARY

Leong Sue Ching (MAICSA No. 7040814)

AUDITORS

Ong & Wong (AF 0241)

Chartered Accountants

Unit C-20-5, 20th Floor,

Block C, Megan Avenue II

No. 12, Jalan Yap Kwan Seng,

50450 Kuala Lumpur,

Malaysia.

Tel: (603) 21611000

Fax: (603) 21663122

CORPORATE INFORMATION (Continued)

REGISTERED OFFICE

No. 9A, Jalan Medan Tuanku
Medan Tuanku
50300 Kuala Lumpur,
Malaysia.
Tel: (603) 26918996
Fax: (603) 26986996

SHARE REGISTRAR

Symphony Share Registrars Sdn Bhd
Level 6, Symphony House, Block D13
Pusat Dagangan Dana 1, Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan,
Malaysia.
Tel: (603) 7849 0777
Fax: (603) 7841 8151

PRINCIPAL BANKERS

Malayan Banking Berhad
RHB Bank Berhad
Hong Leong Bank Berhad
Hong Kong And Shanghai Banking Corporation Limited

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia Securities Berhad

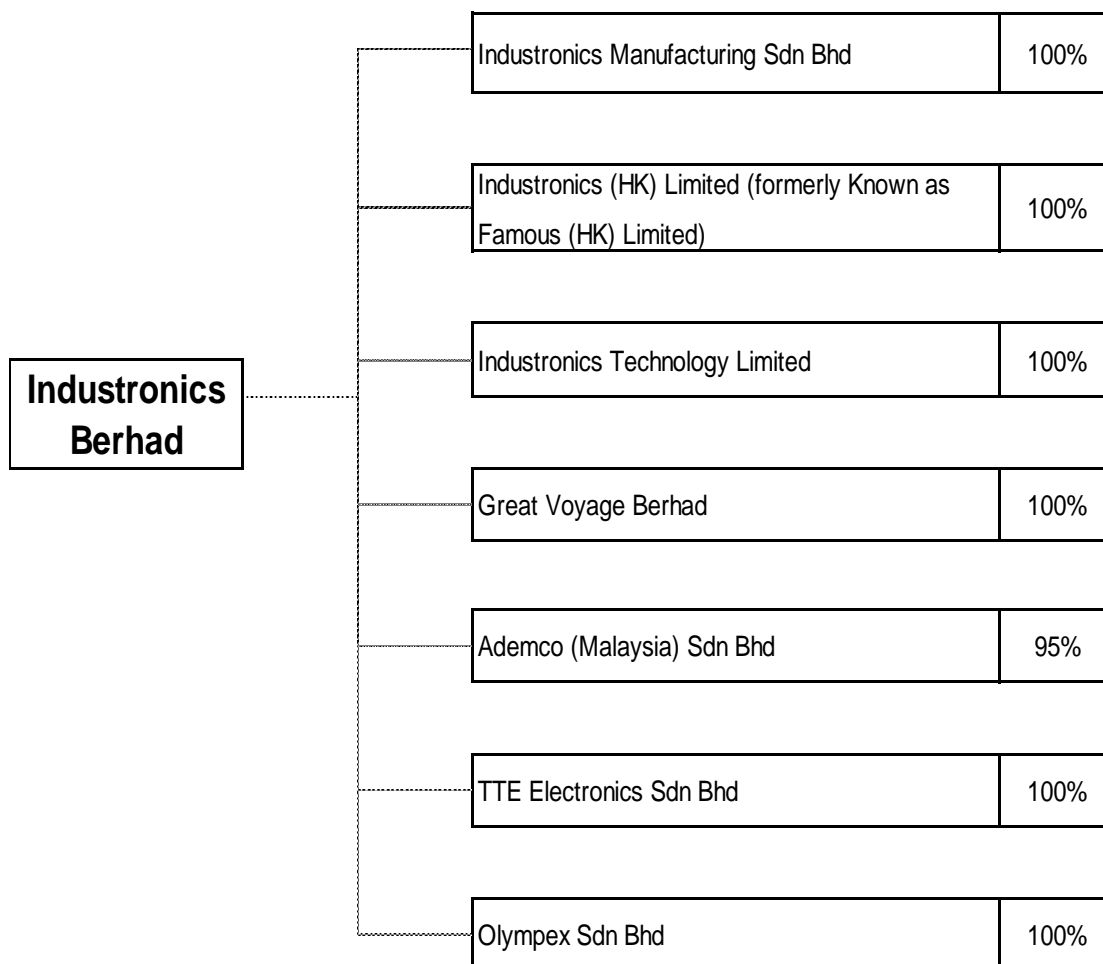
INVESTORS SERVICE

Shareholders, investors and members of public are invited to access the Company's website at www.industronics.com.my for information on the Group's operations and latest developments. For further details, please contact -

Mr Chu Boon Tiong
Investor Relations
Industronics Berhad
Tel: (603) 8961 3024
Fax: (603) 8961 6409
email: IR@industronics.com.my

INDUSTRONICS BERHAD

CORPORATE STRUCTURE AS AT 31 MARCH 2019



EXECUTIVE DIRECTOR'S MESSAGE

On behalf of the Board of Directors ("Board") of Industriatics Berhad ("IB" or "the Company"), I am pleased to present the Annual Report of IB for the financial year ended 31 December 2018.

Financial Performance

The past few years have been a challenging period for our Group due to factors such as increasingly competitive environment in the industry and tougher economic outlook.

The Group reported a lower revenue of RM38.3 million as compared to RM75.3 million in the previous year. The Group recorded lower loss after tax of RM2.70 million compared to a loss of RM6.55 million in the preceding year. This is mainly due to better contribution from provision of cloud service and also mechanical and electrical engineering.

In order to improve the Group financial position and performance, our Group had undertaken efforts to venture into new businesses such as software development and continued to build on the strength of existing product and market segment. In addition, the Group has also continuously streamlined its structure to enhance the efficiency of its operations. Efforts that have been undertaken include disposing non-performing subsidiaries, 1 subsidiary in Malaysia and 1 subsidiary in Singapore.

In line with effort to diversify the sources of revenue to mitigate risk of over dependency on core revenues only, our Group has continuously ventured into new markets and new product segments.

In addition, the Group continued with its plan to reorganize its structure and operations to reduce operating expenses, focus on profitable and high growth business. There was also various measure adopted to strengthen its cash flow such as by issue new share capital.

Apart from that, the Group has announced that the Company proposed to undertake the Proposed Share Capital Reduction. The Proposed Share Capital Reduction entails the reduction of RM48.20 million of the issued share capital of the Company pursuant to Section 116 of the Act. The corresponding credit of RM48.20 million arising from such cancellation will be utilised to eliminate the accumulated losses of the Company and the balance will be credited to the retained earnings account of the Company which may be utilised in such manner as the Board deems fit and as permitted by the relevant and applicable laws and the Company's Constitution.

At 31 December 2018, the Cash and Bank Balances of the Group (excluding overdraft) stood at RM2.39 million. The Group's loss per share was 2.64 cents.

Operation Review

Malaysia Operations

Malaysia operations mainly centred around supply of products and services relating to electronics and system integrations, surveillance and security system, mechanical and electrical engineering, fire alarm panel. Revenue from this segment increase from RM 7.2 million in 2017 to RM 8 million in 2018.

EXECUTIVE DIRECTOR'S MESSAGE (Continued)**Operation Review (Continued)****Malaysia Operations (Continued)**

During year 2018, the Group saw increasing demand for works relating to upgrading and enhancement of system relating to airport environment due to growth in passengers' traffic and the need for more efficient airport operations. As a result of our active pursuance of opportunities relating to airport, we managed to secure some jobs for upgrade and enhancement of flight information display system for KLIA which is expected to materialize in 2019.

New Traffic Control & Surveillance System maintenance contracts, spin off from other previous project and upgrading of Audio Visual systems for university campuses continued to maintain sales revenue for AIC Division in 2018. The Group had also participated in biddings for highways, Wireless & Fiber Optic Communications and CCTV System for Public Security in late 2018 and the division is hopeful of the outcome.

Ademco (Malaysia) Sdn. Bhd. (Ademco), a subsidiary of IB, saw modest success in many projects in the Security, Fire & Safety sector of which the most notable include to maintain the Security Alarm System for AEON for whole Malaysia & to supply the Industronics manufactured fire alarm panels for many projects in Malaysia. Ademco endeavours to increase market share and interest through Industronics manufactured fire alarm products. In Year 2018, the Company managed to sustain the business by retain the existing customers with providing stable and quality services hence it enables the Company can maintain the good relationship with existing customers and from this we can have a chance to achieve new customers as well.

Hong Kong Operations

Industronics (HK) Limited, has recovered revenue of precision instruments (watches) of HKD 49.30 million (approximately RM25.80 million) in FY2018 compared to HKD120 million (approximately RM65.90 million) in FY2017 due to lower market demand in FY 2018 as well as increasing competition

Industronics Technology Limited, has achieved significant sales of HKD 8.40 million (approximately RM4.40 million) in FY2018 in the provision of usage of cloud computing services compared to HKD4 million (approximately RM2.20 million) in FY2017.

Dividend

The Board of Directors does not recommend any payment of dividend for the financial year ended 31 December 2018.

EXECUTIVE DIRECTOR'S MESSAGE (Continued)

Prospects

The prevailing uncertainties in the global economy continue to pose challenges to the Group financial performance.

External factors such as increased competition in the industry, changing business trends, slowdown of economic growth and other macro-economic factors are among those that will continuously affect the prospects of the Group future performance.

The Group expects more revenue to be generated from its system integration business as the integrated information display system can be installed in various locations such as airports and train stations. With the increase of installation of the integrated information display system, the Group also expects an increase of service and maintenance contracts in relation to the integrated information display system. The Group also intends to bid for more projects to install intelligent transport system for highways.

The Group will continue to explore new investment opportunities and improve the efficiency of its operations to enhance shareholders' values.

Acknowledgements

On behalf of the Board of Directors, I wish to extend our appreciation to all stakeholders, business partners, management personnel and employees for their support and contributions over the past year.

I look forward to your continued support in the coming year as we work hard to take IB up to the next level of success.

Thank you.

Liu Wing Yee Amy
Executive Director

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue and Gross Profit

The Group achieved lower revenue of RM38.29 million in FY2018 compared to RM75.33 million in FY2017. The lower revenue is mainly due to lower sales achieved by Industronics (HK) Ltd, a subsidiary based in Hong Kong in the sales of precision instruments (watches) which amounted to about HKD 49.30 million (approximately RM25.80 million) in FY2018 compared to HKD120 million (approximately RM65.90 million) in FY2017.

Industronics Technology Limited has recorded revenue of HKD8.40 million (approximately RM4.40 million) in FY2018 in the provision of usage of cloud computing services compared to HKD4 million (approximately RM2.20 million) in FY2017.

For Malaysia operation, Industronics Berhad (IB) recorded lower sales of approximately RM3.80 million in FY2018 excluding intercompany sales compared to about RM5.08 million in FY2017 excluding intercompany sales. However, IB achieved higher of average gross profit margin of 44% in FY 2018 which is higher by 22% as compared to FY2017.

Ademco (Malaysia) Sdn Bhd, another subsidiary based in Malaysia has generated revenue of about RM1.57 million in FY2018 compared to RM1.30 million in FY2017. The revenue has an average gross profit margin of 35% in FY2018 and 31% in FY2017.

Other Operating Income

Other operating income of the Group was RM0.25 million in FY2018 compared to RM1.94 million in previous year. The decrease is mainly due to there is reversal of provision for doubtful debts of RM1.25 million by a subsidiary as the debt with provision made in year ago has been recovered.

Operating Expenses

Administrative expenses of the Group decreased to RM11.00 million in FY2018 compared to RM13.0 million in FY2017. The lower expenses are mainly due to lower employee costs incurred by a subsidiary, Hong Kong in FY2018 (RM2.8 million) compared to FY2017 (RM4.3 million).

Other operating expenses was lower in FY2018 (RM0.25 million) as compared to FY2017 (RM1.03 million). This is mainly due to saving from disposed of non-performing subsidiary in FY2018.

Loss For The Year

Group loss for the year was lower at RM2.70 million compared to RM6.55 million in FY2017 mainly due to higher gross profit margin generated from electronics and system integration business during the year which contributed in gross profit increasing by RM2.6 million from RM7.1 million to RM9.7 million in FY2018.

Sustainability Statement

Industronics constantly strive to understand the problems and identify opportunities in the related industries today to provide our clients with state-of-the-art solutions. Sustainability has always been an integral part of our way of doing business as we strive to increase our market share.

The Group is committed to comply with the principles of the Malaysian Code of Corporate Governance, as an assurance that the Group uses sound and highly transparent management practices in the best interests of the Group and stakeholders. Details of the Corporate Governance practices are set out separately in the Corporate Governance Overview Statement of this Annual Report.

Sustainability Structure

The Board leads the Group in embedding sustainability as part of our business strategy going forward. The team headed by the Executive Directors is responsible in managing, monitoring and reviewing sustainability matters in line with the Group's established policies and practices and implementing measures and action plans.

Stakeholders Engagement and Prioritization

Stakeholders represent the diverse group of parties that have a degree of interest and influence on the Group and the way it operates. Effective communication with stakeholders is a key factor so that we could identify the expectations of shareholders, prioritise the expectations, address material matters and to adopt the material matters in our business strategies. Some of our key stakeholders and the type of engagement we have with them is summarized as below.

Stakeholder Group	Type Of Engagement	Sustainability Concerns
Customers	<ul style="list-style-type: none"> - Meeting/Conference calls - Customers visit/survey - Exhibition/roadshow - Website information 	<ul style="list-style-type: none"> - Price and quality of Products and Services Rendered - Timeliness delivery schedule - Comprehensive Product warranties and Follow up
Employees	<ul style="list-style-type: none"> - On the Job Training - Health and safety talks - Open Forum and Suggestion Box - Annual dinner /Recreation programs 	<ul style="list-style-type: none"> - Career path Planning - Reward and incentive - Safe and Healthy Working Environment
Suppliers and contractors	<ul style="list-style-type: none"> - Regular Engagement with Suppliers - Feedback/Assessment Forms - Participation in Suppliers Events 	<ul style="list-style-type: none"> - Pricing and Payment terms - Continuous Sourcing
Investors	<ul style="list-style-type: none"> - Quarterly results announcement - Annual General Meeting - Investors Conferences - Media Interviews and Articles 	<ul style="list-style-type: none"> - Continuous Revenue and Profit Growth - Shareholders Value

Stakeholder Group	Type Of Engagement	Sustainability Concerns
Regulators	<ul style="list-style-type: none"> - Survey, Statistic Request by Regulators - Scheduled site visits - Submission of Compliance reports 	<ul style="list-style-type: none"> - Adherence to Law and Regulations - Corporate Governance and Compliances

Base on the feedback from engagements with the stakeholders as input to the materiality assessment, the Group has identified outcome as below:

	Economics	Social	Environmental
Material Matters	Sales & Profit growth	Human capital Development	Recycling For Environment
	Business Conduct	Employee Welfare and safety	Energy efficiency
	Research & Development	Social Contribution and Community Projects	
	Risk Management		

Economics

- i) Revenue and Profit Growth
As we strive to increase our market share, we always dedicate our best effort to make sure that our products and services meet customers requirement and projects are delivered on time. Commitment to quality and understanding of customers' needs is an integral part of our way of doing business.
- ii) Business Conducts
Integrity is our guiding principle in dealing with our customers, shareholders, business partners, employees and the general public.
- iii) Product Development
Our R&D team is always committed to enhance and deliver our products and services to meet the requirement and to bring continuous innovations to our customers.
- iv) Risk Management
The Group has developed a risk management team who is responsible for forecasting and evaluation of financial risks together with the identification of procedures to avoid or minimize their impact.
- v) Corporate Governance and Compliance
The Group recognises the importance of good corporate governance and ensure that high standards of corporate governance are practised throughout the group to deliver long term sustainable value to shareholders.

Social

Development of human capital is always our key priority as our employees are our greatest asset. The development is achieved through the implementation of various initiatives such as in-house cross training and employees' productivity improvement and encouraging workplace diversity.

Employee recognition programs have also been put in place to reward key contributors through cash and gifts, and meal treats have been given out to all employees as a token of appreciation for their contribution and efforts.

The Group also recognises the importance of work-life balance and believes that healthy and happy employees are the keys to improved morale and productivity. The Group has continuously sponsored its employees in various sports activities like badminton and outings to promote healthy and active lifestyle among the employees.

Environmental

The Group has identified opportunities to reduce, reuse and recycle the resources it consumes through efficient utilisation and recycling of resources. The Group also encourages the adoption of energy efficient electronics, LED lightings and electrical equipment.

The Group promotes awareness among the employees to minimise the usage of electricity, water and paper. The employees have been encouraged to share and store documents electronically and to reduce printing or photocopying.

Moving forward

The Board recognises that embedding sustainability into the Group's business is a continuous and evolving practices in which the Board will strive to enhance in order to achieve its long-term sustainable growth.

STATEMENT ON CORPORATE GOVERNANCE

THE CODE

The Board of Industronics Berhad (“Industronics” or “Company”) continues to uphold our commitment and responsibilities in ensuring an appropriate and sound system of corporate governance throughout the Company and its subsidiaries (“Group”) and will strive to continuously improve its governance process and structure towards enhancing long-term shareholder value.

The Board is pleased to set out below the insight of application of the principles and compliance with the recommendations as laid down in the Malaysian Code on Corporate Governance (“the Code”) by the Group throughout the financial year ended 31 December 2018 up to the date of this Annual Report.

BOARD OF DIRECTORS

Composition and Size of Board

The Board at the date of this statement consists of five (5) members comprising two (2) Independent Non-Executive Directors, one (1) Non-Independent Non-Executive Director and two (2) Executive Directors. The Board composition complied with the Paragraph 15.02 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”) whereby at least one third (1/3) of the Board are Independent Directors.

Board Balance and Board Effectiveness

The Board views the number of its Independent Directors as ideal to provide the necessary check and balance to the Board’s decision-making process. The Board deems the Board composition is appropriate in terms of its membership and size. There is a good mix of skills and core competencies in the Board membership. The Board is well represented by individuals with diverse professional backgrounds and experiences in the areas of technology, finance and accounting.

The Board did not appoint a Senior Independent Non-Executive Director to whom concerns may be conveyed as the Board encourages the active participation of each and every Board member in the decision making process.

The Board carries out assessment on the performance and effectiveness of the Board as a whole and the Board Committees on annual basis with the assistance of the Nomination Committee.

The Board does not have any gender diversity policy. Nevertheless, the Group is an equal opportunity employer and all appointments and employments are based strictly on merits and are not driven by any racial or gender basis.

In addition, the Independent Non-Executive Directors do not participate in the day-to-day management of the Company and do not engage in any business dealing or other relationship with the Company so that they are capable of exercising independent views, advice and judgment and act in the best interest of the Company and its shareholders.

STATEMENT ON CORPORATE GOVERNANCE (Continued)**Board Balance and Board Effectiveness (Continued)**

The Chairman is responsible for ensuring the Board's effectiveness and conduct whilst the Executive Director has overall responsibility over the operating units, organizational effectiveness and implementation of the Board's policies and decisions. The Board is of the view that the balance of power is in place and no individual or groups of individuals on the Board dominate decisions of the Board.

The Board is collectively responsible for setting policies which promote the success of the Group. The Board is entrusted with the proper stewardship responsibility of providing strategic leadership, overseeing the business conduct ensuring the adequacy and integrity of financial information and enhancing the effectiveness of the Group's system of internal control and risk management process.

Board Charter

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

A copy of the Board Charter is available at the Company's website.

Board Meetings

The Board meets at least once every quarter on a scheduled basis and additional meetings may be convened when necessary should major issues arise that need to be resolved between scheduled meetings. All proceedings, deliberations and conclusions of the Board Meetings are duly minuted and signed by the Chairman of the meeting.

During the financial year ended 31 December 2018, six (6) Board Meetings were held and details of the attendance record of each Director is set out below:-

Name of Directors	Attendance	% of Attendance
Lu Zhi Qin	5/6	83%
Liu Wing Yee Amy	3/6	50%
Chow Yun Cheung (Appointed on 23 Feb 2018)	5/5	100%
Chu Boon Tiong (Appointed on 7 Nov 2018)	1/1	100%
Chui Ee Mien (Appointed on 7 Nov 2018)	1/1	100%
Chow Kam Hung Ricky (Appointed on 23 Feb 2018) (Resigned on 14 June 2018)	2/2	100%
Fung Ling Yip (Resigned on 26 July 2018)	3/3	100%

The Board is satisfied with the level of time commitment given by the Directors of the Company towards fulfilling their duties and responsibilities. This is evidenced by all the Directors who have complied with the minimum 50% attendance requirement in respect of Board meetings as stipulated in the Listing Requirements of Bursa Securities. In the intervals between Board meetings, for any matters requiring Board's decisions, the Board's approvals are obtained through circular resolutions.

STATEMENT ON CORPORATE GOVERNANCE (Continued)**Supply of Information**

Notice of meetings, setting out the agenda and accompanied by the relevant Board report and documents are provided to the Directors on a timely manner to allow the Directors to review and consider the agenda items to be discussed at Board meetings.

The Chairman of the Audit Committee will report to the Directors at the Board meetings of any salient audit findings deliberated at the Audit Committee meetings which require the Board's notice or direction.

Directors have access to all information within the Company whether as a full Board or in their individual capacity, in furtherance of their duties and receive regular information updates from the Management.

In addition, all Directors have full access to the advice and the services of the Company Secretary(ies) who is/are responsible for ensuring the Board's meeting procedures are adhered to and that applicable rules and regulations are complied with. The Board recognises that the Company Secretary(ies) is/are suitably qualified and capable of carrying out the duties required. The Board is satisfied with the service and support rendered by the Company Secretary(ies) in discharge of her (their) duties. When necessary, Directors may whether as a full Board or in their individual capacity, seek independent professional advice at the Company's expense to enable the directors to discharge their duties with adequate knowledge on the matters being deliberated.

The Management is responsible in providing the Board with all the information that will assist the Board in discharging its responsibilities and to facilitate informed decision making. The Company Secretary(ies) attends all Board meetings and ensures that accurate and adequate records of the proceedings of the Board meetings and decisions made are properly recorded. Senior Management of the Group, internal auditor and external auditors are also invited to attend Board meetings on specific items on the agenda which may require further clarification.

Appointment of Directors

The Nomination Committee established by the Board, is responsible to ensure that the Board has the appropriate balance and size, and the required mix of skills and experience and other core competencies and recommends the appointment of new Director to the Board.

The Nomination Committee would also assess and review the performance and effectiveness of the Board as a whole and the Committees of the Board on annual basis through a formal assessment evaluation. The contribution of each individual Director is reviewed and assessed through the Board's performance as a whole.

The performance evaluation and the result of assessment was tabled to the Nomination Committee for review and reporting to the Board.

From this annual performance assessment, the Board would also be able to review and assess the required mix of skills and experience and other qualities of the Board on an annual basis.

STATEMENT ON CORPORATE GOVERNANCE (Continued)**Re-appointment and re-election of Directors**

The Nomination Committee will assess the effectiveness of the Board as a whole and the contribution of each individual director, including review of the independency of the Independent Directors.

In respect of the financial year under review, the Nomination Committee had conducted the annual review and the performance of the Board Committees and the performance assessment of each individual Director.

In accordance with the provisions of the Company's Articles of Association, at least one-third (1/3) of the Board of Directors are required to submit themselves for re-election by rotation at each annual general meeting. Directors who are appointed by the Board are subject to re-election by shareholders at the first annual general meeting after their appointment.

The Articles of Association of the Company also requires all directors to retire from office once in every three (3) years, including the Managing Director and such Directors shall be eligible for re-election.

None of the current independent board members had served the company for more than nine (9) years as per the recommendations of the Code. Should the tenure of an independent director exceed nine (9) years, shareholders approval will be sought at a General Meeting or if the services of the director concerned are still required, the director concerned will be re-designated as a non-independent director.

In view thereof, the Board recommends that the retiring directors at the forthcoming 44th AGM be re-elected.

Director's Training and Education

All the Directors of the Company have attended and successfully completed the Mandatory Accreditation Programme (MAP) prescribed by Bursa Securities for director of public listed companies.

Directors' training is an on-going process as the Directors recognize the need to continually develop and refresh their skills and knowledge and to update themselves on the developments in the related industry and business, relevant changes in laws and regulations and corporate governance matters from time to time.

The Directors will continue to undergo other relevant training programmes to enable them to enhance their knowledge and skills and be updated on new regulatory requirements.

STATEMENT ON CORPORATE GOVERNANCE (Continued)**Board Committees**

The Board has established several Board Committees whose compositions and terms of reference are in line with the best practices of the Code. The functions and terms of reference of the Board committees as well as authority delegated to these Board Committees have been clearly defined by the Board.

The composition of the Board Committees comprises members of the Board. The Chairman of the committees will report to the Board on the outcome of the respective committee meetings and such reports are incorporated into the minutes of Board meetings.

(i) Audit Committee

The Audit Committee consists of two (2) independent non-executive Directors and one (1) non-Independent non-Executive Director, one of whom fulfilled the requirement of an Audit Committee member in accordance with Paragraph 15.09(1) of the Listing Requirements of Bursa Securities.

The Audit Committee assists and supports the Board in fulfilling its fiduciary responsibilities relating to the Group's financial reporting practices, accounting policies, internal controls, business ethics policies and the independence of the Group's external and internal auditors. The Report of Audit Committee is set out in page 22 to 24 of this Annual Report.

(ii) Nomination Committee

The Nomination Committee is empowered to recommend to the Board recommendations on the appointment of any new Executive and Non-Executive Directors by evaluating and assessing the suitability of candidates for Board membership.

The members of the Nomination Committee as at the date of this statement are as follows:

- (1) Lu Zhi Qin – Independent Non-Executive Director (Chairman)
- (2) Chui Ee Mien – Independent Non-Executive Director
- (3) Chow Yun Cheung – Non-Independent Non-Executive Director

The summary duties of the Nomination Committee are as follows:

- to review the composition of the Board and its subsidiaries;
- to consider and recommend the appointment and removal of directors;
- to review the size and membership of the Board;
- to regularly assess the independence of each member;
- to review annually the Board's required mix of skills, experience and other qualities; and
- to assess annually the effectiveness of the Board as a whole, the committees of the Board and the contribution of each individual director to the effective decision.

STATEMENT ON CORPORATE GOVERNANCE (Continued)**Board Committees (Continued)****(ii) Nomination Committee (Continued)**

The Nomination Committee met one (1) time during the financial year under review.

The activities undertaken by the Nomination Committee during the financial year were as follows:

- i) reviewed the required mix of skills, experience and other qualities of the Board, including core competencies which Non-Executive Directors should bring to the Board;
- ii) assessed the effectiveness of the Board as a whole, the Board Committees and contribution of each individual Director including time commitment, experience and integrity; and
- iii) recommended the Directors who retired in accordance with the Company's Articles of Association and the Companies Act 2016 to the Board for re-election.

(iii) Remuneration Committee

The Remuneration Committee is primarily responsible for development and carries out review of the overall remuneration policy and packages for the Executive Directors.

The Remuneration Committee at the date of this statement are as follows:-

- (1) Lu Zhi Qin – Independent Non-Executive Director (Chairman)
- (2) Chui Ee Mien – Independent Non-Executive Director
- (3) Chow Yun Cheung – Non-Independent Non-Executive Director

The summary of the duties of the Remuneration Committee are as follows:

- To ensure transparency in the development of the remuneration framework and minimizes the risk of any potential conflict of interest.
- Recommendations are submitted for endorsement by the entire Board.
- Determine the remuneration packages for non-executive directors is a matter for the Board and individuals concerned shall abstain from discussion of his/her own remuneration.

The Non-Executive Directors are remunerated on the basis of their anticipated time commitment and the responsibilities entailed in their role. The determination of the fees of Non-Executive Directors is a matter for the Board as a whole, subject to shareholders' approval.

STATEMENT ON CORPORATE GOVERNANCE (Continued)**Board Committees (Continued)****(iii) Remuneration Committee (continued)**

The details of the fee received/receivable by the Directors of Industriatics Berhad which include benefit-in-kind for the financial year 2018 are as follows:

	Fees	Salaries and other emolument s	Bonuse s	Benefit -in-kind	EPF and SOCSO	Total
	(RM)	(RM)	(RM)	(RM)	(RM)	(RM)
Executive Director						
Received/Receivable from the Company	36,000	-	-	-	-	36,000
Received/Receivable From Other Subsidiaries of the Group	-	-	-	-	-	-
Non-Executive Directors						
Received/Receivable from the Company	156,000	-	-	-	-	156,000
Received/Receivable from Other Subsidiaries of the Group	-	-	-	-	-	-
Total Received/Receivable from the Group						
Executive Director	36,000	-	-	-	-	36,000
Non-Executive Directors	156,000	-	-	-	-	156,000

The Directors' fee which include the benefit-in-kind for the financial year 2018 categorised into band of RM50,000 are as follows:

Range of fee		Executive Director(s)	Non-Executive Director(s)
The Company	Below RM50,000	2	3
	RM50,001 to RM100,000	-	-
	RM100,001 to RM150,000	-	-
	RM150,001 to RM200,000	-	-
The Subsidiary Companies	Below RM50,000	-	-
	RM50,001 to RM100,000	-	-
	RM100,001 to RM150,000	-	-
	RM150,001 to RM200,000	-	-

Details of the individual Director's fee are not disclosed in this report as the Board is of the view that the above fee disclosures by band and analysis between Executive and Non-Executive Directors have fulfilled the accountability and transparency aspects of the Code.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors are responsible for ensuring that the financial statements of the Company are provided in accordance with the requirements of the Companies Act 2016 and Malaysian Financial Reporting Standards framework so as to give a true and fair view of the financial position and the financial performance and cash flows of the Company and of the Group and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement whether due to fraud or error.

In preparing the financial statements, the Directors have considered the presentation of the financial statements and ensure that appropriate accounting policies have been adopted and applied consistently and where judgements and estimates were made, they were based on prudence and reasonableness.

The Directors have the responsibility of ensuring that proper accounting records are kept which disclose with reasonable accuracy, the financial position of the Group and the Company and which enable them to ensure that the financial statements comply with the Companies Act 2016.

The Directors also have the general overall responsibility for taking such steps as are reasonable to them, to safeguard the assets of the Group and the Company, to prevent and detect fraud and other irregularities.

Financial Reporting

The Board is responsible for ensuring accurate and timely announcements of quarterly financial results and annual financial statements are made and that they represent a fair assessment of the Group's position and prospects. The financial statements are presented on pages 45 to 131 of this Annual Report.

A statement by directors of their responsibility in preparing the financial statements is set out above.

External Audit

The Company's independent external auditors hold an essential role to the shareholders by enhancing the reliability of the financial statements of the Company and of the Group and provide assurance of that reliability to users of these financial statements. The external auditors may report any significant weaknesses and recommend improvements, in the Company's system of control and compliance, which may arise during the course of audit, to the attention of the management, and if necessary, to the Audit Committee and the Board.

The Audit Committee meets with the external auditors at least twice a year to discuss their audit plan, audit findings and the Company's financial statements without the presence of the Executive Director 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.

Risk Management and Internal Control

The Board is overall responsible for the maintenance of a sound system of risk management and internal control that supports effective and efficient operations and compliance with laws and regulations. The Statement on Risk Management and Internal Control is set out on pages 25 to 27 of this Annual Report.

DIRECTORS' RESPONSIBILITY STATEMENT (Continued)**Shareholders****Communications with Shareholders and Relationship with Investors**

The Board acknowledges its role in representing and promoting the interest of the shareholders, and its accountability to shareholders for the performance and activities of the Group. The Board also recognizes the importance of timely and thorough dissemination of information to shareholders whereby announcements and releases of financial results on a quarterly basis provide the shareholders and investing public with a continuous overview of the Group's performances and operations.

Shareholders, investors and members of public are invited to access the Company's website at www.industronics.com.my and Bursa Malaysia's website at www.bursamalaysia.com/market/ for the latest corporate and market information on the Company and the Group.

Annual General Meeting

The Company's Annual General Meeting is the principal avenue for dialogue and interaction with the shareholders of the Company. Members of the Board, senior management and the Group's external auditors are available to respond to all queries and undertake to provide clarification on issues and concerns raised by the shareholders.

The outcome of all resolutions proposed at the general meeting is announced to Bursa Securities at the end of the meeting day.

Compliance with the Code

The Board has taken steps to ensure the Group has implemented as far as possible the recommendations as set out in the Code.

Corporate Social Responsibility ("CSR")

The Board continues to uphold our commitment and responsibilities towards our stakeholders including our employees, clients, suppliers, business partners, shareholders and the wider environment and community that we operate in.

While there is no formal policy on CSR, our commitment to CSR has become an integral part of our business.

Environment

The Group is supportive of green environment and to ensure wastage is kept to the minimum, our Company are working towards bringing down our energy consumption with several key initiatives such as recycling for papers, encouraging all officers to turn off lights and air conditioners when not in use and etc.

Community

We believe in sharing our technological knowledge with the community. The Company provided industrial training opportunities to undergraduates in disciplines that are relevant to the Company's operation in our recognition to share technology knowledge with the community.

DIRECTORS' RESPONSIBILITY STATEMENT (Continued)

Workplace and employee's welfare

The Group continued to improve the welfare of all employees with safe and quality workplace. We encouraged our staff to continuous learning and to develop the skills and competencies to meet challenging environment.

Social events such as festival celebration and annual dinner are organized to enhance the relationship between employees and the management and as a token of appreciation for the employees' continuous support and contribution.

We believe that this is an on-going initiative and will continue to incorporate environmental considerations into our processes.

AUDIT COMMITTEE REPORT

The Board is pleased to present the Audit Committee Report for the financial year ended 31 December 2018.

MEMBERSHIP

The Audit Committee ("Committee") as at the date of this Statement consists of the following members:

Lu Zhi Qin
Chairman, Independent Non-Executive Director

Chui Ee Mien
Independent Non-Executive Director

Chow Yun Cheung
Non-Independent Non-Executive Director

ATTENDANCE OF MEETINGS

During the financial year ended 31 December 2018, the Committee held a total five (5) meetings. The details of attendance of the Committee members are as follows:-

Name of Directors	Attendance	% of Attendance
Lu Zhi Qin	4/5	80%
Chow Yun Cheung (Appointed 23 Feb 2018)	4/4	100%
Chui Ee Mien (Appointed on 27 Nov 2018)	1/1	100%
Fung Ling Yip (Resigned on 26 July 2018)	3/3	100%

The General Manager, Vice Financial Controller and Internal Auditor attended these meetings upon invitation by the Audit Committee. The Group's External Auditors were invited to attend some of these meetings.

SUMMARY OF THE TERM OF REFERENCE

The summary of the terms of reference of the Audit Committee are as follows:

Membership

The Audit Committee must be appointed by the Board of Directors from amongst their numbers, which fulfils the following requirements:

- the Audit Committee must comprise of not fewer than three (3) members.
- a majority of the members must be independent directors.
- at least one (1) member of the audit Committee must be a member of the Malaysian Institute of Accountants (MIA); or any other equivalent qualification recognised by MIA.

The Chairman shall be an independent non-executive director appointed by the Board.

The Company Secretary shall act as Secretary to the Committee and shall provide the necessary administrative and secretarial services for the effective functioning of the Committee.

AUDIT COMMITTEE REPORT (Continued)

Authority

The Audit Committee shall have the following authority as empowered by the Board of Directors:

- a. to investigate any activity within its term of reference;
- b. to have the resources which are required to perform its duties;
- c. to have full and unrestricted access to information and relevant to its activities, to the Internal and External Auditors, and to senior management of the Company and its subsidiaries;
- d. to have direct communication channels with the External Auditors and person(s) carrying out the internal audit function or activity;
- e. to obtain independent professional or other advice as necessary; and
- f. to convene meetings with the External Auditors without the attendance of the executive board members, whenever deemed necessary.

Duties and Responsibilities

The duties and responsibilities of the Audit Committee are : -

- a. to consider the appointment, resignation and dismissal of the External Auditors and the audit fees;
- b. to review the nature and scope of the audit with Internal and External Auditors before the audit commences;
- c. to review the quarterly and annual financial statements before submission to the Board;
- d. to review any related party transaction and conflict of interest situation that may arise;
- e. to discuss problems and reservations arising from the interim and final audits and any matter the Auditors may wish to discuss;
- f. to review the audit reports by the Internal and External Auditors, the major findings and management's responses thereto;
- g. to review the effectiveness and efficiency of risk management internal control systems; and
- h. to consider other matters relating to audit.

AUDIT COMMITTEE REPORT (Continued)

Activities during the financial year

During the year, the Audit Committee carried out its duties as set out in its terms of reference.

The main activities undertaken by the Committee were as follows:

- Reviewed the unaudited quarterly financial statements of the Group prior to recommending them to the Board for their consideration and approval;
- Reviewed the annual audited financial statements of the Group with the external auditors prior to submission to the Board for their consideration and approval;
- Reviewed the annual audit plan of the outsourced internal audit function;
- Reviewed the internal audit reports, recommendations made and management's response to these recommendations;
- Reviewed financial statement audit plan of the external auditors and the results of the annual audit, their audit report and management letter respectively;
- Reviewed the recurrent related party transactions of the Company and other related party transactions, if any, and conflict of interest situation that might arise including transaction, procedure or course of conduct that raises questions of management integrity; and
- Reported to the Board on its activities and significant findings and results.

INTERNAL AUDIT FUNCTION

The Group has outsourced its Internal Audit Function to an independent internal audit service provider for the financial year ended 31 December 2018.

The functions of internal audit are:

- a) Perform audit work in accordance with the pre-approved internal audit plan.
- b) Carry out review on the system of internal controls of the Group.
- c) Review and comment on the effectiveness and adequacy of the existing control policies and procedures.
- d) Provide recommendations, if any, for the improvement of the control policies and procedures.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

The Malaysian Code on Corporate Governance ("Code") sets out the principle that the Board of Directors ("Board") of a listed company should establish a sound risk management framework and internal control system to safeguard shareholders' investments and the Group's assets.

The Statement on Risk Management and Internal Control outlines the nature and scope of the risk management and internal control of the Group during the year.

RESPONSIBILITY

The Board of Directors is committed to maintain a system of risk management and internal controls in financial, operational and compliance to achieve the following objectives:

- Safeguard assets of the Group and shareholders' interest;
- Identify and manage risks affecting the Group;
- Compliance with regulatory requirements; and
- Operational results are closely monitored and substantial variances are promptly explained.

The Board affirms the overall responsibility for maintaining a sound system of risk management and of internal controls and for reviewing its adequacy and integrity so as to safeguard shareholders' investment and the Group's assets.

However, there are limitations that are inherent in any system of risk management and internal controls and such systems are designed to manage and control risks appropriately rather than to eliminate them. Hence, it is imperative to note that these systems can only provide reasonable and not absolute assurance against material misstatement or loss.

Key risk management and internal control processes

The Group has instituted an on-going process for identifying, evaluating and managing the significant risks affecting the achievement of its business objectives.

This process includes identifying major risks involved in entering into major contracts.

The process is regularly reviewed by the Board and is in accordance with the "Statement of Risk Management and Internal Control: Guidelines for Directors of Issued Listers". The Board has delegated to management the implementation of the Board's policies, procedures and guidelines on risk and control to identify and evaluate the risks faced and design, operate and monitor a suitable system of internal control to manage these risks.

The Board has outsourced the internal audit functions to RMS Corporate Management Sdn Bhd ("RMS"), with the primary objective of assisting the Board on the following:

- Review the adequacy and integrity of the Group's system of internal controls to manage the risks faced by the Group;
- Check compliance to policies and procedures and recommended business practices; and
- Review and identify any potential areas for improvement in the effectiveness and efficiency of the business processes (where applicable).

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (Continued)

Towards this purpose, RMS has developed an annual Internal Audit Plan using a risk-based approach, which was presented to and approved by the Audit Committee. RMS performed periodic internal control reviews according to the approved Internal Audit Plan to assess the adequacy and integrity of the system of internal controls of the major business units within the Group. The audit observations, recommendations for improvement and status of actions taken by the management to address the issues were reported to the Audit Committee. Follow-up audits are conducted to assess the status of implementation of corrective actions and recommendations.

The Board also takes cognisance the improvement points highlighted by internal and external auditors and acknowledges that reviewing and enhancing the Group's system of internal controls is a continuing process.

Key elements of the system of internal controls are as follows:

Term of Reference

Clear definition of the terms of reference, i.e. functions, authorities and responsibilities of the various committees of the Board of Directors has been established.

Operating structure with clearly defined lines of responsibility

The operating structure includes defined delegation of responsibilities to the committees of the Board, the senior management and the operating units.

Independence of the Audit Committee

The Audit Committee comprises non-executive members of the Board who are majority independent directors. The Committee holds regular meetings to deliberate on findings and recommendations and reports back to the Board.

Control procedures

Operating Procedures Manuals that set out the policies, procedures and practices are adopted by all companies in the Group to ensure clear accountabilities and control procedures are in place for all business units.

Employee competency

Emphasis is placed on the continuing enhancement of the quality and abilities of employees where continuing education, training and development are actively carried out through various programmes.

Internal audit

Periodical internal control reviews were conducted by internal auditors to assess the adequacy and integrity of the system of internal controls and compliance with policies, procedures and recommended business practices. Control deficiencies and relevant recommendations for business improvement as well as management's actions to address the control deficiencies were reported to the Audit Committee.

Financial Reporting

Regular monitoring and review of financial results by the management and formulation of action plan to address areas of concern.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (Continued)

ISO 9001: 2008

The ISO 9001: 2008 Quality Management System, which is subject to regular review and improvement, continually manages and administers the quality requirement of the Group's products and services.

The Board had on 30 October 2018 decided not to renew the certification upon its expiry on 14 December 2018.

Insurance

Adequate insurance on major assets, i.e. stocks, property, plant and equipment of the Group is in place to ensure that the Group is sufficiently covered against any mishap that may result in material losses to the Group.

The Board remains committed to enhance the Group's control environment and processes

For the financial year under review, the Board is of the view that the existing system of risk management and internal controls are satisfactory and adequate and has received assurance from the Executive Director of the Company that the company's risk management and internal control system are operating adequately and effectively, in all material aspects, based on the risk management and internal control system of the company.

As an on-going process of improvement, the Group will continue to take necessary measures to further strengthen its risk management and internal controls.

Review of the statement by external auditors

The external auditors have reviewed this Statement on Risk Management and Internal Control for inclusion in the annual report of the Company for the year ended 31 December 2018 and reported to the Board that nothing came to their attention that causes them to believe that the statement is inconsistent with their understanding of the process adopted by the Board in reviewing the adequacy and integrity of the system of internal controls.

PROFILE OF DIRECTORS

MS. LIU WING YEE AMY

Executive Director

Ms. Liu Wing Yee Amy, a Canadian nationality, aged 31, female, was appointed to the Board on 2 December 2013 and later on 14 February 2014 was appointed as the Executive Director of the Company. She is currently pursuing her Degree in Bachelor of Arts and Business Management from Kwantien Polytechnic University.

Prior to joining the Company, she was with TD Canada Trust Bank and was the manager of operations at Elite Team Asia Ltd.

She is a member of the Remuneration Committee.

Ms. Liu does not hold any directorships in any other public companies. She does not have any family relationship with any director and/or major shareholder of the Company. There is no business relationship with the Company in which she has a personal interest. She has had no convictions for any offences within the law.

MR. CHU BOON TIONG

Executive Director

Mr Chu Boon Tiong, aged 47, Malaysian nationality and a male. He was appointed to the Board as an Executive Director on the 7th November 2018.

Mr Chu Boon Tiong is the founder of Fuji Latex Malaysia. Mr Chu is involved in business development in Taiwan Fuji Latex Limited, the top latex condom manufacturer in Taiwan with technology from Japan. Taiwan Fuji Latex has more than 50 years of experience in the condom manufacturing industry.

Mr Chu also has 15 years of experience in property development sector focusing on housing and commercial development, with vast amount of experience in dealing with contractors and bankers. To further diversify his investment portfolio, Mr Chu also has investments in the hospitality industry.

Mr Chu's business instinct is aligned with the economic trend. Living in this information technology and digital era, Mr Chu also incubates new projects in the E-commerce business, robotics automation, Iot and blockchain technology.

PROFILE OF DIRECTORS (Continued)**MR. CHOW YUN CHEUNG***Non-Independent Non-Executive Director*

Mr. Chow Yun Cheung, a citizen of People's Republic of China, aged 39, male, was appointed to the Board on 23 February 2018. He is a member of CPA Hong Kong and holds a Bachelor Degree of Business Administration (Professional Accountancy) from The Chinese University of Hong Kong.

He was the Vice President, Corporate Finance of Neway Group Holdings Limited with extensive experience in accounting, finance and investment. Currently, he is the Vice Chairman of Bigbloom Entertainment Company Limited.

He is a member of the Audit Committee, Nomination Committee and Remuneration Committee.

Mr. Chow does not hold any directorships in any other public companies. He does not have any family relationship with any director and/or major shareholder of the Company. There is no business relationship with the Company in which he has a personal interest. He has had no convictions for any offences within the law.

MS. LU ZHI QIN*Independent Non-Executive Director*

Ms. Lu Zhi Qin, a Canadian nationality, aged 45, female, was appointed to the Board on 16 June 2014. Ms. Lu graduated from Baiyun College Shanghai, China.

She is an entrepreneur in food and beverages industries and owned several restaurants.

She is a chairperson of the Audit Committee, Nomination Committee and Remuneration Committee.

Ms. Lu does not hold any directorships in any other public companies. She does not have any family relationship with any director and/or major shareholder of the Company. There is no business relationship with the Company in which she has a personal interest. She has had no convictions for any offences within the law.

PROFILE OF DIRECTORS (Continued)

MR. CHUI EE MIEN

Independent Non-Executive Director

Mr Chui Ee Mien, aged 39, Malaysian nationality and a male. He was appointed to the Board as an Independent Non-Executive Director on the 7th November 2018. Mr Chui holds a Bachelor Degree in Marketing and Business System from the University of Derby, UK.

He is a member of the Audit Committee, Remuneration Committee, and Nomination Committee.

Mr Chui prior experiences are as below:

- (1) Mastertenna (M) Sdn Bhd - Project Coordinator from 1999 - 2002
- (2) BSA Manufacturing Sdn Bhd - OEM Executive from 2002 - 2003
- (3) V-Kool (M) Sdn Bhd - Senior Marketing Executive from 2003 - 2005
- (4) Elite Otomart Sdn Bhd - Director from 2005 - 2006
- (5) Hoshino Racing (M) Sdn Bhd - General Manager from 2007 - 2017
- (6) OEM Service Car Sdn Bhd - Director since 2014
- (7) Geomuv Sdn Bhd - Director since 2017

Mr Chui does not hold any directorships in any other public companies. He does not have any family relationship with any director and/or major shareholder of the Company. There is no business relationship with the Company in which he has a personal interest. He has had no convictions for any offences within the law.

PROFILE OF KEY SENIOR MANagements

MS. LIU WING YEE AMY

Executive Director

Ms. Liu Wing Yee Amy, a Canadian nationality, aged 31, female, was appointed to the Board on 2 December 2013 and later on 14 February 2014 was appointed as the Executive Director of the Company.

Her profile is listed in the Profile of Directors on page 28.

MR. CHU BOON TIONG

Executive Director

Mr Chu Boon Tiong, aged 47, Malaysian nationality and a male. He was appointed to the Board as an Executive Director on the 7th November 2018.

His profile is listed in the Profile of Directors on page 28.

MR. LEE CHEE CHENG

General Manager

Malaysian, aged 50, Mr Lee joined the group on December 2013 as General Manager and his duties cover business development and administration relating to Malaysia operations.

He obtained his professional qualification with the Association of Chartered Certified Accountant in 1997 and is also a member of the Malaysian Institute of Accountants.

He began his career with Deloitte Kassim Cham, one of the big 5 public accounting firms in 1993. He has in total 27 years of working experience in audit and commercial sectors specializing in retailing and ICT industry in Malaysia.

Mr. Lee has no direct or indirect shareholdings in the company. He does not have any family relationship with any Director of the Company, nor any conflict of interest in any business arrangement involving the Company. He has had no convictions for any offences within the past ten years.

INDUSTRONICS BERHAD

(Incorporated in Malaysia)

DIRECTORS' REPORT

The directors hereby submit their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2018.

PRINCIPAL ACTIVITIES

The principal activities of the Company are designing, manufacturing and installation of electronics and microprocessor controlled products, telecommunication system, audio video multimedia systems, intelligent transportation systems and information communication technology related system. The principal activities of the subsidiary companies are as set out in Note 7 to the financial statements. There were no significant changes in the nature of these activities during the financial year.

FINANCIAL RESULTS

	<i>Group</i> RM	<i>Company</i> RM
(Loss) for the year:	<u>(2,707,028)</u>	<u>(2,310,394)</u>
(Loss) for the year attributable to:		
- Owners of the Company	(2,710,739)	(2,310,394)
- Non-controlling interests	<u>3,711</u>	<u>-</u>
	<u>(2,707,028)</u>	<u>(2,310,394)</u>

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

DIVIDEND

No dividend has been paid or declared by the Company since the end of the previous financial year. The directors do not recommend the payment of any dividend in respect of the current financial year.

MOVEMENTS ON RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year.

ISSUE OF SHARES AND DEBENTURES

There was no issue of shares or debentures by the Company during the financial year.

OPTIONS

No option has been granted during the financial year to take up unissued shares of the Company.

DIRECTORS

The directors in office from the beginning of the financial year to the date of this report are:

Liu Wing Yee Amy	
Fung Ling Yip	(resigned on 26.07.2018)
Chow Ricky Kam Hung	(appointed on 23.2.2018; resigned on 14.06.2018)
Chow Yun Cheung	(appointed on 23.02.2018)
Lu Zhi Qin	
Chui Ee Mien	(appointed on 7.11.2018)
Chu Boon Tiong	(appointed on 7.11.2018)
Chong Kin Wah	(resigned on 15.01.2018)
Tsui Kwok Ho	(resigned on 23.02.2018)
Leung Kwok Kuen Jacob	(resigned on 23.02.2018)

The names of the directors of the Company's subsidiary companies in office from the beginning of the financial year to the date of this report, excluding directors who are also directors of the Company are:

Lee Chee Cheng	
Lee Kim Vun	(resigned on 13.03.2019)
Christian Kwok Leun-Yau Heilesen	
Lim Hock Guan	(subsidiary disposed on 10.08.2018)
Low Kwai Kun	(subsidiary disposed on 10.08.2018)
Foong Thai Kwong	(subsidiary disposed on 14.08.2018)

DIRECTORS' INTERESTS

According to the Register of Directors' Shareholdings, none of the directors who held office at the end of the financial year had an interest in the shares of the Company and its related corporations during the current financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by directors as shown in Note 31 to the financial statements, or the fixed salary of a full-time employee of the Company) 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.

Neither during nor at the end of the financial year was the Company a party to any arrangement whose object was to enable the directors to acquire benefits through the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' REMUNERATION

	<i>Group</i>		<i>Company</i>	
	2018	2017	2018	2017
	RM	RM	RM	RM
Executive Directors' remuneration				
- fees	36,000	-	36,000	-
- salaries and other emoluments	350,363	220,143	-	68,943
	<u>386,363</u>	<u>220,143</u>	<u>36,000</u>	<u>68,943</u>
Non-executive Directors' remuneration				
- fees	156,000	156,000	156,000	156,000
- other emoluments	-	112,006	-	112,006
	<u>156,000</u>	<u>268,006</u>	<u>156,000</u>	<u>268,006</u>
Total directors' remuneration	<u>542,363</u>	<u>488,149</u>	<u>192,000</u>	<u>336,949</u>

Included in the analysis above is remuneration for the directors of the Company and its subsidiary companies in accordance with the requirements of the Companies Act 2016.

INDEMNITY AND INSURANCE FOR DIRECTORS AND OFFICERS

During the financial year, the group and the company maintained a Directors and Officers Liability Insurance in accordance with Section 289 of the Companies Act, 2016. The total insured coverage is RM5,000,000 and the amount of premium paid amounted to RM 11,600.

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 proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and
- to ensure that any current assets which were unlikely to realise their book values in the ordinary course of business had been written down to their expected realisable values.

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

- which would render the amounts written off of bad debts or the amount of the allowance for doubtful debts in the financial statements inadequate to any substantial extent or the values attributed to current assets misleading; and
- 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.

In the interval between the end of the financial year and the date of this report:

- (a) no item, transaction or event of a material and unusual nature has arisen which, in the opinion of the directors, would substantially affect the results of the operations of the Group and of the Company for the current financial year; and
- (b) no charge has arisen on the assets of the Group and of the Company which secures the liabilities of any other person nor has any contingent liability arisen in the Group and in the Company.

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

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

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

The significant events during the financial year are disclosed in Note 39 to the financial statements.

SIGNIFICANT EVENT SUBSEQUENT TO THE FINANCIAL YEAR

The significant event subsequent to the financial year is disclosed in Note 40 to the financial statements.

AUDITORS' REMUNERATION

The amount paid or payable to the auditors as remuneration for their service is disclosed in Note 28 of the financial statements.

AUDITORS

The Auditors, ONG & WONG, Chartered Accountants, have indicated their willingness to continue in office.

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

CHU BOON TIONG
Director

CHOW YUN CHEUNG
Director

Date: 26 April 2019

INDUSTRONICS BERHAD

(Incorporated in Malaysia)

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 45 to 131 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 exhibit a true and fair view of the financial position of the Group and of the Company as at 31 December 2018 and of the financial performance and cash flows of the Group and of the Company for the year ended on that date.

Signed on behalf of the Board of Directors in
accordance with a resolution of the Directors
dated 26 April 2019

CHU BOON TIONG

CHOW YUN CHEUNG

INDUSTRONICS BERHAD

(Incorporated in Malaysia)

STATUTORY DECLARATION

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

I, Lee Chee Cheng (MIA: 16266), being the officer primarily responsible for the financial management of Industronics Berhad, do solemnly and sincerely declare that to the best of my knowledge and belief the financial statements set out on pages 45 to 131 are correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly
declared in Kuala Lumpur on 26 April 2019

LEE CHEE CHENG

MIA: 16266

Before me

Commissioner for Oaths

Company No. 23699-X

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
INDUSTRONICS BERHAD
(Incorporated in Malaysia)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Industronics Berhad, which comprise the statements of financial position of the Group and of the Company as at 31 December 2018, 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 financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set on pages 45 to 131.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2018, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of Companies Act 2016 in Malaysia.

Basis of Opinion

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

Independence and Other Ethical Responsibilities

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

Company No. 23699-X

Key Audit Matters

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

We have fulfilled the responsibilities described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements of the Group and of the Company. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Risk area and rationale	Our response
<p>Intangible Assets (Note 9 to the financial statements)</p> <p>The Group has capitalised significant software development expense on Openstack software platform, file hosting platform and game server platform.</p> <p>As at 31 December 2018, the carrying amount of software development represents 35% of the Group's total assets, we considered this as a key audit matter</p>	<p>1) Assessed the appropriateness of the Group's intangible assets recognition accounting policies;</p> <p>2) Reviewed the classification and capitalisation in accordance to the nature of the intangible assets; and</p> <p>3) Reviewed the cash flows projections prepared by management together with the assumptions applied by comparing the cash flows projections to historical information.</p>
<p>Trade and Other Receivables (Note 12 to the financial statements)</p> <p>The adoption of MFRS 9 Financial Instruments has changed the Group's and the Company's accounting for impairment by replacing an incurred loss model with a forward looking expected credit loss approach.</p> <p>We considered this a key audit matter as the assessment of recoverability of receivables involved judgements and estimation uncertainty in analysing historical bad debts, customer concentration, customer creditworthiness, current economic trends, customer payment terms, etc.</p> <p>As at 31 December 2018, gross trade and other receivables of the Group amounted to RM7,729,728 and the accumulated impairments amounted to RM2,637,560.</p>	<p>1) Obtained an understanding of the Group's control over the receivable collection process and making inquiries regarding the action plans to recover the overdue amounts;</p> <p>2) Reviewed the aging analysis of receivables and testing the reliability thereof;</p> <p>3) Requested balance confirmations and reviewed subsequent collections from receivables; and</p> <p>4) Evaluated the reasonableness and adequacy of the impairment losses provided based on historical data and forward looking information as required by MFRS 9.</p>

Company No. 23699-X

Key Audit Matters (cont'd)

Risk area and rationale	Our response
<p>Adoption of MFRS 15 Revenue from Contracts with Customers (Note 4(q) to the financial statements)</p> <p>Arising from the adoption of MFRS 15, the Group and the Company were required to change accounting policies on revenue recognition. Consequently, new judgements were required to evaluate contracts with customers, in particular on the number of performance obligations, allocation of transaction price to each performance obligation and the determination of whether revenue for each contract is to be recognised over time or at a point in time and new disclosures were made in the financial statements.</p> <p>The accounting policy change arising from adoption of MFRS 15 is a key audit matter because it required our assessment of the evaluation of the contracts with customers performed by the management and required management's judgement in allocation of transaction price to each performance obligation and the timing of revenue recognition.</p>	<p>1) Compared the accounting policies adopted by the Group and Company with the requirements of MFRS 15;</p> <p>2) Reviewed and obtained an understanding of the Group's new or revised processes, systems and controls implemented;</p> <p>3) Evaluated the estimates made for the revenue recognition by determining that inputs applied were not biased and these were reasonable and supportable; and</p> <p>4) Assessed the accuracy and appropriateness of disclosures as required by MFRS 15.</p>

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 auditors' report thereon.

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

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

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

Company No. 23699-X

Responsibilities of the Directors for the Financial Statements

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

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

Auditors' Responsibility for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

Company No. 23699-X

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

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Company No. 23699-X

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report the subsidiary companies of which we have not acted as auditors, are disclosed in Note 7 to the financial statements.

Other Matters

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

ONG & WONG
AF 0241
Chartered Accountants

ONG KONG LAI
00494/06/2020 J
Chartered Accountant

Kuala Lumpur,
Date: 26 April 2019

INDUSTRONICS BERHAD

(Incorporated in Malaysia)

STATEMENTS OF FINANCIAL POSITION**as at 31 December 2018**

		Group		Company	
		2018	2017	2018	2017
	Note	RM	RM	RM	RM
			(Restated)		
ASSETS					
NON-CURRENT ASSETS					
Property, plant and equipment	6	5,506,343	5,652,634	5,494,036	5,565,266
Investment in subsidiary companies	7	-	-	3,111,420	3,324,105
Investment properties	8	120,610	393,912	120,610	125,305
Intangible assets	9	7,838,864	9,788,200	89,000	89,000
Other investments	10	33,048	87,480	33,048	87,480
		<u>13,498,865</u>	<u>15,922,226</u>	<u>8,848,114</u>	<u>9,191,156</u>
CURRENT ASSETS					
Inventories	11	1,449,473	2,174,502	694,360	642,300
Trade and other receivables	12	5,256,199	7,141,622	1,328,865	1,437,667
Contract asset	13	-	60,000	-	60,000
Amount due from subsidiary companies	14	-	-	5,108,049	8,038,440
Prepayments		79,454	468,419	71,382	455,200
Current tax assets		31,087	298,904	-	140,267
Cash and bank balances	15	2,399,949	2,526,492	1,690,252	1,197,834
		<u>9,216,162</u>	<u>12,669,939</u>	<u>8,892,908</u>	<u>11,971,708</u>
TOTAL ASSETS		<u>22,715,027</u>	<u>28,592,165</u>	<u>17,741,022</u>	<u>21,162,864</u>

INDUSTRONICS BERHAD

(Incorporated in Malaysia)

STATEMENTS OF FINANCIAL POSITION**as at 31 December 2018**

		<i>Group</i>		<i>Company</i>	
		2018	2017	2018	2017
	<i>Note</i>	RM	RM	RM	RM
			(Restated)		
EQUITY AND LIABILITIES					
EQUITY					
Share capital	16	52,634,454	52,634,454	52,634,454	52,634,454
Reserves	17	(38,384,253)	(36,326,044)	(44,525,689)	(42,188,969)
Total equity attributable to owners of the Company		14,250,201	16,308,410	8,108,765	10,445,485
Non-controlling interests		50,587	897,111	-	-
TOTAL EQUITY		14,300,788	17,205,521	8,108,765	10,445,485
LIABILITIES					
NON-CURRENT LIABILITIES					
Finance lease liabilities	18	-	2,332	-	2,332
Deferred tax liabilities	19	516,441	516,441	516,441	516,441
		516,441	518,773	516,441	518,773
CURRENT LIABILITIES					
Trade and other payables	20	7,444,079	10,230,993	3,036,780	3,883,729
Contract liabilities	13	32,663	205	32,663	-
Tax payables		25	-	25	-
Amount due to subsidiary companies	14	-	-	5,668,735	5,708,204
Other liabilities	21	39,900	45,953	9,900	15,953
Amount due to a director	22	13,418	-	-	-
Finance lease liabilities	18	2,332	8,977	2,332	8,977
Trust receipts	23	-	159,265	-	159,265
Bank overdrafts	24	365,381	422,478	365,381	422,478
		7,897,798	10,867,871	9,115,816	10,198,606
TOTAL LIABILITIES		8,414,239	11,386,644	9,632,257	10,717,379
TOTAL EQUITY AND LIABILITIES		22,715,027	28,592,165	17,741,022	21,162,864

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

INDUSTRONICS BERHAD

(Incorporated in Malaysia)

**STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
for the year ended 31 December 2018**

		<i>Group</i>		<i>Company</i>	
	<i>Note</i>	2018 RM	2017 RM	2018 RM	2017 RM
REVENUE	25	38,288,219	75,326,249	6,289,925	10,342,341
COST OF SALES	26	<u>(28,602,909)</u>	<u>(68,190,048)</u>	<u>(3,551,931)</u>	<u>(8,063,905)</u>
GROSS PROFIT		9,685,310	7,136,201	2,737,994	2,278,436
OTHER OPERATING INCOME		252,131	1,943,142	1,442,163	5,889,531
ADMINISTRATIVE EXPENSES		(11,401,313)	(13,003,374)	(5,245,413)	(5,458,776)
SELLING AND DISTRIBUTION COSTS		(968,670)	(1,244,145)	(968,670)	(1,236,847)
OTHER OPERATING EXPENSES		<u>(246,384)</u>	<u>(1,028,195)</u>	<u>(249,289)</u>	<u>(159,705)</u>
(LOSS)/PROFIT FROM OPERATIONS		(2,678,926)	(6,196,371)	(2,283,215)	1,312,639
FINANCE COSTS	27	<u>(28,102)</u>	<u>(336,468)</u>	<u>(27,179)</u>	<u>(323,585)</u>
(LOSS)/PROFIT BEFORE TAXATION	28	(2,707,028)	(6,532,839)	(2,310,394)	989,054
INCOME TAX EXPENSE	29	<u>-</u>	<u>(12,189)</u>	<u>-</u>	<u>-</u>
(LOSS)/PROFIT FOR THE YEAR		<u>(2,707,028)</u>	<u>(6,545,028)</u>	<u>(2,310,394)</u>	<u>989,054</u>

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

INDUSTRONICS BERHAD

(Incorporated in Malaysia)

**STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
for the year ended 31 December 2018**

	<i>Group</i>		<i>Company</i>	
<i>Note</i>	2018 RM	2017 RM	2018 RM	2017 RM
OTHER COMPREHENSIVE INCOME :				
ITEMS THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS				
Fair value (loss)/gain on financial assets	-	(31,104)	-	(31,104)
Foreign currency translation	(58,725)	(1,715,535)	-	-
TOTAL OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR	(58,725)	(1,746,639)	-	(31,104)
TOTAL COMPREHENSIVE (LOSS)/ INCOME FOR THE YEAR	(2,765,753)	(8,291,667)	(2,310,394)	957,950
(LOSS)/INCOME ATTRIBUTABLE TO:				
OWNERS OF THE COMPANY	(2,710,739)	(6,203,443)	(2,310,394)	989,054
NON CONTROLLING INTERESTS	3,711	(341,585)	-	-
	(2,707,028)	(6,545,028)	(2,310,394)	989,054
TOTAL COMPREHENSIVE (LOSS)/ INCOME ATTRIBUTABLE TO:				
OWNERS OF THE COMPANY	(2,769,464)	(8,111,783)	(2,310,394)	957,950
NON CONTROLLING INTERESTS	3,711	(179,884)	-	-
	(2,765,753)	(8,291,667)	(2,310,394)	957,950
LOSS PER SHARE				
- BASIC	30(a) (2.64)	(6.04)		
- DILUTED	30(b) (2.64)	(6.04)		

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

INDUSTRONICS BERHAD

(Incorporated in Malaysia)

**STATEMENTS OF CHANGES IN EQUITY
for the year ended 31 December 2018**

<-----Attributable to owners of the Company----->
 <-----Non-distributable----->

		Share capital	Share premium	Revaluation reserve	Foreign currency translation reserve	Fair value adjustment reserve	Accumulated losses	Total	Non-controlling interests	Total
	Note	RM	RM	RM	RM	RM	RM	RM	RM	RM
<i>Group</i>										
Balance at 1 January 2017										
- As previously reported		51,381,400	1,253,054	4,799,534	5,668,279	68,460	(38,750,534)	24,420,193	3,036,995	27,457,188
- Adjustment on correction of error (net of tax)	43	-	-	976,643	-	-	(976,643)	-	-	-
As restated		51,381,400	1,253,054	5,776,177	5,668,279	68,460	(39,727,177)	24,420,193	3,036,995	27,457,188
Loss for the year		-	-	-	-	-	(6,203,443)	(6,203,443)	(341,585)	(6,545,028)
Other comprehensive income:										
Available-for-sale financial assets										
- fair value gain		-	-	-	-	(31,104)	-	(31,104)	-	(31,104)
Foreign currency translations		-	-	-	(1,877,236)	-	-	(1,877,236)	161,701	(1,715,535)
Disposal of land and building		-	-	(1,867,140)	-	-	1,867,140	-	-	-
Total comprehensive (loss)/income for the year		-	-	(1,867,140)	(1,877,236)	(31,104)	(4,336,303)	(8,111,783)	(179,884)	(8,291,667)
Capital repayment from a subsidiary with non-controlling interest		-	-	-	-	-	-	-	(1,960,000)	(1,960,000)
Transfer pursuant to Companies Act 2016		1,253,054	(1,253,054)	-	-	-	-	-	-	-
Balance at 31 December 2017										
- As previously reported		52,634,454	-	2,932,394	3,791,043	37,356	(43,086,837)	16,308,410	897,111	17,205,521
- Adjustment on correction of error (net of tax)	43	-	-	976,643	-	-	(976,643)	-	-	-
As restated		52,634,454	-	3,909,037	3,791,043	37,356	(44,063,480)	16,308,410	897,111	17,205,521

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

INDUSTRONICS BERHAD

(Incorporated in Malaysia)

**STATEMENTS OF CHANGES IN EQUITY
for the year ended 31 December 2018**

<-----Attributable to owners of the Company----->
 <-----Non-distributable----->

		Share capital	Revaluation reserve	Foreign currency translation reserve	Fair value adjustment reserve	Accumulated losses	Total	Non-controlling interests	Total
<i>Group</i>	Note	RM	RM	RM	RM	RM	RM	RM	RM
Balance at 1 January 2018									
- As previously reported		52,634,454	2,932,394	3,791,043	37,356	(43,086,837)	16,308,410	897,111	17,205,521
- Adjustment on correction on error, net of tax	43		976,643			(976,643)	-	-	-
As restated		52,634,454	3,909,037	3,791,043	37,356	(44,063,480)	16,308,410	897,111	17,205,521
Adjustment on initial application of MFRS 15, net of tax		-	-	-	-	(26,326)	(26,326)	-	(26,326)
Adjustment on initial application of MFRS 9, net of tax		-	-	-	(37,356)	37,129	(227)	-	(227)
As at 1 Jan, 2018, restated		52,634,454	3,909,037	3,791,043	-	(44,052,677)	16,281,857	897,111	17,178,968
Transactions with owners of the Company:									
Disposal of subsidiary companies		-	-	737,808	-	-	737,808	(850,235)	(112,427)
Loss for the year		-	-	-	-	(2,710,739)	(2,710,739)	3,711	(2,707,028)
Other comprehensive income:									
Foreign currency translations		-	-	(58,725)	-	-	(58,725)	-	(58,725)
Total comprehensive loss for the year		-	-	(58,725)	-	(2,710,739)	(2,769,464)	3,711	(2,765,753)
Balance at 31 December 2018		52,634,454	3,909,037	4,470,126	-	(46,763,416)	14,250,201	50,587	14,300,788

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

INDUSTRONICS BERHAD

(Incorporated in Malaysia)

STATEMENTS OF CHANGES IN EQUITY**for the year ended 31 December 2018**

	<-----Non-distributable----->					
	Share capital	Share premium	Revaluation reserve	Fair value adjustment reserve	Accumulated losses	Total
<i>Company</i>	RM	RM	RM	RM	RM	RM
Balance at 1 January 2017	51,381,400	1,253,054	3,909,037	68,460	(47,124,416)	9,487,535
Profit for the year	-	-	-	-	989,054	989,054
Available-for-sale financial assets - fair value gain	-	-	-	(31,104)	-	(31,104)
Total comprehensive income/(loss) for the year	-	-	-	(31,104)	989,054	957,950
Transfer pursuant to Companies Act 2016	1,253,054	(1,253,054)	-	-	-	-
Balance at 31 December 2017/1 January 2018	52,634,454	-	3,909,037	37,356	(46,135,362)	10,445,485
Adjusted on initial application of MFRS 15, net of tax	-	-	-	-	(26,326)	(26,326)
Adjusted on initial application of MFRS 9, net of tax	-	-	-	(37,356)	37,356	-
As at 1 Jan 2018, restated	52,634,454	-	3,909,037	-	(46,124,332)	10,419,159
Total comprehensive (loss) for the year	-	-	-	-	(2,310,394)	(2,310,394)
Balance at 31 December 2018	52,634,454	-	3,909,037	-	(48,434,726)	8,108,765

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

INDUSTRONICS BERHAD

(Incorporated in Malaysia)

**STATEMENTS OF CASH FLOWS
for the year ended 31 December 2018**

	<i>Group</i>		<i>Company</i>	
	2018 RM	2017 RM	2018 RM	2017 RM
CASH FLOWS FROM OPERATING ACTIVITIES				
(Loss)/profit before taxation	(2,707,028)	(6,532,839)	(2,310,394)	989,054
<i>Adjustments for:</i>				
Amortisation of intangible assets	2,096,000	732,066	-	-
Depreciation of property, plant and equipment	188,289	425,680	122,952	117,755
Depreciation of investment properties	8,230	11,763	4,695	4,695
Dividend income	-	(3,888)	-	(3,888)
Impairment loss on trade receivables	3,210	-	3,122	-
Gain on disposal of property, plant and equipment	(17,424)	(274,719)	(17,424)	(20,008)
Gain on disposal of investment in subsidiary companies	(170,499)	-	(897,167)	-
Inventories written down	37,043	34,706	15,028	3,869
Interest expenses	14,217	336,468	14,217	323,585
Interest income	(3,392)	(1,924)	(1,849)	(1,877)
(Gain)/loss on foreign exchange - unrealised	7,973	(178,647)	235	(176,523)
Property, plant and equipment written off	-	21,211	-	-
Fair value adjustment	54,432	(38,908)	54,432	-
Reversal of impairment loss on:				
- trade receivables	(20,908)	(1,253,285)	-	-
- other receivables	(15,796)	-	(15,796)	-
- subsidiary companies	-	-	-	(3,273,618)
Reversal of provision of maintenance warranties	(6,053)	(44,324)	(6,053)	(44,324)
Surplus on capital reduction from a subsidiary company	-	-	-	(1,958,441)
<i>Operating loss before working capital changes</i>	(531,706)	(6,766,640)	(3,034,002)	(4,039,721)
(Increase)/decrease in inventories	535,289	3,029,404	(67,086)	300,599
(Increase)/decrease in receivables	(2,298,838)	7,901,591	509,769	1,817,338
Increase in contract liabilities	92,458	473,194	92,663	383,413
(Decrease)/increase in payables	1,803,691	(4,471,664)	(877,986)	(2,628,010)
Increase in amount due from subsidiary companies	-	-	2,890,921	3,949,395
<i>Cash generated from/(used in) operations</i>	(399,106)	165,885	(485,721)	(216,986)
Interest paid on bank overdraft	(13,335)	(35,312)	(13,335)	(35,312)
Tax paid	(2,094)	(12,638)	(426)	(1,002)
Tax refunded	207,501	15,530	140,718	6,109
<i>Net cash generated from/(used in) operating activities</i>	(207,034)	133,465	(358,764)	(247,191)

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

STATEMENTS OF CASH FLOWS
for the year ended 31 December 2018

	<i>Group</i>		<i>Company</i>	
	2018 RM	2017 RM	2018 RM	2017 RM
CASH FLOWS FROM INVESTING				
ACTIVITIES				
Dividend received	-	3,888	-	3,888
Interest received	3,392	1,924	1,849	1,877
Investment in subsidiary company	-	-	(2)	-
Purchase of intangible assets	-	(3,795,412)	-	-
Net cash inflow from disposal of investment in subsidiary companies (<i>Note 7 (e)</i>)	406,492	-	-	-
Purchase of property, plant and equipment	(54,377)	(4,303)	(52,298)	(4,303)
Proceeds from disposal of investment in subsidiaries	-	-	1,109,854	-
Proceeds from disposal of property, plant and equipment	18,000	108,586	18,000	21,500
<i>Net cash (used in)/generated from investing activities</i>	<u>373,507</u>	<u>(3,685,317)</u>	<u>1,077,403</u>	<u>22,962</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Interest paid	(882)	(301,156)	(882)	(288,273)
Repayment of finance lease liabilities	(8,977)	(118,741)	(8,977)	(8,419)
(Repayment)/Drawdown of trust receipts	(159,265)	159,265	(159,265)	159,265
<i>Net cash used in financing activities</i>	<u>(169,124)</u>	<u>(260,632)</u>	<u>(169,124)</u>	<u>(137,427)</u>
<i>Net (decrease)/increase in cash and cash equivalents</i>	(2,651)	(3,812,484)	549,515	(361,656)
<i>Effect of change on foreign exchange differences</i>	(66,795)	(1,213,639)	-	-
<i>Cash and cash equivalents at beginning of year</i>	<u>2,104,014</u>	<u>7,130,137</u>	<u>775,356</u>	<u>1,137,012</u>
<i>Cash and cash equivalents at end of year</i>	<u><u>2,034,568</u></u>	<u><u>2,104,014</u></u>	<u><u>1,324,871</u></u>	<u><u>775,356</u></u>
CASH AND CASH EQUIVALENTS				
COMPRISE:				
Cash and bank balances	2,399,949	2,526,492	1,690,252	1,197,834
Bank overdraft	(365,381)	(422,478)	(365,381)	(422,478)
	<u><u>2,034,568</u></u>	<u><u>2,104,014</u></u>	<u><u>1,324,871</u></u>	<u><u>775,356</u></u>

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

INDUSTRONICS BERHAD

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 December 2018**1. GENERAL INFORMATION**

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

The principal activities of the Company are designing, manufacturing and installation of electronics and microprocessor controlled products, telecommunication system, audio video multimedia systems, intelligent transportation systems and information communication technology related system. The principal activities of the subsidiary companies are as set out in Note 7. There were no significant changes in the nature of these activities during the financial year.

The address of the registered office of the Company is No.9A, Jalan Medan Tuanku, Medan Tuanku, 50300 Kuala Lumpur.

The address of the principal place of business of the Company is No. 9, Jalan Taming 3, Taman Tanming Jaya, 43300 Seri Kembangan, Selangor.

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates (“the functional currency”).

The financial statements of the Group and of the Company are presented in Ringgit Malaysia (“RM”), which is also the Company’s functional currency.

2. FUNDAMENTAL ACCOUNTING CONCEPT

As at 31 December 2018, the Company’s current liabilities exceeded its current assets by RM222,908, in addition, the Company has incurred net loss of RM2,310,394 and deficit of cash flows in operating activities amounting to RM358,764.

However, the financial statements have been prepared under the going concern concept as the shareholders of the Company have agreed to provide adequate financial support to the Company to enable it to meet its obligations as and when they fall due. In addition, subsequent to the financial year, the Company has announced that it intends to undertake a private placement exercise and issue new ordinary shares up to 20% of the total number of issued shares as disclose in Note 40 to the financial statements.

Should the going concern basis of preparing the financial statements be no longer appropriate, adjustments would have to be made to reduce the value of all assets to their carrying values and to provide further estimated liabilities which may arise.

3. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

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

(a) Changes in Accounting Policies and Effects Arising from Adoption of New and Revised Standards and Amendments

The accounting policies adopted by the Group and the Company are consistent with those adopted in the previous financial year except for the adoption of the following new, revised MFRSs and amendments which are effective for annual period beginning on or after 1 January 2018.

<u>Description</u>	<u>Effective for annual period beginning on or after</u>
Amendments to MFRS 2 Share-based Payment: Classification and Measurement of Share Based Payment Transactions	1 January 2018
Amendments to MFRS 128 Annual Improvements to MFRS 2014 – 2016 Cycle	1 January 2018
Amendments to MFRS 140 Investment Property: Transfers of Investment Property	1 January 2018
MFRS 9 Financial Instruments	1 January 2018
MFRS 15 Revenue from Contracts with Customers and clarifications to MFRS 15	1 January 2018
Amendments to MFRS 4 Insurance Contracts: Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts	1 January 2018
IC Interpretation 22 Foreign Currency Transactions and Advance Consideration	1 January 2018
Amendments to MFRS 1 First-time Adoption of Malaysian Financial Reporting Standards: Annual Improvements to MFRSs 2014 – 2016 Cycle	1 January 2018

(b) Standards and Amendments Issued But Not Yet Effective

At the date of authorisation for issue of the financial statements, the new and revised Standards and Amendments issued but not yet effective for the Group and the Company and not early adopted by the Group and by the Company are as listed below:

<u>Description</u>	<u>Effective for annual period beginning on or after</u>
MFRS 16 Leases	1 January 2019
Amendments to MFRS 128: Long-term interests in Association and Joint Venture	1 January 2019
Amendments to MFRS 9: Prepayment Features with Negative Compensation	1 January 2019
Amendments to MFRS 119 Employee Benefits: Plan Amendment, Curtailment or Settlement	1 January 2019
Amendments to MFRS 112: Income Taxes (Annual Improvements to MFRS Standards 2015 – 2017 Cycle)	1 January 2019
Amendments to MFRS 123: Borrowing Costs (Annual Improvements to MFRS Standards 2015 – 2017 Cycle)	1 January 2019
Amendments to MFRS 108: Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material	1 January 2020
MFRS 17 Insurance Contracts	1 January 2021

The Group and the Company are expected to apply the abovementioned pronouncements beginning from the perspective dates the pronouncements become effective. The initial application of the abovementioned pronouncements are not to be expected to have any material impact to financial statements of the Group and of the Company except as mentioned below:

i. MFRS 16 Leases

MFRS 16 specifies how an MFRS reporter will recognise, measure, present and disclose leases. The Standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with MFRS 16's approach to lessor accounting substantially unchanged from its predecessor, MFRS 117 Leases.

At lease commencement, a lessee will recognise a right-of-use asset and a lease liability. The right-of-use asset is treated similarly to other non-financial assets and depreciated accordingly and the liability accrues interest. The lease liability is initially measured at the present value of the lease payments payable over the lease term, discounted at the rate implicit in the lease if that can be readily determined. If that rate cannot be readily determined, the lessees shall use their incremental borrowing rate.

Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2019 with early adoption permitted.

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

(c) Basis of Measurement

The financial statements have been prepared on the historical cost basis except for the significant accounting policies as disclosed in Note 4 below.

The financial statements are presented in Ringgit Malaysia (“RM”).

4. SIGNIFICANT ACCOUNTING POLICIES

All significant accounting policies set out below are consistent with those applied in the previous financial year unless otherwise stated.

(a) Basis Of Consolidation

The financial statements of the Group include the audited financial statements of the Company and its subsidiary companies made up to the end of the financial year. The financial statements of the subsidiary companies used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

(i) *Acquisition method of accounting for business combinations*

Acquisition of subsidiary companies is accounted for by applying the acquisition method. Under the acquisition method of accounting, identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

In business combinations achieved in stages, previously held equity interests in the acquiree are re-measured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

The Group elects, for each individual business combination, whether to recognise non-controlling interest in the acquiree (if any) at fair value on the acquisition date, or the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill in the statements of financial position. In instances where the latter amount exceeds the former, the excess is recognised as a gain on bargain purchase in profit or loss on the acquisition date.

Subsidiary companies are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

(ii) *Non-controlling interest*

Non-controlling interest represents the equity in subsidiary companies not attributable, directly or indirectly, to owners of the Company, and is presented separately in the consolidated profit or loss and within equity in the consolidated financial position, separately from equity attributable to owners of the Company.

Changes in the Company's ownership interest in a subsidiary company that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary company. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

(b) Property, Plant And Equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses where applicable.

Land and buildings are revalued periodically, at least once in every 3 years. Surpluses arising from the revaluation are recognised in other comprehensive income and accumulated in equity under the revaluation reserve. Deficits arising from the revaluation, to the extent that they are not supported by any previous revaluation surpluses, are recognised in profit or loss.

Property, plant and equipment are depreciated on a straight line basis to write off the cost of each asset to their residual values over their estimated useful lives.

Property, plant and equipment are depreciated on a straight line basis to write off the cost of each asset to their residual values over their estimated useful lives at the following annual rates:

	%
Buildings	2
Plant and machinery	10 - 20
Factory tools and equipment	10 - 15
Motor vehicles	20
Computer and office equipment	10 - 33
Furniture, fittings and renovation	5 - 50

Freehold land is not depreciated.

The residual value, useful lives and depreciation method of property, plant and equipment are reviewed at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

On disposal of property, plant and equipment, the difference between the net disposal proceeds and the carrying amount is credited or charged to profit or loss in determining profit from operations.

(c) Investment In Subsidiary Companies

Subsidiary companies are entities, including structured entities, controlled by the Group. The Group controls the entities when it is exposed, or has rights, to variable returns from its involvement with the entities and has the ability to affect those returns through its power over the entities.

In the Company's separate financial statements, investment in subsidiary companies is stated at cost less any impairment, if any. The impairment loss is recognised in profit or loss.

On disposal of an investment, the difference between net disposal proceeds and their carrying amounts is charged or credited to profit or loss.

(d) Investment Properties

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Such properties are stated at cost less accumulated depreciation and any accumulated impairment losses. No depreciation is provided on the freehold land within investment properties as it has an indefinite useful life. Depreciation on the building is provided at 2% based on the straight line basis to write off the cost of property to its residual value over its estimated useful life.

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

Transfer is made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. For a transfer from owner-occupied property to investment property, the property is accounted for in accordance with the accounting policy for a property, plant and equipment set out in Note 4(b) up to the date of change in use.

(e) Intangible Assets(i) Research And Development Expenditures

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

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

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

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

Development expenditures are amortised on a straight-line basis over a period of five years. Impairment is assessed whenever there is an indication of impairment and the amortisation period and method are also reviewed at each reporting date.

(ii) Computer Software

Computer software is measured initially at cost. Following initial acquisition, computer software is measured at cost less any accumulated amortisation and accumulated impairment losses, if any.

The useful life of computer software is assessed to be finite. Computer software is amortised on a straight-line basis over the estimated economic useful lives at an annual rate of 20% and assessed for impairment whenever there is an indication that it may be impaired. The amortisation period and the amortisation method for computer software with finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on computer software with finite lives is recognised in profit or loss.

Gain or losses arising from derecognition of computer software is measured as the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in profit or loss when the asset is derecognised.

(f) Financial Instruments

Unless specifically disclosed below, the Group and the Company generally applied the following accounting policies retrospectively. Nevertheless, as permitted by MFRS 9, Financial Instruments, the Group and the Company have elected not to restate the comparatives.

(i) Recognition and initial measurement

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

A financial asset (unless it is a trade receivable without significant financing component) or a financial liability is initially measured at fair value plus or minus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issuance. A trade receivable without a significant financing component is initially measured at the transaction price.

An embedded derivative is recognised separately from the host contract where the host contract is not a financial asset, and accounted for separately if, and only if, the derivative is not closely related to the economic characteristics and risks of the host contract and the host contract is not measured 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.

(ii) *Financial instrument categories and subsequent measurement*Financial assets

Categories of financial assets are determined on initial recognition and are not reclassified subsequent to their initial recognition unless the Group and the Company change their business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change of the business model.

a. Amortised cost

Amortised cost category comprises financial assets that are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The financial assets are not designated as fair value through profit or loss. Subsequent to initial recognition, these financial assets are measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets where the effective interest rate is applied to the amortised cost.

b. Fair value through other comprehensive income

i. Debt investments

Fair value through other comprehensive income category comprises debt investment where it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the debt investment, and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The debt investment is not designated as at fair value through profit or loss. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets where the effective interest rate is applied to the amortised cost.

ii. Equity investments

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

c. Fair value through profit or loss

All financial assets not measured at amortised cost or fair value through other comprehensive income as described above are measured at fair value through profit or loss. This includes derivative financial assets (except for a derivative that is a designated and effective hedging instrument). On initial recognition, the Group and the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at fair value through other comprehensive income as fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets categorised as fair value through profit or loss are subsequently measured at their fair value. Net gains or losses, including any interest or dividend income, are recognized in the profit or loss.

All financial assets, except for those measured at fair value through profit or loss and equity investments measured at fair value through other comprehensive income, are subject to impairment assessment.

Financial liabilities

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

a. 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 a designated and effective hedging instrument), contingent consideration in a business combination and financial liabilities that are specifically designated into this category upon initial recognition.

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

- i. if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise;
- ii. a group of financial liabilities or assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the Group's key management personnel; or
- iii. if a contract contains one or more embedded derivatives and the host is not a financial asset in the scope of MFRS 9, where the embedded derivative significantly modifies the cash flows and separation is not prohibited.

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

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

b. Amortised cost

Other financial liabilities not categorised as fair value through profit or loss are subsequently measured at amortised cost using the effective interest method.

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

(iii) *Regular way purchase or sale of financial assets*

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date or settlement date accounting in the current year.

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.

Settlement date accounting refers to:

- a. the recognition of an asset on the day it is received by the Group and the Company, and
- b. derecognition of an asset and recognition of any gain or loss on disposal on the day that is delivered by the Group and the Company.

Any change in the fair value of the asset to be received during the period between the trade date and the settlement date is accounted in the same way as it accounts for the acquired asset.

Generally, the Group and the Company applied settlement date accounting unless otherwise stated for the specific class of asset.

(iv) *Financial guarantee contracts*

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

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

- the amount of the loss allowance; and
- the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance to the principles of MFRS 15, Revenue from Contracts with Customers.

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

(v) *Hedge accounting*

At inception of a designated hedging relationship, the Group and the Company document the risk management objective and strategy for undertaking the hedge. The Group and the Company also document the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged item and hedging instrument are expected to offset each other.

a. Fair value hedge

A fair value hedge is a hedge of the exposure to changes in fair value of a recognised asset or liability or an unrecognised firm commitment, or an identified portion of such an asset, liability or firm commitment, that is attributable to a particular risk and could affect the profit or loss.

In a fair value hedge, the gain or loss on the hedging instrument shall be recognised in profit or loss (or other comprehensive income, if the hedging instrument hedges an equity instrument which the Group and the Company have elected to present the subsequent changes in fair value of the investment in equity in other comprehensive income).

The hedging gain or loss on the hedged item shall adjust the carrying amount of the hedged item and be recognised in profit or loss. If the hedged item is a financial asset (or a component thereof) that is measured at fair value through other comprehensive income, the hedging gain or loss on the hedged item shall be recognised in profit or loss. However, if the hedged item is an equity instrument for which an entity has elected to present changes in fair value in other comprehensive income, those amounts shall remain in other comprehensive income. When a hedged item is an unrecognised firm commitment (or a component thereof), the cumulative change in the fair value of the hedged item subsequent to its designation is recognised as an asset or a liability with a corresponding gain or loss recognised in profit or loss.

b. Cash flow hedge

A cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with all, or a component of, a recognised asset or liability or a highly probable forecast transaction and could affect the profit or loss. In a cash flow hedge, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised in other comprehensive income and accumulated in equity and the ineffective portion is recognised in profit or loss. The effective portion of changes in the fair value of the derivative that is recognised in other comprehensive income is limited to the cumulative change in fair value of the hedged item, determined on a present value basis, from inception of the hedge. asset or a liability with a corresponding gain or loss recognised in profit or loss.

Subsequently, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity into profit or loss in the same period or periods during which the hedged forecast cash flows affect profit or loss. If the hedge item is a non-financial asset or liability, the associated gain or loss recognised in other comprehensive income is removed from equity and included in the initial amount of the asset or liability. However, loss recognised in other comprehensive income that will not be recovered in one or more future periods is reclassified from equity into profit or loss immediately.

The Group designates only the change in fair value of the spot element of forward contracts as the hedging instrument in cash flow hedging relationships. The change in fair value of the forward element of forward exchange contracts (“forward points”) and/or the foreign currency basis spread are separately accounted for as cost of hedging and recognised in a cost of hedging reserve within equity.

Cash flow hedge accounting is discontinued prospectively when the hedging instrument expires or is sold, terminated or exercised, the hedge is no longer highly effective, the forecast transaction is no longer expected to occur or the hedge designation is revoked. If the hedge is for a forecast transaction, the cumulative gain or loss on the hedging instrument remains in equity until the forecast transaction occurs. When hedge accounting for cash flow hedges is discontinued, the amount that has been accumulated in the hedging reserve and the cost of hedging reserve remains in equity until, for a hedge of a transaction resulting in recognition of a non-financial item, it is included in the non-financial item’s cost on its initial recognition or, for other cash flow hedges, it is reclassified to profit or loss in the same period or periods as the hedged expected future cash flows affect profit or loss.

If the hedged future cash flows are no longer expected to occur, then the amounts that have been accumulated in the hedging reserve and the cost of hedging reserve are immediately reclassified to profit or loss.

(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 transferred, or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount of the financial asset and the sum of consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss.

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

(v) *Offsetting*

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group and the Company currently have a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and liability simultaneously.

(g) Impairment(i) *Financial Assets and Contract Assets*

Unless specifically disclosed below, the Group and the Company generally applied the following accounting policies retrospectively. Nevertheless, as permitted by MFRS 9, Financial Instruments, the Group and the Company elected not to restate the comparatives.

The Group and the Company recognise loss allowances for expected credit losses (“ECL”) on financial assets measured at amortised cost, debt investments measured at fair value through other comprehensive income, contract assets and lease receivables. Expected credit losses are a probability-weighted estimate of credit losses.

The Group and the Company measure loss allowances at an amount equal to lifetime expected credit loss, except for debt securities that are determined to have low credit risk at the reporting date, cash and bank balance and other debt securities for which credit risk has not increased significantly since initial recognition, which are measured at 12-month expected credit loss. Loss allowances for trade receivables, contract assets and lease receivables are always measured at an amount equal to lifetime expected credit loss.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit loss, the Group and the Company consider reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group’s historical experience and informed credit assessment and including forward-looking information, where available.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of the asset, while 12-month expected credit losses are the portion of expected credit losses that result from default events that are possible within the 12 months after the reporting date. The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Company are exposed to credit risk.

The Group and the Company estimate the expected credit losses on trade receivables using a provision matrix with reference to historical credit loss experience.

An impairment loss in respect of financial assets measured at amortised cost is recognised in profit or loss and the carrying amount of the asset is reduced through the use of an allowance account.

An impairment loss in respect of debt investments measured at fair value through other comprehensive income is recognised in profit or loss and the allowance account is recognised in other comprehensive income.

At each reporting date, the Group and the Company assess whether financial assets carried at amortised cost and debt securities at fair value through other comprehensive income are credit impaired. A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

The gross carrying amount of a financial asset is written off (either partially or full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group and the Company determine that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's and the Company's procedures for recovery amounts due.

(ii) *Non-financial Assets*

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

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

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

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

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

(h) Inventories

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

Cost is determined using the weighted average method. The cost of raw materials comprises the original cost of purchases plus the cost of bringing these inventories to their intended location and condition. The cost of finished goods and work-in-progress includes the cost of raw materials, direct labour and appropriate allocation of manufacturing overheads.

Net realisable value is the estimate of the selling price in the ordinary course of business, less the estimated cost of selling expenses. Write down is made where necessary for damaged, obsolete and slow-moving inventories.

(i) Contract Asset/Contract Liability

A contract asset is recognised when the Group's or the Company's right to consideration is conditional on something other than the passage of time. A contract asset is subject to impairment in accordance to MFRS 9, Financial Instruments.

A contract liability is stated at cost and represents the obligation of the Group or the Company to transfer goods or services to a customer for which consideration has been received or the amount is due from the customers.

(j) Finance Lease

Assets acquired under finance lease arrangements are capitalised at their purchase cost and the total instalments payable less undue interests under finance lease agreements are recorded as liabilities. The interests are allocated to profit or loss over the year of the respective agreements based on the remaining balance of liability for each period during the finance lease term. Assets acquired under finance lease arrangements are depreciated over the expected useful lives of equivalent owned assets.

(k) Operating Lease

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases 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.

(l) Contingent Liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence of one or more uncertain future events not wholly within the control of the Group and of the Company. It can also be a present obligation arising from past events that is not recognised because it is not probable that an outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.

(m) Provisions For Liabilities

Provisions for liabilities are recognised when the Group and the Company have a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and when a reliable estimate of the amount of the obligation can be made. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When discounting is used, the increase in the provision due to the passage of time is recognised as

a finance cost. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed.

Any reimbursement that the Group or the Company can be virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision. The expense relating to any provision is presented in profit or loss, net of any reimbursement.

(n) Financial Guarantee Contract

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.

Financial guarantee contracts are recognised initially as a liability at fair value, net of transaction costs. Subsequent to initial recognition, financial guarantee contracts are recognised as income in profit or loss over the period of the guarantee. If the debtor fails to make payment relating to financial guarantee contract when it is due and the Group, as the issuer, is required to reimburse the holder for the associated loss, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount initially recognised less cumulative amortisation.

(o) Related parties

A party is related to an entity if:

- (i) directly, or indirectly through one or more intermediaries, the party:
 - a. controls, is controlled by, or is under common control with, the entity (this includes parents, subsidiary companies and fellow subsidiary companies);
 - b. has an interest in the entity that gives it significant influence over the entity, or
 - c. has joint control over the entity;
- (ii) the party is an associate of the entity;
- (iii) the party is a joint venture in which the entity is a venture;
- (iv) the party is a member of the key management personnel of the entity or its parent;
- (v) the party is a close member of the family of any individual referred to in (i) or (iv);
- (vi) the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or
- (vii) the party is a post-employment benefit plan for the benefit of employees of the entity, or of any entity that is a related party of the entity.

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

Key management personnel is defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Company either directly or indirectly. The key management personnel includes all the directors of the Company and directors of the subsidiary companies, members of senior management and chief executive officer of the Company as well as members of senior management and chief executive officers of major subsidiary companies of the Group.

(p) Foreign Currency Translation

(i) *Functional and Presentation Currency*

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates (“the functional currency”). The consolidated financial statements are presented in Ringgit Malaysia (RM), which is also the Company’s functional currency.

(ii) *Foreign Currency Transactions*

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date.

Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rates as at the dates of the initial transactions.

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date.

Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rates as at the dates of the initial transactions.

Non-monetary items denominated in foreign currencies measured at fair value are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in profit or loss except for exchange differences arising on monetary items that form part of the Group’s net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

(iii) *Foreign Operations*

The assets and liabilities of foreign operations are translated into RM at the rate of exchange ruling at the reporting date and income and expenses are translated at exchange rates at the dates of the transactions. The exchange differences arising on the translation are taken directly to other comprehensive income. On disposal of a foreign operation, the cumulative amount recognised in other comprehensive income and accumulated in equity under foreign currency translation reserve relating to that particular foreign operation is recognised in the profit or loss.

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the reporting date.

(q) Revenue Recognition

- (i) Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services rendered in the ordinary course of the Group's activities. Revenue from sale of goods and services is recognised when (or as) it transfer control over a product or service to customers, which is upon delivery of goods and customers' acceptance and services are performed, and where applicable, net of returns and trade discounts.
- (ii) Revenue on contracts is recognised when or as the control of the asset is transferred to customers and, depending on the terms of the contract, control of the asset may transfer over time or at point in time. If control of the asset transfer over time, revenue is recognised over the period of the contract by reference to the progress based on the physical proportion of contract work-to-date certified by professional consultants. Significant judgement is required in determining the progress based on the certified work-to-date corroborated by the level of completion of the project based on actual cost incurred to-date over the estimated total construction cost. The total estimated construction cost are based on approved budget.
- (iii) Service income from provision of usage of cloud services is recognised when the services provided to clients are substantially completed.
- (iv) Interest income is recognised using the effective interest rate.
- (v) Rental income is accounted for in straight line basis over leased terms.
- (vi) Management fees are recognised when the services are rendered.

(r) Income Tax Expense

Income taxes for the year comprise current and deferred tax.

(i) *Current Tax*

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

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

(ii) *Deferred Tax*

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

Deferred tax liabilities are recognised for all temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

(s) Employee Benefits

(i) *Short Term Employee Benefits*

Wages, salaries, paid annual leave, paid sick leave, bonuses and non-monetary benefits are accrued in the period in which the associated services are rendered by employees of the Group and of the Company. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick and medical leave are recognised when the absences occur. The expected cost of accumulating compensated absences is measured as additional amount expected to be paid as a result of the unused entitlement that has accumulated at the end of the reporting period. Past-service costs are recognised immediately in profit or loss.

(ii) Defined Contribution Plan

The Group's and the Company's contributions to defined contribution plans regulated and managed by the government, are charged to profit or loss in the period to which they relate. Once the contributions have been paid, the Group and the Company have no further financial obligations.

(t) Borrowing Costs

Borrowing costs, directly attributable to the acquisition and construction of property, plant and equipment are capitalised as part of the cost of those assets, until such time as the assets are ready for their intended use or sale. Capitalisation of borrowing costs is suspended during extended periods in which active development is interrupted.

All other borrowing costs are recognised in profit or loss as expenses in the period in which they incurred. Borrowing costs consist of interest and other costs that the Group and the Company incurred in connection with the borrowing of funds.

(u) Cash and cash equivalent

For the purposes of the statements of cash flows, cash and cash equivalents comprise cash in hand, bank balances, bank overdrafts and short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. These also include bank overdrafts that form an integral part of the Group's cash management.

(v) Earnings Per Ordinary Share

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

Basic EPS is calculated by dividing the profit or loss attributable to owners 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 owners of the Company 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.

(w) 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. An operating segment's operating results are reviewed regularly by the chief operating decision makers to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available. An operating segment may engage in business activities for which it has yet to earn revenues.

(x) Fair Value Measurement

Fair value of an asset or liability, except for 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 value is categorised into different levels in a fair value hierarchy based on the input 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.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and judgements that affect the application of the Group's and the Company's accounting policies and disclosures, and have a significant risk of causing a material adjustment to the carrying amounts of assets, liabilities, income and expenses are discussed below.

(a) Judgements Made in Applying Accounting Policies

In the process of preparing the financial statements, there were no significant judgements made in applying the accounting policies of the Group which may have significant effects on the amounts recognised in the financial statements.

(b) Key Sources of Estimation Uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Impairment of Investment in Subsidiaries

The management determines whether the carrying amounts of its investments are impaired at reporting date. This involves measuring the recoverable amounts which includes fair value less costs to sell and valuation techniques. Valuation techniques include amongst others, discounted cash flows analysis and in some cases, based on current market indicators and estimates that provide reasonable approximations to the detailed computation or based on total shareholders' equity of the subsidiaries.

The carrying amount of investment in subsidiaries as at 31 December 2018 were RM3,111,420 (2017: RM3,324,105). Further details are disclosed in Note 7 to the financial statements. Based on management's review, no further adjustment for impairment is required for the investment in subsidiaries by the Company during the current year.

(ii) Impairment of Financial Assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's financial assets at the reporting date is disclosed in Note 12 to the financial statements.

(iii) Depreciation of Property, Plant and Equipment and Amortisation of Intangible Assets

The estimates for residual values, useful lives and related depreciation or amortisation charges for the property, plant and equipment and intangible assets are based on commercial and production factors which could change significantly as a result of technical innovations and competitors' action in response to the market conditions.

The Group and the Company anticipate that the residual values of their property, plant and equipment and intangible assets will be insignificant. As a result, residual values are not being taken into consideration for the computation of the depreciable or amortisable amount.

Changes in the expected level of usage and technological development could impact the economic useful lives and the residual values of these assets, therefore future depreciation or amortisation charges could be revised.

The carrying amount of property, plant and equipment and intangible assets are disclosed in Notes 6 and 9.

6. PROPERTY, PLANT AND EQUIPMENT

The details of property, plant and equipment are as follows:

	Freehold land	Buildings	Plant and machinery	Factory tools and equipment	Motor vehicles	Computer and office equipment	Furniture, fittings and renovation	Total
<i>Group Cost /valuation</i>	RM	RM	RM	RM	RM	RM	RM	RM
At 1 January 2017								
Cost	-	-	1	459,550	2,141,536	2,219,338	1,849,857	6,670,282
Valuation	6,670,000	3,930,000	-	-	-	-	-	10,600,000
	6,670,000	3,930,000	1	459,550	2,141,536	2,219,338	1,849,857	17,270,282
Additions	-	-	-	-	-	4,303	-	4,303
Disposal	(3,670,000)	(1,530,000)	-	-	(325,517)	-	-	(5,525,517)
Written off	-	-	-	-	-	(206,361)	(452,829)	(659,190)
Revaluation surplus	-	-	-	-	-	-	-	-
Disposal of subsidiary companies	-	-	-	-	-	-	-	-
Foreign currency translation	-	-	-	-	(73,366)	(30,589)	(7,176)	(111,131)
At 31 December 2017/1 January 2018								
Cost	-	-	1	459,550	1,742,653	1,986,691	1,389,852	5,578,747
Valuation	3,000,000	2,400,000	-	-	-	-	-	5,400,000
	3,000,000	2,400,000	1	459,550	1,742,653	1,986,691	1,389,852	10,978,747
Additions	-	-	-	-	42,414	11,963	-	54,377
Disposal	-	-	-	-	(327,262)	-	-	(327,262)
Disposal of subsidiary companies	-	-	-	-	(133,597)	(114,424)	(64,425)	(312,446)
Foreign currency translation	-	-	-	-	-	-	-	-
At 31 December 2018								
Cost	-	-	1	459,550	1,324,208	1,884,230	1,325,427	4,993,416
Valuation	3,000,000	2,400,000	-	-	-	-	-	5,400,000
	3,000,000	2,400,000	1	459,550	1,324,208	1,884,230	1,325,427	10,393,416

	Freehold land	Buildings	Plant and machinery	Factory tools and equipment	Motor vehicles	Computer and office equipment	Furniture, fittings and renovation	Total
	RM	RM	RM	RM	RM	RM	RM	RM
<i>Group</i>								
<i>Accumulated depreciation</i>								
At 1 January 2017								
Cost	-	-	-	453,922	1,809,036	2,042,985	1,669,682	5,975,625
Valuation	-	-	-	-	-	-	-	-
	-	-	-	453,922	1,809,036	2,042,985	1,669,682	5,975,625
Charge for the year								
Cost	-	-	-	3,219	228,316	80,741	43,942	356,218
Valuation	-	69,462	-	-	-	-	-	69,462
	-	69,462	-	3,219	228,316	80,741	43,942	425,680
Disposal	-	(28,050)	-	-	(324,025)	-	-	(352,075)
Written off	-	-	-	-	-	(199,714)	(438,265)	(637,979)
Foreign currency translation	-	-	-	-	(55,164)	(25,665)	(4,309)	(85,138)
At 31 December 2017/1 January 2018								
Cost	-	-	-	457,141	1,658,163	1,898,347	1,271,050	5,284,701
Valuation	-	41,412	-	-	-	-	-	41,412
	-	41,412	-	457,141	1,658,163	1,898,347	1,271,050	5,326,113
Charge for the year								
Cost	-	-	-	1,314	56,905	47,252	34,817	140,288
Valuation	-	48,000	-	-	-	-	-	48,000
	-	48,000	-	1,314	56,905	47,252	34,817	188,288
Disposal	-	-	-	-	(326,686)	-	-	(326,686)
Disposal of subsidiary companies	-	-	-	-	(123,746)	(113,558)	(62,717)	(300,021)
Foreign currency translation	-	-	-	-	(389)	(145)	(87)	(621)
At 31 December 2018								
Cost	-	-	-	458,455	1,264,247	1,831,896	1,243,063	4,797,661
Valuation	-	89,412	-	-	-	-	-	89,412
	-	89,412	-	458,455	1,264,247	1,831,896	1,243,063	4,887,073

	Freehold land	Buildings	Plant and machinery	Factory tools and equipment	Motor vehicles	Computer and office equipment	Furniture, fittings and renovation	Total
<i>Group</i>	RM	RM	RM	RM	RM	RM	RM	RM
<i>Net carrying amount</i>								
At 31 December 2018								
Cost	-	-	1	1,095	59,961	52,334	82,364	195,755
Valuation	3,000,000	2,310,588	-	-	-	-	-	5,310,588
	3,000,000	2,310,588	1	1,095	59,961	52,334	82,364	5,506,343
At 31 December 2017								
Cost	-	-	1	2,409	84,490	88,344	118,802	294,046
Valuation	3,000,000	2,358,588	-	-	-	-	-	5,358,588
	3,000,000	2,358,588	1	2,409	84,490	88,344	118,802	5,652,634

<i>Company</i>	Freehold land	Buildings	Plant and machinery	Factory tools and equipment	Motor vehicles	Computer and office equipment	Furniture, fittings and renovation	Total
<i>Cost /valuation</i>	RM	RM	RM	RM	RM	RM	RM	RM
At 1 January 2017								
Cost	-	-	42,890	115,890	1,314,575	1,313,820	1,308,337	4,095,512
Valuation	3,000,000	2,400,000	-	-	-	-	-	5,400,000
	3,000,000	2,400,000	42,890	115,890	1,314,575	1,313,820	1,308,337	9,495,512
Additions	-	-	-	-	-	4,303	-	4,303
Disposal	-	-	-	-	(325,517)	-	-	(325,517)
At 31 December 2017/1 January 2018								
Cost	-	-	42,890	115,890	989,058	1,318,123	1,308,337	3,774,298
Valuation	3,000,000	2,400,000	-	-	-	-	-	5,400,000
	3,000,000	2,400,000	42,890	115,890	989,058	1,318,123	1,308,337	9,174,298
Additions	-	-	-	-	42,414	9,884	-	52,298
Disposal	-	-	-	-	(327,262)	-	-	(327,262)
At 31 December 2018								
Cost	-	-	42,890	115,890	704,210	1,328,007	1,308,337	3,499,334
Valuation	3,000,000	2,400,000	-	-	-	-	-	5,400,000
	3,000,000	2,400,000	42,890	115,890	704,210	1,328,007	1,308,337	8,899,334

	Freehold land	Buildings	Plant and machinery	Factory tools and equipment	Motor vehicles	Computer and office equipment	Furniture, fittings and renovation	Total
<i>Company</i>	RM	RM	RM	RM	RM	RM	RM	RM
<i>Accumulated depreciation</i>								
At 1 January 2017								
Cost	-	-	42,889	112,490	1,241,229	1,248,343	1,170,351	3,815,302
Valuation	-	-	-	-	-	-	-	-
	-	-	42,889	112,490	1,241,229	1,248,343	1,170,351	3,815,302
Charge for the year								
Cost	-	-	-	1,252	28,712	21,205	25,174	76,343
Valuation	-	41,412	-	-	-	-	-	41,412
	-	41,412	-	1,252	28,712	21,205	25,174	117,755
Disposal	-	-	-	-	(324,025)	-	-	(324,025)
At 31 December 2017/1 January 2018								
Cost	-	-	42,889	113,742	945,916	1,269,548	1,195,525	3,567,620
Valuation	-	41,412	-	-	-	-	-	41,412
	-	41,412	42,889	113,742	945,916	1,269,548	1,195,525	3,609,032
Charge for the year								
Cost	-	-	-	1,192	20,409	29,245	24,106	74,952
Valuation	-	48,000	-	-	-	-	-	48,000
	-	48,000	-	1,192	20,409	29,245	24,106	122,952
Disposal	-	-	-	-	(326,686)	-	-	(326,686)
At 31 December 2018								
Cost	-	-	42,889	114,934	639,639	1,298,793	1,219,631	3,315,886
Valuation	-	89,412	-	-	-	-	-	89,412
	-	89,412	42,889	114,934	639,639	1,298,793	1,219,631	3,405,298

	Freehold land	Buildings	Plant and machinery	Factory tools and equipment	Motor vehicles	Computer and office equipment	Furniture, fittings and renovation	Total
	RM	RM	RM	RM	RM	RM	RM	RM
<i>Company</i>								
<i>Net carrying amount</i>								
At 31 December 2018								
Cost	-	-	1	956	64,571	29,214	88,706	183,448
Valuation	3,000,000	2,310,588	-	-	-	-	-	5,310,588
	3,000,000	2,310,588	1	956	64,571	29,214	88,706	5,494,036
At 31 December 2017								
Cost	-	-	1	2,148	43,142	48,575	112,812	206,678
Valuation	3,000,000	2,358,588	-	-	-	-	-	5,358,588
	3,000,000	2,358,588	1	2,148	43,142	48,575	112,812	5,565,266

- (a) Freehold land and buildings were revalued on 30 December 2016 by the directors based on a valuation performed by a chartered surveyor and registered valuer, namely Messrs Stocker Roberts and Gupta Sdn. Bhd. who is a member of the Institution of Surveyors, Malaysia. Valuation was made using comparison method on the basis of open market value.

If the freehold land and buildings were measured using the cost model, the net carrying amount would be as follows:

	<i>Group</i>		<i>Company</i>	
	2018	2017	2018	2017
	RM	RM	RM	RM
Freehold land and buildings	<u>1,284,988</u>	<u>1,328,329</u>	<u>1,284,988</u>	<u>1,328,329</u>

- (b) The net carrying amount of property, plant and equipment includes the following assets held under finance lease agreement:

	<i>Group</i>		<i>Company</i>	
	2018	2017	2018	2017
	RM	RM	RM	RM
Motor vehicles	<u>2,267</u>	<u>15,867</u>	<u>2,267</u>	<u>15,867</u>

- (c) The freehold land and buildings of the Group with a carrying amount of RM5,310,588 (2017: RM5,358,588) are pledged as securities to a financial institution for banking facilities granted to the Company as disclosed in Notes 23 and 24.

7. INVESTMENT IN SUBSIDIARY COMPANIES

	<i>Company</i>	
	2018 RM	2017 RM
Unquoted shares, <i>at cost</i>		
At 1 January	3,424,105	3,505,664
Addition	2	-
Disposal	(212,687)	-
Capital reduction of a subsidiary company	-	(81,559)
At 31 December	<u>3,211,420</u>	<u>3,424,105</u>
<i>Accumulated impairment losses</i>		
At 1 January	100,000	100,000
Disposal	-	-
At 31 December	<u>100,000</u>	<u>100,000</u>
<i>Net carrying amount</i>	<u>3,111,420</u>	<u>3,324,105</u>

(a) Details of the subsidiary companies are as follows:

<u>Name of subsidiary companies</u>	<u>Country of incorporation/ place of business</u>	<u>Effective equity interest</u>		<u>Principal activities</u>
		<u>2018</u> %	<u>2017</u> %	
Direct holding:				
Industronics Manufacturing Sdn. Bhd.	Malaysia	100	100	Manufacturing and dealing in electrical and electronic appliances.
TTE Electronics Sdn. Bhd.*	Malaysia	100	100	Dormant
Industronics (HK) Limited *	Hong Kong	100	100	Provision of mobile entertainment service and trading of watches
Industronics Technology Limited *	Hong Kong	100	100	Provision of usage of cloud service and cleaning service
Ademco (Malaysia) Sdn. Bhd.	Malaysia	95	95	installers, maintainers, repairers, dealers and suppliers including testing and commissioning of fire, security alarm, devices and apparatus of every description

Name of subsidiary companies	Country of incorporation/ place of business	Effective equity interest		Principal activities
		2018	2017	
		%	%	
Direct holding:				
Industrial Electronics Pte. Ltd. *	Singapore	-	70	Trading, maintenance and supply of industrial electronic equipment
Sukitronics Sdn Bhd *	Malaysia	-	51	Specialist in fire protection system design and installation works and mechanical engineering services
Olympex Sdn. Bhd. *	Malaysia	100	100	Dormant
Great Voyage Bhd *	Malaysia	100	-	Dormant
Indirect holding:				
Sukitronics PMC Sdn. Bhd. *	Malaysia	-	51	Mechanical engineering and contracting in fire fighting system

* Subsidiaries not audited by Ong & Wong.

On 14 March 2018, the Company incorporated a 100% owned subsidiary namely Great Voyage Bhd. which its total paid up ordinary share capital is RM2.

(b) The summarised financial information on subsidiaries with material non-controlling interests ("NCI") are as follows:

Name of company	Proportion of ownership interests and voting rights held by non-controlling interests		Total comprehensive income/(loss) allocated to non-controlling interests		Accumulated non-controlling interests	
	2018	2017	2018	2017	2018	2017
	%	%	RM	RM	RM	RM
Ademco (M) Sdn. Bhd.	5	5	3,711	(1,643)	50,587	46,887
Sukitronics Sdn. Bhd. and its subsidiary	-	49	-	(181,617)	-	(87,015)
Industrial Electronics (S) Pte. Ltd.	-	30	-	(158,325)	-	937,239
			3,711	(341,585)	50,587	897,111

- (c) The summarised financial information for each subsidiary company that has NCI that are material to the Group before inter-company eliminations are set out as below:

	Ademco (M) Sdn. Bhd.		Sukitronics Sdn. Bhd. and its subsidiary		Industrial Electronics (S) Pte. Ltd.	
	2018 RM	2017 RM	2018 RM	2017 RM	2018 RM	2017 RM
Total assets	1,171,231	1,182,459	-	5,600,170	-	3,902,770
Total liabilities	(159,499)	(244,728)	-	(5,777,751)	-	(2,103,961)
Net assets/(liabilities)	1,011,732	937,731	-	(177,581)	-	1,798,809
Equity attributable to owners of the Company	961,145	890,844	-	(90,566)	-	1,259,166
Non-controlling interests	50,587	46,887	-	(87,015)	-	539,643
	1,011,732	937,731	-	(177,581)	-	1,798,809

- (d) The summarised financial information for each subsidiary company that has NCI that are material to the Group before inter-company eliminations are set out as below:

	Ademco (M) Sdn. Bhd.		Sukitronics Sdn. Bhd. and its subsidiary		Industrial Electronics (S) Pte. Ltd.	
	2018 RM	2017 RM	2018 RM	2017 RM	2018 RM	2017 RM
Revenue	1,566,365	1,300,009	-	515,387	-	57,088,291
ProProfit/(loss) before taxation	74,228	(32,868)	-	(370,646)	-	(527,750)
Taxation	-	-	-	-	-	-
Net profit/(loss) for the year	74,228	(32,868)	-	(370,646)	-	(527,750)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income/(loss)	74,228	(32,868)	-	(370,646)	-	(527,750)
Net cash generated from/(used in) operating activities	4,974	(64,436)	-	(5,290,039)	-	(1,475,863)
Net cash generated from investing activities	(2,079)	-	-	4,927,245	-	-
Net cash generated from/(used in) financing activities	-	-	-	405,770	-	(2,523,679)
Net increase/(decrease) in cash and cash equivalents	2,895	(64,436)	-	42,976	-	(3,999,542)

(e) Disposal of subsidiary companies

On 10 August 2018, the Company entered into an Share Sale Agreement with Low Kwai Soon for the disposal of all equity interest in Sukitronics Sdn Bhd, 51% owned subsidiary company for a total consideration of RM5,100.

On 14 August 2018, the Company entered into an Share Sale Agreement with Pan Jiye for the disposal of all equity interest in Industrial Electronics Pte Ltd., a 70% owned subsidiary company for a total consideration of SGD370,760.

The results of Sukitronics Sdn Bhd and Industrial Electronics Pte Ltd, disposed during the financial year were as follows:

	<i>Group</i> 2018 RM
Revenue	24,702,171
Cost of sales	<u>(23,554,466)</u>
Gross profit	1,147,705
Other operating income	3,597
Administrative expenses	<u>(1,534,446)</u>
Loss from operations	(383,144)
Finance costs	<u>(287)</u>
Loss before taxation	(383,431)
Income tax expense	<u>-</u>
Loss after taxation	<u><u>(383,431)</u></u>

The assets and liabilities of Sukitronics Sdn Bhd and Industrial Electronics Pte Ltd, disposed off during the financial year were as follows:

	2018 RM
Property, plant and equipment	277,171
Inventories	152,697
Trade and other receivables	4,614,551
Cash and bank balances	703,362
Trade and other payables	(4,607,198)
Tax recoverable	62,436
Non-controlling interest	<u>(263,664)</u>
	939,355
Gain on disposal to the Group	<u>170,499</u>
Proceeds from disposal of subsidiary companies	1,109,854
Cash and bank balances of subsidiary companies disposed	<u>(703,362)</u>
Net cash inflow from disposal of subsidiary companies	<u><u>406,492</u></u>

The effects of the deconsolidation of the above subsidiary companies on the financial results of the Group during the financial year were as follows:

	2018 RM
Revenue	<u><u>24,702,171</u></u>
Loss before taxation	<u><u>(383,431)</u></u>

8. INVESTMENT PROPERTIES

	<i>Group</i>		<i>Company</i>	
	2018	2017	2018	2017
	RM	RM	RM	RM
<i>Building at cost</i>				
At 1 January	2,534,394	2,534,394	234,745	234,745
Disposed of subsidiary	(2,299,649)	-	-	-
At 31 December	<u>234,745</u>	<u>2,534,394</u>	<u>234,745</u>	<u>234,745</u>
<i>Less: Accumulated depreciation</i>				
At 1 January	416,855	405,092	52,034	47,339
Additions	8,230	11,763	4,695	4,695
Disposed of subsidiary	(368,356)	-	-	-
At 31 December	<u>56,729</u>	<u>416,855</u>	<u>56,729</u>	<u>52,034</u>
<i>Less: Accumulated impairment losses</i>				
At 1 January	1,723,627	1,723,627	57,406	57,406
Additions	-	-	-	-
Disposed of subsidiary	(1,666,221)	-	-	-
At 31 December	<u>57,406</u>	<u>1,723,627</u>	<u>57,406</u>	<u>57,406</u>
Net carrying amount at 31 December	<u>120,610</u>	<u>393,912</u>	<u>120,610</u>	<u>125,305</u>
Fair value	<u>170,000</u>	<u>470,000</u>	<u>170,000</u>	<u>170,000</u>

The impairment losses recorded were derived after considering the fair value of those properties.

The fair value is derived based on valuation performed using the comparison method by Messrs D B Das Gupta, a chartered surveyor and registered valuer of Stocker Roberts & Gupta Sdn. Bhd.

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

	<i>Group</i>		<i>Company</i>	
	2018	2017	2018	2017
	RM	RM	RM	RM
Direct operating expenses	<u>8,230</u>	<u>19,415</u>	<u>4,695</u>	<u>12,347</u>

9. INTANGIBLE ASSETS

<i>Group</i>	Golf club membership RM	Cloud computing software RM	Mobile device game applications RM	Total RM
<i>Cost</i>				
At 1 January 2017	236,000	5,059,850	2,314,000	7,609,850
Additions	-	5,847,319	-	5,847,319
Exchange differences	-	(475,903)	-	(475,903)
31 December 2017/ 1 January 2018	236,000	10,431,266	2,314,000	12,981,266
Exchange differences	-	146,664	-	146,664
At 31 December 2018	236,000	10,577,930	2,314,000	13,127,930
<i>Less: Accumulated amortisation and impairment losses</i>				
At 1 January 2017	147,000	-	2,314,000	2,461,000
Additions	-	732,066	-	732,066
31 December 2017/ 1 January 2018	147,000	732,066	2,314,000	3,193,066
Additions	-	2,096,000	-	2,096,000
At 31 December 2018	147,000	2,828,066	2,314,000	5,289,066
<i>Net carrying amount</i>				
At 31 December 2018	89,000	7,749,864	-	7,838,864
At 31 December 2017	89,000	9,699,200	-	9,788,200
<i>Company</i>				Golf club membership RM
<i>Cost</i>				
At 1 January 2017/31 December 2017/1 January 2018 and 31 December 2018				236,000
<i>Less: Accumulated amortisation/impairment losses</i>				
At 1 January 2017/31 December 2017/1 January 2018 and 31 December 2018				147,000
<i>Net carrying amount</i>				
At 31 December 2018				89,000
At 31 December 2017				89,000

9. INTANGIBLE ASSETS (CON'T)

Cloud computing software is from a subsidiary of the Group, Industronics Technology Limited that relates to software development of Openstack cloud computing software platform, file hosting platform and game server platform, where it is reasonably anticipated that the costs will be recovered through future commercial activity.

10. OTHER INVESTMENTS

	<i>Group and Company</i>	
	2018	2017
<u>Fair value through profit or loss/</u>	RM	RM
<u>Available-for-sale financial assets</u>		
Quoted shares in Malaysia, at fair value		
At 1 January	87,480	118,584
Fair value changes	(54,432)	(31,104)
At 31 December	<u>33,048</u>	<u>87,480</u>
Market value of quoted shares	<u>33,048</u>	<u>87,480</u>

11. INVENTORIES

	<i>Group</i>		<i>Company</i>	
	2018	2017	2018	2017
	RM	RM	RM	RM
<i>At cost:</i>				
Finished goods	62,726	960,190	-	-
Work-in-progress	<u>333,716</u>	<u>139,867</u>	<u>333,716</u>	<u>139,867</u>
	<u>396,442</u>	<u>1,100,057</u>	<u>333,716</u>	<u>139,867</u>
<i>At net realisable value:</i>				
Finished goods	434,728	454,947	21,187	-
Raw materials	507,937	619,498	339,457	502,433
Work-in-progress	<u>110,366</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>1,053,031</u>	<u>1,074,445</u>	<u>360,644</u>	<u>502,433</u>
	<u>1,449,473</u>	<u>2,174,502</u>	<u>694,360</u>	<u>642,300</u>

The cost of inventories recognised as an expense during the financial year in the Group and in the Company amounted to RM28,602,909 (2017: RM67,641,777) and RM3,551,931 (2017: RM7,246,586) respectively.

The cost of inventories written off and recognised as an expense during the financial year in the Group and in the Company amounted to RM37,043 (2017: RM34,709) and RM15,028 (2017: RM3,869) respectively.

12. TRADE AND OTHER RECEIVABLES

	<i>Group</i>		<i>Company</i>	
	2018	2017	2018	2017
	RM	RM	RM	RM
Trade receivables	6,306,229	3,420,873	2,302,788	2,622,145
Retention sum	698,435	651,273	698,435	651,273
	7,004,664	4,072,146	3,001,223	3,273,418
Less: Accumulated impairment losses	(2,617,723)	(2,635,194)	(2,265,957)	(2,262,835)
	4,386,941	1,436,952	735,266	1,010,583
Other receivables				
- third parties	725,064	5,502,423	526,831	333,296
Less: Accumulated impairment losses	(19,837)	(35,633)	(19,837)	(35,633)
	705,227	5,466,790	506,994	297,663
Deposits	164,031	237,880	86,605	129,421
	869,258	5,704,670	593,599	427,084
Total trade and other receivables	5,256,199	7,141,622	1,328,865	1,437,667

The normal trade credit terms granted to the Group and of the Company ranged from 30 to 90 days (2017: 30 to 90 days). They are recognised at their original invoice amounts which represent their fair value on initial recognition. Other credit terms are assessed and approved on a case-by-case basis.

The non-trade balances are unsecured, interest free and repayable on demand.

Movements in impairment losses on trade receivables are as follows:

	<i>Group</i>		<i>Company</i>	
	2018	2017	2018	2017
	RM	RM	RM	RM
<i>Accumulated impairment losses:</i>				
At 1 January	2,635,194	5,175,614	2,262,835	2,262,835
Impact of adoption of MFRS 9	3,437	-	3,122	-
Reversal	(20,908)	(1,253,285)	-	-
Written off	-	(1,219,912)	-	-
Exchange differences	-	(67,223)	-	-
At 31 December	2,617,723	2,635,194	2,265,957	2,262,835

Movements in impairment losses on other receivables are as follows:

	<i>Group</i>		<i>Company</i>	
	2018	2017	2018	2017
	RM	RM	RM	RM
<i>Accumulated impairment losses:</i>				
At 1 January	35,633	35,633	35,633	35,633
Reversal	(15,796)	-	(15,796)	-
At 31 December	<u>19,837</u>	<u>35,633</u>	<u>19,837</u>	<u>35,633</u>

13. CONTRACT ASSETS/(LIABILITIES)

	<i>Group</i>		<i>Company</i>	
	2018	2017	2018	2017
	RM	RM	RM	RM
Contract assets	<u>-</u>	<u>60,000</u>	<u>-</u>	<u>60,000</u>
Contract liabilities	<u>(32,663)</u>	<u>(205)</u>	<u>(32,663)</u>	<u>-</u>

- (a) The contract asset/(liability) that primarily relate to the Group and Company's rights to consideration for work completed on construction contracts but not yet billed at the reporting date.

	<i>Group</i>		<i>Company</i>	
	2018	2017	2018	2017
	RM	RM	RM	RM
Aggregate costs incurred to date	-	1,064,165	-	817,319
Add: Attributable profits	<u>-</u>	<u>262,028</u>	<u>-</u>	<u>115,906</u>
	-	1,326,193	-	933,225
Less: Progress billings	<u>-</u>	<u>(1,266,398)</u>	<u>-</u>	<u>(873,225)</u>
	<u>-</u>	<u>59,795</u>	<u>-</u>	<u>60,000</u>
Represented by:				
Contract asset	-	60,000	-	60,000
Contract liability	<u>-</u>	<u>(205)</u>	<u>-</u>	<u>-</u>
	<u>-</u>	<u>59,795</u>	<u>-</u>	<u>60,000</u>

- (b) The contract liabilities which primarily relate to obligation of the Group and Company to transfer goods and services to customer for which consideration has been received.

	<i>Group & Company</i>	
	2018	2017
	RM	RM
As at 1 January (note 40(i))	(26,326)	-
Recognised during the year	21,050	-
Deferred during the year	(27,387)	-
	<u>(32,663)</u>	<u>-</u>
As at 31 December	<u>(32,663)</u>	<u>-</u>

14. AMOUNT DUE FROM/(TO) SUBSIDIARY COMPANIES

	<i>Company</i>	
	2018	2017
	RM	RM
Amount due from subsidiary companies		
Trade balances	3,876,398	1,724,003
Non-trade balances	34,593,289	39,676,075
Less: Accumulated impairment losses	<u>(33,361,638)</u>	<u>(33,361,638)</u>
	<u>5,108,049</u>	<u>8,038,440</u>
Amount due to subsidiary companies		
Trade balances	(3,852,071)	(3,797,620)
Non-trade balances	<u>(1,816,664)</u>	<u>(1,910,584)</u>
	<u>(5,668,735)</u>	<u>(5,708,204)</u>

Movements in impairment losses on amount due by subsidiary companies are as follows:

	<i>Company</i>	
	2018	2017
	RM	RM
<i>Accumulated impairment losses:</i>		
At 1 January	33,361,638	36,635,256
Add: Additions	-	-
Less: Reversal	<u>-</u>	<u>(3,273,618)</u>
At 31 December	<u>33,361,638</u>	<u>33,361,638</u>

The normal credit term given to trade amount ranges from 60 to 90 days (2017: 60 to 90 days).

The non-trade amounts are unsecured, interest-free and repayable on demand.

15. CASH AND BANK BALANCES

	<i>Group</i>		<i>Company</i>	
	2018	2017	2018	2017
	RM	RM	RM	RM
Cash in hand and at banks	2,399,949	2,325,274	1,690,252	1,149,334
Fixed deposits with licensed banks	-	201,218	-	48,500
Total cash and bank balances	<u>2,399,949</u>	<u>2,526,492</u>	<u>1,690,252</u>	<u>1,197,834</u>

The range of effective interest rates and maturities of deposits at the reporting date were as follows:

	<i>Group</i>		<i>Company</i>	
	2018	2017	2018	2017
	RM	RM	RM	RM
Effective interest rates (%)	-	0.75 - 3.30	-	2.90
Maturities (months)	-	1 - 18	-	12

16. SHARE CAPITAL

	<i>Group and Company</i>			
	2018	2017	2018	2017
	Number of ordinary shares		RM	RM
Issued and paid				
At 1 January	102,762,800	102,762,800	52,634,454	51,381,400
Transfer from share premium pursuant to Companies Act 2016	-	-	-	1,253,054
At 31 December	<u>102,762,800</u>	<u>102,762,800</u>	<u>52,634,454</u>	<u>52,634,454</u>

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions. The ordinary shares have no par value.

17. RESERVES

	<i>Group</i>		<i>Company</i>	
	2018	2017	2018	2017
	RM	RM	RM	RM
		(Restated)		
<i>Non-distributable</i>				
Foreign currency translation reserve (Note a)	4,470,126	3,791,043	-	-
Revaluation reserve (Note b)	3,909,037	3,909,037	3,909,037	3,909,037
Fair value adjustment reserve (Note c)	-	37,356	-	37,356
	8,379,163	7,737,436	3,909,037	3,946,393
Accumulated losses	(46,763,416)	(44,063,480)	(48,434,726)	(46,135,362)
	<u>(38,384,253)</u>	<u>(36,326,044)</u>	<u>(44,525,689)</u>	<u>(42,188,969)</u>

(a) Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency. It is also used to record the exchange differences arising from monetary items which form part of the Group's net investment in foreign operations, where the monetary item is denominated in either the functional currency of the reporting entity or the foreign operation.

(b) Revaluation reserve

	<i>Group</i>		<i>Company</i>	
	2018	2017	2018	2017
	RM	RM	RM	RM
		(Restated)		
At 1 January (note 43)	3,909,037	5,776,177	3,909,037	3,909,037
Realisation upon disposal	-	(1,867,140)	-	-
At 31 December	<u>3,909,037</u>	<u>3,909,037</u>	<u>3,909,037</u>	<u>3,909,037</u>

Revaluation reserve comprises the cumulative charges, net of tax effects, arising from the revaluation of land and buildings.

(c) Fair value adjustment reserve

The fair value adjustment reserve comprises the cumulative net change in the fair value of equity and debt securities designated at fair value through other comprehensive income (2017: available-for-sale financial assets) until the assets are derecognised or impaired.

18. FINANCE LEASE LIABILITIES

<i>Group and company</i>	Future instalments payable	Undue interest	Principal payable
	RM	RM	RM
<i>2018</i>			
<i>Shown under current liabilities</i>			
Within 1 year	2,355	(23)	2,332
<i>Shown under non-current liabilities</i>			
Between 2 to 5 years	-	-	-
	<u>2,355</u>	<u>(23)</u>	<u>2,332</u>
<i>2017</i>			
<i>Shown under current liabilities</i>			
Within 1 year	9,420	(443)	8,977
<i>Shown under non-current liabilities</i>			
Between 2 to 5 years	<u>2,355</u>	<u>(23)</u>	<u>2,332</u>
	<u>11,775</u>	<u>(466)</u>	<u>11,309</u>

The effective interest rate of the finance lease of the Group and of the Company is 6.63% (2017: 6.63%) per annum.

19. DEFERRED TAX LIABILITIES

	<i>Group</i>		<i>Company</i>	
	2018 RM	2017 RM	2018 RM	2017 RM
At 1 January	516,441	1,020,016	516,441	516,441
Reversal of deferred tax arising from disposal of land and building	-	(503,575)	-	-
At 31 December	<u>516,441</u>	<u>516,441</u>	<u>516,441</u>	<u>516,441</u>

20. TRADE AND OTHER PAYABLES

	<i>Group</i>		<i>Company</i>	
	2018 RM	2017 RM	2018 RM	2017 RM
Trade payables	863,638	1,039,198	699,454	895,609
Other payables				
Sundry payables	2,357,976	1,405,993	381,082	306,360
Amount due to director of a subsidiary company	-	2,351,119	-	-
Accruals	<u>4,222,465</u>	<u>5,434,683</u>	<u>1,956,244</u>	<u>2,681,760</u>
Total trade and other payables	<u>7,444,079</u>	<u>10,230,993</u>	<u>3,036,780</u>	<u>3,883,729</u>

The normal trade credit terms granted to the Group and to the Company ranged from 30 to 90 days (2017: 30 to 90 days). Other credit terms are assessed and approved on a case-by-case basis.

21. OTHER LIABILITIES

	<i>Group</i>		<i>Company</i>	
	2018 RM	2017 RM	2018 RM	2017 RM
Provision for maintenance warranties	<u>39,900</u>	<u>45,953</u>	<u>9,900</u>	<u>15,953</u>

The Group and the Company give an average of one (1) year warranty on certain products and undertakes to repair or replace items that fail to perform satisfactorily due to manufacturing defect. A provision is recognised for expected warranty claims on products sold during the year, based on past experience of the level of repairs. Assumptions used to calculate the provision for warranties were based on current sales levels and current data on repairs and replacement costs on past twelve months warranty period for all products sold.

22. AMOUNT DUE TO A DIRECTOR

The balance is unsecured, non-interest bearing and has no fixed repayment terms.

23. TRUST RECEIPTS

	<i>Group</i>		<i>Company</i>	
	2018	2017	2018	2017
	RM	RM	RM	RM
Trust receipts	-	159,265	-	159,265

The trust receipts are pledged against freehold land and building of the Company as disclosed in Note 6.

The above trust receipts bear interest rate of Nil (2017: 8.40%) per annum.

24. BANK OVERDRAFTS

	<i>Group</i>		<i>Company</i>	
	2108	2017	2018	2017
	RM	RM	RM	RM
Bank overdrafts	365,381	422,478	365,381	422,478

The bank overdrafts are secured against freehold land and building of the Company as disclosed in Note 6.

The above bank overdrafts bear interest rate of 8.40% (2017: 8.35%) per annum.

25. REVENUE

	<i>Group</i>		<i>Company</i>	
	2018	2017	2018	2017
	RM	RM	RM	RM
Contract revenue	-	1,448,612	-	933,225
Sales of goods	33,892,855	71,560,710	6,289,925	9,409,116
Provision of cloud usage	4,395,364	2,196,200	-	-
Rendering of services	-	120,727	-	-
	<u>38,288,219</u>	<u>75,326,249</u>	<u>6,289,925</u>	<u>10,342,341</u>

26. COST OF SALES

	<i>Group</i>		<i>Company</i>	
	2018	2017	2018	2017
	RM	RM	RM	RM
Construction contract costs	-	548,271	-	817,319
Cost of goods sold	<u>28,602,909</u>	<u>67,641,777</u>	<u>3,551,931</u>	<u>7,246,586</u>
	<u><u>28,602,909</u></u>	<u><u>68,190,048</u></u>	<u><u>3,551,931</u></u>	<u><u>8,063,905</u></u>

27. FINANCE COSTS

	<i>Group</i>		<i>Company</i>	
	2018	2017	2018	2017
	RM	RM	RM	RM
Bank overdraft interest	13,335	35,312	13,335	35,312
Finance lease interest	442	2,354	442	1,001
Trust receipt interest	440	2,786	440	2,786
Loan interest	-	296,016	-	284,486
Other interest	<u>13,885</u>	<u>-</u>	<u>12,962</u>	<u>-</u>
	<u><u>28,102</u></u>	<u><u>336,468</u></u>	<u><u>27,179</u></u>	<u><u>323,585</u></u>

28. (LOSS)/PROFIT BEFORE TAXATION

	<i>Group</i>		<i>Company</i>	
	2018	2017	2018	2017
	RM	RM	RM	RM
(Loss)/profit before taxation is stated <i>after charging</i> :				
Auditors' remuneration				
- current year	181,592	95,000	82,500	60,000
- other auditors	-	100,381	-	16,000
Underprovision of auditors' remuneration in respect of prior year	36,746	29,004	28,200	27,000
Depreciation of property, plant and equipment				
- Included in administrative expenses	64,543	307,925	-	-
- Included in other operating expenses	123,746	117,755	122,952	117,755
	188,289	425,680	122,952	117,755
Depreciation of investment properties	8,230	11,763	4,695	4,695
Amortisation of intangible assets	2,096,000	732,066	-	-
Impairment loss on trade receivables (note 12)	3,210	-	3,122	-
Fair value loss on investment	54,432	-	54,432	-
Loss on foreign exchange				
- realised	722	-	-	-
- unrealised	201	-	-	-
Property, plant and equipment written off	-	21,211	-	-
Rental of premises	1,402,144	883,689	787,384	912,638
Inventories written down	37,043	34,706	15,028	3,869
Employee benefits expense (note 31)	8,839,812	11,403,520	4,327,807	4,615,056

	<i>Group</i>		<i>Company</i>	
	2018	2017	2018	2017
	RM	RM	RM	RM
<i>and crediting:</i>				
Dividend income	-	3,888	-	3,888
Surplus on capital reduction of a subsidiary company	-	-	-	1,958,441
Gain on disposal of property, plant and equipment	17,424	274,719	17,424	20,008
Gain on disposal of subsidiary companies	170,499	-	897,167	-
Gain on foreign exchange				
- realised	1,956	95,875	1,956	35,176
- unrealised	1,952	178,647	1,952	176,523
Interest income	3,392	1,924	1,849	1,877
Management fee	-	-	405,000	324,000
Rental income	-	-	96,000	96,000
Reversal of impairment loss on:				
- trade receivables (note 12)	20,908	1,253,285	-	-
- other receivables (note 12)	15,796	-	15,796	-
- subsidiary companies	-	-	-	3,273,618
Reversal of provision of maintenance warranties	6,053	44,324	6,053	44,324
Reversal of inventories written down	-	38,908	-	-

29. INCOME TAX EXPENSE

	<i>Group</i>		<i>Company</i>	
	2018	2017	2018	2017
	RM	RM	RM	RM
Continuing operations:				
Malaysian income tax:				
- current	-	-	-	-
- under provision in respect of prior year	-	12,189	-	-
	-	12,189	-	-

A reconciliation of income tax expense applicable to (loss)/profit before taxation at the statutory income tax rate to income tax expense at the effective income tax rate is as follows:

	<i>Group</i>		<i>Company</i>	
	2018	2017	2018	2017
	RM	RM	RM	RM
(Loss)/profit before taxation	<u>(2,707,028)</u>	<u>(6,532,839)</u>	<u>(2,310,394)</u>	<u>989,054</u>
Income tax expense at Malaysian statutory tax rate of 24% (2017: 24%)	(649,687)	(1,567,881)	(554,495)	237,373
• Adjustments for the following tax effects:				
- expenses not deductible for tax purposes	385,038	656,303	61,286	121,393
- income not subject to tax	(52,202)	(416,753)	(226,602)	(1,350,228)
- deferred tax assets not recognised during the year	351,124	1,256,405	719,811	991,462
- different tax rate in other countries	(34,273)	71,926	-	-
	649,687	1,567,881	554,495	(237,373)
• under provision of taxation in respect of prior years	-	12,189	-	-
	<u>-</u>	<u>12,189</u>	<u>-</u>	<u>-</u>

The amounts of temporary differences for which no deferred tax assets have been recognised in the statements of financial position are as follows:

	<i>Group</i>		<i>Company</i>	
	2018	2017	2018	2017
	RM	RM	RM	RM
Unutilised business losses	49,743,529	57,332,741	25,365,386	22,415,563
Unabsorbed capital allowances	<u>195,566</u>	<u>2,916,198</u>	<u>195,566</u>	<u>170,826</u>
	<u>49,939,095</u>	<u>60,248,939</u>	<u>25,560,952</u>	<u>22,586,389</u>

30. LOSS PER SHARE**(a) Basic loss per ordinary share**

The basic loss per ordinary share as at 31 December 2018 is arrived at by dividing the Group's loss attributable to the owners of the Company by a weighted average number of ordinary shares outstanding and calculated as follows:

	<i>Group</i>	
	2018	2017
	RM	RM
Loss attributable to owners of the Company	<u>(2,710,739)</u>	<u>(6,203,443)</u>
Weighted average number of ordinary shares at 31 December for basic loss per ordinary share	<u>102,762,800</u>	<u>102,762,800</u>
Basic loss per share (sen)	<u>(2.64)</u>	<u>(6.04)</u>

(b) Diluted loss per ordinary share

The diluted loss per ordinary share as at 31 December 2018 is arrived at by dividing the Group's loss attributable to the owners of the Company by a weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares and calculated as follows:

	<i>Group</i>	
	2018	2017
	RM	RM
Loss attributable to owners of the Company	<u>(2,710,739)</u>	<u>(6,203,443)</u>
Weighted average number of ordinary shares:- Ordinary shares in issued at 1 January/31 December	<u>102,762,800</u>	<u>102,762,800</u>
Diluted loss per share (sen)	<u>(2.64)</u>	<u>(6.04)</u>

31. EMPLOYEE BENEFITS EXPENSE

The employee benefits expense recognised in profit or loss are as follows:

	<i>Group</i>		<i>Company</i>	
	2018	2017	2018	2017
	RM	RM	RM	RM
Salaries and wages	8,285,744	10,638,615	3,984,127	4,242,748
Defined contribution plans	509,742	661,578	305,303	300,537
Other employee benefits	44,326	103,327	38,377	71,771
	<u>8,839,812</u>	<u>11,403,520</u>	<u>4,327,807</u>	<u>4,615,056</u>

Included in employee benefits expense are directors' remuneration who are the key management personnel of the Group:

	<i>Group</i>		<i>Company</i>	
	2018	2017	2018	2017
	RM	RM	RM	RM
Executive directors' remuneration				
- Salaries and other emoluments	350,363	220,143	-	68,943
- fees	36,000	-	36,000	-
	<u>386,363</u>	<u>220,143</u>	<u>36,000</u>	<u>68,943</u>
Non-executive directors remuneration:				
- Fees	156,000	156,000	156,000	156,000
- Other emoluments	-	112,006	-	112,006
	<u>156,000</u>	<u>268,006</u>	<u>156,000</u>	<u>268,006</u>

The number of directors of the Company whose total remuneration during the year fell within the following bands is analysed below:

	<i>Number of directors</i>	
	2018	2017
Executive director:		
RM50,000 and below	1	-
RM50,001 - RM100,000	-	1
Non-executive directors		
RM50,000 and below	7	2
RM50,001 - RM100,000	-	1
RM100,001 - RM150,000	-	1

32. CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the liabilities of the Group and of the Company arising from the financing activities, including both cash and non-cash changes as follows:-

	At 1 January 2018 RM	Net cash flows RM	Non-cash changes/ reclassification RM	At 31 December 2018 RM
<i>Group and Company</i>				
Finance lease liabilities				
- current	8,977	(8,977)	2,332	2,332
- non-current	2,332	-	(2,332)	-
	11,309	(8,977)	-	2,332
Trust receipts	159,265	(159,265)	-	-
	170,574	(168,242)	-	2,332

33. RELATED PARTY DISCLOSURE

(a) In addition to the transactions detailed elsewhere in the financial statements, the Group and the Company carried out the following transactions with the related parties during the financial year:

(i) Transactions with subsidiary companies

	<i>Company</i>	
	2018 RM	2017 RM
<u>With subsidiary companies</u>		
Sale to subsidiary companies	(2,524,593)	(5,262,009)
Purchase from subsidiary companies	105,777	66,541
Management fees receivable from subsidiary companies	(405,000)	(324,000)
Loan to subsidiary companies	-	1,946,416
Recharge of costs from a subsidiary company	2,205,214	2,136,177
Rental income from subsidiary companies	(96,000)	(96,000)

- (b) The remuneration package of the directors and other key management personnel during the year is as follows:

	<i>Group</i>		<i>Company</i>	
	2018 RM	2017 RM	2018 RM	2017 RM
Short term employee benefits	312,000	5,054,443	312,000	907,520
Defined contribution plans	38,363	230,002	38,363	67,863
	<u>350,363</u>	<u>5,284,445</u>	<u>350,363</u>	<u>975,383</u>
Payable to:				
	<i>Group</i>		<i>Company</i>	
	2018 RM	2017 RM	2018 RM	2017 RM
Directors	350,363	488,149	-	336,949
Other key management personnel	-	4,796,296	350,363	638,434
	<u>350,363</u>	<u>5,284,445</u>	<u>350,363</u>	<u>975,383</u>

34. FINANCIAL INSTRUMENTS

The Group's and the Company's activities are exposed to foreign currency risk, interest rate risk, equity price risk, credit risk and liquidity risk. The Group's and the Company's overall financial risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's and the Company's financial performance.

(a) Financial Risk Management Policies

The Group's and the Company's policies in respect of the major areas of treasury activity are as follows:

(i) **Foreign Currency Risk**

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rate. The currencies giving rise to this risk are primarily Singapore Dollar ("SGD"), United States Dollar ("USD") and Hong Kong Dollar ("HKD").

The Group is exposed to foreign currency risk on transactions and balances that are denominated in currencies other than the respective functional currencies of the Group's entities. Foreign currency risk is monitored closely on an ongoing basis to ensure that the net exposure is at an acceptable level.

The net unhedged financial assets/liabilities of the Group not denominated in their functional currencies of the respective companies are as follows:-

<i>Group</i>	Singapore Dollar (SGD) RM	United States Dollar (USD) RM	Hong Kong Dollar (HKD) RM	Others RM	Total RM
2018					
Ringgit Malaysia					
Cash and bank balances	13,455	51,275	603,273	19,498	687,501
Trade receivables	-	50,965	3,170,400	-	3,221,365
Trade payables	(21,520)	(103,941)	(2,089,339)	-	(2,214,800)
Other payables	-	-	(2,027,126)	-	(2,027,126)
Net currency exposure	(8,065)	(1,701)	(342,792)	19,498	(333,060)
<i>Group</i>					
2017					
(Restated)					
Ringgit Malaysia					
Cash and bank balances	20,867	21,395	5,335	29,509	77,106
Trade receivables	107,892	71,859	-	-	179,751
Trade payables	(23,478)	(12,575)	-	(18,611)	(54,664)
	105,281	80,679	5,335	10,898	202,193
Singapore Dollar					
Cash and bank balances	-	517,460	-	-	517,460
Trade receivables	-	18,089	-	-	18,089
	-	535,549	-	-	535,549
Net currency exposure	105,281	616,228	5,335	10,898	737,742

Foreign Currency Risk Sensitivity Analysis

The following table details the sensitivity analysis to a reasonably possible change in the foreign currencies as at the end of the reporting period, with all other variables held constant:

	<i>Group</i>	
	2018	2017
	RM	RM
	(Increase)/ Decrease	(Increase)/ Decrease (Restated)
Effects on loss after taxation/equity		
Strengthened by 10%		
- Singapore Dollar	807	10,528
- United States Dollar	170	61,623
- Hong Kong Dollar	34,280	534
- Others	1,950	1,090
Weakened by 10%		
- Singapore Dollar	(807)	(10,528)
- United States Dollar	(170)	(61,623)
- Hong Kong Dollar	(34,280)	(534)
- Others	<u>(1,950)</u>	<u>(1,090)</u>

(ii) Interest Rate Risk

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

The Group's and the Company's exposures to interest rate risk arise mainly from its interest bearing financial liabilities. The Group's policy in dealing with interest bearing financial liabilities is to obtain the financing with the most favourable interest rates in the market.

Fair Value Sensitivity Analysis For Fixed Rate Instrument

The Group and the Company do not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rate at the end of the reporting period would not affect profit or loss.

Interest Rate Risk Sensitivity Analysis

The following table details the sensitivity analysis on the floating rate instruments to a reasonably possible change in the interest rate as at the end of the reporting period, with all other variables held constant:

	<i>Group</i>		<i>Company</i>	
	2018	2017	2018	2017
	RM	RM	RM	RM
Effects on loss before taxation/ equity				
Increase of 100 basis points	3,654	3,341	3,654	3,226
Decrease of 100 basis points	<u>(3,654)</u>	<u>(3,341)</u>	<u>(3,654)</u>	<u>(3,226)</u>

(iii) Equity Price Risk

Equity price risk is the risk that the fair value or future cash flow of the financial statements will fluctuate because of changes in market prices (other than currency or interest rate).

The Group is exposed to equity price risk arising from their investment in quoted shares. The quoted shares in Malaysia are listed on Bursa Malaysia Securities Berhad. These instruments are classified as fair value through profit or loss. The Group does not have exposure to commodity price risk.

Equity Price Risk Sensitivity Analysis

A 10% (2017: 10%) increase in the market price of the quoted shares as at the end of the reporting period would have increased equity by RM3,305 (2017: RM8,748). A 10% (2017: 10%) decrease in market price would have had equal but opposite effect on equity.

(iv) Credit Risk**(a) Trade receivables**

Credit risk is a risk of loss that may arise on outstanding financial instruments should a counterpart default on its obligations. The Group's exposure to credit risk, or the risk of counterparties defaulting, arises mainly from trade and other receivables. The maximum exposure to credit risk is represented by the carrying amount of this financial asset in the statements of financial position reduced by the effects of any netting arrangements with counterparties.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of the trade and other receivables as appropriate. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. Impairment is estimated by management based on prior experience and the current economic environment.

Exposure to Credit Risk

At the reporting date, the Group's and the Company's maximum exposures to credit risk are represented by the carrying amount of each class of financial assets recognised in the statements of the financial position.

Credit Risk Concentration Profile

The Group has no significant concentration of credit risk that may arise from exposure to a single receivable or to groups of receivables at reporting date.

The Group determines concentrations of credit risk by monitoring the business segment of its trade receivables on an ongoing basis. The credit risk concentration profile of the Group's and the Company's trade receivables at the end of the reporting period are as follows:

	2018		2017	
	RM	% of total	RM	% of total
<i>By business segments:</i>				
Electronics and system integration	4,034,342	92%	1,062,562	74%
Security systems, mechanical and electrical engineering	352,599	8%	256,070	18%
Other operations	-	0%	118,320	8%
	<u>4,386,941</u>	<u>100%</u>	<u>1,436,952</u>	<u>100%</u>
<i>By geographic regions:</i>				
Malaysia	1,216,541	28%	1,272,740	89%
Singapore	-	0%	51,979	4%
Hong Kong	3,170,400	72%	112,233	7%
	<u>4,386,941</u>	<u>100%</u>	<u>1,436,952</u>	<u>100%</u>

Ageing Analysis

The ageing analysis of the Group's and of the Company's trade receivables at the reporting date is as follows:

<i>Group</i>	Gross amount RM	Individual impairment RM	Expected Credit Loss RM	Carrying amount RM
<i>2018</i>				
Not past due	2,395,852	-	-	2,395,852
Past due:				
- less than 3 months	1,534,645	-	-	1,534,645
- between 4 to 6 months	217,815	-	-	217,815
- between 7 to 12 months	75,005	-	-	75,005
- more than 12 months	2,781,347	(2,614,286)	(3,437)	163,624
	<u>7,004,664</u>	<u>(2,614,286)</u>	<u>(3,437)</u>	<u>4,386,941</u>
<i>2017</i>				
Not past due	504,725	-	-	504,725
Past due:				
- less than 3 months	701,346	-	-	701,346
- between 4 to 6 months	133,567	-	-	133,567
- between 7 to 12 months	19,805	-	-	19,805
- more than 12 months	2,712,703	(2,635,194)	-	77,509
	<u>4,072,146</u>	<u>(2,635,194)</u>	<u>-</u>	<u>1,436,952</u>
<i>Company</i>	Gross amount RM	Individual impairment RM	Excepted Credit Loss RM	Carrying amount RM
<i>2018</i>				
Not past due	150,947	-	-	150,947
Past due:				
- less than 3 months	388,944	-	-	388,944
- between 4 to 6 months	105,312	-	-	105,312
- between 7 to 12 months	32,833	-	-	32,833
- more than 12 months	2,323,187	(2,262,835)	(3,122)	57,230
	<u>3,001,223</u>	<u>(2,262,835)</u>	<u>(3,122)</u>	<u>735,266</u>
<i>2017</i>				
Not past due	381,261	-	-	381,261
Past due:				
- less than 3 months	557,055	-	-	557,055
- between 4 to 6 months	31,372	-	-	31,372
- between 7 to 12 months	1,757	-	-	1,757
- more than 12 months	2,301,973	(2,262,835)	-	39,138
	<u>3,273,418</u>	<u>(2,262,835)</u>	<u>-</u>	<u>1,010,583</u>

Trade receivables that are neither past due nor impaired are regular customers of the Group. The Group uses ageing analysis to monitor the credit quality of the trade receivables. Any receivables having significant balances past due or more than 12 months, which are deemed to have higher credit risk, are monitored individually.

Trade receivables that are past due but not impaired are unsecured in nature. They are creditworthy receivables.

At the end of the reporting period, trade receivables that are individually impaired were those that have defaulted in payments. These receivables are not secured by any collateral or credit enhancement.

The collective impairment is determined based on estimated irrecoverable amounts, determined by reference to past default experience.

(b) Cash and cash equivalents

The cash and cash equivalents are held with banks. 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.

These banks have low credit risks. In addition, some of the bank balances are insured by government agencies. Consequently, the Group and the Company are of the view that the loss allowance is not material and hence, it is not provided for.

(c) Other receivables

Credit risks on other receivables are mainly arising from deposits paid for office buildings and fixtures rented. These deposits will be received at the end of each lease terms. The Group manages the credit risk together with the leasing arrangement.

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.

As at the end of the reporting period, the Company did not recognised any allowance for impairment losses.

(d) Inter-company loans and advances

Risk management objectives, policies and processes for managing the risk

The Company provides unsecured advances to subsidiaries. The Company monitors the ability of the subsidiaries to repay the loans and advances on an individual basis.

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.

Recognition and measurement of impairment loss

Generally, the Company considers advances to subsidiaries have low credit risk. The Company assumes that there is a significant increase in credit risk when a subsidiary's financial position deteriorates significantly. As the Company is able to determine the timing of payments of the subsidiaries' advances when they are payable, the Company considers the advances to be in default when the subsidiaries are not able to pay when demanded. The Company considers a subsidiary's advance to be credit impaired when:

- The subsidiary is unlikely to repay its advance to the Company in full;
- The subsidiary's advance is overdue for more than 365 days; or
- The subsidiary is continuously loss making and is having a deficit shareholders' fund.

The Company determines the probability of default for these advances individually using internal information available.

The following table provides information about the exposure to credit risk and ECLs for subsidiaries' advances as at 31 December 2018.

	Gross carrying amount	Impairment loss allowance	Net balance
<i>Company</i>	RM	RM	RM
Low credit risk	4,457,130	-	4,457,130
Credit impaired	34,012,557	(33,361,638)	650,919
	<u>38,469,687</u>	<u>(33,361,638)</u>	<u>5,108,049</u>

(v) Liquidity Risk

Liquidity risk is the risk that the Group and the Company will encounter difficulty in meeting financial obligations due to shortage of funds.

The Group's and the Company's exposures to liquidity risk arise mainly from general funding and business activities. The Group and the Company practise risk management by maintaining sufficient cash balances and the availability of funding through certain committed credit facilities.

The following tables set out the maturity profile of the financial liabilities as at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period):

<i>Group</i>	Weighted Average Effective Rate %	Carrying Amount RM	Contractual Undiscounted Cash Flows RM	On Demand or Within 1 Year RM	1 - 2 Years RM	2 - 5 Years RM	Over 5 Years RM	Total RM
2018								
Trade and other payables		7,444,079	7,444,079	7,444,079	-	-	-	7,444,079
Finance lease liabilities	6.63	2,332	2,355	2,355	-	-	-	2,355
Bank overdrafts	8.40	365,381	365,381	365,381	-	-	-	365,381
		<u>7,811,792</u>	<u>7,811,815</u>	<u>7,811,815</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,811,815</u>
2017								
Trade and other payables		10,230,993	10,230,993	10,230,993	-	-	-	10,230,993
Finance lease liabilities	6.63	11,309	11,775	9,420	2,355	-	-	11,775
Trust receipts	8.40	159,265	159,265	159,265	-	-	-	159,265
Bank overdrafts	8.35	422,478	422,478	422,478	-	-	-	422,478
		<u>10,824,045</u>	<u>10,824,511</u>	<u>10,822,156</u>	<u>2,355</u>	<u>-</u>	<u>-</u>	<u>10,824,511</u>

<i>Company</i>	Weighted Average Effective Rate %	Carrying Amount RM	Contractual Undiscounted Cash Flows RM	On Demand or Within 1 Year RM	1 - 2 Years RM	2 - 5 Years RM	Over 5 Years RM	Total RM
2018								
Trade and other payables		3,036,780	3,036,780	3,036,780	-	-	-	3,036,780
Amount due to subsidiary companies		5,668,735	5,668,735	5,668,735	-	-	-	5,668,735
Finance lease liabilities	6.63	2,332	2,355	2,355	-	-	-	2,355
Bank overdrafts	8.35	365,381	365,381	365,381	-	-	-	365,381
		<u>9,073,228</u>	<u>9,073,251</u>	<u>9,073,251</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,073,251</u>
2017								
Trade and other payables		3,883,729	3,883,729	3,883,729	-	-	-	3,883,729
Amount due to subsidiary companies		5,708,204	5,708,204	5,708,204	-	-	-	5,708,204
Finance lease liabilities	6.63	11,309	11,775	9,420	2,355	-	-	11,775
Trust receipts	8.40	159,265	159,265	159,265	-	-	-	159,265
Bank overdrafts	8.35	422,478	422,478	422,478	-	-	-	422,478
		<u>10,184,985</u>	<u>10,185,451</u>	<u>10,183,096</u>	<u>2,355</u>	<u>-</u>	<u>-</u>	<u>10,185,451</u>

(b) Capital Risk Management

The Group and the Company manage their capital to ensure that the Group and the Company will be able to maintain an optimal capital structure so as to support their businesses and maximise shareholders' value. To achieve this objective, the Group and the Company may make adjustments to the capital structure in view of changes in economic conditions, such as issuing new shares.

The Group and the Company manage their capital based on debt-to-equity ratio. The debt-to-equity ratio is calculated as net debt divided by total equity. Net debt for the Group is calculated as term loans, trade and other payables less cash and cash equivalents. Net debt for the Company is calculated as term loans, trade and other payables plus amount owing to subsidiary companies less cash and cash equivalents.

The debt-to-equity ratios of the Group and of the Company as at the end of the financial year were as follows:

	<i>Group</i>		<i>Company</i>	
	2018	2017	2018	2017
	RM	RM	RM	RM
Trade and other payables	7,444,079	10,230,993	3,036,780	3,883,729
Amount due to subsidiary companies	-	-	5,668,735	5,708,204
Amount due to a director	13,418	-	-	-
Finance lease liabilities	2,332	11,309	2,332	11,309
Trust receipts	-	159,265	-	159,265
Bank overdrafts	365,381	422,478	365,381	422,478
	<u>7,825,210</u>	<u>10,824,045</u>	<u>9,073,228</u>	<u>10,184,985</u>
Less: Cash and bank balances	<u>(2,399,949)</u>	<u>(2,526,492)</u>	<u>(1,690,252)</u>	<u>(1,197,834)</u>
Net debt	<u><u>5,425,261</u></u>	<u><u>8,297,553</u></u>	<u><u>7,382,976</u></u>	<u><u>8,987,151</u></u>
Total equity	<u><u>14,300,788</u></u>	<u><u>17,205,521</u></u>	<u><u>8,108,765</u></u>	<u><u>10,445,485</u></u>
Debt-to-equity ratio	<u><u>0.38</u></u>	<u><u>0.48</u></u>	<u><u>0.91</u></u>	<u><u>0.86</u></u>

There were no changes in the Group's and the Company's approaches to capital management during the financial year.

(c) Classification Of Financial Instruments

The Group and the Company financial assets and financial liabilities are measured on an ongoing basis at either fair value or at amortised cost based on their respective classification. The significant accounting policies in note 4 describe how the classes of financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognised.

The table below provides an analysis of financial instruments categorised under MFRS 9 as follows:

- (i) Amortised cost ("AC"); and
- (ii) Fair value through profit or loss ("FVTPL")

	Carrying amount RM	AC RM	FVTPL RM
Financial assets			
31.12.2018			
Group			
Other investments	33,048	-	33,048
Trade and other receivables	5,256,199	5,256,199	-
Cash and bank balances	2,399,949	2,399,949	-
Company			
Other investments	33,048	-	33,048
Trade and other receivables	1,328,865	1,328,865	-
Amount due from subsidiary companies	5,108,049	5,108,049	-
Cash and bank balances	1,690,252	1,690,252	-
Financial liabilities			
31.12.2018			
Group			
Trade and other payables	7,444,079	7,444,079	
Finance lease liabilities	2,332	2,332	
Amount due to a director	13,418	13,418	
Bank overdrafts	365,381	365,381	
Company			
Trade and other payables	3,036,780	3,036,780	
Amount due to subsidiary companies	5,668,735	5,668,735	
Finance lease liabilities	2,332	2,332	
Bank overdrafts	365,381	365,381	

The table below provides an analysis of financial instruments categorised under MFRS 139 as follows:

- (i) Loan and receivables ("LR")
- (ii) Available-for-sale Financial Assets ("AFSFS")' and
- (iii) Financial liabilities measured at amortised cost ("FL")

	Carrying amount RM	LR RM	AFSFS RM
Financial assets			
31.12.2017			
Group			
Other investments	87,480	-	87,480
Trade and other receivables	7,141,622	7,141,622	-
Cash and bank balances	2,526,492	2,526,492	-
Company			
Other investments	87,480	-	87,480
Trade and other receivables	1,437,667	1,437,667	-
Amount due from subsidiary companies	8,038,440	8,038,440	-
Cash and bank balances	1,197,834	1,197,834	-
Financial liabilities			
31.12.2017			
Group			
Trade and other payables	10,230,993	10,230,993	
Finance lease liabilities	11,309	11,309	
Trust receipts	159,265	159,265	
Bank overdrafts	422,478	422,478	
Company			
Trade and other payables	3,883,729	3,883,729	
Amount due to subsidiary companies	5,708,204	5,708,204	
Finance lease liabilities	11,309	11,309	
Trust receipts	159,265	159,265	
Bank overdrafts	422,478	422,478	

(d) Fair Values Of Financial Instruments

The carrying amounts of the financial assets and financial liabilities of the Group and of the Company reported in the financial statements approximated their fair values due to the short term nature, except for:

(i) Quoted shares in other investments

Quoted shares in other investments are carried at fair value by reference to their quoted closing prices at the end of the reporting period.

(ii) Financial instruments that do not approximate their fair values are as follows:

	<i>Group</i>		<i>Company</i>	
	Carrying amount RM	Fair value RM	Carrying amount RM	Fair value RM
2018				
<u>Financial liabilities</u>				
Finance lease liabilities	2,332	2,362	2,332	2,362
2017				
<u>Financial liabilities</u>				
Finance lease liabilities	11,309	11,164	11,309	11,164

The fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at market rate of interest at the end of the financial year.

Fair value estimates are made at a specific point in time and based on relevant market information and information about the financial instruments. These estimates are subjective in nature, involve uncertainties and matters of significant judgement and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

(e) Fair Value Hierarchy

The fair value measurement hierarchies used to measure assets and liabilities carried at fair value in the statements of financial position as at 31 December 2018 are disclosed as in significant accounting policies in note 4(x):

	<i>Group and Company</i>	
	2018	2017
	RM	RM
<u>Level 1</u>		
Quoted shares	33,048	87,480

The Group and the Company do not have any financial liabilities carried at fair value nor any financial instruments classified as Level 2 and Level 3 as at 31 December 2018.

35. OPERATING SEGMENTS

During the year, for management purposes, the Group was reorganised into business units based on their services and has four reportable business segments as follows:

Electronics and system integration	Design, manufacturing and installation of electronics and microprocessor controlled products. Trading, maintenance and supply of industrial electronic equipment. Intelligent transportation system and major system integration projects involving Information Communication Technology, supply and service of telecommunication equipment, audio visual multimedia systems.
Security systems, mechanical and electrical engineering ("M&E")	Supply and installation of security systems. Specialist in fire protection system design and installation works and mechanical engineering services. Industrial maintenance and service works. Trading of transport equipment and provision of related services. Manufacturing of filter inclusive of import and marketing.
Sheet metal fabrication	Involving in precision sheet metal fabrication works and manufacturing of precision fabrication.
Other operations	Involving in provision of mobile entertainment services, trading of precision instruments, integrated internet marketing services, development of IT applications, general trading and provision of hospitality services.

Geographical segments

The Group operates in three principal geographical areas based on location of assets:

Malaysia	All main businesses disclosed in primary reporting format-business segments.
Hong Kong	Provision of mobile entertainment services, trading of precision instruments, integrated internet marketing services, development of IT applications, general trading and provision of hospitality services.
Singapore	Provision of services for maintenance of industrial equipment, general contractors and commission agents.

Allocation basis and transfer pricing

Segment revenue, results, assets and liabilities include items directly attributable to a segment as well as those can be allocated on a reasonable basis.

Inter-segment sales comprise revenue from projects and trading, office rental and secretarial and management fees. The inter-segment transactions have been entered into in the ordinary course of business at terms mutually agreed between the companies concerned.

Business segments

Group	Electronics and system integration		Security systems and M&E		Other operations		Adjustments and eliminations		Total	Total
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue										
External revenue	6,553	5,455	1,493	1,785	30,242	68,086	-	-	38,288	75,326
Inter-segment revenue	24,673	62,110	74	30	-	-	(24,747)	(62,140)	-	-
Total	31,226	67,565	1,567	1,815	30,242	68,086	(24,747)	(62,140)	38,288	75,326
Results										
Segment results										
Interest income	3	-	-	2	-	-	-	-	3	2
Interest expenses	28	323	-	-	-	13	-	-	28	336
Depreciation and amortisation	141	139	1	46	2,151	985	-	-	2,293	1,170
Impairment loss on trade receivables	3	-	-	-	-	-	-	-	3	-
Inventories written down	37	34	-	-	-	-	-	-	37	34
Property, plant and equipment written off	-	-	-	21	-	-	-	-	-	21
Reversal of impairment loss on trade receivables	-	-	21	-	-	1,253	-	-	21	1,253
Segment (loss)/profit	(2,661)	(10)	74	(404)	437	(1,154)	(557)	(4,977)	(2,707)	(6,545)
Assets										
Segment assets	13,754	21,273	1,171	6,382	12,129	11,120	(4,703)	(10,547)	22,351	28,228
Unallocated assets	-	-	-	-	364	364	-	-	364	364
Total assets	13,754	21,273	1,171	6,382	12,493	11,484	(4,703)	(10,547)	22,715	28,592
Liabilities										
Segment liabilities	(4,142)	(7,175)	(159)	(3,270)	(45,161)	(43,685)	41,048	43,160	(8,414)	(10,970)
Unallocated liabilities	-	-	-	-	-	(417)	-	-	-	(417)
Total liabilities	(4,142)	(7,175)	(159)	(3,270)	(45,161)	(44,102)	41,048	43,160	(8,414)	(11,387)
Capital expenditures	52	4	2	-	-	5,848	-	-	54	5,852
Bad debts written off	-	-	-	-	-	-	-	-	-	-

Geographical segments:

Group	Malaysia		Hong Kong		Singapore		Adjustments and eliminations		Total	Total
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue										
External revenue	5,305	6,865	30,242	68,086	2,741	375	-	-	38,288	75,326
Results										
Segment results										
Interest income	3	2	-	-	-	-	-	-	3	2
Interest expenses	28	321	-	13	-	2	-	-	28	336
Depreciation and amortisation	142	172	2,151	982	-	16	-	-	2,293	1,170
Impairment loss on trade receivables	3	-	-	-	-	-	-	-	3	-
Inventories written down	37	34	-	-	-	-	-	-	37	34
Property, plant and equipment written off	-	21	-	-	-	-	-	-	-	21
Segment (profit)/loss	(2,607)	96	457	(1,136)	-	(528)	(557)	(4,977)	(2,707)	(6,545)
Total assets	13,629	23,759	13,789	11,477	-	3,903	(4,703)	(10,547)	22,715	28,592
Total liabilities	(7,932)	(11,952)	(41,530)	(40,491)	-	(2,104)	41,048	43,160	(8,414)	(11,387)
Capital expenditures	54	4	-	5,848	-	-	-	-	54	5,852

Notes:

- (a) Inter-segment sales are eliminated on consolidation.
- (b) The inter-segment assets are added to segment assets to arrive at total assets reported in consolidated financial statements.
- (c) The inter-segment liabilities are added to segment liabilities to arrive at total liabilities reported in consolidated financial statements.

36. OPERATING LEASE COMMITMENTS

Operating lease payments represent rental payable by the Group and the Company for use of office building and warehouse.

The future aggregate minimum lease payments under non-cancellable operating lease contracted for as at the reporting date but not recognised as liabilities, are as follows:

	<i>Group</i>		<i>Company</i>	
	2018	2017	2018	2017
	RM	RM	RM	RM
Future minimum lease payments:				
Not later than 1 year	389,280	445,241	12,000	48,000
Later than 1 year and not later than 5 years	-	12,000	-	12,000
	<u>389,280</u>	<u>457,241</u>	<u>12,000</u>	<u>60,000</u>

37. CONTINGENT LIABILITIES

As at the date of the report, the Group and the Company is not engaged in any material litigations.

38. CAPITAL COMMITMENTS

As at the date of the report , the Group and the Company is not engaged in any capital commitment.

39. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

- (a) On 14 March 2018, the Company has incorporated a wholly-owned subsidiary in Malaysia known as Great Voyage Berhad ("GVB") with issued share capital of RM2 comprising of 2 ordinary shares. The intended activities of GVB are provision of trading, services and management of automobile and related service.
- (b) On 10 August 2018, The Board of Directors of Industronics Berhad ("IB") announced that the Company had entered into a Share Sale Agreement with Low Kwai Soon (IC No. 570712-08-6135), a Malaysian citizen of full age and residing at Pangsapuri Seri Jati, Block J06-07-13, Jalan Setia Gemilang U13/45C, Seksyen U13, Setia Alam 40170 Shah Alam, Selangor Darul Ehsan ("the Purchaser") for the disposal of its entire shareholding of 510,000 ordinary shares representing 51% of the total number of shares issued Sukitronics Sdn. Bhd. to the Purchaser for a total consideration of RM5,100.
- (c) On 14 August 2018, The Board of Directors of IB announced that the Company had entered into a Share Sale Agreement with Pang Jiye (China Passport No.: E24832554), a Chinese citizen of full age ("The Purchaser") for the disposal of its entire shareholdings of 70,000 ordinary shares representing 70% of the total number of shares issued in Industrial Electronics Pte Ltd to the Purchaser for a total consideration of SGD370,760.
- (d) On 15 November 2018, The Board of Directors of IB announced that the Company proposes to undertake the Proposed Share Capital Reduction of RM48.20 million of the issued share capital of IB pursuant to Section 116 of the Company Act 2016. The corresponding credit of RM48.20 million arising from such cancellation will be utilised to eliminate the accumulated losses of the Company and the balance will be credited to the retained earnings account of the Company which may be utilised in such manner as the Board deems fit and as permitted by the relevant and applicable laws and the Company's Constitution. However, The Proposed Share Capital Reduction is subject to and conditional upon the following approvals being obtained:
 - (i) the shareholders of IB for the Proposed Share Capital Reduction at an Extraordinary General Meeting ("EGM") to be convened; and
 - (ii) order of the Court pursuant to Section 116 of the Act for the Proposed Share Capital

40. SIGNIFICANT EVENT SUBSEQUENT TO THE FINANCIAL YEAR

- (a) On 10 January 2019, The Board of Directors of Industriatics Berhad announced that the Company proposes to undertake the Proposed Private Placement of up to 10% of the total number of issued shares of IB ("Proposed Private Placement"); and proposed issuance of up to 20,552,560 new ordinary shares in IB representing up to 20% of the total number of issued shares of IB at issue price to be determined later. ("Proposed Shares Issuance"). On 28 January 2019, the additional listing application in respect of the Proposed Private Placement had been submitted to Bursa Securities.
- (b) On 11 January 2019, The Board of Directors of IB to inform that the shareholders of IB had, at an EGM of IB held on Friday, 11 January 2019 approved the the Proposed Share Capital Reduction of RM48.20 million of the issued share capital of IB pursuant to Section 116 of the Company Act 2016 as announced on 15 November 2018.
- (c) On 20 February 2019, the Board of Directors of IB announce that the Company had on 13 February 2019 incorporated a new wholly-owned subsidiary, namely ECGO International Limited [Company No.: 2795340] ("ECGO"). The company is currently dormant. ECGO was incorporated in Hong Kong on 13 February 2019 under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) with an issued share capital of HK\$1 divided into 1 ordinary share. The sole Director of ECGO is Ms Liu Wing Yee, Amy.
- (d) On 18 March 2019, the Board of Directors of IB to announce that Bursa Securities had, vide its letter dated 18 March 2019, approved the listing of and quotation for up to 10,276,280 Placement Shares representing not more than 10% of the existing issued shares of IB to independent third party investor(s) at an issue price of RM0.09 per Placement Share to be issued pursuant to the Proposed Private Placement.
- (e) On 21 March 2019, the Board of Directors of IB announce that the Company had via its legal counsel, filed a petition to the High Court of Malaya, Kuala Lumpur in relation to the Proposed Share Capital Reduction which announced on 15 November 2018 and obtain shareholders' approval on EGM held on 11 January 2019.
- (f) On 26 March 2019, the Board of Directors of IB announce that the Proposed Private Placement has been completed on even date with the listing of 10,276,280 new IB Shares on the Main Market of Bursa Malaysia Securities Berhad.
- (g) On 8 April 2019, the Board of Directors of IB announce that the Company had on 8 April 2019 entered into two (2) conditional shares subscription agreements ("Subscription Agreement(s)") with the following subscribers:-
 - 1. Mr Chu Boon Tiong ("Mr Chu"), an Executive Director of the Company; and
 - 2. Mr Kevin Chan Ka Leung ("Mr Kevin"), a substantial shareholder of the Company;
 (collectively, the "Subscribers" and individually a "Subscriber") to each subscribe for 10,276,280 new IB Shares representing 10% of the total number of issued Shares in IB as at 9 January 2019, being the latest practicable date prior to the Company's announcement dated 10 January 2019 ("Initial Announcement LPD") at an issue price of RM0.0907 per Subscription Share ("Issue Price"). The total new IB Shares to be subscribed by the Subscribers is 20,552,560 ("Subscription Share(s)").
- (h) On 16 April 2019, the Board of Directors of IB announce that the additional listing application in respect of the Proposed Shares Issuance had been submitted to Bursa Securities.

- (i) On 24 April 2019, the Board of Directors of IB announce that Bursa Securities had, vide its letter dated 24 April 2019, approved the listing of and quotation for up to 20,552,560 Subscription Shares to be issued pursuant to Proposed Share Issuance.

41. SIGNIFICANT CHANGES IN ACCOUNTING POLICIES

During the year, the Group and the Company adopted MFRS 15, Revenue from Contracts with Customers and MFRS 9, Financial Instruments on their financial statements. The Group and the Company generally applied the requirements of these accounting standards retrospectively with practical expedients and transitional exemptions as allowed by the standards. Nevertheless, as permitted by MFRS 9, the Group and the Company have elected not to restate the comparatives.

Impacts on Financial Statements

The following tables summarise the impacts arising from the adoption of MFRS 9 and MFRS 15 on the Group and Company's financial statements.

(i) Statement of financial position

Group	As at 31.12.2017 RM	MFRS 15 adjustments RM	MFRS 9 adjustments RM	As at 1.1.2018 RM
Other investment	87,480	-	-	87,480
Trade and other receivables	7,141,622	-	(227)	7,141,395
Others	21,363,063	-	-	21,363,063
Total assets	28,592,165	-	(227)	28,591,938
Trade and other payables	10,230,993	-	-	10,230,993
Contract liabilities	-	26,326	-	26,326
Others	1,155,651	-	-	1,155,651
Total liabilities	11,386,644	26,326	-	11,412,970
Accumulated losses	(44,063,480)	(26,326)	37,129	(44,052,677)
Fair value reserve	37,356	-	(37,356)	-
Others	61,231,645	-	-	61,231,645
Total equity	17,205,521	(26,326)	(227)	17,178,968
Total equity and liabilities	28,592,165	-	(227)	28,591,938
Company	As at 31.12.2017 RM	MFRS 15 adjustments RM	MFRS 9 adjustments RM	As at 1.1.2018 RM
Trade and other payables	3,883,729	-	-	3,883,729
Contract liabilities	-	26,326	-	26,326
Others	6,833,650	-	-	6,833,650
Total liabilities	10,717,379	26,326	-	10,743,705
Accumulated losses	(46,135,362)	(26,326)	37,356	(46,124,332)
Fair value reserve	37,356	-	(37,356)	-
Others	56,543,491	-	-	56,543,491
Total equity	10,445,485	(26,326)	-	10,419,159
Total equity and liabilities	21,162,864	-	-	21,162,864

(ii) Statement of profit of loss and other comprehensive income**Group**

	As at	Balance with	Effect of
<i>For the financial year ended</i>	31.12.2017	adoption of	changes
<i>31 December 2017</i>	RM	RM	RM
Revenue	75,326,249	75,299,923	(26,326)
Cost of sales	(68,190,048)	(68,190,048)	-
Gross profit	7,136,201	7,109,875	(26,326)
Other income	1,943,142	1,943,142	-
Selling and distribution expenses	(1,244,145)	(1,244,145)	-
Administrative expenses	(13,003,374)	(13,003,374)	-
Other operating expenses	(1,028,195)	(1,028,422)	(227)
Profit from operations	(6,196,371)	(6,222,924)	(26,553)
Finance costs	(336,468)	(336,468)	-
Loss before tax	(6,532,839)	(6,559,392)	(26,553)
Tax expense	(12,189)	(12,189)	-
Loss after tax	(6,545,028)	(6,571,581)	(26,553)
	As previously	Adoption of	Effect of
	reported	MFRS 9 and 15	changes
Basic loss per share (sen)	(6.04)	(6.06)	(0.02)
Dilute loss per share (sen)	(6.04)	(6.06)	(0.02)

Company

	As at	Balance with	Effect of
<i>For the financial year ended</i>	31.12.2017	adoption of	changes
<i>31 December 2017</i>	RM	RM	RM
Revenue	10,342,341	10,316,015	(26,326)
Cost of sales	(8,063,905)	(8,063,905)	-
Gross profit	2,278,436	2,252,110	(26,326)
Other income	5,889,531	5,889,531	-
Selling and distribution expenses	(1,236,847)	(1,236,847)	-
Administrative expenses	(5,458,776)	(5,458,776)	-
Other operating expenses	(159,705)	(159,705)	-
Profit from operations	1,312,639	1,286,313	(26,326)
Finance costs	(323,585)	(323,585)	-
Profit before tax	989,054	962,728	(26,326)
Tax expense	-	-	-
Profit after tax	989,054	962,728	(26,326)

(iii) Statement of cash flows**Group**

	As at	Balance with	Effect of
<i>For the financial year ended</i>	31.12.2017	adoption of	changes
<i>31 December 2017</i>	RM	MFRS 9 and 15	RM
Loss before tax	(6,532,839)	(6,559,392)	(26,553)
Adjustments	(233,801)	(233,574)	227
Operating loss before working capital changes	(6,766,640)	(6,792,966)	(26,326)
Change in receivables	7,901,591	7,901,591	-
Changes in payables	473,194	473,194	-
Changes in contract liabilities	-	26,326	26,326
Others	(1,442,260)	(1,442,260)	-
Cash generated from operations	165,885	165,885	-
Interest paid	(35,312)	(35,312)	-
Tax paid	(12,638)	(12,638)	-
Tax refunded	15,530	15,530	-
Net cash generated from operating activities	133,465	133,465	-

Company

	As at	Balance with	Effect of
<i>For the financial year ended</i>	31.12.2017	adoption of MFRS	changes
<i>31 December 2017</i>	RM	9 and 15	RM
Loss before tax	989,054	962,728	(26,326)
Adjustments	(5,028,775)	(5,028,775)	-
Operating loss before working capital changes	(4,039,721)	(4,066,047)	(26,326)
Change in receivables	1,817,338	1,817,338	-
Changes in payables	(2,628,010)	(2,628,010)	-
Changes in contract liabilities	-	26,326	26,326
Others	4,633,407	4,633,407	-
Cash used in operations	(216,986)	(216,986)	-
Interest paid	(35,312)	(35,312)	-
Tax paid	(1,002)	(1,002)	-
Tax refunded	6,109	6,109	-
Net cash used in operating activities	(247,191)	(247,191)	-

42. COMPARATIVE FIGURES

The financial statements for the financial year ended 31 December 2017 were audited by another firm of Chartered Accountants. Certain comparative figures in the financial statements have been reclassified in order to conform with the current year's presentation.

43. CORRECTION OF ERROR

The revaluation reserve for the Group has been understated due on error on disposal of subsidiaries in prior years .

The errors have been corrected by restating each of the affected financial statement line items for the prior years, as follows:

	As previously reported RM	Corrections RM	As restated RM
31 December 2016			
Accumulated losses	(38,750,534)	(976,643)	(39,727,177)
Revaluation reserve	4,799,534	976,643	5,776,177
31 December 2017			
Accumulated losses	(43,086,837)	(976,643)	(44,063,480)
Revaluation reserve	2,932,394	976,643	3,909,037

44. AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS

These financial statements were authorised for issue on 26 April 2019 by the Board of Directors.

ADDITIONAL COMPLIANCE INFORMATION

(Disclosure pursuant to Paragraph 9.25 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad)

(i) Utilisation of Proceeds

There were no fund raising exercises implemented during the financial year.

(ii) Material Contracts

There were no material contracts entered into by the Group since the end of the preceding year which are still subsisting.

(iii) Recurrent Related Party Transactions (“RRPT”) of Revenue Nature

During the financial year, there was no RRPT of Revenue Nature.

LIST OF PROPERTIES as at 31 December 2018

Location	Tenure	Description of Property (approximate land area)	Existing use	Age of Building	Net Carrying Amount RM	Date of Revaluation
COMPANY						
9 Jalan Taming 3 Taman Tanming Jaya 43300 Seri Kembangan Selangor Darul Ehsan	Freehold	Industrial land and building (14,876 sq ft)	Factory, office and warehouse	27 years	5,310,588	December 2016
HS (D) 159898 No. PT 1693, Pekan Panchor Daerah Seremban Negeri Sembilan	Leasehold (99 years) Expire in 2103	Industrial land (1,552 sq. m.)	Vacant land	N/A	120,610	Not Applicable

ANALYSIS OF SHAREHOLDING AS AT 22 MARCH 2019

Issued and paid up capital	:	RM53,559,319
Class of shares	:	Ordinary shares
Voting Rights	:	One Vote per Share

DISTRIBUTION OF SHAREHOLDERS

<i>Size of shareholdings (Number of Ordinary Shares)</i>	<i>No. of shareholders</i>	<i>% of Shareholders</i>	<i>No. of shares</i>	<i>% Of Issued Share Capital</i>
Less than 100	20	1.32	632	0.00
100 – 1,000	117	7.73	48,548	0.05
1,001 – 10,000	813	53.73	4,326,100	4.21
10,001 – 100,000	466	30.80	16,230,320	15.79
100,001 to less than 5% of issued shares	94	6.21	29,356,900	28.57
5% and above of issued shares	3	0.21	52,800,300	51.38
	1,513	100.00	102,762,800	100.00

DIRECTORS' SHAREHOLDING

<i>In the Company</i>	<i>←-----Direct interest-----→</i>		<i>←-----Indirect interest-----→</i>	
	<i>No. of shares</i>	<i>%</i>	<i>No. of shares</i>	<i>%</i>
Liu Wing Yee Amy	0	0	0	0
Chu Boon Tiong	0	0	0	0
Chow Yun Cheung	0	0	0	0
Chui Ee Mien	0	0	0	0
Lu Zhi Qin	0	0	0	0

SUBSTANTIAL SHAREHOLDERS AS PER REGISTER OF SUBSTANTIAL SHAREHOLDERS

	<i>←-----Direct interest-----→</i>		<i>←-----Indirect interest-----→</i>	
	<i>No. of shares</i>	<i>%</i>	<i>No. of shares</i>	<i>%</i>
Maybank Securities Nominees (Asing) Sdn Bhd <i>Exempt an for Maybank Kim Eng Securities Pte Ltd (A/C 648849)</i>	33,477,100	32.58	0	0
Affin Hwang Nominees (Asing) Sdn Bhd <i>Exempt an for Philip Securities (Hong Kong)</i>	12,785,000	12.44	0	0
Kenanga Nominees (Asing) Sdn Bhd <i>Exempt an for Bluemount Securities Limited</i>	6,538,200	6.36	0	0

THIRTY (30) LARGEST SHAREHOLDERS AS AT 22 MARCH 2019

	Shareholder's Name	Investor ID	Shareholding	%
1	MAYBANK SECURITIES NOMINEES (ASING) SDN BHD Exempt AN For Maybank Kim Eng Securities Pte Ltd (A/C 648849)	284592K	33,477,100	32.58
2	AFFIN HWANG NOMINEES (ASING) SDN BHD Exempt AN Phillip Securities (Hong Kong) Ltd (Clients' Account)	278474A	12,785,000	12.44
3	KENANGA NOMINEES (ASING) SDN BHD Exempt AN For Bluemount Securities Limited	280043U	6,538,200	6.36
4	PUBLIC NOMINEES (TEMPATAN) SDN BHD Pledged Securities Account For Tee Kim Hew (E-KLG/BTG)	6464T	1,731,700	1.69
5	TA NOMINEES (TEMPATAN) SDN BHD Pledged Securities Account For Tan Sun Ping	268290H	1,448,300	1.41
6	MAYBANK SECURITIES NOMINEES (ASING) SDN BHD Maybank Kim Eng Securities Pte Ltd For Lim Jit Teng @ Lim Yit Teng	284592K	1,409,000	1.37
7	AFFIN HWANG NOMINEES (ASING) SDN BHD DBS Vickers Secs (S) Pte Ltd for Siu Hiu Ki Jamie	278474A	1,040,600	1.01
8	GAN LU TER	911216-14-5581	855,700	0.83
9	NOR ASHIKIN BINTI KHAMIS	670623-04-5436	813,800	0.79
10	ZECON ENGINEERING BERHAD	134463X	689,500	0.67
11	MR. SERM JUTHAMONGKHON	AA5923329	629,100	0.61
12	FRODINE LOW KWAI MING	760324-14-5508	600,000	0.58
13	TA NOMINIES (TEMPATAN) SDN BHD Pledged Securities Account for Ellyna Merican Binti Zulzurinmerican	268290H	550,000	0.54
14	GEOFFREY LIM FUNG KEONG	690629-10-5709	520,100	0.51
15	WEALTH OVERSEAS PTE. LTD.	200608392K	507,900	0.49
16	KHU TENG KOOI @ KHOO TENG KOOI	481023-02-5033	499,500	0.49
17	PUBLIC NOMINEES (TEMPATAN) SDN BHD Pledged Securities Account For Lee Yock Chem @ Lee York Soo (E-PKG)	6464T	490,000	0.48
18	PIONG CHUI LING	780727-04-5040	488,500	0.48
19	SJ SEC NOMINEES (TEMPATAN) SDN BHD Pledged Securities Account For Chan Sai Kim	206501P	449,200	0.44
20	AFFIN HWANG NOMINEES (ASING) SDN BHD DBS Vickers Secs (S) Pte Ltd For Yau Chi Shing	278474A	447,600	0.44
21	YIN YIT FUN	700719-08-5672	425,000	0.41
22	MAYBANK NOMINEES (TEMPATAN) SDN BHD Pledged Securities Account For Wong Foo Sang @ Wong Chin Lim	258939H	405,000	0.39
23	LIM AH TEE	510406-01-5553	400,000	0.39
24	MOHAMMED ABDULAZIZ S ALAJAI	H684904	400,000	0.39
25	WONG KANG LING	840204-06-5482	389,300	0.38
26	PUBLIC NOMINEES (TEMPATAN) SDN BHD Pledged Securities Account For Tan Chen Pang (E-KLG/BTG)	6464T	380,400	0.37
27	PUBLIC NOMINEES (TEMPATAN) SDN BHD Pledged Securities Account For Wong Siew Meng (E-SKN)	6464T	367,500	0.36
28	TAI YOK YEN	540415-04-5428	352,900	0.34
29	ALLIANCE GROUP NOMINEES (TEMPATAN) SDN BHD Pledged Securities Account For Yeoh Hock Seng	42234H	350,000	0.34
30	BIJAK TULUS SDN BHD	707921D	339,000	0.33
Total			69,779,900	67.91

*Paid-up Capital as at 22 March 2019

102,762,800

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Forty-Fourth (44th) Annual General Meeting (AGM) of Industronics Berhad (“ITRONIC” or “the Company”) will be held at Hotel Seri Petaling, 30, Jalan Radin Anum, Bandar Baru Sri Petaling, 57000 Kuala Lumpur on Friday, 28 June 2019 at 10:30 a.m. for the purpose of transacting the following businesses :-

A G E N D A

1. To receive the Audited Financial Statements for the financial year ended 31 December 2018 together with the Reports of the Directors and the Auditors thereon. *Please refer to Explanatory Note 2*
2. To approve the payment of Directors’ Fees of RM192,000 for the financial year ended 31 December 2018. *Ordinary Resolution 1*
3. To re-elect Ms. Liu Wing Yee Amy, the Director who retires by rotation in accordance with Article 97 of the Company’s Article of Association. *Ordinary Resolution 2*
4. To re-elect the following Directors who shall retire in accordance with Article 102 of the Company’s Articles of Association, and being eligible, have offered themselves for re-election:
 - (a) Mr. Chu Boon Tiong
 - (b) Mr. Chui Ee Mien*Ordinary Resolution 3
Ordinary Resolution 4*
5. To re-appoint Messrs Ong & Wong as Auditors of the Company for the ensuing year and to authorize the Directors to fix their remuneration. *Ordinary Resolution 5*

As Special Business

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

6. *Authority to allot and and issue shares pursuant to Section 75 and 76 of the Companies Act 2016* *Ordinary Resolution 6*

“THAT pursuant to Section 75 and 76 of the Companies Act, 2016, and subject to the approvals of the relevant governmental and/or regulatory authorities, the Directors be and are hereby empowered to issue shares in the Company at any time and upon such terms and conditions, for such purposes as the Directors may, in their absolute discretion deem fit, provided that the aggregate number of shares issued in any one financial year of the Company does not exceed ten per centum (10%) of the issued share capital of the Company for the time being and that the Directors be and are hereby also empowered to obtain approval for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company”.
7. **Proposed Adoption of the New Constitution of the Company** *Special Resolution 1*

“THAT approval be and is hereby given to revoke the existing Memorandum and Articles of Association of the Company with immediate effect and in place thereof, the proposed new Constitution of the Company as set out in the Circular to Shareholders dated 30 April 2019 accompanying the Company’s Annual Report 2018 for the financial year ended 31 December 2018 be and is hereby adopted as the Constitution of the Company AND THAT the Directors of the Company be and are hereby authorised to assent to any modification, variation and/or amendment as may be required by the relevant authorities and to all acts and things and take all such steps as may be considered necessary to give full effect to the foregoing.”
8. To transact any other ordinary business of which due notice shall have been given.

By Order of the Board

LEONG SUE CHING (MAICSA 7040814)
Company Secretary

Kuala Lumpur, Wilayah Persekutuan
30 April 2019

NOTICE OF ANNUAL GENERAL MEETING (Continued)**Notes:-**

1. Only members registered in the Record of Depositors as at 21 June 2019 shall be eligible to attend, speak and vote at this meeting or appoint proxy to attend and vote for his/her behalf.
2. A member entitled to attend and vote at the Meeting is entitled to appoint up to two (2) proxies to attend and vote on his/her behalf.
3. A proxy may but need not be a member of the Company and there shall be no restriction as to the qualifications of the proxy.
4. Where a member appoints two (2) proxies, the appointment shall be valid unless he/she specifies the proportion of his/her shareholding to be represented by each proxy.
5. Where a member is an exempt authorized nominee as defined under the Securities Industry (Central Depositories) Act 1991 that 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 authorized nominee may appoint in respect of each omnibus account it hold.
6. If the appointer is a corporation, the proxy form should be executed under its common seal or under the hand of an officer or attorney duly authorized. The corporation may by its resolution of its Board or a certificate of authorization by the corporation to appoint a person or persons to act as its representative or representatives to attend and vote on their behalf.
7. The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority shall be deposited at the Registered Office of the Company at No. 9A, Jalan Medan Tuanku, Medan Tuanku, 50300 Kuala Lumpur, Wilayah Persekutuan not less than forty-eight (48) hours before the time appointed for holding the Meeting or adjourned Meeting. **Copies of the duly executed Proxy Form which are faxed and/or e-mailed to the Registered Office are not acceptable.**

Explanatory Notes :

1. Pursuant to Paragraph 8.29A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all the resolutions set out in this Notice will be put to vote by poll.
2. **Item 1 of the Agenda**

This item is meant for discussion only as the provision of Section 248(2) and 340(1)(a) of the Companies Act 2016 does not require shareholders' approval for the Audited Financial Statements. Henceforth, this item is not put forward for voting by shareholders of the Company.

3. **Ordinary Resolution 6**

The Company had, during the 43rd AGM held on 29 June 2018, obtained its shareholders' approval for the general mandate for issuance of shares. The previous mandate granted to the Directors by the members at the last AGM was utilised with the successful listing and quotation of 10,276,280 placement shares representing approximately 10% of the issued and paid-up share capital of the Company, on the Main Market of Bursa Malaysia Securities Berhad on 26 March 2019 ("Private Placement"). The Private Placement raised a total proceed of RM924,465.20, utilised for the working capital and cover expenses relating to the Private Placement.

The proposed resolution 6 is a renewal of the general mandate for issuance of shares by the Company under Section 75 and 76 of the Companies Act 2016. This mandate, if passed, will empower the Directors of the Company to issue shares in the Company at any time and upon such terms and conditions, for such purposes as the Directors may, in their absolute discretion deem fit, provided that the aggregate number of shares issued in any one financial year of the Company does not exceed 10% of the issued share capital of the Company for the time being for such purposes as they consider would be in the interest of the Company. This would avoid any delay and cost involved in convening a general meeting to specifically approve such an issue of shares for fund raising activities, including but not limited to placing of shares for the purposes of funding current and/or future investment project(s), working capital and/or acquisition as well as any strategic opportunities involving equity deals which may require the Company to allot and issue new shares on urgent basis. This authority, unless revoked or varied at a general meeting will expire at the next AGM of the Company.

4. **Special Resolution 1**

The proposed Special Resolution 1, if passed, will bring the Company's Constitution in line with the enforcement of Companies Act 2016 and will enhance administrative efficiency. The proposed new Constitution is set out in the Circular of Shareholders dated 30 April 2019 accompanying the Company's Annual Report 2018.

NOTICE OF ANNUAL GENERAL MEETING (Continued)

**STATEMENT ACCOMPANYING NOTICE OF FOURTY-FOURTH ANNUAL GENERAL MEETING
("44TH AGM")**

(Pursuant to paragraph 8.27(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad)

- **Details of individuals who are standing for election as Directors**

No individual is seeking election as a Director at the forthcoming 44th AGM of the Company.

- **Statement relating to general mandate for issue of securities in accordance with Paragraph 6.03(3) of the MMLR**

The details of the general mandate are set out in item 6 of the Explanatory Note of the Notice of AGM.

INDUSTRONICS BERHAD
(Company No. 23699-X)
(Incorporated in Malaysia)

PROXY FORM

I/ We, _____ NRIC/ Passport No. / Company No. _____

CDS Account No. _____ of _____

being *a member/ members of **INDUSTRONICS BERHAD**, hereby appoint _____

NRIC/ Passport No. _____ of _____

*and/ or failing him/ her, _____ NRIC/ Passport No. _____

of _____

or the Chairman of the Meeting as *my/ our proxy to vote for *me/ us on *my/ our behalf at the 44th Annual General Meeting of the Company to be held at Hotel Seri Petaling, 30, Jalan Radin Anum, Bandar Baru Sri Petaling, 57000 Kuala Lumpur on Friday, 28 June 2019 at 10.30 a.m. and any adjournment thereof and to vote as indicated below:-

No.	Resolutions	For	Against
1	To approve the payment of Directors' fees for the financial year ended 31 December 2018		
2	Re-election of Ms. Liu Wing Yee Amy as Director		
3	Re-election of Mr. Chu Boon Tiong as Director		
4	Re-election of Mr. Chui Ee Mien as Director		
5	Re-appointment of Messrs Ong & Wong as Auditors		
Special Business			
6	Authority to issue shares pursuant to Sections 75 and 76		
7	Proposed Adoption of the New Constitution of the Company		

The proportion of *my/our holding to be represented by *my/our proxies are as follows:-

First Proxy (1) _____ %

Second Proxy (2) _____ %

No. of shares held

Signature/ Common Seal of Shareholder

Dated this _____ day of _____, 2019

NOTES:-

- i. Only members registered in the Record of Depositors as at 21 June 2019 shall be eligible to attend, speak and vote at this meeting or appoint proxy to attend and vote for his/her behalf.
- ii. A member entitled to attend and vote at the Meeting is entitled to appoint up to two (2) proxies to attend and vote on his behalf.
- iii. A proxy may but need not be a member of the Company and there shall be no restriction as to the qualifications of the proxy.
- iv. Where a member appoints two (2) proxies, the appointment shall be invalid unless he specifies the proportion of his shareholding to be represented by each proxy.
- v. Where a member is an exempt authorized nominee as defined under the Securities Industry (Central Depositories) Act 1991 that 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 authorized nominee may appoint in respect of each omnibus account it holds.
- vi. If the appointer is a corporation, the proxy form should be executed under its common seal or under the hand of an officer or attorney duly authorised. The corporation may by its resolution of its Board or a certificate of authorization by the corporation to appoint a person or persons to act as its representative or representatives to attend and vote on their behalf.
- vii. The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority shall be deposited at the Registered Office of the Company at No. 9A, Jalan Medan Tuanku, Medan Tuanku, 50300 Kuala Lumpur, Wilayah Persekutuan not less than forty-eight (48) hours before the time appointed for holding the Meeting or adjourned Meeting. **Copies of the duly executed Proxy Form which are faxed and/or e-mailed to the Registered Office are not acceptable.**