

TECHBOND®

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TECHBOND GROUP BERHAD

201601019667 (1190604-M)



ANNUAL REPORT **2020**

A background image showing laboratory glassware, including test tubes in a rack, a microscope, and a large Erlenmeyer flask, all set against a blue gradient. A large, stylized rainbow graphic with red, orange, and yellow bands curves across the bottom half of the page.

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CORPORATE INFORMATION

BOARD OF DIRECTORS

DATO' HAMZAH BIN MOHD SALLEH
Independent Non-Executive Chairman

LEE SENG THYE
Managing Director

LEE SEH MENG
Deputy Managing Director

TAN SIEW GEAK
Executive Director

Ooi Guan Hoe
Independent Non-Executive Director

SELMA ENOLIL BINTI MUSTAPHA KHALIL
Independent Non-Executive Director

LEE YUEN SHIUAN
Alternate Director to Tan Siew Geak

AUDIT AND RISK MANAGEMENT COMMITTEE

Ooi Guan Hoe
Chairman

Dato' Hamzah Bin Mohd Salleh
Member

Selma Enolil Binti Mustapha Khalil
Member

REMUNERATION COMMITTEE

Dato' Hamzah Bin Mohd Salleh
Chairman

Ooi Guan Hoe
Member

Selma Enolil Binti Mustapha Khalil
Member

NOMINATION COMMITTEE

Dato' Hamzah Bin Mohd Salleh
Chairman

Ooi Guan Hoe
Member

Selma Enolil Binti Mustapha Khalil
Member

COMPANY SECRETARIES

Wong Wai Foong
(SSM PC No. 202008001472)
(MAICSA 7001358)

Lim Hooi Mooi
(SSM PC No. 201908000134)
(MAICSA 0799764)

Ong Wai Leng
(SSM PC No. 202008003219)
(MAICSA 7065544)

REGISTERED OFFICE

Unit 30-01, Level 30, Tower A
Vertical Business Suite
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur
Tel : 03-2783 9191
Fax : 03-2783 9111

HEAD OFFICE

No. 36, Jalan Anggerik Mokara
31/59 Seksyen 31
Kota Kemuning, 40460 Shah Alam
Selangor Darul Ehsan
Tel : 03-5122 3333
Fax : 03-5122 3888

AUDITORS

Grant Thornton Malaysia PLT
(AF0737)
Registration No. 201906003682 &
LLP0022494-LCA
Chartered Accountants
Level 11, Sheraton Imperial Court
Jalan Sultan Ismail
50250 Kuala Lumpur
Tel : 03-2692 4022
Fax : 03-2732 5119

PRINCIPAL BANKER

Public Bank Berhad

SHARE REGISTRAR

Tricor Investor & Issuing House
Services Sdn Bhd
Unit 32-01, Level 32, Tower A
Vertical Business Suite
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur
Tel : 03-2783 9299
Fax : 03-2783 9222

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia
Securities Berhad

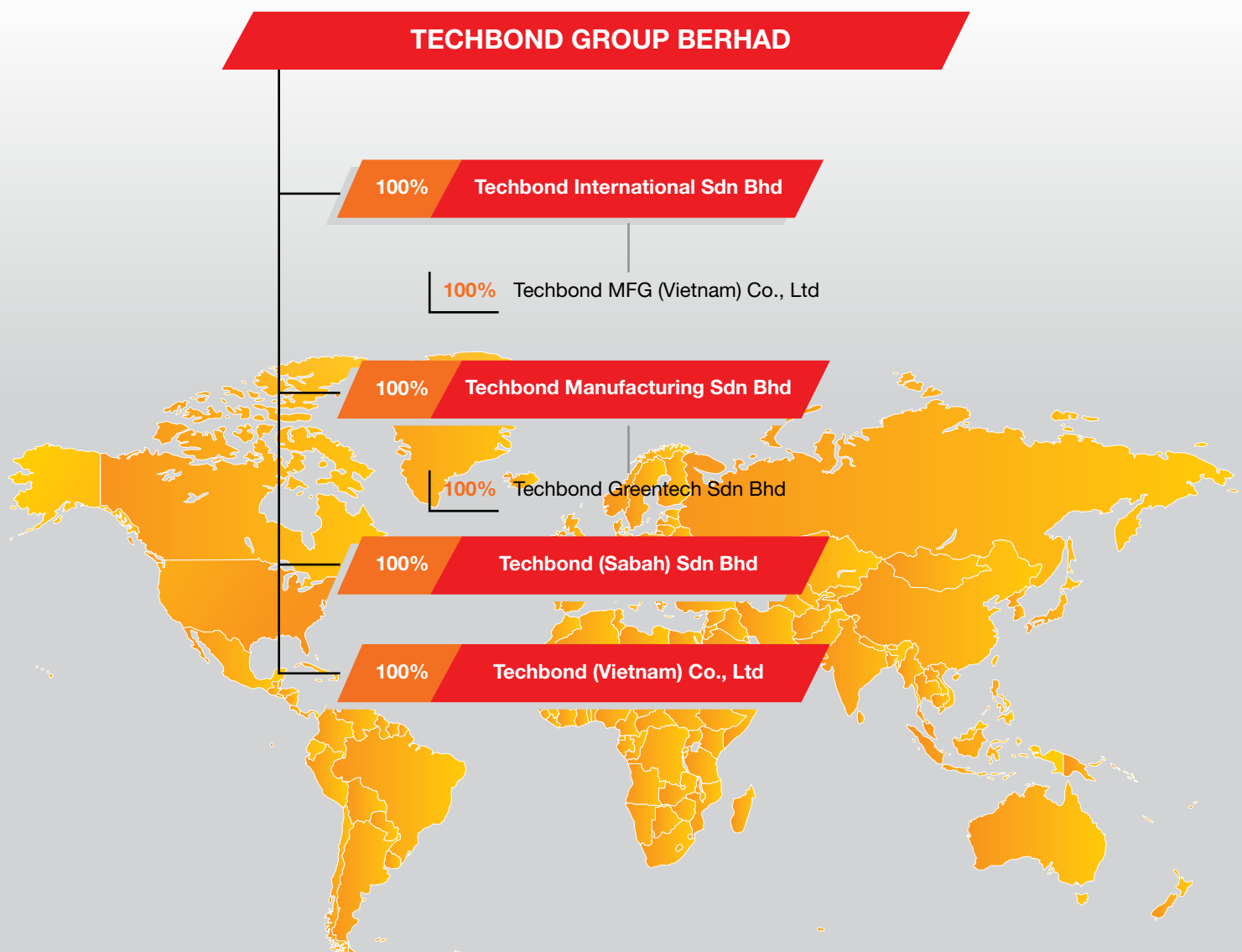
CORPORATE WEBSITE

www.techbond.com.my

INVESTOR RELATIONS

Email: ir@techbond.com.my

CORPORATE STRUCTURE



DIRECTORS' PROFILES



**DATO' HAMZAH
BIN MOHD
SALLEH**

Independent Non-Executive
Chairman
(Gender: Male)

Dato' Hamzah Bin Mohd Salleh, a Malaysian, aged 72, is our Independent Non-Executive Chairman. He was appointed to our Board on 2 January 2018.

He is the Chairman of Remuneration Committee and Nominating Committee as well as a member of Audit and Risk Management Committee.

He graduated with a Diploma in Management from Malaysian Institute of Management in 1980. Subsequently in 1989, he obtained a Master of Business Administration from University of Bath, United Kingdom.

He articulated at Price, Waterhouse & Co. (now known as PricewaterhouseCoopers) in 1969 and left as Audit Assistant in 1974 to join Pillar Naco Malaysia Sdn Bhd as Finance and Administration Manager in 1975.

He left Pillar Naco Malaysia Sdn Bhd in 1981 to join Pernas Sime Darby group. His last position was General Manager of Sime Swede Distribution Services Sdn Bhd before he left in 1994. He subsequently joined Malaysia Aica Berhad (now known as Sunsuria Berhad) as an Executive Director in 1995 and was redesignated as a Non-Executive Director in 1997. He resigned as a Non-Executive Director of Malaysia Aica Berhad in 2001.

In 1996, he was appointed as a Non-Executive Director of Spanco Sdn Bhd and subsequently he joined Spanco Sdn Bhd as an Executive Director in 1997 and currently is the Chief Executive Officer of Spanco Sdn Bhd.

He was appointed to the board of directors of another listed company on Bursa Securities, namely Rhone Ma Holdings Berhad on 1 April 2015 as the Independent Non-Executive Chairman. He also sits on the board of various other private limited companies based in Malaysia. Dato' Hamzah was appointed as a Director of PRG Holdings Berhad on 21 July 2003. On 27 December 2018, he resigned as the Independent Non-Executive Director of PRG Holdings Berhad.

He has no family relationship with any Director and/or major shareholder of the Group and has no conflict of interest with the Group. He has not been convicted of any offences within the past 5 years other than traffic offences (if any), there have not been any public sanctions nor penalties imposed upon him by relevant regulatory bodies for the financial year ended 30 June 2020.

In the financial year ended 30 June 2020, he attended all six meetings of the Board.

DIRECTORS' PROFILES

(Cont'd)

Lee Seng Thye, a Malaysian, aged 60, is our Managing Director. He was appointed to our Board on 8 November 2017.

He completed his secondary education in 1981 after he obtained two additional GCE Ordinary Level papers from the University of Cambridge Local Examinations Syndicate - International Examinations, in addition to his Malaysia Certificate of Education.

He started his career as a Sales Executive in furniture and fittings industry in 1982. In 1990, he ventured into the trading of wood working machinery and further expanded into trading of industrial adhesive in 1994. He established Techbond Manufacturing to develop and manufacture of industrial adhesives in 1996.

Lee Seng Thye is the spouse of Tan Siew Geak and father of both Lee Seh Meng and Lee Yuen Shiuan. Save as disclosed, he has no family relationship with any Director and/or major shareholder of the Group and has no conflict of interest with the Group. He has not been convicted of any offences within the past 5 years other than traffic offences (if any), there have not been any public sanctions nor penalties imposed upon him by relevant regulatory bodies for the financial year ended 30 June 2020.

He does not hold any directorship in any other public company and other listed corporation.

In the financial year ended 30 June 2020, he attended all six meetings of the Board.



LEE SENG THYE

Managing Director
(Gender: Male)



LEE SEH MENG

Deputy Managing Director
(Gender: Male)

Lee Seh Meng, a Malaysian, aged 31, is our Deputy Managing Director. He was appointed as Deputy Managing Director on 1 December 2019.

He graduated from Monash University with Bachelor of Commerce (Accounting and Finance) in 2010 and Master of Business (International Business) from University of Queensland in 2012.

He began his career as an Audit Assistant at TPL & Associates in October 2010. He joined our Group as a Sales Executive in February 2011. In the same year, he left our Group to further his studies before rejoining our Group in February 2013 as Business Development Executive. He was promoted to Head of Business Development in November 2017.

Lee Seh Meng is the son of Lee Seng Thye and Tan Siew Geak and brother of Lee Yuen Shiuan. Save as disclosed, he has no family relationship with any Director and/or major shareholder of the Group and has no conflict of interest with the Group. He has not been convicted of any offences within the past 5 years other than traffic offences (if any), there have not been any public sanctions nor penalties imposed upon him by relevant regulatory bodies for the financial year ended 30 June 2020.

He does not hold any directorship in any other public company and other listed corporation.

In the financial year ended 30 June 2020, he attended two meetings of the Board.

DIRECTORS' PROFILES

(Cont'd)

Tan Siew Geak, a Malaysian, aged 60, is our Executive Director. She was appointed to our Board on 8 November 2017.

She completed her secondary education in 1979 in Melaka. She started her career as a clerk in a transportation company in 1980 and subsequently joined Public Bank Berhad in 1983. In 1993, she joined Mr Lee Seng Thye, her spouse, to manage their own business venture. Since the commencement of Techbond Manufacturing's business operation in 1996, she has been actively involved in the management and administrative functions of our Group.

She is primarily responsible for the overall management and day-to-day operations of our Group, including administrative and human resource functions.

Tan Siew Geak is the spouse of Lee Seng Thye and mother of both Lee Seh Meng and Lee Yuen Shiuan. Save as disclosed, she has no family relationship with any Director and/or major shareholder of the Group and has no conflict of interest with the Group. She has not been convicted of any offences within the past 5 years other than traffic offences (if any), there have not been any public sanctions nor penalties imposed upon her by relevant regulatory bodies for the financial year ended 30 June 2020.

She does not hold any directorship in any other public company and other listed corporation.

In the financial year ended 30 June 2020, she attended all six meetings of the Board.



TAN SIEW GEAK

Executive Director
(Gender: Female)



OOI GUAN HOE

Independent Non-Executive
Director
(Gender: Male)

Ooi Guan Hoe, aged 45, a Malaysian, is our Independent Non-Executive Director and was appointed to our Board on 2 January 2018.

He is the Chairman of Audit and Risk Management Committee, and a member of both the Remuneration Committee and Nominating Committee.

He obtained his Bachelor Degree in Accountancy (Honours) from University Putra Malaysia in 1999 and is a member of the Malaysian Institute of Accountants ("MIA") since 2002. He attended the Harvard Business School Executive Education's program on Private Equity and Venture Capital in 2011.

In 1999, he started his career in Arthur Andersen Malaysia as Audit Assistant. He left Arthur Andersen Malaysia in 2002 to join CIMB Investment Bank Berhad as Executive in the corporate finance department. He left CIMB Investment Bank Berhad in 2009 as a Senior Manager.

From 2010 to July 2017, he was a Director and Management Board member of various listed companies in Malaysia and Germany. Currently, he also sits on the board of directors of Revenue Group Berhad, Only World Group Holdings Berhad and TCS Group Holdings Berhad. He is also the Chief Financial Officer of MOG Holdings Limited, which is listed on The Stock Exchange of Hong Kong Limited.

He has no family relationship with any Director and/or major shareholder of the Group and has no conflict of interest with the Group. He has not been convicted of any offences within the past 5 years other than traffic offences (if any), there have not been any public sanctions nor penalties imposed upon him by relevant regulatory bodies for the financial year ended 30 June 2020.

In the financial year ended 30 June 2020, he attended all six meetings of the Board.

DIRECTORS' PROFILES

(Cont'd)

Selma Enolil Binti Mustapha Khalil, a Malaysian, aged 49, is our Independent Non-Executive Director. She was appointed to our Board on 2 January 2018.

She is a member of Audit and Risk Management Committee, Remuneration Committee and Nominating Committee.

She graduated from University of Wales, Aberystwyth with a Bachelor of Laws in 1994. She obtained her Certificate in Legal Practice in 1995 and was called to the Malaysian Bar as an Advocate and Solicitor in 1996.

In 1996, She started her career as an Advocate and Solicitor with Messrs Abu Talib Shahrom & Zahari. She joined TNB Remaco Sdn Bhd as a legal executive in 1998. She resumed practising law as an Advocate and Solicitor with Messrs Raslan Loong in 2000. She co-founded Messrs Enolil Loo, Advocates and Solicitors in 2003, in which she is currently a Partner.

She presently sits on the board of directors of Selangor Dredging Berhad and Powerwell Holdings Berhad, both of which are public companies listed on Bursa Malaysia Securities Berhad.

In Selangor Dredging Berhad, she is a Member of the Audit Committee, Nomination Committee, and Remuneration Committee. In Powerwell Holdings Berhad, she is the Chairman of the Audit and Risk Management Committee and a Member of the Nomination Committee and Remuneration Committee.

She is also a director and trustee of Ericson Foundation.

She has no family relationship with any Director and/or major shareholder of the Group and has no conflict of interest with the Group. She has not been convicted of any offences within the past 5 years other than traffic offences (if any), there have not been any public sanctions nor penalties imposed upon her by relevant regulatory bodies for the financial year ended 30 June 2020.

In the financial year ended 30 June 2020, she attended all six meetings of the Board.



PROFILES OF KEY SENIOR MANAGEMENT

LEE YUEN SHIUAN

(Alternate Director to
Tan Siew Geak)
Operation Manager
(Gender: Male)

Lee Yuen Shiuan, a Malaysian, aged 25 years old, is our Operation Manager and Alternate Director to Tan Siew Geak. He graduated from University of Melbourne with Bachelor of Commerce, major in Marketing and Management.

He began his career as Online Media Strategist with Locus-T Sdn Bhd in March 2016 and continue working with Tetra Pak Malaysia Sdn Bhd in May 2016 as Business Development Associate. He then joined Techbond Manufacturing Sdn Bhd as Business Development Executive in November 2016. He was promoted to Operation Manager in May 2017.

Lee Yuen Shiuan is the son of Lee Seng Thye and Tan Siew Geak and brother of Lee Seh Meng. Save as disclosed, he has no family relationship with any Director and/or major shareholder of the Group and has no conflict of interest with the Group. He has not been convicted of any offences within the past 5 years other than traffic offences (if any), there have not been any public sanctions nor penalties imposed upon him by relevant regulatory bodies for the financial year ended 30 June 2020.

Ng Yeow Siang, a Malaysian, aged 44, is our Group Finance Director. He graduated from Curtin University of Technology, Australia with Bachelor of Commerce Accounting in 1999. He is a member of the Malaysia Institute of Accountants since 2004.

He began his career in 1999 as an Assurance Associate where he was involved in providing audit services to various sizes of companies across different industries in Malaysia. In 2004, he joined our Group as Accountant. He was promoted to Group Finance Manager in 2008 and subsequently promoted to Group Finance Director in 2012. He is responsible for overseeing our Group's accounting and finance functions.

He has no family relationship with any Director and/or major shareholder of the Group and has no conflict of interest with the Group. He has not been convicted of any offences within the past 5 years other than traffic offences (if any), there have not been any public sanctions nor penalties imposed upon him by relevant regulatory bodies for the financial year ended 30 June 2020.

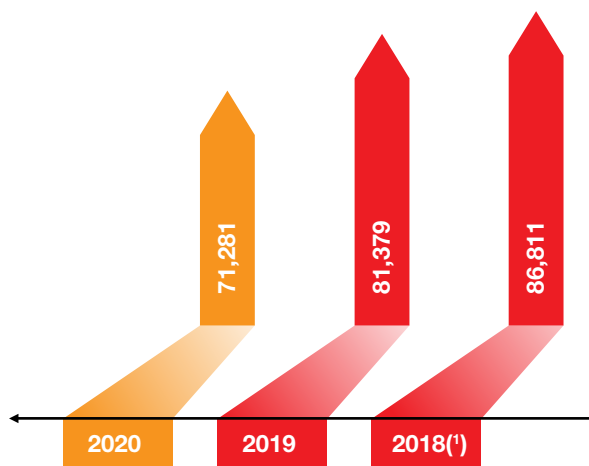
NG YEOW SIANG

Group Finance Director
(Gender: Male)

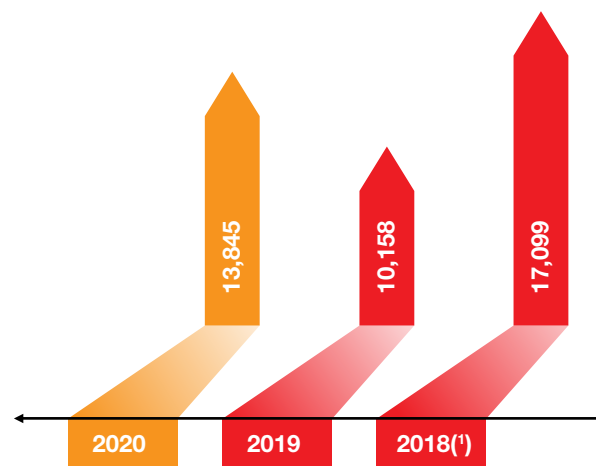
FINANCIAL HIGHLIGHTS

	2020	2019	2018 ⁽¹⁾
Revenue (RM'000)	71,281	81,379	86,811
Profit before taxation (RM'000)	13,845	10,158	17,099
Total Assets (RM'000)	146,606	138,773	95,995
Shareholders' Equity (RM'000)	138,021	130,596	84,778

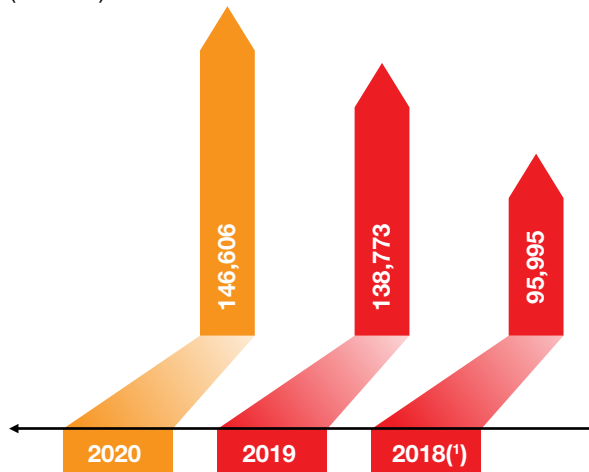
REVENUE
(RM'000)



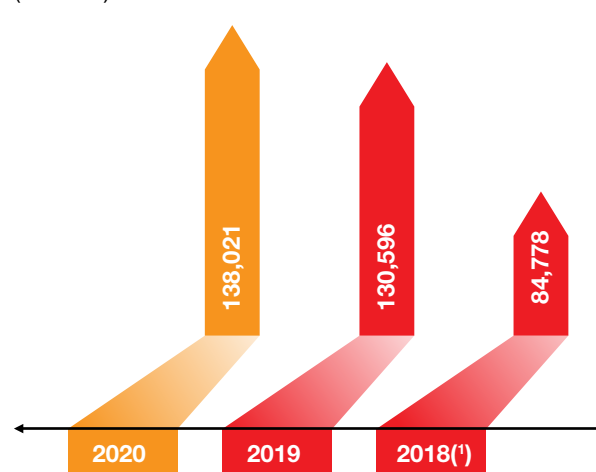
PROFIT BEFORE TAXATION
(RM'000)



TOTAL ASSETS
(RM'000)



SHAREHOLDERS' EQUITY
(RM'000)



Note:

⁽¹⁾ The Group was only formed on 7 September 2018. The financial information for FY 2018 was presented based on the historical combined financial statements of the subsidiaries as disclosed in the Prospectus of the Company dated 13 November 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW OF OUR BUSINESS ACTIVITIES

The Group is primarily involved in development and manufacture of industrial adhesives, namely water-based and hot melt adhesives as well as industrial sealants. These industrial adhesives and sealants are used in manufacturing a variety of products, and in other applications. Today, the Group's products are distributed across Malaysia, Vietnam, Indonesia, China, Thailand, Cambodia, Brunei, Singapore, United Arab Emirates, Sri Lanka, Laos and Myanmar. Our presence in these countries have positioned us favourably to achieve higher revenue growth curve in the future.

1 Developing and Manufacturing Industrial Adhesives

1.1 Water-based Adhesives

Water-based adhesives generally consist of a mixture of the base adhesive and additives (if any are present) that are dissolved or dispersed in water. The water-based adhesives that we manufacture are used to manufacture a range of products, including:-

- woodworking;
- paper and packaging;
- building and construction; and
- automotive applications.

1.2 Hot Melt Adhesives

Hot melt adhesives are solid at room temperature, and melt into liquid when they are heated into their working temperature range. They achieve their sticky quality when hot and solidify in a few seconds to one minute. The hot melt adhesives that we manufacture are used in manufacturing a variety of products, including:-

- paper and packaging;
- woodworking; and
- mattresses.

1.3 Developing and Manufacturing Sealant

Sealants are substances that are mainly used to block a passage of substances such as water, air, dust and chemicals through the surfaces, joints and openings. We currently develop and manufacture water-based, solvent-based and modified hybrid sealants, which are mainly used in building and construction applications.

2 Related Products and Services

As part of providing a total solutions package, we supply some industrial adhesives that were manufactured by other companies for us on an Original Equipment Manufacturer ("OEM") basis. Adhesive repellent and cleaners are purchased from external parties and sold under one of our brand names. We also supply chemicals, such as hardener (isocyanate compounds) for coating application, for our existing customers such as distributors and adhesive manufacturers, based on customers' request.

MANAGEMENT DISCUSSION AND ANALYSIS (Cont'd)

CORPORATE DEVELOPMENT

Listing and Utilisation of IPO Proceeds

The Group reached an important milestone in our corporate history with our Company successfully listed on the Main Market of Bursa on 5 December 2018 via an IPO exercise.

As at 30 June 2020, we have utilised approximately RM33.633 million of the total IPO gross proceeds of approximately RM39.669 million, details of which are as described in the following table:-

Details of the Utilisation of Proceeds	Original Utilisation of Proceeds RM'000	Revised Utilisation of Proceeds ⁽¹⁾ RM'000	Actual Utilisation of Proceeds RM'000	Percentage Utilised	Estimated Utilisation Timeframe Upon Listing ⁽²⁾
Expansion of Vietnam Operations					
(a) Construction of the VSIP2 Factory Complex	10,000	10,000	10,000	100.00%	Within 24 months
(b) Purchase of machineries and equipment for the VSIP2 Factory Complex	12,740	12,740	12,740	100.00%	Within 24 months
(c) Working Capital ⁽²⁾	6,036	6,036	–	0.00	Within 36 months
Expansion of Malaysia Operations					
(d) Purchase of machineries and equipment for the Shah Alam Factory Complex	4,500	4,500	4,500	100.00%	Within 24 months
(e) Working Capital	1,393	1,993	1,993	100.00%	Within 24 months
(f) Estimated listing expenses ⁽¹⁾	5,000	4,400	4,400	100.00%	Within 3 months
Total	39,669	39,669	33,633		

Note:

⁽¹⁾ On 15 May 2019, we made an announcement on the re-allocation for the utilisation of IPO gross proceeds. The Company has estimated RM5.0 million of the IPO gross proceeds will be utilised as the listing expenses. However, the actual listing expenses incurred was RM4.40 million and the balance RM0.60 million has been reallocated as working capital for the expansion of Malaysia operations.

⁽²⁾ On 9 September 2020, we made an announcement on the extension of time for utilisation of proceeds raised from the IPO as VSIP 2 Factory Complex has yet to be handed over to Techbond MFG (Vietnam) Co. Ltd due to the COVID-19 pandemic outbreak in Vietnam. Please refer to the full details of our announcement dated 9 September 2020 at <https://www.techbond.my/investors>.

MANAGEMENT DISCUSSION AND ANALYSIS (Cont'd)

FINANCIAL REVIEW

Financial Performance

We are comparing our Group's audited condensed consolidated statement of comprehensive income for FY2020 against the audited condensed consolidated statement of comprehensive income for the financial year ended 30 June 2019 ("FY2019").

Our Group's financial performance in FY2020 as compared to FY2019 is summarised below:-

(RM'000)	FY2020	FY2019	Change	(%)
Revenue	71,281	81,379	(10,098)	(12.41)
Gross Profit ("GP")	21,780	21,048	732	3.48
Other Income	3,509	2,357	1,152	48.88
Administration expenses	(8,246)	(9,941)	1,695	(17.05)
Selling and distribution expenses	(1,922)	(2,000)	78	(3.90)
Other expenses	(1,276)	(1,306)	30	(2.30)
Profit before taxation ("PBT")	13,845	10,158	3,687	36.30
Profit after taxation ("PAT")	10,723	7,073	3,650	51.60
GP margin	30.56%	25.86%	4.70%	18.17
PBT margin	19.42%	12.48%	6.94%	55.61
PAT margin	15.04%	8.69%	6.35%	73.07

Our Group achieved a lower revenue of RM71.281 million in FY2020 compared to RM81.379 million recorded in FY2019, representing a decrease of RM10.098 million or 12.41% year-on-year ("y-o-y"). The decrease in revenue for the current financial year under review was mainly due to the weaker demand towards all key business segments of the Group as the trade war between United States of America and China was prolonged into 2020 coupled with the wild spread of Covid-19 pandemic has curbed the business activities for most of the markets we are servicing and selling our products to. The softer demand from both local and overseas markets was also due to Movement Control Order ("MCO") implemented in Malaysia, Social Distancing Order ("SDO") declared in Vietnam or any form of partial or fully locked down Covid-19 precaution measures implemented in overseas in the second quarter of 2020.

Gross profit increased marginally by 3.48% from RM21.048 million in FY2019 to RM21.780 million in FY2020 on the back of higher gross profit margin achieved despite lower revenue recognised in FY2020. Despite the Group registered lower revenue in current financial year, the Group's gross profit margin improved to 30.56% for the financial year under review compared to 25.86% posted in previous financial year. This was mainly due to lower material costs incurred coupled with stable average selling prices led to higher profitability margin was able to be achieved by the Group in FY2020.

Other income increased by RM1.152 million or 48.88%, from RM2.357 million in FY2019 to RM3.509 million in FY2020 was mainly due to higher unrealised gain on foreign exchange.

Administrative expenses decreased slightly from RM9.941 million in FY2019 to RM8.246 million in FY2020, by RM1.695 million or 17.05% y-o-y. The decrease was mainly due to the one-off non-recurring listing expenses of RM2.601 million charged in FY2019 compared to FY2020 but it was offset by higher employee costs and professional costs.

Selling and distribution expenses remained almost the same for both financial years at RM2.000 million and RM1.922 million for FY2019 and FY2020 respectively. Other operating expenses also remained almost the same for both financial years at RM1.306 million and RM1.276 million for FY2019 and FY2020 respectively.

The Group's profit before taxation soared 36.30% to RM13.845 million in FY2020 as compared to RM10.158 million in FY2019. The surge was primarily due to the absence of listing expenses incurred in FY2019 and higher other income earned in FY2020 despite amount of gross profit earned remained almost the same in both financial years.

The Group's overall corporate taxation increased slightly from RM3.085 million in FY2019 to RM3.122 million in FY2020 on the back of higher amount of profit before taxation of RM13.845 million was registered in FY2020 as compared to profit before taxation of RM10.158 million in FY2019. However, the Group's effective tax rate has resumed back to ordinary tax rate level at 22.55% in FY2020 as compared to 30.37% in FY2019. The one-off higher tax rate registered in FY2019 was mainly due to the listing expenses of RM2.601 million which was non allowable for tax deduction purpose in FY2019. The effective tax rate of the Group for current financial year is lower than Malaysia statutory tax rate of 24% while it is higher than Vietnam statutory tax rate of 20%.

MANAGEMENT DISCUSSION AND ANALYSIS (Cont'd)

Financial Position

We are comparing audited condensed consolidated statement of financial position as at 30 June 2020 of the Group against the audited condensed consolidated statement of financial position as at 30 June 2019.

(RM'000)	FY2020	FY2019	Change
Assets			
Non-Current Assets	51,246	28,680	22,566
Current Assets	95,360	110,093	(14,733)
Total Assets	146,606	138,773	7,833
Liabilities			
Non-Current Liabilities	1,235	909	326
Current Liabilities	7,350	7,268	82
Total Liabilities	8,585	8,177	408
Net Assets ("NA")	138,021	130,596	7,425
Equity			
Share Capital	139,807	139,807	-
Merger Deficits	(78,938)	(78,938)	-
Exchange Translation Reserve	7,323	6,021	1,302
Retained Earnings	69,829	63,706	6,123
Total Equity	138,021	130,596	7,425
Current Ratio (times)	12.97	15.15	(2.18)
Net Assets per share	60.00 sen	56.78 sen	3.22 sen

Equity attributable to owners of our Company or total equity increased from RM130.596 million as at 30 June 2019 to RM138.021 million as at 30 June 2020, as a result of the increase in retained earnings in FY2020.

Non-current assets increased from RM28.680 million as at 30 June 2019 to RM51.246 million as at 30 June 2020, mainly due to the increase in property, plant and equipment of RM22.466 million during the year.

Current assets decreased by RM14.733 million y-o-y from RM110.093 million as at 30 June 2019 to RM95.360 million as at 30 June 2020. This was mainly attributable to the decrease in inventories by RM3.764 million, decrease in trade receivables by RM1.976 million and decrease in cash and cash equivalents by RM9.144 million during the year.

Non-current liabilities increased slightly from RM0.909 million as at 30 June 2019 to RM1.235 million as at 30 June 2020, which was mainly attributable to increase of deferred tax liabilities.

Current liabilities increased slightly from RM7.268 million as at 30 June 2019 to RM7.350 million as at 30 June 2020, was mainly due to increase in decreased other payables and tax payables but it was partially offset by the decrease of trade payables.

The current ratio of our Group dropped from 15.15 times as at 30 June 2019 to 12.97 times as at 30 June 2020. The decrease is mainly due to the lower current assets as at 30 June 2020.

MANAGEMENT DISCUSSION AND ANALYSIS (Cont'd)

Our Group remained in zero gearing position as at the end of both financial years. The net cash position of the Group decreased from RM66.135 million as at 30 June 2019 to RM56.991 million as at 30 June 2020, mainly attributable to the utilisation of IPO net proceeds to acquire additional property, plant and equipment and payment of dividend in the current financial year.

Net assets per share of our Group increased from 56.78 sen as at 30 June 2019 to 60.00 sen as at 30 June 2020. Net assets per share is calculated based on total equity as at each financial year end divided by the Company's issued share capital of 230,000,000 ordinary shares after the completion of the IPO exercise.

Cash Flow

We are comparing our Group's audited condensed consolidated statement of cash flows for the financial year ended 30 June 2019 against audited condensed consolidated statement of cash flows for the financial year ended 30 June 2020.

(RM'000)	FY2020	FY2019	Change
Assets			
Net Cash From Operating Activities	17,652	6,485	11,167
Net Cash Used in Investing Activities	(23,257)	(6,203)	(17,054)
Net Cash (Used In) / From Financing Activities	(4,600)	37,870	(42,470)
Net Change in Cash & Cash Equivalent (CCE)	(10,205)	38,152	(48,357)
CCE at the Beginning of the Financial Year	66,135	27,676	38,459
Foreign Exchange Effects	1,061	307	754
CCE at the End of the Financial Year	56,991	66,135	(9,144)

For the financial year ended 30 June 2020, our Group registered higher net cash inflow from operating activities of RM17.652 million as compared to RM6.485 million for the financial year ended 30 June 2019, increase by RM11.167 million y-o-y. The improvement in operating cashflow was mainly due to increase in cash inflow at working capital level coupled with our Group achieving higher profit before tax in FY2020 compared to FY2019.

Net cash used in investing activities increased sharply at RM23.257 million in FY2020 as compared to RM6.203 million in FY2019. The increase was mainly due to the purchase of property, plant and equipment as part of the Group new factory expansion plans.

In FY2020, net cash used in financing activities of RM4.600 million was solely due to a dividend payment of RM4.600 million paid to the shareholders during the financial year. This is in contrast to FY2019 where net cash inflow in financing activities of RM37.870 million was mainly due to net proceeds from the issuance of new ordinary shares pursuant to the Company's IPO exercise.

MANAGEMENT DISCUSSION AND ANALYSIS (Cont'd)

BUSINESS REVIEW

Segmental Revenue Breakdown Analysis – By Product Category

(RM'000)	FY2020		FY2019		Change	(%)
Revenue	71,281	100.0%	81,379	100.0%	(10,098)	(12.41)
Industrial adhesives	66,578	93.4%	76,130	93.5%	(9,552)	(12.55)
Water-based adhesives	47,246	66.3%	54,872	67.4%	(7,626)	(13.90)
Hot melt adhesives	19,332	27.1%	21,258	26.1%	(1,926)	(9.06)
Sealants	422	0.6%	1,195	1.5%	(773)	(64.69)
Supporting products and services	4,281	6.0%	4,054	5.0%	227	5.60

We are comparing audited condensed consolidated statement of comprehensive income for FY2020 against audited condensed consolidated statement of comprehensive income for FY2019.

The Group's revenue of RM71.281 million in FY2020 was lower by 12.41% as compared to RM81.379 million recorded in FY2019. Our main revenue segment in FY2020, i.e. industrial adhesives, decreased by 12.55% to RM66.578 million from RM76.130 million from the previous financial year. The industrial adhesive segment which covers both water-based adhesives and hot melt adhesives represented 93.4% (FY2019: 93.5%) of the Group's revenue in FY2020.

The overall weaker demand from amongst our customers against the backdrop of prolong US-China trade war coupled with wide spread of Covid-19 pandemic since early 2020 has curbed the economic activities where our Group has presence. We have also taken initiatives to tighten our credit control and monitors the type and number of customers we are dealing with to ensure a healthy collection.

The softer demand from both local and overseas markets also attributed by the MCO, SDO and some form of partial or fully locked down measures implemented in overseas countries as explained earlier. All these led to lower revenue achieved by the Group during current financial year.

The sealants segment which contributed 0.6% (FY2019: 1.5%) of our Group's revenue registered a lower revenue of RM0.422 million in FY2020 as compared to RM1.195 million registered in the previous year, representing a decrease of 64.69%. The sealants are mainly manufactured for local and overseas customers and the decline was mainly due to business slowdown by one of our major customers.

The revenue from the supporting products and provision of supporting services was closely correlated to the sales of our industrial adhesive products to our wide range of clients. Despite lower sales in our industrial adhesive products, the revenue earned from the supporting products and services segment was increased marginally by RM0.227 million to RM4.281 million or an increase of 5.60% as compared to the previous financial year.

MANAGEMENT DISCUSSION AND ANALYSIS (Cont'd)

Segmental Revenue Breakdown Analysis – By Geographical Region

(RM'000)	FY2020		FY2019		Change	(%)
Malaysia	15,885	22.3%	17,411	21.4%	(1,526)	(8.76)
Foreign Markets	55,396	77.7%	63,968	78.6%	(8,572)	(13.40)
Vietnam	37,849	53.1%	46,100	56.6%	(8,251)	(17.90)
Indonesia	9,540	13.4%	9,777	12.0%	(237)	(2.42)
China	2,198	3.1%	2,808	3.5%	(610)	(21.72)
Others	5,809	8.1%	5,283	6.5%	526	9.96
Total Revenue	71,281	100.0%	81,379	100.0%	(10,098)	(12.41)

For the current financial year under review, domestic market contributed 22.30% of FY2020 Group's revenue (FY2019: 21.40%), with the remaining 77.70% of the Group's revenue derived from the foreign markets (FY2019: 78.60%).

Overall, the domestic revenue contribution decreased in the second half of FY2020. With presence of weaker business sentiments coupled with movement control order implemented by Malaysian government since mid-March 2020, the Group experienced a slowdown in term of sales due to overall weaker demand from local manufacturers especially from woodworking industry players. The Group still managed to register a domestic revenue of RM15.885 million in FY2020 against RM17.411 million in FY2019, representing a marginal decrease of 8.76% y-o-y, for the Malaysia market.

Generally, manufacturing operations in Asian countries continue to experience some slowdown during the current financial year under review due to weaker global demand, and the on-going and escalated trade wars between the United States of America and China have also disrupted global supply chain operating mechanism and equilibrium.

As a result, China being the country in the centre of heated trade war with United States of America took the hardest hit, which saw our Group's revenue to China dropping from RM2.808 million in FY2019 to RM2.198 million in FY2020.

Vietnam being a key foreign market for our Group, recorded a lower revenue contribution to our Group of RM37.849 million in FY2020 compared to RM46.100 million in FY2019, representing a decrease of 17.90% over the year. In view of the overall lower revenue registered by our Group in FY2020, Vietnam market remains our largest export market and has contributed 53.1% (FY2019: 56.6%) of the Group's revenue in FY2020.

Indonesia as our second largest foreign market showed a relatively stable revenue contribution to our Group, recorded a revenue of RM9.777 million and RM 9.540 million for FY2019 and FY2020 respectively, representing a marginal decrease of 2.42% over the year. Against the backdrop of overall lower revenue registered by our Group in FY2020, Indonesia's contribution to the Group's revenue increased marginally to 13.4% in FY2020 as compared to 12.0% in FY2019.

The contribution from other countries to the Group's revenue increased from RM5.283 million in FY2019 to RM5.809 million in FY2020, representing an increase of 9.96% y-o-y or an increase of RM0.526 million over the year. In short, the overall foreign market's sentiment was sluggish due to uncertainties from the prolong trade wars between the United States of America and China coupled with unprecedented Covid-19 pandemic has forced some of the Asian countries to either fully locked down or partial locked down their country economy activities during the financial year under review.

MANAGEMENT DISCUSSION AND ANALYSIS (Cont'd)

RISK FACTORS

We are subjected to the risk of any unfavourable fluctuations in the prices of the raw materials that we use, which are influenced by global macroeconomic factors including supply, demand and currency exchange rates. The management has implemented inventory management to minimise any short-term fluctuation in raw material prices. In the event when the raw material prices are on rising trend over long term, we have a pricing mechanism to pass on the increase of cost to customers.

Another uncertain factor affecting the Group is the unprecedented Covid-19 pandemic which is felt worldwide causing disruption to global supply chain. The emergence of Covid-19 has brought about travel restrictions and quarantines with numerous countries around the world declaring a state of emergency in March 2020. Malaysia has implemented MCO and SDO was declared in Vietnam. Our plants in Malaysia were shut down on 18 March 2020 due to MCO implemented by the Government as a preventive measure towards Covid-19 pandemic.

Subsequently, the Company's wholly owned subsidiary company, Techbond Manufacturing Sdn Bhd ("TMSB") received approval from Ministry of International Trade and Industry ("MITI") to operate at 50% manpower capacity on 27 March 2020. TMSB resumed business operation amidst at lower capacity namely to meet customers' existing and new orders.

The eventual impact to the Group's operations will largely be dependent on the scale and length of the pandemic. We will continue to execute cost optimisation initiatives to deliver efficiencies and savings. We have stocked up a portion of raw materials requirements ahead for the financial year to mitigate the impact on the rise in certain input prices.

OUR STRATEGIES MOVING FORWARD

Malaysia Operations – Existing Manufacturing Facilities

As at 30 June 2020, our Shah Alam factory complex located at Kota Kemuning, Shah Alam, Selangor has 6 water-based adhesives production lines, 5 hot melt adhesives production lines and 4 sealants production lines, all housed within our integrated manufacturing facilities.

Vietnam Operations – Existing Manufacturing Facilities

As at 30 June 2020, our factory complex located at Binh Duong, Vietnam has 4 water-based adhesives production lines in our manufacturing plant. Binh Duong factory is our first manufacturing plant in Vietnam.

Expansion of Our Manufacturing Facilities

As part of the Group's expansion strategies to drive long-term and sustainable growth in both local and export markets, we are adopting a dynamic yet pragmatic approach to gradually expanding our production capacity in current and ensuring financial year. We will sharpen our focus on our core competencies in both industrial adhesives and sealants business segments with the key objective of strengthening our market position in Malaysia and Vietnam through the following strategies.

Malaysia Operations – Building New Manufacturing Facilities and Development of New Types of Adhesives for Malaysia and International Market

We plan to expand our production capacity in Malaysia with the Shah Alam Phase 1 Expansion Plan that has been completed in December 2018 and we have commenced the manufacturing operations for Shah Alam Phase 1 in March 2019 to manufacture high viscosity hot melt adhesives.

For Shah Alam Phase 2 Expansion Plan, we have installed new production lines since March 2019 and we commence manufacturing operations from first quarter 2020 onwards to produce a new range of low viscosity hot melt adhesives in order to provide wider range of products to our customers.

As part of our production facilities expansion plan, our aim is to build up a total of 2 new hot melt adhesives and 2 new sealants production lines within our existing Shah Alam integrated manufacturing facilities.

MANAGEMENT DISCUSSION AND ANALYSIS (Cont'd)

Vietnam Operations – Construction of New Manufacturing Facilities and Manufacture of New Products in Vietnam

We have completed the construction of a new factory complex on a piece of vacant leased land measuring 30,000 square meters located at Vietnam Singapore Industrial Park II-A (VSIP2) in June 2020.

On 7 October 2020, the main contractor for the construction of VSIP2 factory complex, had informed the Company that issuance of the relevant certificates by the respective departments of the Vietnamese authority was completed. Following thereto, the VSIP2 factory complex has been handed over to Techbond MFG (Vietnam) Co. Ltd on 7 October 2020. The manufacturing operations are expected to commence once the installation of machineries in the VSIP2 factory complex has been completed and passed the Plant Acceptance Test.

We have built a new polymerisation plant in VSIP2 and target to commence production of Polyvinyl Acetate (PVAc) polymer by the fourth quarter of 2020. We also intend to develop and manufacture new types of water-based adhesives by using the PVAc polymer manufactured by our own polymerisation plant in VSIP2 from the first quarter of 2021 onwards.

As part of our production facilities expansion plan, our aim is to build up 2 new water-based adhesives production lines beside a new polymerisation plant at our VSIP2 new manufacturing facilities.



Collaboration Agreement Entered Into Between Techbond Greentech Sdn. Bhd. And Malaysian Palm Oil Board

On 26 February 2020, the Company's wholly owned subsidiary company, Techbond Greentech Sdn. Bhd. ("TGSB"), has entered into a Collaboration Agreement ("Agreement") with Malaysian Palm Oil Board ("MPOB") to utilise the technical expertise and the know-how and technology of MPOB in relation to a process to produce polyols from palm oil covered under MPOB's existing patent applications, and/or registrations filed as stated in the Agreement and any extensions of or supplementary protection certificates of the foregoing.

MPOB and TGSB agreed to develop a formulation (a) that is manufacture or use under the Joint Intellectual Property (including any Future Patent); (b) the development, manufacture, use, sale or importation of which is, incorporates, uses or is derived from the Joint Intellectual Property; or (c) meeting the qualifications of both (a) and (b) ("Workable Formulation") to be incorporated as one of the various components of the TGSB's industrial adhesives ("End Product") (hereinafter referred to as the "Project").

On 9 June 2020, TGSB has received the polyol formulation from the MPOB as part of the collaboration between MPOB and TGSB in pioneering non-toxic palm oil based industrial adhesives. TGSB will use Malaysian palm oil or its derivatives to conduct laboratory testing as required to ensure usability of the Workable Formulation as one of the various components to be incorporated in adhesives application.

The Project provides TGSB the opportunity to widen the Company's product range (upon successful commercialisation of the End Product) using locally sourced and sustainable materials i.e. palm oil. The End Product will be non-toxic industrial adhesives with little to none formaldehyde emission levels based on preliminary in-house testing. The End Product will allow the Company to offer new industrial adhesives that are environmentally-friendly, and to serve higher-end client markets, thus enhancing its market presence.

MANAGEMENT DISCUSSION AND ANALYSIS (Cont'd)

OUTLOOK

The outlook for the global economy depends on the duration and magnitude of the Covid-19 pandemic. The Covid-19 pandemic concerns will depress market sentiment and enforce cautious consumer behaviour.

In view of the uncertain market condition ahead, the Company will continue to take necessary measures to conserve cash and continue to explore ways to reduce cost to minimise the adverse impact of Covid-19 pandemic.

ADOPTION OF NEW DIVIDEND POLICY

On 28 November 2019, the Company has adopted a dividend policy of up to 30% of its consolidated profit after tax attributable to the owners of the Company with effect from the financial year ended 30 June 2020, excluding any unrealised income from adjustments due to accounting policies that are non-cash in nature ("Dividend Policy").

The Company's ability to declare and pay dividends however, will be subject to a number of factors, including amongst others:

1. Compliance with the provisions of the Companies Act 2016;
2. Availability of adequate distributable reserves and level of cash;
3. Operating cash flow requirements and financial commitments;
4. Anticipated future operating conditions, future expansion and capital expenditure;
5. Any contractual restrictions and/or commitments; and
6. Any material impact of tax laws and other regulatory requirements.

The Dividend Policy merely describes the Company's present intention and shall in no way constitute a legally binding commitment by the Company in respect of its future dividends and/or plans for the same. The Dividend Policy is not a forecast or indication in any way of the Company's actual profitability or its ability to pay dividends in the future.

On 3 September 2019, the Board declared a first single-tier interim dividend of 2 sen per ordinary share amounting to RM4,600,000 in respect of financial year ended 30 June 2020, which was paid on 10 October 2019.

REWARD SHAREHOLDERS WITH A BONUS ISSUE OF 1-FOR-2 FREE WARRANTS

On 10 December 2019, the Company proposed to undertake a bonus issue of 115,000,000 free warrants ("Techbond Warrants") on a basis of one warrant for every two existing Techbond Group Berhad ("Techbond") ordinary shares held by the shareholders.

On 8 January 2020, the Company announced that Bursa Securities Malaysia Berhad ("Bursa Securities") had, vide its letter dated 7 January 2020, resolved to approve the proposed bonus issue of warrants. Subsequently, the proposed bonus issue of 115,000,000 Techbond Warrants was approved by the shareholders at the Extraordinary General Meeting held on 5 February 2020.

On 6 February 2020, the Board had fixed the exercise price for the warrants to be issued pursuant to proposed bonus issue of warrants at RM0.76 per warrant ("Exercise Price"), representing a discount of approximately 12.9% to 5-day volume weight average market price of Techbond ordinary share up to and including 5 February 2020 of approximately RM0.8723 per Techbond ordinary share. All the 114,999,999 Techbond Warrants have been listed and quoted on the Main Market of Bursa Securities since 2 March 2020.

SUSTAINABILITY STATEMENT

Introduction

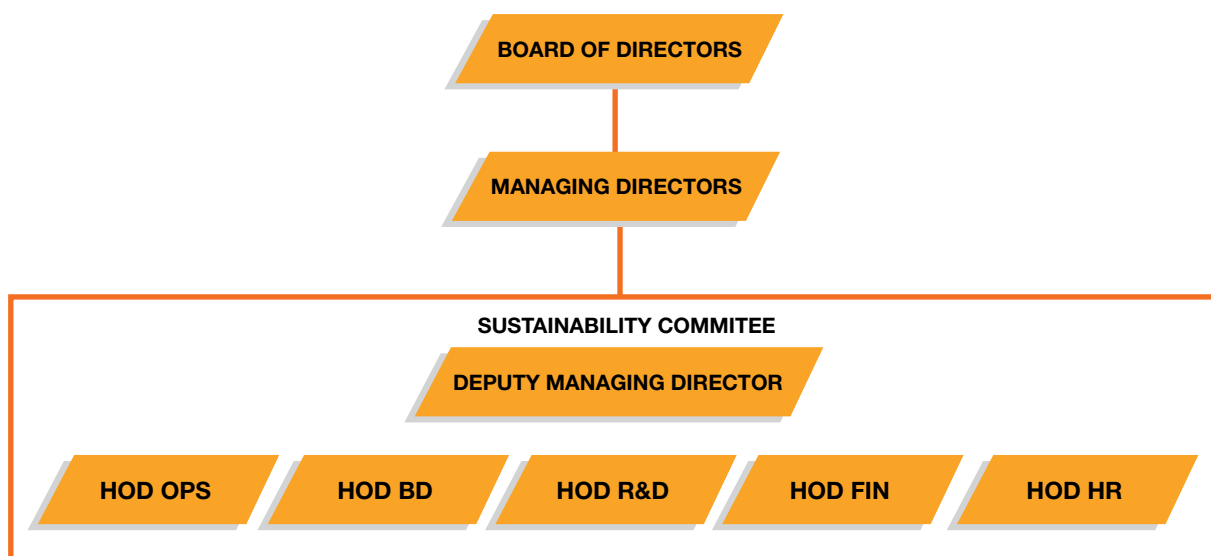
The Board of Directors (“the Board”) is committed to continuously promote good sustainability practices and engage openly with Techbond Group Berhad (“the Company”) and its subsidiaries’ (“the Group”) stakeholders through transparent and responsible sustainability reporting.

The Board is cognizant that the Group is judged beyond its financial performance including its conduct on Economic, Environmental and Social aspects to generate sustainable value and economic returns to its stakeholder. The Senior Leadership Team is aligned in the same aspect to identify, assess and manage key sustainability issues of the Group’s operations to enhance its value.

The Board is pleased to present its inaugural Sustainability Statement for the financial year ended 30 June 2020 pursuant to Part III of Practice Note 9 of Main Market Listing Requirements (“MMLR”) and Sustainability Reporting Guide issued by Bursa Malaysia Securities Berhad.

Governance Framework

The Company has initiated the Sustainability Committee (“SC”) comprising the Group Managing Director (MD), Deputy Group Managing Director (Deputy MD), Head of Group Operations (HOD OPS), Head of Business Development (HOD BD), Head of Research and Development (HOD R&D), Head of Finance (HOD FIN) and Head of Human Resources (HOD HR). The SC will champion and manage all aspects of a sustainable ecosystem. The Deputy Group Managing Director will head the SC in alignment with the Group Managing Director. All sustainability issues and other operational performance issues are deliberated in quarterly management meetings chaired by the MD. The MD provides updates to the Board of Directors on sustainability issues and its relevant performance indicators.



SUSTAINABILITY STATEMENT

(Cont'd)

Principles and Policies

The Board has laid down the following principles for sustainability management:

- To observe and comply with all relevant legislation, regulations, recommended trade practices and code of practices applicable to the Group.
- To consider sustainability matters and integrate the considerations into the Group's operations and implementation strategies.
- To continuously engage and communicate with all relevant stakeholders on the identification and assessment of sustainability matters that are relevant and important to the Group.
- To manage sustainability matters in a structured and systematic manner where sustainability practices embedded into the Group's culture are documented, assessed and reported to the Board of Directors on scheduled intervals.
- To continuously promote, train and communicate with all employees, suppliers, business partners and other relevant stakeholders to ensure a high awareness of the Group's sustainability practices.

Scope and Materiality

This Sustainability Statement covers all the sustainability activities and initiatives carried out during the financial year ended 30 June 2020. The Statement will also discuss and disclose how the Group manages its economic, environmental and social matters for its Malaysia and Vietnam operations.



The Group is committed in championing the Sustainable Development Goals as part of its pursuit of excellence. Key areas of our focus comprise Gender Equality, Clean Water and Sanitation, and Responsible Consumption and Production.

The SC has evaluated the overall sustainability issues and identify the issues with substantial direct financial impact or indirect financial impact, financially or non-financially to be reported in this Sustainability Statement. The materiality threshold will be evaluated annually and will revise the material sustainability issues in alignment with the Group's strategy annually.

SUSTAINABILITY STATEMENT

(Cont'd)

Stakeholders' Engagement

The Group has identified employees, customers, suppliers, shareholders, regulators and local communities as its key stakeholders to help the Group formulate its sustainability agendas. Engagement activities with these stakeholders are as follows:

Stakeholder Group	Engagement Objective(s)	Forms of Engagement	Sustainability Matters Discussed
Customers	To improve customers' satisfaction.	• Customer's Feedback Form • Customer's Audit • Corrective Action Report • Review Meetings • Electronic mail • Code of Ethics and Conduct	• Consistent quality product and quality control • Support services • ISO Certificate
Suppliers	To ensure sustainable supply of quality services and materials.	• Supplier's Evaluation and Appraisal • Site visit • Review Meetings • Corrective Action Report • Electronic mail • Code of Ethics and Conduct	• Pricing • Packaging material • Consistent supply
Employees	To develop career progression, talent retention and equitable remuneration and benefits. Promote conducive working environment through Health and Safety Practices, staff welfare improvement.	• Annual appraisal • Internal memorandum • Training Programs • Department Meetings • Management Meetings • Employees Training Needs Assessment • Employee's engagement activity • Employee Handbook • Job enrichment through rotation	• Training and development • Talent attraction and retention • Safety and health • Team building activities • Staff performance • Employee welfare • Standard operating procedures ("SOP")
Government & Regulators	To ensure full compliance with relevant laws and regulations.	• Active engagement with respective authorities and regulatory agencies • Official correspondence • Direct Meetings • Electronic mail	• Environmental compliance • Waste management • Strict compliance with all laws, regulations and requirements to maintain licenses
Investors and Media	To cultivate investors' and public confidence level.	• Annual report • Annual General Meeting • Investor's briefing • Public announcements • Press conference • Interviews and visits	• Group financial performance • Corporate governance
Board of Directors	To align business strategy with sustainable practices.	• Board of Directors Meetings • Committee Meetings	• Business strategy • Policies
Financial Institutions	To ensure continuous financial support & sufficient banking facilities from financial institutions.	• Annual report • Public announcements • Press releases	• Financial support
Local Communities	To create positive image and awareness to the public.	• Corporate social responsibilities • Community day • Sponsorships	• Social responsibilities events such as donations for school

SUSTAINABILITY STATEMENT

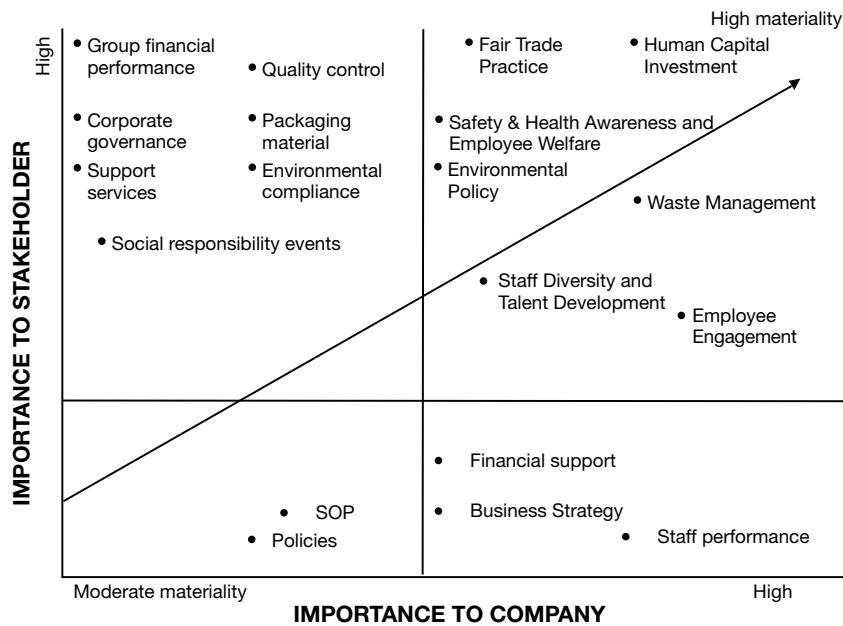
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Sustainability Management Activity

	ECONOMIC	ENVIRONMENTAL	SOCIAL
Sustainability Matters	- Practice fair trade engagement to ensure quality (ISO certified), stability and supply consistency. - Human capital investment to build technical skills and raise productivity.	- Prevent the contamination of air and water. - Proper management of industrial effluent and scheduled waste.	- Enhance workplace health and safety to promote conducive working environment. - Strengthening employees' welfare. - Drive employment diversity for fair and equitable work environment.
Why these sustainability matters are important to Techbond	Ensures sustainable growth for the Company.	Reduce environmental impact for the Company.	Drive social well-being for its employees and community.
	  - Decent Work and Economic Growth - Responsible Consumption and Production	 - Clean Water and Sanitation - Clean Environment	  - Good Health and Well-Being - Gender Equality
Initiatives' Owners	- Procurement Practitioner - Human Resource Practitioner	- Group Operations Manager - Factory Manager	- Group Operations Manager - Factory Manager - Human Resource Practitioner
Key Indicators	- Employees training needs. - Approved suppliers register for Local and Overseas suppliers.	- Scheduled waste disposed. - Volume of treated water.	- Staff diversity register on gender equality, age and social background. - Work place accidents register. - Safety awareness training register.

SUSTAINABILITY STATEMENT

(Cont'd)



ECONOMIC

Fair Trade Practice

The Group strives to engage local suppliers in its efforts to spur the growth of local economy in the countries in which it operates. The Group prefers sourcing local suppliers in the pursuit of excellence in accessibility, communication, logistics and timely response. The Group has in place a formal procurement process whereby new suppliers are subjected to pre-qualification process to ensure only qualified suppliers which meet the stringent internal specifications are registered as approved suppliers. Where local suppliers are not available or do not meet the internal specifications, overseas suppliers are considered under the same internal specifications.

The Group continuously tracks its composition of local to overseas suppliers with the objective of sourcing more local raw materials to support the local industries. However, where the Group is able to identify suppliers for common raw materials, we will engage them to supply the raw materials for both the Group's operating countries.

	As at 31.12.18	As at 31.12.19
No. of Approved Local Suppliers	144	149
No. of Approved Overseas Suppliers	32	38
Total Approved Suppliers	176	187

The Group also conducts periodical review of its packaging materials to continuously identify opportunities to reduce wastages and costs by using flexi-bags within the shipping containers. This significantly reduces the need for metal drums and efforts are in place to recycle flexi-bags to reduce waste generation.

Human Capital Investment

The Group continues to explore talents through employment portals in search of multiple talents and contribute in the knowledge-based economy. We believe strongly in providing technical training to our employees to develop talents and to reduce local unemployment rate.

The Group has also initiated several research and development activities with the research bodies and agencies to develop new sources of raw materials, methodologies and commercial applications. Our employees are given the opportunity to lead research projects with external agencies as part of expanding their knowledge and enrich their experiences.

	As at 31.12.18	As at 31.12.19
Manager and above (hour/employee)	48	68
Below manager (hour/employee)	20	44

SUSTAINABILITY STATEMENT

(Cont'd)

Talent Development

The Group is committed in expanding its employees' competencies and product technical knowledge through internal trainings as well as external trainings from industry experts. The Company strongly believes in the employees' personal development through job rotation where employees are given the opportunity to undertake different roles as part of their career development within the Group. Besides that, the Group also implemented an employee referral program in which the employees can introduce their potential talent candidates to join the Company.

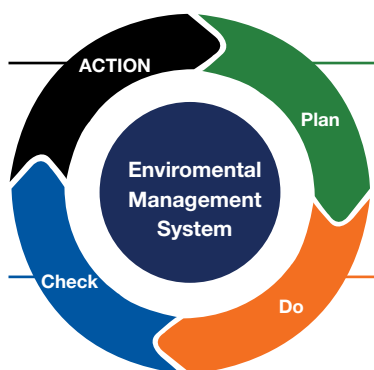
Job Rotation With Group Department		
From	To	No of Employee
Chemist	Purchasing Officer	1
Purchasing Officer	HR Executive	1
Senior R&D Chemist	Senior QC Chemist	1

ENVIRONMENTAL

Environmental Policy

In the manufacturing process, the Group is highly conscious of industrial effluent emission and scheduled waste generation. The Group has in place an Environmental Policy to incorporate our commitments in:

- 1) Establishing and maintaining an environmental management system with the "PLAN, DO, CHECK, ACTION" Cycle to prevent or minimize any potential adverse environmental impacts arising from our operations, products and services;



- 2) Prevention of pollution and continuous improvement of the environmental preservation in the Group's operation wherever technically and economically viable through the 4R Guide. The employees are encouraged to reduce printing and photocopying, to use double-sided printing and to use softcopy documents, where possible;



- 3) To be conscious of global environmental movements and to comply with all applicable environmental, legal requirements and ISO 14001 standard. ISO 14001 sets out the criteria for our environmental management system. It maps out a framework that we can follow to set up an effective environmental management system;



- 4) Promoting and communicating the environment policy through email, workshop, and notice board to all employees and persons working for or on behalf, and making it available to the public to provide a safe and healthful working place for future generations by taking environmental, health and safety considerations as top priority in all our manufacturing operations; and



SUSTAINABILITY STATEMENT

(Cont'd)

Environmental Policy (cont'd)

- 5) In order to make the Group as an environmental caring company, the environmental policy is used as a framework for setting and reviewing environmental objectives and targets to prevent or minimize any potential adverse environmental impacts arising from our operations, products and services.

Waste Management - Industrial Effluent Treatment System (IETS)

The Group has developed its own IETS to ensure all its waste water is properly treated through an environment friendly bio-treatment facility. The IETS is continuously monitored to ensure it is operating in an optimum performance condition and no untreated water is being discharged from the Plant to avoid potential water pollution.

Recycling Education by Tzu Zhi Recycling Education Centre



The Group raises awareness and educates the employees of the importance of waste segregation, such as recyclable and non-recyclable items. The Group implements 4R “Reduce, Reuse, Recycle and Recovery” programme in the Company. The employees are encouraged to reduce printing and photocopying. Furthermore, the Group contributes their time and recyclable waste to a nearby Tzu Chi recycling centre.

SOCIAL

Safety and Health Awareness

The Group champions a safe and healthy working environment in all aspects of the operations. We strongly promote trainings for all employees to be aware and follow all ISO safety procedures and actively contribute to the overall reduction of Industrial accidents. Employees are required to report all accidents in the accident register. The Health and Safety Committee will monitor these incidents and will recommend for improvement actions.

The Group has provided the following safety and health awareness:

- 1) The Spillage Control Procedures. In the event of a chemical spillage, proper cleaning procedures and storage containers are provided to reduce environment contamination. Appropriate personal protective gears are provided to all employees to prevent personal injury and minimize accidents at the workplace.
- 2) ISO Safety Awareness is conducted once a year to inform and educate the staffs on procedures in handling accidents, illness and hazardous in the workplace. Safety assembly and fire drills are conducted on planned and unplanned intervals to ensure awareness and personal safety.
- 3) Emergency Response Team (ERT) has been formed to handle any workplace emergency and administer first-aid procedures before the arrival of medical rescue personnel. The ERT is equipped with first-aid kit in the manufacturing, research and development and office area.

To reduce number of incidents in the workplace, the Group has established a Health and Safety Policy where all employees are required to comply with the safety procedures and the relevant employees are also required to attend safety awareness programmes conducted by the Company.

SUSTAINABILITY STATEMENT

(Cont'd)

Number of employees undergone company safety awareness for past two (2) years:

Training Program	Numbers of Employees	
	FY2019	FY2020
Occupational First Aid Training	30	24
Fire Safety Awareness & Emergency Evacuation	50	26

Covid-19 Pandemic Management

The Malaysian Government had imposed the MCO on 18 March 2020, whilst Vietnamese Government had imposed SDO on 1 April 2020. The emergence of Covid-19 had caused travelling restrictions and quarantines requirements around the world.

In order to protect the wellbeing of our employees and their families, we have implemented a set of Standard Operating Procedures ("SOPs") to address this pandemic and are strictly enforcing them. Some of the measures include the following:

- Temperature scanning at entry point of our company premises to reduce human contacts and any employee or visitor who has a temperature above 37.5 degree celsius are not allowed to enter the premises.
- Hand sanitizers are available at various locations of our premises. Employees or visitors are required to use the hand sanitizer after temperature check.
- Social Distancing is practiced at our work place. Employees or visitors are required to observe at least 1 metre distance from one another. Virtual meetings are held to stay connected and ensure the business continued as usual.
- Face masks are provided to all employees. Every employees were given a box of face mask every month for their own use. It is compulsory for all employees who are working in the office to wear face masks. Visitors are also required to wear face mask at all time.
- Disinfection and cleaning at the entire company premises are as per SOP. The disinfection processes for Company factories were carried out regularly to maintain hygiene and prevention against the virus.



SUSTAINABILITY STATEMENT

(Cont'd)

Occupational First Aid Training

The Occupational First Aid Training with AED and CPR skills on 30 November 2019, was organised and trained by qualified First Aid trainers at our Techbond Headquarter premises.



Fire Safety Awareness & Emergency Evacuation

The Fire Safety Awareness & Emergency Evacuation training was conducted on 21 December 2019. We invited fire marshals from Balai Bomba Dan Penyelamat Shah Alam to train 26 of our employees on fire handling procedures and emergency evacuation procedures.



Staff Diversity

The Group implements diversity in its workplace as to bring balance in working environment without discrimination in gender equality, age and ethnicity at all levels of management. The Group also has two (2) women directors or representing 33% women directors in its Board. All employees are being treated equally and fairly in which everyone has equal career progression and receives benefits without gender discrimination.

Ratio of women employed in different group levels:

Ratio of Women Employed	FY2019	FY2020
At Board Level	40%	33%
Manager and Above	38%	32%
Overall Organization	26%	28%

SUSTAINABILITY STATEMENT

(Cont'd)

Employee Engagement

Employees are encouraged to communicate and express their views to the management through management meetings and their department managers are expected to escalate their concerns to the higher management for appropriate actions to be taken. Furthermore, performance review is done annually to review employees' performances as well as to give feedback for further improvement. Exit interviews are also conducted to find out the areas that need improvement. Employee handbook including updates of employee policy are accessible to all staff.

Employee Welfare

Beside employee engagements, trainings and benefits to staffs, the sport club committee is responsible to create fun and promote better interaction within employees and management levels. Company-wide entertainment and social events such as annual dinner, festive celebrations, sport day and family day were organised, to break-down barriers and promote social interactions within all level of employees. As the underlying themes of most events generally promote healthy lifestyle, all employees are encouraged to participate in all the company events.

7 & 8
September
2019

2-Day-1-Night Adventure Trip

Nomad Adventure, Gopeng

To promote a healthy lifestyle, our Sports Club committee



14
December
2019

Techbond Team Building

Bilut Extreme Park, Raub

In order to encourage team spirit and unity, the Group had held a team building programme at Bilut Extreme Park, Raub on 14 December 2019. The Group encourages more outdoor activities within natural environment to balance employees daily work life.



SUSTAINABILITY STATEMENT

(Cont'd)

22
January
2020

Techbond Annual Dinner

Our annual dinner was organized in celebration of Chinese New Year where our employees were encouraged to participate in cultural performance and talent showcase.



21
May
2020

Buka Puasa Event with KFC

This year's "BUKA PUASA" celebration was different due to unprecedented measures to stem Covid-19. During the month of Ramadhan, in order to avoid big gatherings, we celebrated the "BUKA PUASA" event with takeaway food for employees to bring home.



Employee Personal Insurance

All confirmed employees are covered for personal accident, hospitalization and surgical insurance. Travel Insurance is also provided on a need basis to employees who travel locally and abroad. Furthermore, the Group strongly encourages its employees to undergo annual medical checkup and early health screening to detect potential health issues.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Techbond Group Berhad acknowledges the importance of the principles and practices as set out in the Malaysian Code on Corporate Governance (“MCCG”) in managing Techbond Group’s business towards its mission of sustainable growth. The Board strives to ensure the Group adopts the best practices of corporate governance in an effort to protect the interest of the stakeholders and to enhance shareholders’ value.

This statement is prepared in compliance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“MMLR”) and should be read together with the Corporate Governance Report 2020 which is available on the Company’s corporate website at www.techbond.com.my.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

A. BOARD RESPONSIBILITIES

The Board is responsible for the long-term success for the Group and the value and wealth of its stakeholders. Other than setting the strategic direction and overseeing the management, they shall also ensure the implementation and monitoring of the strategic plans of the Company. All Board members bring their independent judgement to bear on issues of strategy, performance, resources and standards of conduct.

With the diverse background and experience, the Board is able to contribute their expertise and independent judgement and to act in high standards of transparency, accountability to uphold the core values of integrity while performing their fiduciary duties. They are principally responsible for the following responsibilities of which are also stated in the Company’s Board Charter:-

- (a) Together with senior management, promote good corporate governance culture within the Company which reinforces ethical, prudent and professional behaviour;
- (b) Review, challenge and decide on management’s proposals for the Company and monitor its implementation by management;
- (c) Ensure that the strategic plan of the Company supports long-term value creation and includes strategies on economic, environmental and social considerations underpinning sustainability;
- (d) Supervise and assess management performance to determine whether the business is being properly managed;
- (e) Ensure there is a sound framework for internal controls and risk management;
- (f) Understand the principal risks of the Company’s business and recognize that business decisions involve the taking of appropriate risks;
- (g) Set the risk appetite within which the Board expects management to operate and ensure that there is an appropriate risk management framework to identify, analyse, evaluate, manage and monitor significant financial and non-financial risks;
- (h) Review the adequacy and integrity of the Company’s internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines including formalizing ethical values through a code of conduct;
- (i) Ensure that senior management has the necessary skills and experience, and there are measures in place to provide for the orderly succession of Board and senior management;
- (j) Ensure that the Company has in place procedures to enable effective communication to stakeholders; and
- (k) Ensure the integrity of the Company’s financial and non-financial reporting.

The roles and responsibilities of the Directors are clearly stated in the Board Charter appropriately segregated between those of the Chairman, Managing Director, Individual Directors, Executive and Non-Executive Directors, Senior Independent Directors and lastly the Independent Directors.

The following new policies have been adopted by the Board during the financial year 2020 to ensure proper governance is practiced by the Company and across the Group:-

- (i) Dividend Policy;
- (ii) Remuneration Policy;
- (iii) Gender Diversity Policy;
- (iv) Board Diversity Policy; and
- (v) Anti-Corruption Policy.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(Cont'd)

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

A. BOARD RESPONSIBILITIES (CONT'D)

To ensure the Board is able to effectively supervise the operations of the Company and to discharge their duties, the following Board Committees were formed to assist the Board:-

- (i) Audit & Risk Management Committee;
- (ii) Nomination Committee; and
- (iii) Remuneration Committee.

Each of the Board Committees is governed by its own terms of reference which are aligned with the Malaysian Code of Corporate Governance. The chairman of each committee will report to the Board the findings of their meetings. The Board Charter and the respective terms of reference of the Board Committee will be reviewed periodically and is available on the Company's website, www.techbond.com.my.

The Board has an oversight on matters delegated to Management through the Group Managing Director and Management will provide updates and reports to the Board on quarterly basis.

The positions of the Chairman and Group Managing Director are held by different individuals, each with clear and distinct roles which are stated in the Company's Board Charter to ensure a balance of power and authority between the two positions. The Chairman, Dato' Hamzah bin Mohd Salleh leads the Board, focusing on board strategy, governance and compliance whilst the Group Managing Director, Lee Seng Thye oversees the day-to-day operations of the Company and implements the Company's strategies and policies.

The Board has full access to the three (3) qualified and competent company secretaries, namely Ms. Wong Wai Foong, Lim Hooi Mooi and Ong Wai Leng who are members of the Malaysian Institute of Chartered Secretaries and Administrators (MAICSA) and are qualified to act as company secretary under Section 235(2) of the Companies Act 2016. The secretarial function of the Group is outsourced to Tricor Corporate Services Sdn. Bhd. The roles and responsibilities of the Company Secretaries are also stated in the Board Charter of the Company.

The Board will convene meeting every quarter while Board Committees will meet at least once every financial year or as and when the need arises. In order for the Board to have sufficient time to study the materials, meeting materials are circulated via email at least five (5) business days prior to the meetings. The Management is invited to attend Board and Board Committees meetings to provide explanation on the meeting agenda. Full board minutes are circulated to the Board and Board Committees respectively as soon as practicable after meeting for review and comment. The following are the Board and Board Committees meetings held during the financial year ended 30 June 2020 and the directors' attendance:-

Director	Number of Meetings Attended / Held			
	Board of Directors'	Audit and Risk Management Committee	Nomination Committee	Remuneration Committee
Dato' Hamzah Bin Mohd Salleh	6/6	5/5	4/4	2/2
Lee Seng Thye	6/6	–	–	–
Tan Siew Geak	6/6	–	–	–
Ooi Guan Hoe	6/6	5/5	4/4	2/2
Selma Enolil Binti Mustapha Khalil	6/6	5/5	4/4	2/2
Lee Seh Meng*	2/3	–	–	–

*Appointed on 1 December 2019

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(Cont'd)

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

A. BOARD RESPONSIBILITIES (CONT'D)

In accordance with Paragraph 15.08(3) of the MMLR, the Board have attended various training programmes during financial year ended 2020 as follows:-

Director	Programme Title
Dato' Hamzah Bin Mohd Salleh	General Understanding of Section 17A of the MACC Act 2009
Lee Seng Thye	25th MPOB Transfer of Technology Seminar and Exhibition - Road Map to IPO and Asset Protection Talk - Employee Insurance Briefing 15th Tricor Tax Seminar - Business Model Training - Breakfast Talk on Real Estate: Key Legal Considerations - ERM Workshop on Corporate Risk Management - General Understanding of Section 17A of the MACC Act 2009
Tan Siew Geak (Alternate: Lee Yuen Shiuan)	- Road Map to IPO and Asset Protection Talk - Employee Insurance Briefing 15th Tricor Tax Seminar - Business Model Training - Occupational First Aid Certification with AED & CPR Skill Training - Breakfast Talk on Real Estate: Key Legal Considerations - ERM Workshop on Corporate Risk Management - General Understanding of Section 17A of the MACC Act 2009 - Neuro Linguistic Programming (NLP)
Ooi Guan Hoe	- Duties and obligations of Directors of a company listed on Main Board of the Stock Exchange of Hong Kong Limited - Securities Commission Malaysia's Audit Oversight Board conversation with Audit Committees
Selma Enolil Binti Mustapha Khalil	- Evaluating Effective Internal Audit Function – Audit Committee Guide - Sharing Session – Risk Management Conference (Governance and Risk in a Digital World) - Corporate Liability on Corruption under Malaysian Anti-Corruption Act 2009 (Amended 2018)
Lee Seh Meng	- CEO Leadership Forum - Employee Insurance Briefing - Business Model Training - Occupational First Aid Certification with AED and CPR Skill Training - ERM Workshop on Corporate Risk Management - General Understanding of Section 17A of the MACC Act 2009
Lee Yuen Shiuan	- ERM Workshop on Corporate Risk Management - General Understanding of Section 17A of the MACC Act 2009

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(Cont'd)

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

A. BOARD RESPONSIBILITIES (CONT'D)

The Company adopts a Code of Business Conduct and Work Ethics Policy as well as Fraud and Whistleblowing Policy which serve as guidelines for managing improper conduct within the Group and provide a channel of communication to encourage the report of any misconduct so that appropriate actions can be taken to resolve these issues.

The Code of Business Conduct and Work Ethics Policy as well as the Fraud and Whistleblowing Policy will be periodically reviewed and are available on the Company's corporate website, www.techbond.com.my.

B. BOARD COMPOSITION

The Board currently consist of six (6) directors with three (3) Independent Non-Executive Directors and three (3) Executive Directors. The Board also consist of one (1) Alternate Director. The Board composition meets the requirements of MMLR, which requires a minimum of two (2) or one-third (1/3) of the Board, whichever is higher to be Independent Directors and the MCCG which requires at least half of the Board to consist of Independent Directors.

The Independent Directors are independent of management and are able to provide greeter check and balance during boardroom deliberations and decision making.

No independent directors have served on the Board for more than nine (9) consecutive years as the Company was only listed on 5 December 2018. However, a policy on the tenure of independent directors was adopted and forms part of the Board Charter. Should the Board intend to retain the independent director whose tenure exceeds the term of nine (9) years, it shall seek for shareholders' approval. The profile of all members of the board can be found on pages 4 to 7 in the Directors' Profile section of the Annual Report 2020.

The significance of the diversity on the Board and the senior management in regards to skills, experience, age, cultural background and gender have always been emphasized by the Board to ensure there is variety of professional opinion and where there is value that can be contributed to the growth of the Company. The Nomination Committee ("NC") was responsible to develop the policies on diversity and subsequently on 21 February 2019 and 9 October 2019, the Board approved and revised the Board Diversity Policy respectively to ensure mix of skills, experience, independence and diversity in its composition. The NC was also entrusted to identify and recommend suitable candidates for appointment as directors or management. Sources of candidates can be obtained from existing directors, management, major shareholders, or through independent sources.

The current Board composition in terms of skill and experience of Directors, age and ethnic composition is as follows:-

SKILL AND EXPERIENCE OF DIRECTORS

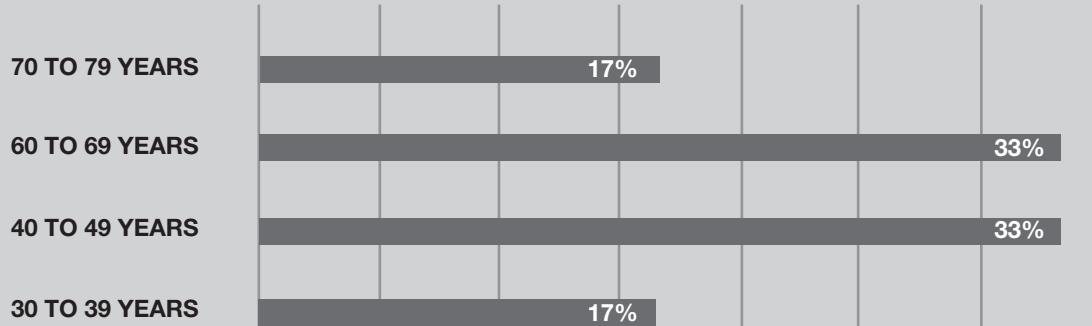
Industry Knowledge	Global Experience	Strategy and Entrepreneurship
Legal/ Regulatory	Corporate Governance and Risk Management	Accounting/ Financial Management

CORPORATE GOVERNANCE OVERVIEW STATEMENT (Cont'd)

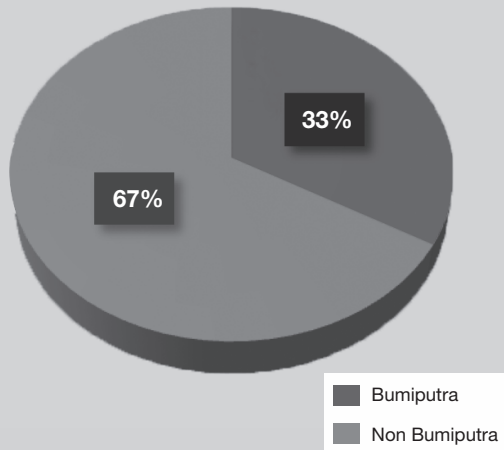
PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

B. BOARD COMPOSITION (CONT'D)

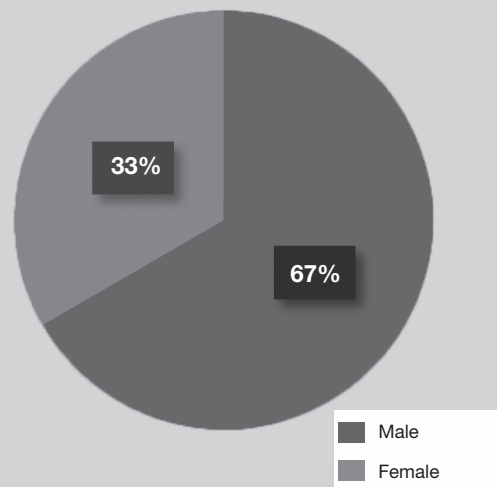
DIVERSITY OF AGE



ETHNICITY



GENDER



It is the Company's policy to assess all potential Board candidates without regard to age, race, gender, nationality, religion, or any other factors not relevant to their competence and performance. The main emphasis is on adding value and effectiveness to the Board and the Company.

The NC consists of three (3) members of the Board, all of whom are Independent Non-Executive Directors. Currently, there are two (2) female directors on the Board, namely Tan Siew Geak and Selma Enolil Binti Mustapha Khalil.

The Terms of Reference ("TOR") of the NC is available on the Company's website, www.techbond.com.my.

The Committee will conduct annual evaluation assessment on the effectiveness of the Board as a whole, the Committees of the Board, the contribution of each Director annually, and the independence of the Independent Directors. The results of the assessment were tabled to the NC for deliberation and shared with the Board to allow improvements to be undertaken.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(Cont'd)

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

C. REMUNERATION

The Remuneration Committee ("RC") had developed a fair and transparent policies and procedure for determining the remuneration of the Directors and Key Senior Management of the Group. The RC was tasked to develop a remuneration package which is competitive and in line with current market practice to attract, retain and reward talented Directors and Key Senior Management and is aligned with the Group's strategy. The remuneration package is determined by taking into account the short-term and long-term objectives and growth of the Group. The RC consists of three (3) members, all of whom are Independent Non-Executive Directors.

The TOR of the RC is available on the Company's website, www.techbond.com.my.

The RC had developed and tabled to the Board the Remuneration Policy. The Remuneration Policy was approved by the Board on 26 February 2020 with the intention to provide a guideline on the basis of determination of remuneration package for the Board and Key Senior Management.

The details of the remuneration of the Directors of the Company and the Group on a named basis for the financial year ended 30 June 2020 are as below:-

Executive Directors (inclusive of Company and Group)	Fees (RM'000)	Salaries (RM'000)	Bonus (RM'000)	Allowance (RM'000)	Benefits (RM'000)
Lee Seng Thye	60	1,357	166	–	–
Tan Siew Geak	60	416	50	–	–
Lee Seh Meng*	24	154	30	12	–
Non-Executive Directors (Company)					
Dato' Hamzah Bin Mohd Salleh	84	–	–	6	–
Ooi Guan Hoe	72	–	–	6	–
Selma Enolil Binti Mustapha Khalil	72	–	–	6	–

*Lee Seh Meng was appointed on 1 December 2019

The Company has only three employees, consisting the executive directors. The remaining Management personnel are employed by the subsidiary companies.

With regard to the disclosure of remuneration of Group's Key Senior Management, the Company is of the view that the interest of the shareholders will not be prejudiced as a result of the non-disclosure of the Company's Key Senior Management Personnel who are not directors of the Company. In view of the competitive nature of human resource market in the industries the Company operates, the Company should protect the confidentiality of personal information such as employees' remuneration package.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(Cont'd)

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

A. AUDIT COMMITTEE

The Audit and Risk Management Committee ("ARMC") currently comprises three (3) Independent Non-Executive Directors and it is chaired by Ooi Guan Hoe. The Chairman of the ARMC and the Board are held by two (2) different individuals. The ARMC members have a wide range of skills and knowledge from business administration, accounts, finance, law, audit and others. In order to perform their duties professionally, the members participate in and attend different training, seminar, conference and any other relevant programme to ensure that they are up-to-date on the accounting and auditing standards, corporate governance practices and listing rules.

Currently, the ARMC does not have a member who was a former key audit partner of the Company. However, there is a policy in the TOR of the ARMC stated that any key audit partners are required to observe a cooling off period of at least two (2) years before being appointed as a member of the ARMC.

The TOR of the ARMC is available on the Company's website, www.techbond.com.my.

During the financial year, the ARMC had carried out annual assessment on the independence and performance of the external auditors, Messrs Grant Thornton Malaysia PLT, and is satisfied that the external auditors have been independent throughout their audit work during the financial year.

B. RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

The Board is well aware of the importance of a sound internal control and risk management framework in ensuring the operation runs smoothly and potential risks are mitigated. As such, the Company have engaged Tricor Axcelasia Sdn Bhd (formerly known as Axcelasia Columbus Sdn Bhd), an independent internal control consultant to assist in internal control and NGL Tricor Governance Sdn Bhd as the independent risk management consultant to assist in the formulation of an effective risk management and internal control framework. They will report to the ARMC and table their reports for review.

The ARMC is responsible for reviewing the risk management and internal control frameworks and align them to the business objectives of the Group. They will take up the roles in identifying and communicating with the Board on the present critical risks, potential risks, profile changes and the management action plans to manage the identified risks. Annual assessment and periodic testing on the effectiveness of the risk management framework will be conducted. The results and recommendations will be reported to the Board.

Details on the key features of the risk management and internal control system together with its adequacy and effectiveness can be found on page 44 to 48 of the Statement on Risk Management and Internal Control, which is included from page 44 to 48 in the Company's 2020 Annual Report.

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

A. COMMUNICATION WITH STAKEHOLDERS

The Company is fully committed in providing continuous communication with the stakeholders and also the importance of transparency. Hence, the Board has established an effective and transparent method to keep the stakeholders informed on corporate information, policies on governance, the environment and social responsibility.

The Company has the following posted on the Company's website, www.techbond.com.my, with the intention of building a communication channel between the Company with the stakeholders:-

- (i) Announcements submitted to Bursa Malaysia Securities Berhad

The Company have all its material announcements submitted to Bursa Malaysia Securities Berhad posted on the Company's website and stakeholders may access the announcements from its website.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(Cont'd)

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS (CONT'D)

A. COMMUNICATION WITH STAKEHOLDERS (CONT'D)

- (ii) Investor section which provides relevant corporate information

The Company's website consists of an Investor section dedicated to provide corporate information to the stakeholders' such as share price, general corporate information, directors' profile, corporate structure and policies approved by the Board.

- (iii) General telephone number, fax number and email address.

The general line number, fax number and general enquiry email address of the Company are provided for the stakeholders to send in any enquiries to the Company directly.

B. CONDUCT OF ANNUAL GENERAL MEETING ("AGM")

The Annual General Meeting ("AGM") of the Company serves as a principal forum for the Company and the shareholders to meet face-to-face and to discuss on matters related to the Company's growth and to seek for shareholders' approval on resolutions.

The notice and agenda of the AGM together with the proxy form are given to the shareholders at least 28 days prior to the date of the AGM. This will give the shareholders sufficient time to consider the resolutions to be tabled at the AGM and make the necessary arrangement to attend in person and submit the proxy forms to attend the AGM. The Notice of AGM was also accompanied by explanatory notes which provides further explanation on each resolution proposed to facilitate informed decision-making by the shareholders.

All the Directors and senior management were present at the AGM to provide meaningful response to the questions addressed to them.

On 5 February 2020, the Company held its Extraordinary General Meeting ("EGM") to seek shareholders' approval on the issuance of up to 115,000,000 Free Warrants. The notice and circular to shareholders were circulated at least 14 days prior to the date of EGM to pass the ordinary resolution. This serve sufficient time to the shareholders to consider the resolution and make necessary arrangement to attend or submit their proxy forms to attend the EGM. All the Directors and Key Senior Management were present at the EGM to provide meaningful response to the questions addressed to them.

STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF THE CODE

This Statement is prepared in compliance with Paragraph 15.25 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and it is advised to be read together with the Corporate Governance Report 2020 of the Company, which is available on the Company's website, www.techbond.com.my.

The Board is in the opinion that the Group has maintained the highest standards in Corporate Governance practices and compliances and remain fully committed to achieve the highest level of integrity and ethical standard in delivering the strategic objectives and sustainable performance of the Group over the long term.

This statement was tabled and approved at the Board of Directors' Meeting held on 8 October 2020.

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

The Board of Directors of Techbond Group Berhad is pleased to present the Audit and Risk Management Report for the financial year ended 30 June 2020.

1. Composition

The Company's Audit and Risk Management Committee ("ARMC") comprises three (3) members, consist solely of Independent Non-Executive Directors. All of the Independent Non-Executive Directors satisfied the test of independence under the Bursa Malaysia Securities Berhad Main Market Listing Requirements ("MMLR"). The ARMC meets the requirements of Paragraph 15.09(1)(a) and (b) of the MMLR as well as Practice 8.4 of the Malaysian Code on Corporate Governance ("MCCG").

The Chairman of ARMC, Mr Ooi Guan Hoe, is a member of the Malaysian Institution of Accountants ("MIA"). Hence, the Company complies with Paragraph 15.09(1)(c)(i) of the MMLR.

The members of ARMC and their respective designation are as follows:-

Name	Designation
Ooi Guan Hoe	Chairman (Independent Non-Executive Director)
Dato' Hamzah Bin Mohd Salleh	Member (Independent Non-Executive Chairman)
Selma Enolil Binti Mustapha Khalil	Member (Independent Non-Executive Director)

The Board, via the Nomination & Remuneration Committee ("NRC"), assesses the composition and performance of the ARMC and its members through an annual Board Assessment effectiveness evaluation. Based on the assessment conducted for Financial Year Ended 30 June 2020 ("FY2020"), the NRC was of the view that the present composition in the ARMC was appropriate. The NRC and the Board, as a whole was satisfied that the ARMC has effectively discharged its duties and responsibilities in accordance with its Terms of Reference ("TOR") and the ARMC has also provided constructive feedback to the Board in making informed decisions and enabling the effective functioning of the Board.

The TOR of the ARMC set out the authorities, duties and responsibilities of the ARMC is accessible on the Company's website at <http://www.techbond.com.my/investors/>.

2. Meetings and Attendance

The ARMC held five (5) meetings during the FY 2020. The Managing Director, Executive Directors and Group Finance Director ("GFD") were invited to attend all ARMC meetings to provide clarifications and information on audit issues and relevant issues pertaining to the Groups' operations.

The representatives of the External Auditors ("EA"), Messrs Grant Thornton Malaysia PLT, attended three (3) ARMC meetings, while the representatives of the outsourced Internal Auditors and Risk Management Consultant, attended two (2) and three (3) of the ARMC meetings respectively.

The ARMC meetings were also attended by Key Senior Management as and when deemed necessary upon invitation by the ARMC to brief on specific issue arising from the audit reports or any other matters of interest. The Company Secretary attended all the meetings.

During the FY2020, the meetings attendance records of the ARMC members are as follow:-

Name	Number of meetings attended/held during the members' term in office
Ooi Guan Hoe Chairman (Independent Non-Executive Director)	5/5
Dato' Hamzah Bin Mohd Salleh Member (Independent Non-Executive Chairman)	5/5
Selma Enolil Binti Mustapha Khalil Member (Independent Non-Executive Director)	5/5

Minutes of each ARMC Meeting were recorded and tabled for confirmation at the following ARMC meeting.

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT (Cont'd)

3. Summary of Activities during the Financial Year Under Review

The ARMC had carried out its duties in accordance to its TOR.

The summary of works and activities performed by the ARMC during FY2020 comprised the following:-

3.1. Financial Reporting

On 28 November 2019, the ARMC reviewed the financial results for the first quarter ended 30 September 2019.

In 2020, the ARMC reviewed the second and third quarterly financial results on 26 February 2020 and 10 June 2020 respectively. Subsequently, the fourth quarterly financial results were reviewed on 26 August 2020, and with the External Auditors, reviewed Annual Financial Statements for FY2020 on 8 October 2020 before recommending the Financial Results to the Board for its approval.

The GFD was present at all ARMC meetings to present and explain the financial performance of the Group to members of the ARMC. He also informed the ARMC that the Audited Financial Statements were prepared in compliance with the Malaysian Financial Reporting Standards ("MFRS") and International Financial Reporting Standards ("IFRS").

3.2. Re-appointment of External Auditors

The ARMC recommended to the Board for the re-appointment of Messrs Grant Thornton Malaysia PLT as the Company's EA, after the ARMC had assessed and satisfied with the EA's suitability, objectivity, dependence as well as the quality of the services provided, sufficiency of audit resources and interactions with the Management based on the performance of Messrs Grant Thornton Malaysia PLT in auditing the Company's financial statements for FY2020.

On 28 November 2019, the shareholders of the Company approved the re-appointment of Messrs Grant Thornton Malaysia PLT as the EA of the Company for FY2020 at the 3rd Annual General Meeting.

On 10 June 2020, the ARMC reviewed and approved the Audit Approach Memorandum which include the scope of work, audit process, key audit matters, audit concepts, engagement team, regulatory compliance and the disclosure requirements of the relevant accounting standards.

The ARMC also had a private meeting with the EA without the presence of Executive Directors and Management on 9 October 2019.

3.3. External Audit

The EA, Messrs Grant Thornton Malaysia PLT, presented their Audit Planning Memorandum in relation to the audit of the Audited Financial Statements for the FY2020 on 10 June 2020.

Mr Kho Kim Eng, the engaging audit partner from Messrs Grant Thornton Malaysia PLT, highlighted their audit approach, audit process, key audit areas, audit concepts, and in regards to the audit of the Audited Financial Statements for the FY2020. He had enquired the ARMC on any frauds affecting the Group that were not reported and the ARMC had confirmed they were not aware of such frauds.

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT (Cont'd)

3. Summary of Activities during the Financial Year Under Review (Cont'd)

3.4. Internal Audit

The Group outsources its Internal Audit function to an outsourced Internal Auditor and an independent Risk Management Consultant. The Internal Auditors were engaged to undertake independent and objective review of the effectiveness of the governance, risk management and internal control process of the Group. The Internal Auditors report directly to the ARMC. The internal audit function provides timely and impartial advice to the ARMC and the Management as to whether the internal audit functions reviewed are:-

- i) in accordance with the Group's policies and direction;
- ii) in compliance with prescribed laws and regulations; and
- iii) achieving the desired results effectively and efficiently.

The Internal Audit Report was presented to the ARMC on a half yearly basis for deliberation and its recommendations were communicated to the Management for corrective actions to be taken. The internal audit function also provided follow-up audit reports in subsequent ARMC meetings to report on the status of the key audit issues highlighted in the preceding ARMC meetings. All proposals presented by the Internal Auditors after review by the ARMC were tabled to the Board for its notation or approval.

The total fees incurred for the Group's Internal Audit Function for FY2020 was RM47,000.

3.5. Internal Audit Function

The Internal Auditor, performed their internal audit function and the following activities during the year:-

3.5.1. Internal Audit Reports

During the financial year under review, the following key audit areas were conducted based on the annual internal Audit Plan approved by the ARMC:

- i) Health, safety and environment;
- ii) Production and quality control; and
- iii) Procurement.

Prior to the review, recommendations and management action plans for the following key business processes were presented to the Management for appropriate corrective actions to be taken within the implementation timeframe:

- i) compliance with prescribed laws and regulations;
- ii) enhancement to the group financial reporting process; and
- iii) enhancement of strategic business planning project.

A follow-up report will be presented at the subsequent ARMC meetings to report on preceding outstanding issues.

3.5.2. Enterprise Risk Management ("ERM") framework

The Company had on 15 May 2019 adopted an ERM framework in accordance with the standards and best practices of ISO 31000.

For FY2020, ARMC's meetings on 14 August 2019 and 10 June 2020 had reviewed the ERM Report based on approved ERM framework which included the following:-

- i) Discussed and identified new and potential risks as well as developed a key risk register; and

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT (Cont'd)

3. Summary of Activities during the Financial Year Under Review (Cont'd)

3.5. Internal Audit Function (Cont'd)

3.5.2. Enterprise Risk Management (“ERM”) framework (Cont'd)

- ii) Update the key risk register through discussions or facilitated workshops with the Management in securing a concerted effort from the Management in unanimous decision-making and managing the risks.

The risk register was presented and updated to the ARMC on 14 August 2019 and 10 June 2020 respectively and it was approved by the ARMC.

3.6. Review of Related Party Transactions

The ARMC reviewed quarterly reports on related party transactions and possible conflict of interest situations that may arise within the Group including any transactions, procedure or course of conduct that may give rise to questions on management integrity and to ensure all transactions are at arm's length basis in every quarterly meeting.

The ARMC had ensured that the Company is in compliance and are not detrimental to minority shareholders.

The ARMC also did not detect any issue that warrants specific disclosure.

3.7. Other Activities

3.7.1 Established Policies and Procedures

As we are in the era of evidence-based practice, it is crucial for the Company to establish to safeguard the interest of the Company, and at the same time, adopt best practices of corporate governance in relation to the MMLR and MCCG:-

3.7.1.1 Corporate Code of Business Conduct and Work Ethics Policy

The Policy was established to promote professionalism and proper conduct of employees on the day-to-day business operations which will reflect the underlying values and commitment towards social and environmental growth to the surroundings in which the Company operates. This policy has been adopted on 9 October 2019 and available on the Company's website at <http://www.techbond.com.my/investors/>.

3.7.1.2 Risk Management Policy

The Risk Management Policy was developed to provide a guideline on risk management within the organisation and to prevent departure of relevant standards and could be designed specifically to fit the organisation's needs in various industries. This policy was presented to ARMC for deliberation and subsequently approved by the Board on 9 October 2019.

3.7.1.3 Dividend Policy

The Dividend Policy was established to provide guidance in recommending dividends to shareholders and will allow shareholder to participate in the profits of the Group. This policy was presented to ARMC on 28 November 2019 for review and subsequently approved by the Board on even date.

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

(Cont'd)

3. Summary of Activities during the Financial Year Under Review (Cont'd)

3.7. Other Activities (Cont'd)

3.7.1 Established Policies and Procedures (Cont'd)

3.7.1.4 Anti-Corruption and Bribery Policy

The Anti-Corruption and Bribery Policy was established to provide guidance to the Directors, employees and business associates in observing and uploading our position on bribery and corruption as well as providing information on how to recognise and to deal with this issue. This policy was presented to ARMC for deliberation and was subsequently approved by the Board on 10 June 2020 is available at <http://www.techbond.com.my/investors/>.

3.7.2 Review of the reports for the inclusion in this Annual Report

The ARMC has reviewed and recommended the Corporate Governance Statements, ARMC Report, Statement on Risk Management and Internal Control, Management Discussion and Analysis Statement, and the Sustainability Report to the Board for approval, for inclusion in the 2020 Annual Report.

This report was reviewed by the ARMC and approved by the Board on 8 October 2020.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

The Board of Directors (“the Board”) acknowledges the importance of maintaining good risk management and internal control system and is pleased to provide the Statement on Risk Management and Internal Control pursuant to paragraph 15.26(b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and after taking into consideration of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers.

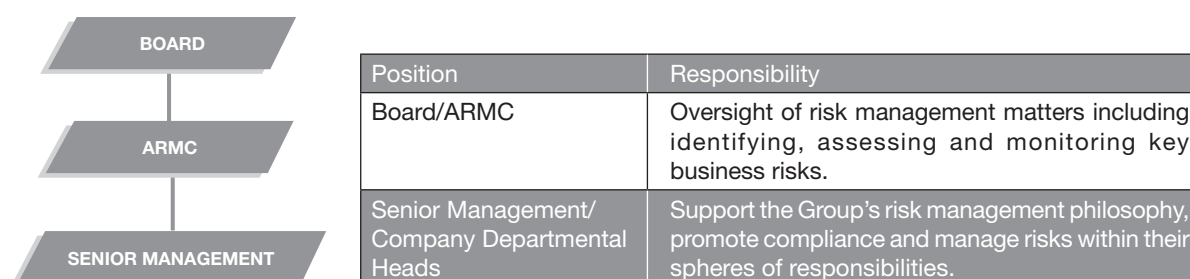
The following statement outlines the nature and scope of risk management and internal controls of Techbond Group Berhad (“Techbond” or the “Company”) and its subsidiaries (the “Group”) for the financial year ended 30 June 2020.

RESPONSIBILITY

The Board recognises the importance of a sound internal control and risk management practice for the objectives of safeguarding the assets of the Group as well as shareholders’ investment. The Board acknowledges its overall responsibility in the establishment and oversight of the Group’s risk management framework and internal control systems, including reviewing the adequacy and integrity of the framework and system. These are designed to manage and mitigate, rather than eliminate the risk of failure to achieve the Group’s goal and objectives within the risk appetite established by the Board and management. Therefore, the system can only provide reasonable but not absolute assurance against the occurrence of any material misstatement, loss or fraud.

The Board has delegated these aforementioned responsibilities to the Audit and Risk Management Committee (“ARMC”) which is assigned with the duty, through its terms of reference and the Risk Management Policy approved by the Board. ARMC assists the Board in monitoring, reviewing, overseeing and assessing the risk management strategy and process, and internal control environment within the Group to ensure sound risk management framework and effective internal control system are established. Through the ARMC, the Board is kept informed of all significant control issues brought to the attention of the ARMC by the Management, the internal audit function and external auditors.

The primary responsibilities of the Board and management on risk management and internal control are summarised as follows:



KEY FEATURES OF THE GROUP’S RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

Key elements that have been established in the Group’s risk management and internal control systems are described below:

1. Risk Management System

Risk management is firmly embedded in the Group’s management system as the Board firmly believes that risk management is critical for the Group’s sustainability and the enhancement of shareholder value. The ARMC support the Board in monitoring the Group’s risk exposure and ensure senior management creates and maintains an effective process to identify, evaluate, manage and report risk.

The Group has established a Risk Management Policy to proactively identify, analyse, evaluate, treat, monitor, reviewing, reporting and manage key risks to an optimal level. In line with the Group’s commitment to deliver sustainable value, this policy aims to provide an integrated and organised group-wide approach. It outlines the Enterprise Risk Management (“ERM”) methodology which is guided by the Committee of Sponsoring Organisations of the Treadway Commission’s (“COSO”) ERM principles and processes published in 2004; and the ISO 31000 Principles and generic Guidelines on Risk Management.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (Cont'd)

KEY FEATURES OF THE GROUP'S RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM (CONT'D)

2. INTERNAL CONTROL

The key elements of internal control established within the Group comprise the following:

- Control Environment;
- Risk Assessment;
- Control Activities; and
- Monitoring.

(a) Control Environment

Enhancing the Group's ability to achieve business objectives remains as the Board's primary objective and direction in managing Techbond Group. In ensuring that this objective is achieved, the Board continues to rely on Senior Management, led by the Managing Director to ensure that the performances of businesses are in line with the approved business strategies and risk appetite. The Board in turns monitors the Group's performance and profitability through the reports it received and its involvement in Board Meeting and Monthly Management Meeting.

Structure

The Group has instituted an organisational structure with defined lines of accountability and delegated authority. The Board Committees are given specific terms of reference to discharge their respective responsibilities. Senior Management is delegated with authority in the day-to-day decision-making pertaining to matters relating to the Group's business.

Audit and Risk Management Committee

The Board has delegated the responsibility for reviewing the adequacy and operating effectiveness of the internal control system to ARMC. ARMC assesses the adequacy and operating effectiveness of the system of internal control through independent reviews conducted on reports received from the Internal Auditors. ARMC review and report to the Board on the adequacy of the scope of work, competency, experience and resources of internal audit function.

Policies and Procedures

There are various written policies and procedures in place to ensure adequacy of controls, and compliance with relevant law and regulations. These policies and procedures are periodically reviewed and update, if any, to reflect change in business structure and processes. Techbond Group is certified with ISO 9001:2015 Quality Management System and ISO 14001:2015 Environmental Management System by an international certification service firm.

Fraud & Whistleblowing Policy

The Board has formalised a Fraud & Whistleblowing Policy which provides a channel for parties to provide information on frauds, wrongdoings and non-compliance with regulations and procedures by a vendor, customer or employee of the Group.

The Whistleblowing Programme is overseen by Whistleblower Committee. It allows the whistleblower to voice such concerns with complete confidential, knowing that the people who can address these issues are appropriately informed.

The whistleblower's identity is always kept confidential and is protected against any form of reprisal or retribution. The Board is notified and updated on investigation of any concern raised.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (Cont'd)

KEY FEATURES OF THE GROUP'S RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM (CONT'D)

2. INTERNAL CONTROL (CONT'D)

(a) Control Environment (Cont'd)

Anti-Bribery Management Policy

The Board has formalised an Anti-Bribery Management Policy in view of the introduction of Section 17A of the Malaysian Anti-Corruption Commission Act 2009 (Amendment 2018), which comes into force in June 2020.

(b) Risk Assessment

Risk assessments are conducted on new ventures and activities, including projects, processes, systems and commercial activities to ensure that these are aligned with the Group's objectives and goals. The identification and management of risk is a continuous process linked to the achievement of the objectives.

During the financial year under review, the Group has formalised a documentation for risks and controls in the format of risk registers. Senior Management are required to undertake risk assessments against the Group's business plan, strategies and other significant activities and to maintain risk registers that reflect an appropriate risk profile.

The Group's key risk register is compiled by the Senior Management and helps to facilitate the identification, assessment and on-going monitoring of risks significant to the organisation, including actions taken to mitigate risks. The document is formally reviewed yearly but emerging risks are added as required and mitigating actions and risk indicators are monitored regularly and updated on an on-going basis. The key risk register is discussed at all regular meetings of the Senior Management and reported on a yearly basis to the Board via the ARMC.

Significant Risks

In pursuing the Company's goal to create and sustain value to its stakeholders, the Board has approved a range of risk appetite for different risk categories developed at the Group level by the Senior Management. The Board is aware of the inherent/ controllable risks and has developed internal control measures to address such risks:

▪ **Strategic risk**

These are risks that affect the business direction and the sustainability of the Group which arise from failure to respond to competition, changes in economic, environmental, social, political and regulatory conditions and improper selection of business strategies. Failure in addressing competition risks may result in loss of market share and positioning, business opportunities and expose to risk getting into price war and affect profit margin. The Group's efforts to maintain a good business relationship with customers, continuously improve the product development to meet dynamic market requirements.

▪ **Operational risk**

These are risks of loss related to deficiency in the Group's internal processes and system procedures and the human factor, e.g. product non-conformance risk. Senior Management communicates with subordinates and guides them effectively when there is any new or variation in internal procedural processes. The Group also implemented preventive and detective controls, e.g. monitor the quality inspection process, etc. to mitigate the product non-conformance risk.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (Cont'd)

KEY FEATURES OF THE GROUP'S RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM (CONT'D)

2. INTERNAL CONTROL (CONT'D)

(b) Risk Assessment (Cont'd)

Significant Risks (Cont'd)

▪ Credit risk

This relates to potential loss due to customers failing to perform their contractual obligations. The Group has put in place a credit control policies and procedures for credit evaluation and monitoring of repayment to mitigate the risk.

▪ Financial risk

This risk relates to financial losses that arises from inaccurate costing and leading to poor determination in pricing strategy. Senior Management emphasises the importance of communicating and updating the revised costing information in a timely manner.

(c) Control Activities

Senior Management is accountable for all risks assumed under their respective areas of responsibilities and to ensure that the Group's objectives and goals are not impacted by internal and external risks. Control activities generally can be divided into three main categories:-

- *Preventive controls* are introduced to deter undesirable events or incidence of mistake, e.g. establish the approval matrix by imposing organisational constraints and level of authority for execution, perform periodical review to ensure the reliability and integrity of the information, etc.
- *Detective controls* are designed to prevent fraudulent activity from happening and remaining undetected, e.g. monitor and measure operation performance based on established key performance indicators, perform monthly management review on operation and financial matters, etc.
- *Corrective controls* are designed to identify errors in the risk assessment process and determine the actions to be taken to rectify those problems.

(d) Monitoring

There are processes to monitor the internal control policies and procedures designed and implemented by Management:

- to ensure their effectiveness;
- to identify any significant control weaknesses which prompt corrective actions.

The Board, through the ARMC, Senior Management and the Internal Auditors, reviews the internal control system on an on-going basis whilst the External Auditors perform review on an annual basis. The outcome of the reviews is reported to ARMC for monitoring and periodic review. Senior Management continuous to be actively involved in upgrading the control processes within all units in the Group.

Internal Audit

The Group outsources the internal auditing function to a professional internal auditing firm to provide an independent and objective assurance on its internal control system. The outsourced Internal Auditors review the Group's internal control system based on a risk-based approach and guided by accepted internal auditing practices. The outsourced Internal Auditors present its internal audit plan biennial to the Audit and Risk Management Committee for approval. Internal Audit Reports summarising audit scope and approach, highlighting audit findings together with Management's response are presented to ARMC on half-yearly basis. The outsourced Internal Auditors performs follow-up audit on the implementation of action plans agreed by Management in highlighted audit findings.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

(Cont'd)

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

As required by paragraph 15.23 of the Listing Requirements of Bursa Malaysia Securities Berhad, the External Auditors have reviewed this Statement on Risk Management and Internal Control accordance with the Audit and Assurance Practice Guide 3 ("AAPG") – Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report for the financial year ended 30 June 2020, and reported to the Board that nothing has come to their attention that causes them to believe that the Annual Report is not prepared, in all material aspects, in accordance with the disclosures required by paragraph 41 and paragraph 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers, nor is the Statement factually inaccurate. AAPG 3 does not require the External Auditors to form an opinion on the adequacy on risk management and effectiveness of the risk management and internal control system of the Group.

CONCLUSION

In accordance with the assessment of the Group's system of internal control and risk management, the Board is of the view that the system of internal control and risk management established for the financial year under review, and up to the date of approval of this Statement, is sound and sufficient to safeguard the Group's assets and the shareholders investments. The Board has received assurance from the Managing Director, Executive Director and Group Finance Director that the Group's risk management and internal control system is operating and effectively, in all material aspects, based on the framework adopted by the Group. There were no material losses, contingencies or uncertainties have been arisen from any inadequacy or failure of the group's system of the internal control that would require separate disclosure in the group's annual report.

The Board and the management will continue to ensure that the Group's system of internal control and risk management continuously evolve to meet the changing and challenging business environment.

This Statement was approved by the Board on 8 October 2020.

ADDITIONAL DISCLOSURE REQUIREMENTS

1. UTILISATION OF PROCEEDS

The Company carried out its Initial Public Offering ("IPO") exercise in 2018 and was listed on the Main Market of Bursa Malaysia Securities Berhad on 5 December 2018. Pursuant to the said listing, the Company had successfully raised gross proceeds of RM39,669,300.00 from the issuance of 60,105,000 new ordinary shares in the Company at an issue price of RM0.66 per share on 3 December 2018. As at 30 June 2020, we have utilised approximately RM33.633 million of the total IPO gross proceeds of approximately RM39.669 million, details of which are as described in the following table:-

Details of the Utilisation of Proceeds		Original Utilisation of Proceeds as stated in the Prospectus (RM'000)	Revised Utilisation of Proceeds (1) (RM'000)	Proceeds Utilised as at 30 June 2020 (RM'000)	Percentage Utilised (%)	Revised timeframe for Utilisation of Proceeds (2)
Expansion of Vietnam Operations						
(a)	Construction of the Vietnam Singapore Industrial Park II-A ("VSIP2") Factory Complex	10,000	10,000	10,000	100.00	–
(b)	Purchase of machineries and equipment for the VSIP2 Factory Complex	12,740	12,740	12,740	100.00	–
(c)	Working Capital	6,036	6,036	–	0.00	Within 36 months from the date of listing
Expansion of Malaysia Operations						
(d)	Purchase of machineries and equipment for the Shah Alam Factory Complex	4,500	4,500	4,500	100.00	–
(e)	Working Capital	1,393	1,993	1,993	100.00	–
(f)	Estimated listing expenses ⁽¹⁾	5,000	4,400	4,400	100.00	–
Total		39,669	39,669	33,633		–

Notes:

- (1) On 15 May 2019, we made an announcement on the re-allocation for the utilisation of IPO gross proceeds. The Company has estimated RM5.0 million of the IPO gross proceeds will be utilised as the listing expenses. However, the actual listing expenses incurred was RM4.40 million and the balance RM0.60 million has been reallocated as working capital for the expansion of Malaysia operations.
- (2) On 9 September 2020, we made an announcement on the extension of time for utilisation of proceeds raised from the IPO as VSIP 2 Factory Complex has yet to be handed over to Techbond MFG (Vietnam) Co. Ltd due to the COVID-19 pandemic outbreak in Vietnam. Please refer to the full details of our announcement dated 9 September 2020 at <https://www.techbond.my/investors>.

2. AUDIT AND NON-AUDIT FEES

During the year under review, the amount of audit and non-audit fees payable by the Group were RM148,000 and RM6,000 respectively. The amount of audit and non-audit fees incurred by the Company was RM46,000 and RM6,000 respectively.

ADDITIONAL DISCLOSURE REQUIREMENTS

(Cont'd)

3. MATERIAL CONTRACTS

During the FY2020, there was no material contract entered into by the Company or its subsidiaries involving Directors, and major shareholders.

4. MATERIAL CONTRACTS RELATING TO LOANS

During the FY2020, there was no material contract relating to loans entered into by the Company or its subsidiaries involving Directors' and major shareholders.

5. RECURRENT RELATED PARTY TRANSACTIONS

The Company will not be seeking any new or renewal of shareholders' mandate for recurrent related party transactions at the coming annual general meeting to be convened on 25 November 2020 as there is no requirement for it.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE AUDITED FINANCIAL STATEMENTS

The Board of Directors (“the Board”) are required by the Companies Act 2016 (“the Act”) to prepare financial statements in accordance with the approved financial reporting standards in Malaysia for each financial year which give a true and fair view of the financial position of the Group and their financial performance and cash flows for the financial year.

Throughout the preparation of the financial statements for the financial year ended 30 June 2020 the Board have:-

- i) Adopted the appropriate accounting policies, which were applied consistently and prudently;
- ii) Made judgments and estimations that were reasonable and prudent; and
- iii) Ensured applicable financial reporting standards in Malaysia were complied and assured that the financial statements were prepared on a going concern basis.

The Board are responsible for ensuring that the Group keep proper and adequate accounting records which would be disclosed when necessary, with reasonable accuracy reflecting on the financial position of the Group, and ensuring the financial statements comply with the provisions of the Act.

The Board have the responsibility for taking such steps that are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

This statement is prepared pursuant to Paragraph 15.26(a) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.



FINANCIAL STATEMENTS

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64	Statements of Profit or Loss and Other Comprehensive Income
65	Statements of Changes in Equity
67	Statements of Cash Flows
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DIRECTORS' REPORT

The Directors have pleasure in submitting their report together with the audited financial statements of the Group and of the Company for the financial year ended 30 June 2020.

PRINCIPAL ACTIVITIES

The principal activities of the Company are engaged in investment holding and provision of management services. The principal activities of the subsidiary companies are disclosed in Note 6 to the Financial Statements.

There have been no significant changes in the nature of these activities of the Company and its subsidiary companies during the financial year.

FINANCIAL RESULT

	Group RM'000	Company RM'000
Net profit for the financial year	10,723	25,418

RESERVES AND PROVISIONS

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

DIVIDENDS

The dividend declared and paid by the Company since the end of the previous financial year is as follows:-

	RM
A single tier interim dividend of 2 sen per ordinary share in respect of financial year ended 30 June 2020 paid on 10 October 2019	4,600,000

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

HOLDING COMPANY

The Directors regard Sonicbond Sdn. Bhd., a private limited liability company, incorporated and domiciled in Malaysia as the holding company.

DIRECTORS' REPORT

(Cont'd)

DIRECTORS OF THE COMPANY

The Directors who held office during the financial year and up to the date of this report are as follows:-

Dato' Hamzah Bin Mohd Salleh
 Lee Seng Thye
 Tan Siew Geak
 Ooi Guan Hoe
 Selma Enolil Binti Mustapha Khalil
 Lee Seh Meng (appointed on 1.12.2019)
 Lee Yuen Shiuan (alternate Director to Tan Siew Geak)
 Lee Seh Meng (alternate Director to Lee Seng Thye, redesignated on 1.12.2019)

The names of the Directors of subsidiary companies are set out in the respective subsidiary companies' financial statements and the said information is deemed incorporated herein by such reference and made a part hereof.

DIRECTORS' INTERESTS

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

		Number of ordinary shares		
	At 1.7.2019	Bought	Sold	At 30.6.2020
Interests in the Company				
Direct interests				
Dato' Hamzah Bin Mohd Salleh	100,000	–	–	100,000
Lee Seng Thye	–	2,000,000	–	2,000,000
Ooi Guan Hoe	100,000	–	–	100,000
Selma Enolil Binti Mustapha Khalil	100,000	–	–	100,000
Lee Seh Meng	232,000	–	–	232,000
Lee Yuen Shiuan	232,000	–	–	232,000
Deemed interests				
Lee Seng Thye #	169,398,420	–	–	169,398,420

	Number of Warrants			
	At 1.7.2019	Granted	Exercised/Sold	At 30.6.2020
Direct interests				
Dato' Hamzah Bin Mohd Salleh	–	50,000	–	50,000
Lee Seng Thye	–	1,000,000	–	1,000,000
Ooi Guan Hoe	–	50,000	–	50,000
Selma Enolil Binti Mustapha Khalil	–	50,000	–	50,000
Lee Seh Meng	–	116,000	–	116,000
Lee Yuen Shiuan	–	116,000	–	116,000
Deemed interests				
Lee Seng Thye #	–	84,699,210	–	84,699,210

Deemed interests by virtue of his interest in Sonicbond Sdn. Bhd. pursuant to Section 8(4) of the Act

DIRECTORS' REPORT

(Cont'd)

DIRECTORS' INTERESTS (CONT'D)

	At 1.7.2019	Number of ordinary shares		At 30.6.2020
		Bought	Sold	
Sonicbond Sdn. Bhd.(holding company)				
Direct interests				
Lee Seng Thye	96,800	–	–	96,800
Tan Siew Geak (a)	3,200	–	–	3,200

- (a) Pursuant to Section 8(4)(c) of the Act, Tan Siew Geak is not deemed to have an interest in the Company as her shareholdings in Sonicbond Sdn. Bhd. is less than 20%

DIRECTORS' BENEFITS

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

Since the end of the previous financial year, no Director has received or become entitled to receive any benefits (other than those disclosed in Notes 21 and 22 to the Financial Statements) 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 of which the Director has a substantial financial interest.

ISSUE OF SHARES AND DEBENTURES

There were no shares and debentures issued by the Company during the financial year, except for the free warrant as follows:

On 2 March 2020, the Company issued 114,999,999 units of free warrants ("the Warrants") on the basis of one (1) warrant for every two (2) existing ordinary shares held by the shareholders.

The details and salient features of Warrants are disclosed in Note 12 to the Financial Statements.

The Warrants were constituted under the Deed Poll dated 6 February 2020. None of the Warrants were exercised during the current financial year and the unexercised Warrants remained as at 30 June 2020 are 114,999,999.

As at 8 October 2020, 1,689,000 Warrants had been converted to ordinary shares at a conversion price of RM0.76 each.

INDEMNITY AND INSURANCE FOR DIRECTORS AND OFFICER

The amount of indemnity coverage and insurance premium paid for Directors and officer of the Company during the financial year amounted to RM2,748 and RM392 respectively.

DIRECTORS' REPORT

(Cont'd)

OTHER STATUTORY INFORMATION

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

- (a) to ascertain that action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and
- (b) to ensure that any current assets which were unlikely to be realised in the ordinary course of business including their value as shown in the accounting records of the Group and of the Company have been written down to an amount which they might be expected so to realise.

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

- (a) which would render the amounts written off for bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or
- (b) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or
- (c) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or
- (d) not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements misleading.

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

- (a) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liability of any other person; or
- (b) any contingent liability of the Group and of the Company which has arisen since the end of the financial year.

In the opinion of the Directors:-

- (a) no contingent liability or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group and of the Company to meet their obligations as and when they fall due;
- (b) the results of operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and
- (c) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and of the Company for the current financial year in which this report is made.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR AND SUBSEQUENT TO THE REPORTING DATE

The significant events during the financial year and subsequent to the reporting date are disclosed in Note 27 to the Financial Statements.

DIRECTORS' REPORT

(Cont'd)

AUDITORS

Detail of Auditors' remuneration are set out in Note 18 to the Financial Statements.

There was no indemnity given to or insurance effected for the auditors of the Company.

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

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

.....	)	
LEE SENG THYE	)	
	)	
	)	
	)	
	)	
	)	DIRECTORS
	)	
	)	
	)	
	)	
.....	)	
TAN SIEW GEAK	)	

Kuala Lumpur
8 October 2020

STATEMENT BY DIRECTORS

In the opinion of the Directors, the financial statements set out on pages 63 to 102 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 30 June 2020 and of its financial performance and cash flows of the Group and of the Company for the financial year then ended.

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

.....
LEE SENG THYE

.....
TAN SIEW GEAK

Kuala Lumpur
8 October 2020

STATUTORY DECLARATION

I, Ng Yeow Siang, being the Officer primarily responsible for the financial management of Techbond Group Berhad, do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on pages 63 to 102 are correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the Statutory Declarations Act 1960.

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

.....
NG YEOW SIANG
(MIA NO: 22867)
CHARTERED ACCOUNTANT

Before me:

Commissioner for Oaths
VALLIAMAH A/P PERIAN (W594)

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF TECHBOND GROUP BERHAD

(Incorporated in Malaysia)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Techbond Group Berhad which comprise the statements of financial position as at 30 June 2020 of the Group and of the Company, 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 out on pages 63 to 102.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 30 June 2020, and their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

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

Independence and Other Ethical Responsibilities

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

Key Audit Matters

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

Inventories' valuation and existence

The risk –

As at 30 June 2020, the inventories as disclosed in Note 8 to the Financial Statements are significant to the total assets of the Group. The inventories are measured at the lower of cost and net realisable value ("NRV"). The Group estimates the NRV of inventories based on an assessment of expected sales prices. Changes in these assumptions could result in a material change in the carrying value of inventories and the financial performance of the Group.

Our responses –

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

INDEPENDENT AUDITORS' REPORT

(Cont'd)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

Key Audit Matters (Cont'd)

Impairment loss on trade receivables

The risk –

The key risk associated with the Group's trade receivables is the recoverability of billed trade receivables as management judgement is required in assessing the calculation of impairment loss on trade receivables through considering the expected recoverability of the outstanding trade receivables. Group's trade receivables are material to the financial statements. The Group's disclosures regarding trade receivables are in Note 9 and 25.1(a) to the Financial Statements.

Our responses –

We have assessed management's assumptions in calculating the impairment loss on trade receivables. These include reviewing the trade receivables' ageing report and testing the integrity of the ageing report by recalculating the due date for a sample of invoices. We also tested the recoverability of outstanding trade receivables through examination of subsequent receipts and reviewed the expected credit losses model developed by the Group.

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

Information other than the Financial Statements and Auditors' Report Thereon

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

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

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether 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 the fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

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

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

INDEPENDENT AUDITORS' REPORT

(Cont'd)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

INDEPENDENT AUDITORS' REPORT

(Cont'd)

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiary companies of which we have not acted as auditors, are disclosed in Note 6 to the Financial Statements.

OTHER MATTER

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

GRANT THORNTON MALAYSIA PLT
(201906003682 & LLP0022494-LCA)
CHARTERED ACCOUNTANTS (AF 0737)

KHO KIM ENG
(NO: 03137/10/2022 J)
CHARTERED ACCOUNTANT

Kuala Lumpur
8 October 2020

STATEMENTS OF FINANCIAL POSITION

AS AT 30 JUNE 2020

	Note	Group 2020 RM'000	2019 RM'000	Company 2020 RM'000	2019 RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	4	44,288	21,822	–	–
Right-of-use assets	5	6,808	–	–	–
Land use rights	5	–	6,667	–	–
Investment in subsidiary companies	6	–	–	96,262	101,337
Other receivables	7	150	191	–	–
Total non-current assets		51,246	28,680	96,262	101,337
Current assets					
Inventories	8	21,599	25,363	–	–
Trade receivables	9	12,228	14,204	–	–
Other receivables	7	3,841	4,050	144	125
Amounts due from subsidiary companies	10	–	–	34,228	8,355
Tax recoverable		701	341	21	–
Cash and cash equivalents	11	56,991	66,135	27,502	27,369
Total current assets		95,360	110,093	61,895	35,849
Total assets		146,606	138,773	158,157	137,186
EQUITY AND LIABILITIES					
EQUITY					
Equity attributable to the owners of the Company					
Share capital	12	139,807	139,807	139,807	139,807
Merger deficit		(78,938)	(78,938)	–	–
Exchange translation reserve		7,323	6,021	–	–
Retained earnings/(accumulated losses)		69,829	63,706	18,132	(2,686)
Total equity		138,021	130,596	157,939	137,121
LIABILITIES					
Non-current liabilities					
Deferred income	13	–	30	–	–
Deferred tax liabilities	14	1,235	879	–	–
Total non-current liabilities		1,235	909	–	–
Current liabilities					
Trade payables	15	4,454	4,850	–	–
Other payables	16	1,553	1,341	218	61
Deferred income	13	30	45	–	–
Tax payable		1,313	1,032	–	4
Total current liabilities		7,350	7,268	218	65
Total liabilities		8,585	8,177	218	65
Total equity and liabilities		146,606	138,773	158,157	137,186

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

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

		Group		Company	
	Note	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Revenue	17	71,281	81,379	30,422	650
Cost of sales		(49,501)	(60,331)	–	–
Gross profit		21,780	21,048	30,422	650
Other income		1,901	678	234	–
Finance income		1,608	1,679	903	737
Selling and distribution expenses		(1,922)	(2,000)	–	–
Administration expenses		(8,246)	(9,941)	(1,064)	(3,232)
Other expenses		(1,276)	(1,306)	(5,075)	(600)
Profit/(loss) before taxation	18	13,845	10,158	25,420	(2,445)
Tax expenses	19	(3,122)	(3,085)	(2)	(10)
Net profit/(loss) for the financial year		10,723	7,073	25,418	(2,455)
Other comprehensive income:-					
Item that will be subsequently reclassified to profit or loss					
Exchange translation differences		1,302	875	–	–
Total comprehensive income/(loss) for the financial year		12,025	7,948	25,418	(2,455)
Earnings per share attributable to owners of the Company (sen):-					
- Basic	20	4.66	4.07		
- Diluted	20	4.66	*		

* There were no potential dilutive equity instruments that would give a diluted effect to the basic earnings per share in previous year

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

	Share capital RM'000	Merger deficit RM'000	Exchange translation reserve RM'000	Retained earnings/ (Accumulated losses) RM'000	Total RM'000
Group					
Balance as at 1 July 2018	–	–	–	(231)	(231)
Transactions with owners:					
Issuance of ordinary shares	39,669	–	–	–	39,669
Acquisition of subsidiary companies in business combination under common control	101,937	(78,938)	5,146	56,864	85,009
Share issuance expenses	(1,799)	–	–	–	(1,799)
Total transactions with owners	139,807	(78,938)	5,146	56,864	122,879
Net profit for the financial year	–	–	–	7,073	7,073
Exchange translation differences	–	–	875	–	875
Total comprehensive income for the financial year	–	–	875	7,073	7,948
Balance as at 30 June 2019	139,807	(78,938)	6,021	63,706	130,596
Transactions with owners:					
Single tier interim dividend of 2 sen per ordinary share in respect of financial year ended 30 June 2020	–	–	–	(4,600)	(4,600)
Net profit for the financial year	–	–	–	10,723	10,723
Exchange translation differences	–	–	1,302	–	1,302
Total comprehensive income for the financial year	–	–	1,302	10,723	12,025
Balance as at 30 June 2020	139,807	(78,938)	7,323	69,829	138,021

STATEMENTS OF CHANGES IN EQUITY

(Cont'd)

Company	Share capital RM'000	Retained earnings/ (Accumulated losses) RM'000	Total RM'000
Balance as at 1 July 2018	–	(231)	(231)
Transactions with owners:			
Issuance of ordinary shares	39,669	–	39,669
Acquisition of subsidiary companies in business combination under common control	101,937	–	101,937
Share issuance expenses	(1,799)	–	(1,799)
Total transaction with owners	139,807	–	139,807
Total comprehensive loss for the financial year	–	(2,455)	(2,455)
Balance as at 30 June 2019	139,807	(2,686)	137,121
Transactions with owners:			
Single tier interim dividend of 2 sen per ordinary share in respect of financial year ended 30 June 2020	–	(4,600)	(4,600)
Total comprehensive income for the financial year	–	25,418	25,418
Balance as at 30 June 2020	139,807	18,132	157,939

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

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
OPERATING ACTIVITIES				
Profit/(loss) before taxation	13,845	10,158	25,420	(2,445)
Adjustments for:				
Amortisation of deferred income	(45)	(45)	–	–
Amortisation of right-of-use assets/ land use rights	96	96	–	–
Depreciation of property, plant and equipment	1,360	1,298	–	–
Finance income	(1,608)	(1,679)	(903)	(737)
Gain on disposal of property, plant and equipment	(10)	–	–	–
Inventories written off	–	1	–	–
Impairment loss on investment in a subsidiary company	–	–	5,075	600
Impairment loss on trade receivables	723	513	–	–
Impairment loss on trade receivables no longer required	(6)	–	–	–
Written off of trade receivables	–	70	–	–
Unrealised gain on foreign exchange	(1,026)	(2)	(13)	–
Operating profit/(loss) before working capital changes	13,329	10,410	29,579	(2,582)
Changes in working capital:-				
Inventories	4,058	(316)	–	–
Receivables	1,879	1,243	(19)	78
Payables	(336)	(3,648)	157	(150)
Cash generated from/(used in) operations	18,930	7,689	29,717	(2,654)
Tax refunded	14	23	–	–
Finance income received	1,608	1,679	903	737
Tax paid	(2,900)	(2,906)	(27)	(6)
Net cash from/(used in) operating activities	17,652	6,485	30,593	(1,923)
INVESTING ACTIVITIES				
Sales proceeds from disposal of property, plant and equipment	10	–	–	–
Purchase of property, plant and equipment	(23,267)	(6,203)	–	–
Advances to subsidiary companies	–	–	(25,873)	(8,355)
Net cash used in investing activities	(23,257)	(6,203)	(25,873)	(8,355)

STATEMENTS OF CASH FLOWS

(Cont'd)

		Group		Company	
	Note	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
FINANCING ACTIVITIES					
Proceeds from issuance of shares		–	37,870	–	37,870
Repayment to a subsidiary company		–	–	–	(223)
Dividend paid		(4,600)	–	(4,600)	–
Net cash (used in)/from financing activities		(4,600)	37,870	(4,600)	37,647
CASH AND CASH EQUIVALENTS					
Net changes		(10,205)	38,152	120	27,369
Effect on foreign currency translation differences on cash and cash equivalents		1,061	307	13	–
At beginning of financial year		66,135	27,676	27,369	–
At end of financial year	A	56,991	66,135	27,502	27,369

NOTE TO THE STATEMENTS OF CASH FLOWS

A. CASH AND CASH EQUIVALENTS

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

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Cash and bank balances	23,241	13,687	102	669
Fixed deposits with licensed banks (Note 11)	4,612	17,746	–	–
Short-term demand deposits (Note 11)	29,138	34,702	27,400	26,700
	56,991	66,135	27,502	27,369

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

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2020

1. GENERAL INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia and listed on the main market of Bursa Malaysia Securities Berhad. The registered office of the Company is located at Unit 30-01, Level 30, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur. The principal place of business of the Company is located at No. 36, Jalan Anggerik Mokara 31/59, Seksyen 31, Kota Kemuning, 40460 Shah Alam, Selangor Darul Ehsan.

The principal activities of the Company are engaged in investment holding and provision of management services. The principal activities of the subsidiary companies are disclosed in Note 6 to the Financial Statements.

There have been no significant changes in the nature of these activities of the Company and its subsidiary companies during the financial year.

The Directors regard Sonicbond Sdn. Bhd., a private limited liability company, incorporated and domiciled in Malaysia as the holding company.

The financial statements were authorised for issue by the Directors in accordance with a resolution of the Directors passed on 8 October 2020.

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

2.2 Basis of measurement

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

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

2.3 Functional and presentation currency

The financial statements are presented in Ringgit Malaysia ("RM") which is also the Company's functional currency. All amounts in the financial statements are rounded to the nearest thousand, unless otherwise indicated.

2.4 Adoption of new standards/amendments/improvements to MFRSs

The Group and the Company have applied the accounting policies set out in Note 3 to all financial years presented in these financial statements, except for the changes below.

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

NOTES TO THE FINANCIAL STATEMENTS

(Cont'd)

2. BASIS OF PREPARATION (CONT'D)

2.4 Adoption of new standards/amendments/improvements to MFRSs (Cont'd)

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

MFRS 16 Leases

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

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

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

Leases previously accounted as land use rights

The Group did not change the initial carrying amounts of recognised assets at the date of initial application for leases previously classified as land use rights. The requirements of MFRS 16 were applied to these leases from 1 July 2019.

The Group's right-of-use assets recognised previously under land use rights in the statements of financial position amounted to RM6,667,000.

Leases previously accounted as operating leases

The Group elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option (short-term leases).

The Group's operating lease commitments as of 30 June 2019 were related to short-term leases. Hence, no lease liabilities were recognised in respect of those commitments.

2.5 Standards issued but not yet effective

The Group and the Company have not applied the following MFRSs and amendments to MFRSs that have been issued by the Malaysian Accounting Standards Board ("MASB") but are not yet effective for the Group and for the Company:-

Amendments to MFRSs and Amendments to References to the Conceptual Framework Standards effective 1 January 2020:-

Amendments to MFRS 3	Definition of a Business
Amendments to MFRS 7*#, 9*# and 139*#	Interest Rate Benchmark Reform
Amendments to MFRS 101 and MFRS 108	Definition of Material
Amendments to References to Conceptual Framework on MFRS Standards	

NOTES TO THE FINANCIAL STATEMENTS

(Cont'd)

2. BASIS OF PREPARATION (CONT'D)

2.5 Standards issued but not yet effective (Cont'd)

The Group and the Company have not applied the following MFRSs and amendments to MFRSs that have been issued by the Malaysian Accounting Standards Board ("MASB") but are not yet effective for the Group and for the Company (Cont'd):-

Amendment to MFRS effective 1 June 2020:-

Amendments to MFRS 16*	Covid-19 - Related Rent Concessions
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Amendments to MFRSs effective 1 January 2022:-

Amendments to MFRS 3	Reference to the Conceptual Framework
Amendments to MFRS 116*	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to MFRS 137	Onerous Contract – Cost of Fulfiling a Contract
Annual Improvement to MFRS Standards 2018 – 2020 (MFRS 1, 9, 16* and 141*#)	

MFRSs effective 1 January 2023:-

MFRS 17*#	Insurance Contracts and amendment to MFRS 17 Insurance Contracts
Amendments to MFRS 101	Classification of Liabilities as Current or Non-current

Amendments to MFRSs – effective date deferred indefinitely:-

MFRS 10 and 128*#	Consolidated Financial Statements and Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
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* Not applicable to the Company's operation

Not applicable to the Group's operations

Amendments to MFRS 101 and MFRS 108: Definition of Material

In October 2018, MASB issued amendments to MFRS 101 Presentation of Financial Statements and MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

The above amendments are not expected to have a significant impact on the Group's and the Company's financial statements.

2.6 Significant accounting estimates and judgements

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

NOTES TO THE FINANCIAL STATEMENTS

(Cont'd)

2. BASIS OF PREPARATION (CONT'D)

2.6 Significant accounting estimates and judgements (Cont'd)

2.6.1 Estimation uncertainty

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

Useful lives of depreciable assets

Management estimates the useful lives of the property, plant and equipment and right-of-use assets to be within 5 to 50 years and reviews the useful lives of depreciable assets at each reporting date. At 30 June 2020, the management assesses that the useful lives represent the expected utility of the assets to the Group. Actual results, however, may vary due to change in the expected level of usage and technological developments, which resulting the adjustment to the Group's assets.

The carrying amount of the Group's property, plant and equipment and right-of-use assets at the reporting date is disclosed in Note 4 and 5 to the Financial Statements.

Impairment of non-financial assets

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. To determine the recoverable amount, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. In the process of measuring expected future cash flows management makes assumptions about future operating results. The actual results may vary, and may cause significant adjustments to the Group's and Company's assets within the next financial year.

In most cases, determining the applicable discount rate involves estimating the appropriate adjustment to market risk and the appropriate adjustment to asset-specific risk factors.

Inventories

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

The management reviews inventories to identify damaged, obsolete and slow moving inventories which required judgement and change in such estimates could result in revision to the valuation of inventories.

The carrying amount of the Group's inventories at the reporting date is disclosed in Note 8 to the Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

(Cont'd)

2. BASIS OF PREPARATION (CONT'D)

2.6 Significant accounting estimates and judgements (Cont'd)

2.6.1 Estimation uncertainty (Cont'd)

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

Provision for expected credit losses ("ECLs") of trade receivables

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

The provision matrix is initially based on the Group's historical observed default rates or apply the external credit rating if no historical of default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e. gross domestic products) are expected to deteriorate over the next year which can lead to an increased number of defaults in the commercial sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

Income taxes and deferred tax liabilities

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

2.6.2 Significant management judgement

There were no significant judgement made by management in the process of applying the accounting policies of the Group or the Company which may have significant effect on the amount recognised in the financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The Group and the Company apply the significant accounting policies, as summarised below consistently throughout all years presented in the financial statements.

3.1 Consolidation

3.1.1 Subsidiary companies

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

NOTES TO THE FINANCIAL STATEMENTS

(Cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 Consolidation (Cont'd)

3.1.1 Subsidiary companies (Cont'd)

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

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

3.1.2 Basis of consolidation

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

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

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

3.1.3 Common control business combination

A business combination involving entities under common control is a business combination in which all the combining entities or business are ultimately controlled by the same party or parties both before or after the business combination and that control is not transitory.

For such common control business combinations, the merger accounting principles are used to account for the assets, liabilities, results, equity changes and cash flows of the combining entities in the combined financial statements.

Under the merger method of accounting, the results of the subsidiary companies are presented as if the merger had been effected throughout the current and previous years. The assets and liabilities combined are accounted for based on the carrying amounts from the perspective of the common control shareholder at the end of transfer.

On consolidation, the cost of the merger is cancelled with the values of the shares received. Any resulting credit differences is classified as equity and regarded as a non-distributable reserve. Any resulting debit difference is adjusted against any suitable reserve. Any other reserves which are attributable to share capital of the merged entities, to the extent that they have not been capitalised by a debit difference are classified and presented as movement in other capital reserves.

The effect of all transactions and balances between the combining entities, whether occurring before or after the combination are eliminated in preparing the financial statements.

Merger deficit represents the excess arising from the nominal value of the shares issued over the nominal value of the shares acquired.

NOTES TO THE FINANCIAL STATEMENTS

(Cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 Consolidation (Cont'd)

3.1.4 Loss of control

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

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

3.2 Foreign currency translations

3.2.1 Foreign currency transactions and balances

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

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

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

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

3.2.2 Foreign operations

The assets and liabilities of foreign operations that are dominated in functional currency other than Ringgit Malaysia ("RM") are translated into RM at the rate of exchange prevailing at the reporting date and their profit or loss and other comprehensive income are translated at average rate over the reporting period. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operations, the component of other comprehensive income relating to that particular foreign operations is recognised in the profit or loss.

Foreign currency differences are recognised in other comprehensive income and accumulated in the exchange translation reserve in equity.

When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the exchange translation reserve related to that foreign operation is reclassified to profit or loss as part of the profit or loss on disposal.

NOTES TO THE FINANCIAL STATEMENTS

(Cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.3 Property, plant and equipment

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

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

Property, plant and equipment are written down to recoverable amount if in the opinion of the Directors, it is less than their carrying value. Recoverable amount is the net selling price of the property, plant and equipment (i.e. the amount obtainable from sale of an asset in an arm's length transaction between knowledgeable, willing parties less the costs of disposal).

Depreciation is recognised on the straight line method in order to write off the cost of each asset over its estimated useful lives. Freehold land with an infinite life is not depreciated. Other property, plant and equipment are depreciated based on the estimated useful lives of the assets as follows:-

Buildings	2% - 4%
Renovation	2%
Plant and machinery	10% - 20%
Office furniture and equipment	10% - 33.33%
Motor vehicles	10% - 20%

Capital work-in-progress consist of machineries and equipment under installation for their intended use as production facilities and factory under construction are stated at cost. Capital work-in-progress are not depreciated until they are completed and ready for their intended use.

The residual values, useful lives and depreciation method are reviewed at least annually to ensure that the amount, method and rates of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

Property, plant and equipment are derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gains or losses arising on the disposal of property, plant and equipment are determined as the differences between the disposal proceeds and the carrying amounts of the assets and are recognised in profit or loss.

3.4 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of raw materials are determined on a weighted average basis which include all expenses incurred in bringing the inventories to their present location and condition. Cost of work-in-progress and finished goods are determined using standard costing which includes cost of purchases, direct labours and other production costs.

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

NOTES TO THE FINANCIAL STATEMENTS

(Cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.5 Financial instruments

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

3.5.1 Financial assets

Initial recognition and measurement

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

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group and the Company have applied the practical expedient, the Group and the Company initially measure a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

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

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

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

Subsequent measurement

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

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

At the reporting date, the Group and the Company carry only financial assets measured at amortised costs on their statements of financial position.

NOTES TO THE FINANCIAL STATEMENTS

(Cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.5 Financial instruments (Cont'd)

3.5.1 Financial assets (Cont'd)

Subsequent measurement (Cont'd)

Financial assets at amortised cost

Financial assets at amortised cost are subsequently measured using the effective interest ("EIR") method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired. The Group's and the Company's trade and other receivables excluding prepayments, amounts due from subsidiary companies, cash and cash equivalents fall into this category of financial instruments.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised when:-

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

When the Group and the Company have transferred their rights to receive cash flows from an asset or has entered into a "pass-through" arrangement, they evaluate if, and to what extent, they have retained the risks and rewards of ownership. When they have neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group and the Company continue to recognise the transferred asset to the extent of their continuing involvement. In that case, the Group and the Company also recognise an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group and the Company have retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group and the Company could be required to repay.

Impairment

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

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

NOTES TO THE FINANCIAL STATEMENTS

(Cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.5 Financial instruments (Cont'd)

3.5.1 Financial assets (Cont'd)

Impairment (Cont'd)

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group considers a financial asset in default when contractual payments are 60 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

3.5.2 Financial liabilities

Initial recognition and measurement

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

Subsequent measurement

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

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

At the reporting date, the Group and the Company carry only financial liabilities at amortised cost on their statements of financial position.

The Group's and the Company's financial liabilities include trade and other payables excluding sales tax payable.

Financial liabilities at amortised cost

After initial recognition, carrying amounts are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in profit or loss.

Derecognition

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

3.5.3 Offsetting of financial instruments

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

NOTES TO THE FINANCIAL STATEMENTS

(Cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.6 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, bank balances, fixed deposits with licensed banks and short-term demand deposits which are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value.

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

3.7 Impairment of non-financial assets

At each reporting date, the Group and Company review the carrying amounts of its non-financial assets to determine whether there is any indication of impairment by comparing its carrying amount with its recoverable amount. 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).

In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. 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 cash-generating unit or groups of cash generating units are allocated first to reduce the carrying amount of any goodwill allocated to those units or group 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.

An impairment loss is recognised as an expense in the profit or loss immediately.

Impairment losses of continuing operations are recognised in the profit or loss in those expense categories consistent with the function of the impaired asset.

3.8 Leases

Accounting policies applied from 1 July 2019

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

3.8.1 As lessee

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

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

3.8.1.1 Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost less any accumulated depreciation and impairment losses, if any. The cost of right-of-use assets represent up-front payments to acquire long-term interests in the usage of land in Vietnam. Right-of-use assets are depreciated on a straight line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:-

- Land use rights – over 30 to 41 years

NOTES TO THE FINANCIAL STATEMENTS

(Cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.8 Leases (Cont'd)

Accounting policies applied from 1 July 2019 (Cont'd)

3.8.1 As lessee (Cont'd)

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

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

Accounting policies applied until 30 June 2019

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or asset or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

3.8.2 Land use rights

Land use rights represent up-front payments to acquire long-term interests in the usage of land in Vietnam.

Land use rights are stated at cost less accumulated amortisation and impairment losses, if any.

Amortisation is charged so as to write off the cost of land use rights, using the straight line method over the lease period of over 30 to 41 years.

3.8.3 Operating leases

Leases, where the Group does not assume substantially all the risks and rewards of ownership 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 incentive received are recognised in profit or loss as an integral part of the total lease expenses, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting year in which they incurred.

3.9 Equity instruments and reserves

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

Retained earnings/(accumulated losses) include all current year's profit/(loss) and prior years' retained earnings/(accumulated losses).

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

Interim dividends on ordinary shares are accounted for in equity in the financial year in which they are declared while final dividends are recognised in equity upon approval of the shareholders in general meeting.

NOTES TO THE FINANCIAL STATEMENTS

(Cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.10 Employees benefits

3.10.1 Short term employees benefits

Wages, salaries, bonuses and social security contributions are recognised as expenses in the financial year in which the associated services are rendered by the employees of the Group and 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, and short term non-accumulating compensated absences such as sick leave are recognised when the absences occurred.

3.10.2 Defined contribution plans

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

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

3.11 Revenue

Revenue is recognised as and when a performance obligation in the contract with customer is satisfied, i.e when the "control" of the goods or services underlying the particular performance obligation is transferred to customer.

The Group recognises the revenue arising from services at a point in time unless one of the following overtime criteria is met:-

- (a) The customer simultaneously receives and consumes the benefits provided;
- (b) The Group's performance creates or enhances an asset that the customer control as the assets is created or enhanced; or
- (c) The Group's performance does not create an asset with an alternative use and the Group has an enforceable right to payment for performance completed to date.

The Group is in the business of developing, manufacturing and trading of industrial adhesives and sealants and providing supporting products and services. Revenue from contracts with customers is recognised when control of goods is transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange of goods.

3.11.1 Sales of goods

Revenue from sale of goods is recognised at a point in time when control of the asset is transferred to the customer, generally on delivery of goods.

3.11.2 Finance income

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

3.11.3 Dividend income

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

NOTES TO THE FINANCIAL STATEMENTS

(Cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.12 Tax expenses

Tax expenses comprise current tax and deferred tax. Current tax and deferred tax are recognised in profit or loss.

3.12.1 Current tax

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

Current tax is recognised in the statements of financial position as a liability (or an asset) to the extent that it is unpaid (or refundable).

3.12.2 Deferred tax

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statements of financial position and their tax bases. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

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

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

3.13 Provisions

Provisions are recognised when there is a present legal or constructive obligation that can be estimated reliably, as a result of a past event, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses.

Any reimbursement that the Group and 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.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provisions are reversed. Where the effect of the time of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provisions due to the passage of time is recognised as a finance cost.

NOTES TO THE FINANCIAL STATEMENTS

(Cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.14 Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching for them and that the grants will be received.

Specifically, government grant which primary condition is that the Group should purchase or acquire non-current assets are recognised as deferred income in the statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

3.15 Operating segments

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

NOTES TO THE FINANCIAL STATEMENTS

(Cont'd)

4. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land RM'000	Buildings RM'000	Renovation RM'000	Plant and machinery RM'000	Office furniture and equipment RM'000	Motor vehicles RM'000	Capital work-in-progress RM'000	Total RM'000
Cost								
At 1 July 2018	4,560	11,762	669	15,239	1,535	2,740	1,201	37,706
Additions	-	-	-	459	127	170	5,447	6,203
Reclassification	-	-	-	2,378	-	-	(2,378)	-
Disposal	-	-	-	-	(1)	-	-	(1)
Foreign currency translation differences	-	66	-	81	9	27	(1)	182
At 30 June 2019	4,560	11,828	669	18,157	1,670	2,937	4,269	44,090
Additions	-	-	-	256	98	-	22,913	23,267
Reclassifications	-	-	26	3,642	-	-	(3,668)	-
Disposal	-	-	-	-	-	(32)	-	(32)
Foreign currency translation differences	-	102	-	125	13	43	493	776
At 30 June 2020	4,560	11,930	695	22,180	1,781	2,948	24,007	68,101
Accumulated depreciation								
At 1 July 2018	-	3,454	58	14,475	1,156	1,698	-	20,841
Charge for the financial year	-	318	14	583	105	278	-	1,298
Disposal	-	-	-	-	(1)	-	-	(1)
Foreign currency translation differences	-	26	-	80	6	18	-	130
At 30 June 2019	-	3,798	72	15,138	1,266	1,994	-	22,268
Charge for the financial year	-	320	14	676	108	242	-	1,360
Disposal	-	-	-	-	-	(32)	-	(32)
Foreign currency translation differences	-	48	-	124	13	32	-	217
At 30 June 2020	-	4,166	86	15,938	1,387	2,236	-	23,813
Net carrying amount								
At 30 June 2020	4,560	7,764	609	6,242	394	712	24,007	44,288
At 30 June 2019	4,560	8,030	597	3,019	404	943	4,269	21,822

NOTES TO THE FINANCIAL STATEMENTS

(Cont'd)

5. LAND USE RIGHTS AND RIGHT-OF-USE ASSETS

5.1 Land use rights

	Group RM'000
Cost	
At 1 July 2018	6,960
Foreign currency translation differences	166
At 30 June 2019	7,126
Effect of adoption of MFRS 16	(7,126)
At 30 June 2020	–
Accumulated amortisation	
At 1 July 2018	354
Charge for the financial year	96
Foreign currency translation differences	9
At 30 June 2019	459
Effect of adoption of MFRS 16	(459)
At 30 June 2020	–
Net carrying amount	
At 30 June 2020	–
At 30 June 2019	6,667

5.2 Right-of-use assets

	At 1.7.2019* RM'000	Amortisation RM'000	Foreign currency translation differences RM'000	At 30.6.2020 RM'000
Right-of-use assets				
Land use rights	6,667	(96)	237	6,808

* effect of adoption of MFRS 16 at 1 July 2019, as restated

NOTES TO THE FINANCIAL STATEMENTS

(Cont'd)

6. SUBSIDIARY COMPANIES

Investment in subsidiary companies

	Company	
	2020 RM'000	2019 RM'000
Unquoted shares, at cost		
At beginning of financial year	101,937	–
Additions	–	101,937
Less: Accumulated impairment loss		
At beginning of financial year	600	–
Impairment loss recognised	5,075	600
At end of financial year	5,675	600
At end of financial year	96,262	101,337

In current financial year, the Company received dividend of RM25,822,223 from its subsidiary company, Techbond (Vietnam) Co. Ltd.. In previous financial year, RM600,000 of dividend was received from Techbond (Sabah) Sdn. Bhd..

At the reporting date, due to the dividends as paid above, the net assets of Techbond (Vietnam) Co. Ltd. and Techbond (Sabah) Sdn. Bhd. were lower than the Company's cost of investment in the respective subsidiary companies which resulted an impairment loss recognised accordingly.

The details of the subsidiary companies are as follows:-

<u>Name of company</u>	<u>Country of incorporation</u>	<u>Effective interest</u>		<u>Principal activities</u>
		2020 %	2019 %	
Techbond Manufacturing Sdn. Bhd.	Malaysia	100	100	Developing, manufacturing and trading of industrial adhesives and sealants and providing supporting products and services.
Techbond (Vietnam) Co. Ltd. *	Vietnam	100	100	Manufacturing and trading of industrial adhesives and providing supporting products and services.
Techbond (Sabah) Sdn. Bhd.	Malaysia	100	100	Selling and marketing of industrial adhesives and sealants. However, the Company had temporarily ceased its business operation during the financial year.
Techbond International Sdn. Bhd.	Malaysia	100	100	Investment holding.
<u>Held under Techbond International Sdn. Bhd.</u>				
Techbond MFG (Vietnam) Co. Ltd. *	Vietnam	100	100	Currently dormant. Proposed principal activities are to manufacture industrial adhesives, base adhesives, sealants and provide supporting products and services.

NOTES TO THE FINANCIAL STATEMENTS

(Cont'd)

6. SUBSIDIARY COMPANIES (CONT'D)

Investment in subsidiary companies (Cont'd)

The details of the subsidiary companies are as follows (Cont'd):-

<u>Name of company</u>	<u>Country of incorporation</u>	<u>Effective interest</u>		<u>Principal activities</u>
		<u>2020</u>	<u>2019</u>	
		%	%	
<u>Held under Techbond Manufacturing Sdn. Bhd.</u>				
Techbond Greentech Sdn. Bhd.	Malaysia	100	-	Currently dormant. Proposed principal activities are to develop, manufacture and trade of industrial adhesives and chemicals, palm oil-based polyols, palm oil-based polyurethane adhesives, polyol-based adhesives and polyol-based products.

* Audited by a member firm of Grant Thornton International Ltd.

On 4 December 2019, the Company incorporated a wholly-owned subsidiary company, Techbond Greentech Sdn. Bhd. with a paid-up share capital of RM100. On 9 June 2020, the Company disposed all the shares in Techbond Greentech Sdn. Bhd. to Techbond Manufacturing Sdn. Bhd. for a total consideration of RM100.

7. OTHER RECEIVABLES

	Group		Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Non-current				
Non-trade receivables	150	191	-	-
Current				
Non-trade receivables	3,292	1,055	61	96
Deposits	215	161	-	-
Prepayments	334	2,834	83	29
	3,841	4,050	144	125

NOTES TO THE FINANCIAL STATEMENTS

(Cont'd)

8. INVENTORIES

	2020 RM'000	Group 2019 RM'000
At cost:-		
Raw materials	14,545	17,529
Packing materials	357	365
Work-in-progress	1,737	1,526
Finished goods	4,960	5,943
	21,599	25,363
Recognised in profit or loss:-		
Inventories recognised in cost of sales	42,919	53,714
Inventories written off	–	1

9. TRADE RECEIVABLES

	2020 RM'000	Group 2019 RM'000
Trade receivables	13,531	14,745
Less: Allowance of expected credit losses		
At beginning of financial year	541	26
Allowance recognised	723	513
Recovered	(6)	–
Foreign currency translation differences	45	2
At end of financial year	1,303	541
	12,228	14,204

The Group's normal trade credit terms range from 1 to 120 days (2019: 1 to 120 days).

10. AMOUNTS DUE FROM SUBSIDIARY COMPANIES

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

11. CASH AND CASH EQUIVALENTS

Fixed deposits with licensed banks bear interest rates ranging from 3.2% to 4.6% (2019: 4.5% to 5.5%) per annum.

Short-term demand deposits represents investment in trust funds managed by licensed investment management companies. They earned interest at prevailing market rates with no fixed maturity period, allow prompt redemption on demand and is tax exempted.

NOTES TO THE FINANCIAL STATEMENTS

(Cont'd)

12. SHARE CAPITAL

	Company		Amount	
	Number of ordinary shares 2020 Units	2019 Units	2020 RM'000	2019 RM'000
Issued and fully paid with no par value:-				
At beginning of financial year	230,000,000	2	139,807	—#
Issued during the financial year	—	229,999,998	—	141,606
Share issuance expenses	—	—	—	(1,799)
At end of financial year	230,000,000	230,000,000	139,807	139,807

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

Represents an amount of RM2

On 2 March 2020, the Company issued 114,999,999 units of free warrants ("the Warrants") on the basis of one (1) warrant for every two (2) existing ordinary shares held by the shareholders.

The main features of the Warrants are as follows:-

- (a) each of the Warrant entitles the registered holder at any time during the exercise period to subscribe for one new ordinary share in the Company at an exercise price of RM0.76;
- (b) the Warrants shall be exercisable at any time within 5 years commencing on and including the date of the issuance of the Warrants. Any Warrants which are not exercised during the exercise period shall thereafter lapse and cease to be valid;
- (c) the exercise price and the number of Warrants are subject to adjustment in the event of alteration to the share capital of the Company in accordance with the provisions set out in the deed poll; and
- (d) all new ordinary shares to be issued arising from the exercise of the Warrants shall rank pari passu in all respects with the then existing ordinary shares of the Company except that such new ordinary shares shall not be entitled to any dividends, rights, allotments and other distributions on or prior to the date of allotment of the new ordinary shares arising from the exercise of the Warrants.

The Warrants were constituted under the Deed Poll dated 6 February 2020. None of the Warrants were exercised during the current financial year and the unexercised Warrants remained as at 30 June 2020 are 114,999,999.

13. DEFERRED INCOME

	2020 RM'000	Group 2019 RM'000
Analysed as:		
Non-current – between 2 to 5 years	—	30
Current	30	45
	30	75

NOTES TO THE FINANCIAL STATEMENTS

(Cont'd)

13. DEFERRED INCOME (CONT'D)

This represents a grant received from SME Corporation Malaysia for the purchase of plant and machinery and is recognised as income over the estimated useful life of the plant and machinery concerned at the rate of 15% per annum.

14. DEFERRED TAX LIABILITIES

	2020 RM'000	Group 2019 RM'000
At beginning of financial year	879	690
Recognised in profit or loss	317	213
Under/(over)provision in prior year	39	(24)
At end of financial year	1,235	879

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

	2020 RM'000	Group 2019 RM'000
Carrying amount of qualifying property, plant and equipment in excess of their tax base	1,310	954
Others	(75)	(75)
	1,235	879

15. TRADE PAYABLES

The normal trade credit terms granted by trade payables range from 1 to 120 days (2019: 1 to 120 days) and are non-interest bearing.

16. OTHER PAYABLES

	2020 RM'000	Group 2019 RM'000	2020 RM'000	Company 2019 RM'000
Non-trade payables	755	709	55	14
Accruals	775	599	163	47
Sales tax payable	23	33	-	-
	1,553	1,341	218	61

NOTES TO THE FINANCIAL STATEMENTS

(Cont'd)

17. REVENUE

17.1 Disaggregated revenue information

	Group		Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Type of revenue				
Sale of goods and services	71,281	81,379	–	–
Dividend income from subsidiary companies	–	–	30,422	650
	71,281	81,379	30,422	650
			Group	
			2020	2019
			RM'000	RM'000
Segments				
Type of goods and services				
Industrial adhesives			66,578	76,130
Sealants			422	1,195
Supporting products and services			4,281	4,054
			71,281	81,379
Geographical markets				
Malaysia			15,885	17,411
Vietnam			37,849	46,100
Indonesia			9,540	9,777
China			2,198	2,808
Others			5,809	5,283
			71,281	81,379

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

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

17.2 Performance obligation

The performance obligation represents sales of industrial adhesives, sealants and rendering of supporting products and services and is satisfied upon delivery of goods and services rendered to the customers.

NOTES TO THE FINANCIAL STATEMENTS

(Cont'd)

18. PROFIT/(LOSS) BEFORE TAXATION

Profit/(loss) before taxation has been determined after charging/(crediting), amongst others the following items:-

	Group		Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Statutory audit				
- Group auditors	103	100	46	46
- Other auditors	45	45	-	-
Rental of premises – short-term leases	106	103	-	-
Rental income	(2)	(2)	-	-
Net realised loss on foreign exchange	159	160	-	-

19. TAX EXPENSES

	Group		Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Current year income tax:-				
- Current year provision	2,777	2,745	2	10
- (Over)/under provision in prior year	(11)	151	-	-
Deferred tax:-				
- Current year provision	317	213	-	-
- Under/(over) provision in prior year	39	(24)	-	-
Total tax expenses	3,122	3,085	2	10

Malaysian income tax is calculated at the statutory rate of 24% (2019: 24%) of the estimated assessable profit for the financial year.

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

	Group		Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Profit/(loss) before taxation	13,845	10,158	25,420	(2,445)
Income tax at Malaysian tax rate of 24% (2019: 24%)	3,323	2,438	6,101	(587)
Tax effects in respect of :-				
Expenses not allowable for tax purposes	635	1,174	1,470	915
Income not subject to tax	(543)	(355)	(7,569)	(318)
Under provision in prior year	28	127	-	-
Effect of tax rate difference in foreign jurisdiction	(321)	(299)	-	-
Total tax expenses	3,122	3,085	2	10

NOTES TO THE FINANCIAL STATEMENTS

(Cont'd)

20. EARNINGS PER SHARE

20.1 Basic

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

	2020	Group 2019
Net profit attributable to ordinary equity holders of the Company (RM'000)	10,723	7,073
Weighted average number of ordinary shares in issue ('000)	230,000	173,680
Basic earnings per share (sen)	4.66	4.07

20.2 Diluted

The diluted earnings per share is calculated by dividing the net profit for the financial year attributable to owners of the Company by the weighted average number of ordinary shares in issue during the financial year adjusted to assume conversion of all dilutive potential ordinary shares arising from Warrants as follows:

	Group 2020
Net profit attributable to ordinary equity holders of the Company (RM'000)	10,723
Weighted average number of ordinary shares in issue ('000)	230,000
Adjustment for effect of Warrants	#
	230,000
Diluted earnings per share (sen)	4.66

The effect of the Warrants is anti-dilutive in nature

In prior year, diluted earnings per share is not applicable as the Group did not have any potential dilutive equity instruments that would give a diluted effect to the basic earnings per share.

NOTES TO THE FINANCIAL STATEMENTS

(Cont'd)

21. EMPLOYEES BENEFITS

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Salaries, bonus and other emoluments	5,329	5,000	–	–
Directors' remuneration	2,731	2,496	390	390
Social security contributions	37	36	–	–
Defined contribution plan	655	593	–	–
Other benefits	26	35	–	–
	8,778	8,160	390	390

The details of Directors' remuneration are as follows:-

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Executive Directors:-				
<u>Directors of the Company</u>				
Directors' fees	144	144	144	144
Salaries, bonus and other emoluments	2,185	1,967	–	–
Defined contribution plan	156	128	–	–
	2,485	2,239	144	144
<u>Directors of the subsidiary companies</u>				
Directors' fees	–	10	–	–
Defined contribution plan	–	1	–	–
	–	11	–	–
<u>Non-executive Directors:-</u>				
Directors' fees	228	228	228	228
Other benefits	18	18	18	18
	246	246	246	246
	2,731	2,496	390	390

NOTES TO THE FINANCIAL STATEMENTS

(Cont'd)

22. SIGNIFICANT RELATED PARTY DISCLOSURES

Significant related party transactions

The significant related party transactions of the Group and of the Company are as follows:-

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Rental expenses charged by a company in which certain Directors have interests	84	84	–	–
Rental income received from a company in which certain Directors have interests	2	2	–	–
Dividend income received from subsidiary companies	–	–	30,422	650

The Directors of the Group and of the Company are of the opinion that the above transactions were entered into in the normal course of business and were established under negotiated basis.

Compensation of key management personnel

The Group and the Company have no other key management personnel apart from the Directors. The Directors' remuneration is disclosed in Note 21 to the Financial Statements.

23. CAPITAL COMMITMENT

	Group	
	2020 RM'000	2019 RM'000
Capital expenditure		
Authorised and contracted for:		
- Setting up the VSIP2 factory complex	4,950	16,653
- Expansion of facilities in Shah Alam factory complex	–	554
	4,950	17,207

24. OPERATING SEGMENTS

(a) Business segments

The Group is principally involved in developing, manufacturing and trading of industrial adhesives and sealants and providing supporting products and services.

Due to the interrelated nature of developing, manufacturing and trading of industrial adhesives and sealants and similar operational characteristics of managing the same field, management believes that it is overseeing a single reportable segment.

Hence, the Group does not present its results by industry or products segment.

NOTES TO THE FINANCIAL STATEMENTS

(Cont'd)

24. OPERATING SEGMENTS (CONT'D)

(b) Geographical information

Non-current assets are determined according to the country where they are located.

	Group
	2020 RM'000
	2019 RM'000
Malaysia	18,743
Vietnam	32,503
Total non-current assets	51,246
	28,680

(c) Major customers

There is only one (2019: one) major customer with revenue equal or more than 10% (2019: 10%) of the Group's revenue which amounted to RM9,540,391 (2019: RM9,777,393).

25. FINANCIAL INSTRUMENTS

25.1 Financial risk management

The Group and the Company are exposed to financial risks arising from their operations and the use of financial instruments. Financial risk management policies are established to ensure that adequate resources are available for the development of the Group's and of the Company's business whilst managing its risks. The Group and the Company operate within clearly defined policies and procedures that are approved by the Board of Directors to ensure the effectiveness of the risk management process.

The main areas of financial risks faced by the Group and the Company and the policies in respect of the major areas of treasury activity are set out as follows:-

(a) Credit risk

Credit risk is the risk of a financial loss to the Group and the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

It is the Group's and the Company's policy to enter into financial instrument with a diversity of creditworthy counterparties. The Group and the Company do not expect to incur material credit losses of its financial assets or other financial instruments.

Concentration of credit risk exists when changes in economic, industry and geographical factors similarly affect the group of counterparties whose aggregate credit exposure is significant in relation to the Group's and the Company's total credit exposure. The Group's and the Company's portfolio of financial instrument is broadly diversified and transactions are entered into with diverse creditworthy counterparties, thereby mitigate any significant concentration of credit risk.

It is the Group's and the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. The Group and the Company do not offer credit terms without the approval from the management.

NOTES TO THE FINANCIAL STATEMENTS

(Cont'd)

25. FINANCIAL INSTRUMENTS (CONT'D)

25.1 Financial risk management (Cont'd)

The main areas of financial risks faced by the Group and the Company and the policies in respect of the major areas of treasury activity are set out as follows (Cont'd):-

(a) Credit risk (Cont'd)

Following are the areas where the Group and the Company are exposed to credit risk:-

Trade receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the industry and country in which the customer operates.

A credit rating assessment and impairment analysis are performed at each reporting date to measure expected credit losses ("ECL"). Generally, trade receivables are written off if the Directors deem them as uncollectable. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets. Collateral is considered in the calculation of impairment. At the reporting date, none of the Group's trade receivables is covered by collateral.

The Group uses a provision matrix to measure ECL of trade receivables except for invoices which are past due for more than 60 days. The Group assessed the risk of each customer individually based on their credit ratings if overdue more than 60 days.

Set out below is the information about the credit risk exposure and ECL for the Group's trade receivables using provision matrix:-

	Expected credit losses rate %	Total gross carrying amount RM'000	Expected credit losses RM'000
Group			
<u>2020</u>			
Not past due	–	7,926	–
Past due 1 to 30 days	–	2,102	–
Past due 31 to 60 days	–	1,435	–
Past due more than 60 days	–	765	–
		12,228	–
Credit impaired	100	1,303	(1,303)
		13,531	(1,303)

NOTES TO THE FINANCIAL STATEMENTS

(Cont'd)

25. FINANCIAL INSTRUMENTS (CONT'D)

25.1 Financial risk management (Cont'd)

The main areas of financial risks faced by the Group and the Company and the policies in respect of the major areas of treasury activity are set out as follows (Cont'd):-

(a) Credit risk (Cont'd)

Trade receivables (Cont'd)

Set out below is the information about the credit risk exposure and ECL for the Group's trade receivables using provision matrix (Cont'd):-

	Expected credit losses rate %	Total gross carrying amount RM'000	Expected credit losses RM'000
Group			
2019			
Not past due	–	6,990	–
Past due 1 to 30 days	–	5,274	–
Past due 31 to 60 days	–	1,532	–
Past due more than 60 days	–	408	–
		14,204	–
Credit impaired	100	541	(541)
		14,745	(541)

Receivables that are individually determined to be credit impaired at the financial year end relate to debtors who are in significant financial difficulties and had defaulted in payments.

In respect of trade receivables, the Group is not exposed to any significant credit risk exposure to any single counterparty or any company of counterparties having similar characteristics other than 15% (2019: 14%) of the trade receivables are due from one (2019: one) customer.

Trade receivables consist of a large number of customers in various backgrounds. Based on historical information about customer's default rates, the management considers the credit quality of trade receivables that are not past due or impaired to be good.

The net carrying amount of trade receivables is considered a reasonable approximation of fair value.

Cash and cash equivalents

The credit risk for cash and cash equivalents is considered negligible since the counterparties are reputable banks with high quality external credit ratings.

Intercompany loans and receivables

The maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

The Company provides unsecured advances to subsidiary companies and monitors their results regularly.

As at the reporting date, there was no indication that the advances to the subsidiary companies are not recoverable.

NOTES TO THE FINANCIAL STATEMENTS

(Cont'd)

25. FINANCIAL INSTRUMENTS (CONT'D)

25.1 Financial risk management (Cont'd)

The main areas of financial risks faced by the Group and the Company and the policies in respect of the major areas of treasury activity are set out as follows (Cont'd):-

(b) Liquidity risk

Liquidity risk is the risk that the Group and the Company will not be able to meet its financial obligations as and when they fall due, due to shortage of funds.

The Group and the Company seek to ensure all business units maintain optimum levels of liquidity at all times, sufficient for their operating, investing and financing activities.

Therefore, the policy seeks to ensure that each business unit, through efficient working capital management (i.e. account receivables and account payables management), must be able to convert its current assets into cash to meet all demands for payment as and when they fall due.

The maturity profile of all the financial liabilities based on the contractual undiscounted repayment obligations is less than a year.

(c) Interest rate risk

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

The Group's fixed rate instrument is exposed to a risk of change in its fair value due to changes in interest rates. The Group's and the Company's variable rate instrument are exposed to a risk of change in cash flows due to changes in interest rates.

The Group's and the Company's interest rate management objective is to manage the interest expenses consistent with maintaining an acceptable level of exposure to interest rate fluctuation. In order to achieve this objective, the Group and the Company target a mix of fixed and floating debts based on assessment of its existing exposure and desired interest rate profile.

The interest rate profile of the Group's and the Company's significant interest-bearing financial instrument based on carrying amounts as at the end of the reporting year are as follows:-

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Financial assets				
<i>Fixed rate instrument</i>				
Fixed deposits with licensed banks	4,612	17,746	–	–
<i>Floating rate instrument</i>				
Short-term demand deposits	29,138	34,702	27,400	26,700

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rates as at reporting date would not affect profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

(Cont'd)

25. FINANCIAL INSTRUMENTS (CONT'D)

25.1 Financial risk management (Cont'd)

(c) Interest rate risk (Cont'd)

Interest rate sensitivity analysis

As at the reporting date, the management of the Group and the Company determined the effect of sensitivity of the Group and the Company's net profit/(loss) for the financial year to a reasonable possible change in interest rate to be immaterial.

(d) Foreign currency risk

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

The Group is exposed to foreign currency risk on sales and purchases that are denominated in a currency other than the functional currency of the Group. The currency giving rise to this is primarily United States Dollar ("USD").

Carrying amounts of the Group's exposure to foreign currency risk are as follows:-

	2020 RM'000	2019 RM'000
<i>Denominated in USD</i>		
Cash and bank balances	12,693	6,060
Trade receivables	2,171	2,407
Other receivables	11	1,207
Trade payables	(1,977)	(1,812)
Other payables	(5)	(61)
	12,893	7,801

Exposures to foreign exchange rates vary during the financial year depending on the volume of overseas transactions. Nonetheless, the analysis above is considered to be representative of the Group's exposure to foreign currency risk.

Foreign currency sensitivity analysis:

The following table demonstrates the sensitivity of the Group's net profit for the financial year to a reasonably possible change in the USD against the functional currency of the Group, with all other variables held constant:-

	Group Net profit for the financial year	
	2020 RM'000	2019 RM'000
USD/RM		
- Strengthened (1.1%) (2019: 0.9%)	142	70
- Weakened (1.1%) (2019: 0.9%)	(142)	(70)

NOTES TO THE FINANCIAL STATEMENTS

(Cont'd)

25. FINANCIAL INSTRUMENTS (CONT'D)

25.2 Fair values of financial instruments

The carrying amounts of financial assets and liabilities of the Group and of the Company at the reporting date approximate their fair values due to their short term nature and/or insignificant impact of discounting.

25.3 Fair value hierarchy

No fair value hierarchy is disclosed as the Group and the Company do not have financial instruments measured at fair value.

26. CAPITAL COMMITMENT

The Group's objective when managing capital is to maintain a strong capital base and safeguard the Group's ability to continue as a going concern, so as to maintain investors, creditors and market confidence and to sustain future development of the business.

The Group sets the amount of capital in proportion to its overall financing structure, that are equity and financial liabilities. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends pay to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debts.

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

27. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR AND SUBSEQUENT TO THE REPORTING DATE

- (i) On 2 March 2020, the Company issued 114,999,999 units of free warrants on the basis of one (1) warrant for every two (2) existing ordinary shares held by the shareholders.
- (ii) The outbreak of Coronavirus Disease 2019 ("COVID-19") since end 2019 has seen significant cases increased worldwide which prompted the World Health Organisation to declare it as a pandemic on 11 March 2020. A series of precautionary and control measures have been and continued to be implemented across the world. The Malaysia Government imposed the Movement Control Order ("MCO") from 18 March 2020 to 3 May 2020, Conditional Movement Control Order ("CMCO") from 4 May 2020 to 9 June 2020 and Recovery Movement Control Order ("RMCO") from 10 June 2020 to 31 December 2020. Consequently, these restrictions are expected to have material adverse effects on Malaysia's economy for 2020. The deterioration of world economy has also created additional uncertainties to the business of the Group for financial year ending 30 June 2021.

As at the date of this report, the management of the Group has assessed the overall impact of the situation on the Group's operations and financial position. The Group has resumed its business operation with approvals obtained from the relevant authorities during the CMCO. Nevertheless, the Group is focusing on its efforts in the best possible way to mitigate its impact while protecting the business potential and branding from the medium to long term prospective.

However, the management is unable to reliably estimate the financial impact of COVID-19 on the Group's financial results for the financial year ending 30 June 2021 as the pandemic has yet to run at its full course hence the current situation is still fluid. The Directors shall continuously assess the impact of COVID-19 on its operations as well as the financial position for the financial year ending 30 June 2021.

LIST OF PROPERTIES

30 JUNE 2020

Postal Address	Description of Property/ Existing Use	Registered Owner	Land Area (Sq.mt)	Tenure	Date of Purchase	Approximate age of building (Years)	Net Book Values as at 30 June 2020 (RM'000)
No.34 & 36, Jalan Anggerik Mokara 31/59, Kota Kemuning, Seksyen 31, 40460 Shah Alam, Selangor Darul Ehsan.	Industrial/ Factory, Warehouse and Office Premise	Techbond Manufacturing Sdn Bhd	10,468	Freehold	Lot 36 - 22/6/1998 Lot 34 - 24/6/1999	20 12	7,049
No.32, Jalan Anggerik Mokara 31/59, Kota Kemuning, Seksyen 31, 40460 Shah Alam, Selangor Darul Ehsan.	Industrial/ Factory, Warehouse and Office Premise	Techbond Manufacturing Sdn Bhd	4,714	Freehold	Lot 32 - 28/4/2004	10	3,780
Quarter 4, An Phu Ward, Thuan An Town, Binh Duong Province, Vietnam	Industrial/ Factory, Warehouse and Office Premise	Techbond (Vietnam) Company Limited	9,037	Leasehold expiring 22 May 2032	20/12/2002	12	1,720
No.18, VSIP II-A, Road 23, Vietnam- Singapore II-A Industrial Park, Vinh Tan Commune, Tan Uyen Town, Binh Duong Province, Vietnam.	For the development of Factory Premise	Techbond MFG (Vietnam) Company Limited	30,000	Leasehold expiring 19 March 2058	30/12/2016	–	6,583

ANALYSIS OF SHAREHOLDINGS

AS AT 20 OCTOBER 2020

SHARE CAPITAL

Total Number of Issued Shares	:	232,036,000
Class of Shares	:	Ordinary shares
Voting rights	:	One vote per ordinary share

ANALYSIS BY SIZE OF HOLDINGS AT AS 20 OCTOBER 2020

Size of Holdings	No. of Holders	%	No. of Shares	%
1 - 99	1	0.106	87	0.000
100 - 1,000	253	26.886	165,300	0.071
1,001 - 10,000	459	48.778	2,178,500	0.939
10,001 - 100,000	179	19.023	6,598,893	2.844
100,001 to 11,601,799 (*)	48	5.101	53,694,800	23.141
11,601,800 AND ABOVE (**)	1	0.106	169,398,420	73.005
	941	100.000	232,036,000	100.000

REMARK : * - LESS THAN 5% OF ISSUED SHARES
 ** - 5% AND ABOVE OF ISSUED SHARES

INFORMATION ON DIRECTORS HOLDINGS AS AT 20 OCTOBER 2020

No.	Directors	Direct	%	Indirect	%
1.	DATO' HAMZAH BIN MOHD SALLEH	100,000	0.043	—	—
2.	LEE SEH MENG	232,000	0.100	—	—
3.	LEE SENG THYE	0	0.000	169,398,420 [#]	73.005
4.	M & A NOMINEE (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LEE SENG THYE (M&A)	2,000,000	0.862	—	—
5.	LEE YUEN SHIUAN	232,000	0.100	—	—
6.	OOI GUAN HOE	100,000	0.043	—	—
7.	SELMA ENOLIL BINTI MUSTAPHA KHALIL	100,000	0.043	—	—
8.	TAN SIEW GEAK	0	0.000	—	—
		2,764,000	1.191	169,398,420	73.005

[#] Deemed interested by virtue of his interests in Sonicbond Sdn Bhd pursuant to Section 8(4) of the Companies Act 2016.

INFORMATION ON SUBSTANTIAL HOLDERS' HOLDINGS AS AT 20 OCTOBER 2020

No.	Name of Shareholder	Direct	%	Indirect	%
1	SONICBOND SDN BHD	169,398,420	73.005	—	—
2.	LEE SENG THYE	0	0.000	169,398,420 [#]	73.005

[#] Deemed interested by virtue of his interests in Sonicbond Sdn Bhd pursuant to Section 8(4) of the Companies Act 2016.

ANALYSIS OF SHAREHOLDINGS

(Cont'd)

LIST OF TOP 30 HOLDERS AS AT 20 OCTOBER 2020 (FOR ANNUAL REPORT) (WITHOUT AGGREGATING SECURITIES FROM DIFFERENT SECURITIES ACCOUNTS BELONGING TO THE SAME REGISTERED HOLDER)

No.	Name of Shareholders	No. of Holdings	%
1	SONICBOND SDN BHD	169,398,420	73.005
2	TAN SIEW CHING	6,000,000	2.585
3	CHING HEAN CHONG	5,204,800	2.243
4	MERCSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR AVENUE PORTAL SDN BHD	4,212,700	1.815
5	ONG SAY KIAT	4,045,100	1.743
6	JAG CAPITAL EQUITY SDN BHD	3,430,000	1.478
7	ACE PRIVATE EQUITY SDN BHD	3,150,000	1.357
8	DB (MALAYSIA) NOMINEE (TEMPATAN) SENDIRIAN BERHAD DEUTSCHE TRUSTEES MALAYSIA BERHAD FOR HONG LEONG DIVIDEND FUND	2,750,000	1.185
9	LEONG YEE KEONG	2,379,000	1.025
10	TEW AH KENG	2,200,000	0.948
11	M & A NOMINEE (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LEE SENG THYE (M&A)	2,000,000	0.862
12	JARING METAL INDUSTRIES SDN BHD	1,573,000	0.677
13	LEE MEE YOKE	1,510,800	0.651
14	CHAN AH KIEN	1,415,300	0.609
15	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR YOONG FUI KIEN	1,260,000	0.543
16	CARTABAN NOMINEES (ASING) SDN BHD EXEMPT AN FOR BARCLAYS CAPITAL SECURITIES LTD (SBL/PB)	1,172,900	0.505
17	DB (MALAYSIA) NOMINEE (TEMPATAN) SENDIRIAN BERHAD DEUTSCHE TRUSTEES MALAYSIA BERHAD FOR HONG LEONG ASIA-PACIFIC DIVIDEND FUND	1,060,000	0.456
18	CIMB GROUP NOMINEES (TEMPATAN) SDN BHD HONG LEONG ASSET MANAGEMENT BHD FOR HONG LEONG FOUNDATION (ED100)	850,000	0.366
19	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR DATO' NG AIK KEE (001)	784,400	0.338
20	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LEE CHOON KWONG	663,200	0.285

ANALYSIS OF SHAREHOLDINGS

(Cont'd)

LIST OF TOP 30 HOLDERS AS AT 20 OCTOBER 2020 (FOR ANNUAL REPORT) (CONT'D)

No.	Name of Shareholders	No. of Holdings	%
21	AFFIN HWANG NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR YAP TAI CHON	588,000	0.253
22	CHEAH SOH WIN	529,400	0.228
23	RHB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR DAUD BIN AHMAD	400,000	0.172
24	YEUNG SHAN SHAN	400,000	0.172
25	YAP KWEK VE	395,000	0.170
26	JF APEX NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LUM YET CHONG (MARGIN)	380,000	0.163
27	HSBC NOMINEES (ASING) SDN BHD J.P. MORGAN SECURITIES PLC	365,200	0.157
28	HLIB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR GOH PENG SENG (CCTS)	360,000	0.155
29	WOO JIN BIN @ HU JIN BIN	325,000	0.140
30	CGS-CIMB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR HEA N CHEW (MY2152)	315,000	0.135
TOTAL HOLDINGS		219,117,220	94.421

ANALYSIS OF WARRANTS

AS AT 20 OCTOBER 2020

Type of Securities	:	5 years warrants 2020/2025
Total No. of Warrants Issued and Not Exercised	:	112,963,999
Exercise Price of Warrants	:	RM0.76
Issue Date of Warrants	:	25 February 2020
Expiry Date of Warrants	:	24 February 2025

ANALYSIS BY SIZE OF HOLDINGS AT AS 20 OCTOBER 2020

Size of Holdings	No. of Holders	%	No. of Warrants	%
1 - 99	80	13.158	3,897	0.003
100 - 1,000	157	25.822	87,749	0.078
1,001 - 10,000	203	33.388	1,078,450	0.955
10,001 - 100,000	125	20.559	4,446,243	3.936
100,001 to 5,648,198 (*)	42	6.908	22,648,450	20.049
5,648,199 AND ABOVE (**)	1	0.165	84,699,210	74.979
	608	100.000	112,963,999	100.000

REMARK : * - LESS THAN 5% OF ISSUED WARRANTS

** - 5% AND ABOVE OF ISSUED WARRANTS

INFORMATION ON DIRECTORS HOLDINGS AS AT 20 OCTOBER 2020

No.	Directors	Direct	%	Indirect	%
1.	DATO' HAMZAH BIN MOHD SALLEH	50,000	0.044	—	—
2.	LEE SEH MENG	116,000	0.103	—	—
3.	LEE SENG THYE	0	0.000	84,699,210 [#]	74.979
4.	M & A NOMINEE (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LEE SENG THYE (M&A)	1,000,000	0.885	—	—
5.	LEE YUEN SHIUAN	116,000	0.103	—	—
6.	OOI GUAN HOE	50,000	0.044	—	—
7.	SELMA ENOLIL BINTI MUSTAPHA KHALIL	50,000	0.044	—	—
8.	TAN SIEW GEAK	0	0.000	—	—
		1,382,000	1.223	84,699,210	74.979

[#] Deemed interested by virtue of his interests in Sonicbond Sdn Bhd pursuant to Section 8(4) of the Companies Act 2016.

INFORMATION ON SUBSTANTIAL HOLDERS' HOLDINGS AS AT 20 OCTOBER 2020

No.	Name of Shareholder	Direct	%	Indirect	%
1	SONICBOND SDN BHD	84,699,210	74.979	—	—
2	LEE SENG THYE	0	0.000	84,699,210 [#]	74.979

[#] Deemed interested by virtue of his interests in Sonicbond Sdn Bhd pursuant to Section 8(4) of the Companies Act 2016.

ANALYSIS OF WARRANTS

(Cont'd)

LIST OF TOP 30 HOLDERS AS AT 20 OCTOBER 2020 (FOR ANNUAL REPORT)
(WITHOUT AGGREGATING SECURITIES FROM DIFFERENT SECURITIES ACCOUNTS BELONGING TO THE SAME REGISTERED HOLDER)

No.	Name of Shareholders	No. of Holdings	%
1	SONICBOND SDN BHD	84,699,210	74.979
2	CHING HEAN CHONG	3,734,900	3.306
3	MERCSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR AVENUE PORTAL SDN BHD	3,301,200	2.922
4	ACE PRIVATE EQUITY SDN BHD	1,575,000	1.394
5	JARING METAL INDUSTRIES SDN BHD	1,292,000	1.143
6	MAYBANK NOMINEES (TEMPATAN) SDN BHD KOK YOW LOONG	1,208,000	1.069
7	HEAN CHEW	1,050,000	0.929
8	M & A NOMINEE (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LEE SENG THYE (M&A)	1,000,000	0.885
9	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KHO PING	705,000	0.624
10	THAM SIEW KIOK	600,000	0.531
11	CHEW KAH YONG	500,000	0.442
12	YEE LAI CHEE	450,000	0.398
13	LEONG YEE KEONG	433,000	0.383
14	AFFIN HWANG NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR YAP TAI CHON	419,000	0.370
15	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD LIM WILLIE	410,000	0.362
16	LOO MING KIAT	400,000	0.354
17	LOH CHAN KIOUK	367,000	0.324
18	KUA CHOW KUOK	350,000	0.309
19	LUM YIM FONG	345,000	0.305
20	TAY WOI YEE	328,000	0.290
21	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR DE CHEW LIONG	300,000	0.265

ANALYSIS OF WARRANTS

(Cont'd)

LIST OF TOP 30 HOLDERS AS AT 20 OCTOBER 2020 (FOR ANNUAL REPORT) (CONT'D)

No.	Name of Shareholders	No. of Holdings	%
22	DE CHEW LIONG	300,000	0.265
23	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHAN KAM CHOON (E-JBU)	300,000	0.265
24	MAYBANK NOMINEES (TEMPATAN) SDN BHD KHO PING	271,000	0.239
25	AFFIN HWANG NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR CHEE YEE MING (CHE2345M)	262,000	0.231
26	HLIB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR GOH PENG SENG (CCTS)	260,000	0.230
27	KENANGA NOMINEES (TEMPATAN) SDN BHD RAKUTEN TRADE SDN BHD FOR WONG YUK LING	200,000	0.177
28	RHB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KHO PING	200,000	0.177
29	RHB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR DAUD BIN AHMAD	200,000	0.177
30	RHB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CECILIA SIM SHEN SHEN	200,000	0.177
TOTAL HOLDINGS		105,660,310	93.522

NOTICE OF THE ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Fourth Annual General Meeting of the Company will be held at **Danau 3, Level 2, Kota Permai Golf & Country Club, No. 1, Jalan 31/100A, Kota Kemuning, 40460 Shah Alam, Selangor Darul Ehsan, on Wednesday, 25 November 2020 at 10.00 a.m.** for the following purposes:

AGENDA

1. To receive the Audited Financial Statements for the financial year ended 30 June 2020 together with the Directors' and Auditors' Reports.
[Please refer to Note (a)]
2. To re-elect the following Directors retiring in accordance with Clause 127 of the Constitution of the Company and being eligible, have offered themselves for re-election:
 - i. Ooi Guan Hoe (Ordinary Resolution 1)
 - ii. Selma Enolil Binti Mustapha Khalil (Ordinary Resolution 2)
3. To re-elect Lee Seh Meng who retires by rotation in accordance with Clause 132 of the Constitution of the Company and being eligible, has offered himself for re-election. (Ordinary Resolution 3)
4. To approve the payment of additional Directors' fees of RM42,000.00 for the financial year ended 30 June 2020. (Ordinary Resolution 4)
5. To approve the payment of Directors' fees of up to RM444,000.00 for the financial year ending 30 June 2021. (Ordinary Resolution 5)
[Please refer to Note (b)]
6. To approve the payment of Directors' benefits of up to RM18,000.00 for the financial period from 1 January 2021 until the next Annual General Meeting of the Company. (Ordinary Resolution 6)
[Please refer to Note (c)]
7. To re-appoint Messrs Grant Thornton Malaysia PLT as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration. (Ordinary Resolution 7)

NOTICE OF THE ANNUAL GENERAL MEETING

(Cont'd)

SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions:-

8. **Proposed Renewal of Authority to Allot and Issue Shares Pursuant to Sections 75 and 76 of the Companies Act, 2016 ("the Act").** (Ordinary Resolution 8)

"THAT, subject to Sections 75 and 76 of the Act, the Constitution of the Company and the approvals from Bursa Malaysia Securities Berhad for the listing of and quotation for the additional shares so issued and other relevant authorities, where approval is necessary, authority be and is hereby given to the Directors to allot and issue shares in the Company at any time upon such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit provided always that the aggregate number of shares to be issued shall not exceed twenty per centum (20%) of the total number of issued shares (excluding treasury shares) of the Company for the time being **AND THAT** the Directors be authorised to do all such things as they may deem fit and expedient in the best interest of the Company to give effect to the issuance of new shares under this resolution including making such applications to Bursa Securities for the listing of and quotation for the additional shares so issued on Bursa Securities **AND THAT** such authority shall continue to be in force until 31 December 2021, unless revoked or varied by an ordinary resolution of the Company at a general meeting."

[Please refer to Note (d)]

9. To transact any other business of which due notice shall have been given in accordance with the Act and the Constitution of the Company.

BY ORDER OF THE BOARD

Wong Wai Foong (SSM PC No. 202008001472) (MAICSA No. 7001358)
Lim Hooi Mooi (SSM PC No. 201908000134) (MAICSA No. 0799764)
Ong Wai Leng (SSM PC No. 202008003219) (MAICSA No. 7065544)
Company Secretaries

Kuala Lumpur
27 October 2020

NOTES:-

- i. The Board of Directors ("Board") is cognisant of the COVID-19 pandemic as declared by the World Health Organisation which, to-date, is still subsisting. The health and safety of the Company's shareholders, Directors, staff and other stakeholders is of paramount concern for the Company. In view of foregoing, the Company wishes to advise shareholders that necessary steps and measures will be undertaken in holding the Company's Fourth Annual General Meeting ("4th AGM").

In view of the COVID-19 pandemic and further to the "Guidance and FAQs on the Conduct of General Meetings for Listed Issuers" issued by the Securities Commission, members/ proxies/ corporate representatives who wish to attend the 4th AGM in person **ARE REQUIRED TO PRE-REGISTER ("RSVP")** with the Company's share registrar, Tricor Investor & Issuing House Services Sdn. Bhd. ("Share Registrar", "Tricor" or "TIIH"), via TIIH Online website at <https://tiih.online> no later than Monday, 23 November 2020 at 10.00 a.m. Please follow the RSVP Procedures in the Administrative Guide for the 4th AGM.

NOTICE OF THE ANNUAL GENERAL MEETING (Cont'd)

NOTES:- (Cont'd)

- ii. A member of a Company shall be entitled to appoint another person as his proxy to exercise all or any of his rights to attend, participate, speak and vote at meeting of members of the Company. A member may appoint not more than two (2) proxy in relation to a meeting, provided that the member specifies the proportion of the member's shareholdings to be represented by each proxy. A proxy may but need not be a member of the Company.
- iii. Where a Member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991 ("SICDA"), it may appoint not more than two (2) proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
- iv. For a member of the Company who is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. An exempt authorised nominee refers to an authorised nominee defined under SICDA which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.
- v. Where a member or the authorised nominee appoints more than two (2) proxies, or where an exempt authorised nominee appoints more than one (1) proxy in respect of each omnibus account to attend and vote at the same meeting, the appointments shall be invalid unless the proportion of shareholdings to be represented by each proxy is specified in the instrument appointing the proxies.
- vi. The appointment of a proxy may be made in a hard copy form or by electronic means in the following manner and must be received by the Company not less than forty-eight (48) hours before the time appointed for holding the General Meeting at which the person named in the appointment proposes to vote:
 - a. In hard copy form
In the case of an appointment made in hard copy form, the proxy form must be deposited at the office of the Share Registrar, Tricor Investor & Issuing House Services Sdn. Bhd. at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur.
 - b. By electronic form
The Proxy Form can be electronically lodged via **TIIH Online** website at <https://tiih.online> (applicable to individual member only). Kindly refer to the Administrative Guide on the procedure for electronic lodgement of proxy form via TIIH Online.
- vii. For the purpose of determining a member who shall be entitled to attend and vote at the meeting, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to make available to the Company a Record of Depositors as at 19 November 2020 and only a depositor whose name appears on the Record of Depositors shall be entitled to attend the meeting or appoint proxies to attend and vote in his stead.

Explanatory Notes:

a. Agenda No. 1

This item is meant for discussion only. The provisions of Section 340(1)(a) of the Companies Act 2016 require that the audited financial statements and the Reports of the Directors and Auditors thereon be laid before the Company at its Annual General Meeting ("AGM"). As such, this Agenda item is not a business which requires a resolution to be put to vote by shareholders.

NOTICE OF THE ANNUAL GENERAL MEETING (Cont'd)

Explanatory Notes: (Cont'd)

b. Ordinary Resolutions No. 4 & 5

At the third AGM of the Company held on 28 November 2019, the Company obtained the shareholders' approval for the payment of Directors' fees of RM372,000.00 for the financial year ended 30 June 2020. In the event the Directors' fees proposed is insufficient due to emerged Board size, approval will be sought at the 4th AGM for additional fees to meet the shortfall.

Mr Lee Seh Meng was redesignated on 1 December 2019 from Alternate Director to Mr Lee Seng Thye to Deputy Managing Director of the Company. Accordingly, he will be entitled for the Directors' fees in respect of the financial year ended 30 June 2020.

c. Ordinary Resolution No. 6

This resolution is to facilitate payment of Directors' benefits for the period from 1 January 2021 until the next AGM of the Company. In the event the Directors' benefits proposed are insufficient (e.g. due to more meetings or enlarged Board size), approval will be sought at the next AGM for additional fees to meet the shortfall.

Directors' benefits include allowances for travel and training programmes for directors and other emoluments payable to Directors and in determining the estimated total the Board had considered various factors including the number of scheduled meetings for the Board and Board Committees, and covers the period from 1 January 2021 until the next AGM of the Company (the due date for which the next AGM should be held).

d. Ordinary Resolution No. 8

The proposed Resolution No. 8, if passed, will empower the Directors of the Company to allot up to a maximum of 20% of the total number of issued shares of the Company (excluding treasury shares) (20% General Mandate) for the time being for such purposes as the Directors consider would be in the best interest of the Company and its shareholders.

The purpose of this general mandate is for possible fund raising exercise including but not limited to further placement of shares for purpose of funding current and/or future investment projects, working capital, repayment of bank borrowings, acquisitions and/or for issuance of shares as settlement of purchase consideration or such other application as the Directors may deem fit in the best interest of the Company and its shareholders.

The Board of Directors is of the opinion that the 20% General Mandate is in the best interest of the Company and its shareholders as it is useful for the Company to meet its financial needs due to the unprecedented uncertainty surrounding the recovery of the COVID-19 pandemic and it will enable the Board to take swift action during the challenging time to ensure long term sustainability and interest of the Company and its shareholders.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

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

1. There is no person seeking election as director of the Company at this Annual General Meeting.
2. General mandate for issue of securities

Kindly refer to the Explanatory Notes on Special Business – Authority to Allot and Issue Shares pursuant to Sections 75 and 76 of the Companies Act 2016 under Explanatory Note (d) of the Notes to the Notice of the 4th Annual General Meeting.

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TECHBOND®

YOUR TECHNICAL BONDING PARTNER

TECHBOND GROUP BERHAD

Registration No: 201601019667 (1190604-M)
(Incorporated in Malaysia)

PROXY FORM

(Before completing this form please refer to the notes below)

Number of Shares held	
CDS Account	

I/We _____ (Name of Shareholder as per NRIC, in capital letters)

NRIC No./Company No. _____ (New) _____ (Old)

of _____

being a Member(s) of TECHBOND GROUP BERHAD, hereby appoint _____

_____ (Name of proxy as per NRIC, in capital letters)

NRIC No./Company No. _____ (New) _____ (Old)

or failing him/her _____ (Name of proxy as per NRIC, in capital letters)

NRIC No. _____ (New) _____ (Old)

_____ or failing him/her the Chairman of the Meeting
as my/our proxy to vote for me/us on my/our behalf at the Fourth Annual General Meeting of the Company to be held at **Danau 3, Level 2, Kota Permai Golf and Country Club, 1, Jalan 31/100A, Kota Kemuning, 40460 Shah Alam, Selangor Darul Ehsan on Wednesday, 25 November 2020 at 10.00 a.m.** and any adjournment thereof.

My/Our proxy is to vote either on a show of hands or on a poll as indicated below with an "X".

RESOLUTIONS	FOR	AGAINST
Ordinary Resolution 1		
Ordinary Resolution 2		
Ordinary Resolution 3		
Ordinary Resolution 4		
Ordinary Resolution 5		
Ordinary Resolution 6		
Ordinary Resolution 7		
Ordinary Resolution 8		

Dated this _____ day of _____ 2020

Signature(s)/ Seal of Shareholder(s)

Contact:

NOTES:-

- The Board of Directors ("Board") is cognisant of the COVID-19 pandemic as declared by the World Health Organisation which, to-date, is still subsisting. The health and safety of the Company's shareholders, Directors, staff and other stakeholders is of paramount concern for the Company. In view of foregoing, the Company wishes to advise shareholders that necessary steps and measures will be undertaken in holding the Company's Fourth Annual General Meeting ("4th AGM").
In view of the COVID-19 pandemic and further to the "Guidance and FAQs on the Conduct of General Meetings for Listed Issuers" issued by the Securities Commission, members/ proxies/ corporate representatives who wish to attend the 4th AGM in person **ARE REQUIRED TO PRE-REGISTER ("RSVP")** with the Company's share registrar, Tricor Investor & Issuing House Services Sdn. Bhd. ("Share Registrar", "Tricor" or "TIH"), via TIH Online website at <https://tiah.online> no later than Monday, 23 November 2020 at 10.00 a.m. Please follow the RSVP Procedures in the Administrative Guide for the 4th AGM.
- A member of a Company shall be entitled to appoint another person as his proxy to exercise all or any of his rights to attend, participate, speak and vote at meeting of members of the Company. A member may appoint not more than two (2) proxies in relation to a meeting, provided that the member specifies the proportion of the member's shareholdings to be represented by each proxy. A proxy may but need not be a member of the Company.
- Where a Member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991 ("SICDA"), it may appoint not more than two (2) proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.



For appointment of two proxies, percentage of shareholdings to be represented by the proxies:

	No. of Shares	Percentage
Proxy 1		%
Proxy 2		%
Total		100%

NOTES:- (Cont'd)

- iv) For a member of the Company who is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. An exempt authorised nominee refers to an authorised nominee defined under SICDA which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.
- v) Where a member or the authorised nominee appoints more than two (2) proxies, or where an exempt authorised nominee appoints more than one (1) proxy in respect of each omnibus account to attend and vote at the same meeting, the appointments shall be invalid unless the proportion of shareholdings to be represented by each proxy is specified in the instrument appointing the proxies.
- vi) The appointment of a proxy may be made in a hard copy form or by electronic means in the following manner and must be received by the Company not less than forty-eight (48) hours before the time appointed for holding the General Meeting at which the person named in the appointment proposes to vote:
- i. In hard copy form
In the case of an appointment made in hard copy form, the proxy form must be deposited at the office of the Share Registrar, Tricor Investor & Issuing House Services Sdn. Bhd. at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or its Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur.
- ii. By electronic form
The Proxy Form can be electronically lodged via **TIIH Online** website at <https://tiih.online> (applicable to individual member only). Kindly refer to the Administrative Guide on the procedure for electronic lodgement of proxy form via TIIH Online.
- vii) For the purpose of determining a member who shall be entitled to attend and vote at the meeting, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to make available to the Company a Record of Depositors as at 19 November 2020 and only a depositor whose name appears on the Record of Depositors shall be entitled to attend the meeting or appoint proxies to attend and vote in his stead.

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AFFIX
STAMP

**Share Registrar of
TECHBOND GROUP BERHAD**
Registration No: 201601019667 (1190604-M)
Tricor Investor & Issuing House Services Sdn Bhd
Unit 32-01, Level 32, Tower A
Vertical Business Suite
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur
Wilayah Persekutuan
Malaysia

2nd Fold Here

Fold This Flap For Sealing



TECHBOND®

YOUR TECHNICAL BONDING PARTNER

TECHBOND GROUP BERHAD

201601019667 (1190604-M)

No. 36, Jalan Anggerik Mokara 31/59, Seksyen 31, Kota Kemuning,
40460 Shah Alam, Selangor Darul Ehsan, Malaysia.

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