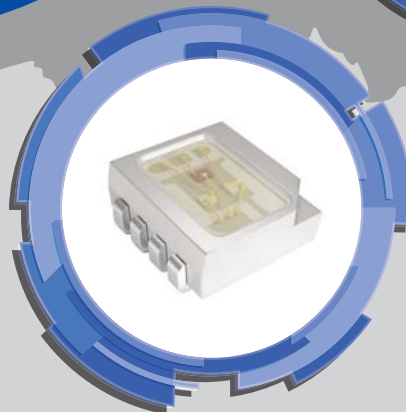


D&O

Greentech

**D & O GREEN
TECHNOLOGIES BERHAD**

Company No: 200401006867 (645371-V)



**ANNUAL
REPORT
2019**

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Non-Independent Non-Executive Chairman
Dato' Mohammed Azlan Hashim

Group Managing Director
Tay Kheng Chiong

Executive Director
Cheam Dau Peng

Non-Executive Directors
Goh Nan Yang
Wong Meng Tak**
Jesper Bjoern Madsen*
Yeow See Yuen*

AUDIT COMMITTEE

Wong Meng Tak** (*Chairman*)
Jesper Bjoern Madsen*
Yeow See Yuen*

REMUNERATION COMMITTEE

Goh Nan Yang (*Chairman*)
Jesper Bjoern Madsen*
Yeow See Yuen*

EMPLOYEES' SHARE OPTION SCHEME ("ESOS") COMMITTEE

Tay Kheng Chiong
Cheam Dau Peng
Goh Nan Yang

NOMINATION COMMITTEE

Wong Meng Tak** (*Chairman*)
Yeow See Yuen*
Goh Nan Yang

(*) Independent and Non-Executive Director
(**) Senior Independent and Non-Executive Director

COMPANY SECRETARY

Tan Pei Choo (MAICSA 7023284)

PRINCIPAL PLACE OF BUSINESS

Lot 6, Batu Berendam Free Trade Zone
Phase III 75350 Melaka
Tel : 06-283 3566
Fax : 06-284 7988
Email : corp@do.com.my
Website : <http://www.do.com.my>

REGISTERED OFFICE

No. 15, Bukit Ledang
Off Jalan Duta
50480 Kuala Lumpur
Tel : 03-2094 3268
Fax : 03-2094 3188

REGISTRAR

Tricor Investor & Issuing House Services Sdn Bhd
197101000970 (11324-H)
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

REGISTER OF OPTION

Lot 6, Batu Berendam Free Trade Zone
Phase III 75350 Melaka
Tel : 06-283 3566
Fax : 06-284 7988

AUDITORS

Crowe Malaysia PLT
201906000005
(LLP0018817-LCA) & AF1018
Level 16, Tower C
Megan Avenue II
12, Jalan Yap Kwan Seng
50450 Kuala Lumpur
Tel : 03-2788 9999
Fax : 03-2788 9998

PRINCIPAL BANKERS

HSBC Bank Malaysia Berhad
Hong Leong Bank Berhad
OCBC Bank (Malaysia) Berhad
Citibank Berhad
Bangkok Bank Berhad

STOCK EXCHANGE LISTING

Bursa Malaysia Securities Berhad Main Board
Sector : Technology
Stock code : 7204
Stock name : D&O

CORPORATE STRUCTURE

D&O
Greentech
**D & O GREEN
TECHNOLOGIES BERHAD**
Company No: 200401006867 (645371-V)

100.00%
OMEGA
SEMICONDUCTOR
SDN BHD
Company No: 199301027883 (282621-V)

89.79%
DOMINANT OPTO
TECHNOLOGIES SDN BHD
Company No: 200001030501 (533108-P)

100.00%
DOMINANT OPTO
TECHNOLOGIES
(SHANGHAI)
CO., LTD.

100.00%
DOMINANT
SEMICONDUCTORS
EUROPE GMBH

100.00%
DOMINANT OPTO
TECHNOLOGIES
KOREA INC

100.00%
DOMINANT OPTO
TECHNOLOGIES
NORTH AMERICA INC

100.00%
DOMINANT OPTO
TECHNOLOGIES
JAPAN K.K.

54.00%
DOMILIGHT
TECHNOLOGIES
SDN BHD
Company No: 200201034285 (601950-W)

100.00%
DOMINANT
ELECTRONICS
SDN BHD
Company No: 201801017626 (1279642-T)

100.00%
DOMINANT
TECHNOLOGIES
SDN BHD
Company No: 201901017545 (1326873-A)

100.00%
DOMINANT
TECHNOLOGIES
(SINGAPORE)
PTE. LTD.

100.00%
DOT
SEMICONDUCTOR
INC

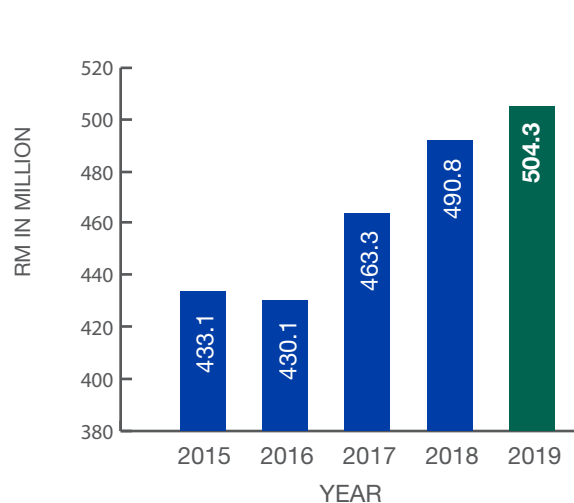
100.00%
DOMINANT
SEMICONDUCTORS
(LAO) SOLE CO., LTD

FIVE-YEAR FINANCIAL HIGHLIGHTS

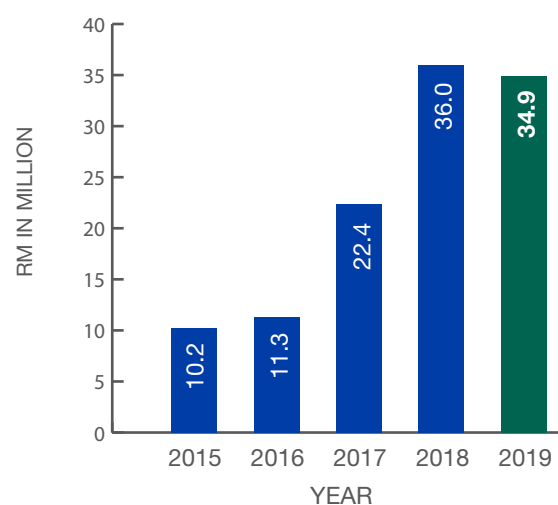
The financial results for the year 2015 to 2019 were based on the audited financial statements of the Group for the respective financial year under review.

	Group 2015 RM'000	Group 2016 RM'000	Group 2017 RM'000	Group 2018 RM'000	Group 2019 RM'000
Total Revenue	433,109	430,100	463,337	490,775	504,305
Profit Before Tax	18,971	29,576	45,717	52,123	47,070
Profit After Tax	17,560	21,063	36,254	42,202	39,057
Profit Attributable to Owners of the Company	10,225	11,273	22,369	35,961	34,871
Equity Attributable to Owners of the Company	185,205	197,303	218,450	323,136	355,630
Weighted Average Number of Shares In Issue ('000)	979,348	988,147	997,217	1,046,160	1,109,648
Earnings Per Share (EPS) (Sen)	1.04	1.14	2.24	3.06	2.80

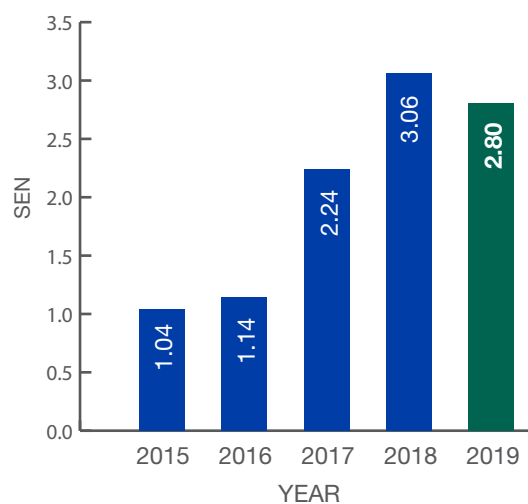
REVENUE



PROFIT ATTRIBUTABLE TO THE OWNERS OF THE COMPANY



EARNINGS PER SHARE (EPS)



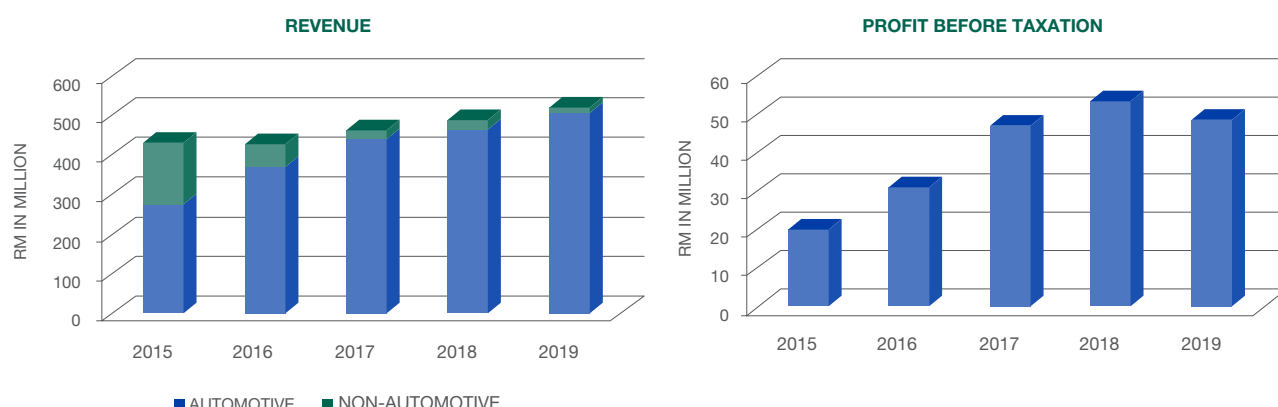
MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

Dominant Opto Technologies Sdn Bhd (“Dominant”), an 89.79% subsidiary of D&O, is a world leading Surface Mount (“SMT”) LED manufacturer for the global automotive industry. Established in year 2000, Dominant has over the years built itself to become a trusted and reliable partner to global automakers.

Dominant’s LED are sold around the world through a global network of sales and after-sales-service offices in key automotive markets, namely China, Europe, the USA, Japan, Republic of Korea and India. Recently, the Group expanded its business to include LED module design and manufacturing and integrated circuit (“IC”) design and development for LED applications in response to changing industry trends and customer requirements, and to further secure Dominant’s position as a world leading player in the global automotive LED industry. Today, Dominant offers a comprehensive range of LED packaging solutions under its own “DOMINANT” brand name catering for both the interior (with a wide range of colour spectrum) and exterior automotive lighting.

Dominant’s manufacturing facilities, located at Batu Berendam Free Trade Zone in Melaka, is AEC-Q102 qualified, a world class automotive quality standard. To ease production space constraints and to cater for anticipated growth over the next 5-10 years, Dominant acquired an adjacent factory land and building and completed renovation of the office and factory building at a total cost of RM45 million.



2019 FINANCIAL PERFORMANCE REVIEW

2019 represents a satisfactory year for D&O amidst a challenging operating environment. Despite an overall 4.4% decline in global car sales volume, revenue from the automotive segment grew 5.0% to RM490.3 million on increased LED demand from the commercialisation of new business wins. Overall revenue however grew at a slower pace of 2.8% to RM504.3 million as growth in the automotive segment was partly offset by lower contribution from the non-automotive/OEM segment. Gross margin was slightly lower year-on-year, resulting in a 0.4% increase in gross profit to RM140.4 million.

Pre-tax profit before other income/(expense) and finance cost but include R&D expenses increased 8.2% to RM63.4 million on higher gross profit and lower R&D expenses, partially offset by higher administrative and distribution expenses. R&D expense came off due to fewer outsourced product reliability testing following a major upgrade of Dominant’s in-house laboratory capabilities, Distribution expenses were higher on one-off distributor compensation, while administrative expenses increased as a result of overseas sales office expansion and Dominant’s expansion into module manufacturing and integrated circuit design and development.

After factoring other income/(expense) and finance cost, pre-tax profit at RM47.1 million was 9.7% lower. Net other income/(expense) posted higher losses in 2019 due to the absence of government grant (2018: RM3.2 million) and litigation settlement gain (2018: RM3.2 million). Finance cost rose 46.3% to RM3.4 million as a result of higher bank borrowings arising from plant expansion and other capital expenditure.

MANAGEMENT DISCUSSION AND ANALYSIS

(cont'd)

BALANCE SHEET

D&O consolidated balance sheet strengthened further during the year. Net asset rose RM34.8 million to RM387.1 million. Property, plant and equipment increased RM31.7 million mainly on capital expenditure of RM75.9 million on tools and equipment for new product lines, machinery upgrades, plant automation, quality control improvements and construction of new factory building, partially offset by a RM35.2 million depreciation. The Group's borrowings meanwhile increased to RM99.1 million from RM47.6 million for capital expenditure funding.

Net working capital increased RM19.0 million. Trade receivables increased to RM117.2 million on higher revenue in 4Q2019 compared to 4Q2018. During the year, there is no significant change in inventory holding when compared to 2018. Trade payables reduced RM11.2 million to RM113.9 million from RM125.1 million in the preceding year mainly due to the timing of capital expenditure repayment.

CASH FLOW

The Group generated a positive RM98.7 million cash flow from its operations (2018:RM89.5 million) before taking account of the changes in working capital. After factoring in changes in working capital and interest and income tax payments, cash inflow was RM51.3 million (2018:RM65.5 million). The increase in working capital requirement was mainly due to the payment of payables.

In 2019, the Group spent RM75.9 million on capital expenditure and RM16.7 million on dividends paid to shareholders and minority shareholders of a subsidiary. The cash outflow for investing activities was partially financed by additional banking facilities and RM3.9 million proceeds from the exercise of ESOS. Consequently, the Group swung from a net cash position of RM3.2 million to a net debt position of RM36.0 million.

DIVIDEND

Ordinary Share

- (a) The first interim dividend of 0.5 sen per ordinary share for the financial year ended 31 December 2019 (2018: 0.5 sen) was paid on 28 June 2019.
- (b) The second interim dividend of 0.5 sen per ordinary share for the financial year ended 31 December 2019 (2018: nil) was paid on 30 December 2019.

Irredeemable Convertible Preference Shares ("ICPS")

- (a) The first interim dividend of 0.5 sen per ICPS share for the financial year ended 31 December 2019 (2018: 0.5 sen) was paid on 28 June 2019, based on the terms of the ICPS.
- (b) The second interim dividend of 0.5 sen per ICPS for the financial year ended 31 December 2019 (2018: nil) was paid on 30 December 2019, based on the terms of the ICPS.

MANAGEMENT DISCUSSION AND ANALYSIS

(cont'd)

PROSPECTS AND RISKS

The decline in global car sales volume accelerated in 2019, down 4.4% year-on-year compared to 0.5% in 2018, led by 8.2% and 12.3% decline in China and India respectively. Year 2020 is expected to remain challenging for worldwide auto sales. While trade tension between the US and China has eased following the conclusion of Phase 1 trade deal, geopolitical risks remain high and the world economy is on tenterhooks following the rapid spread of the Covid-19 virus that threatens to significantly disrupt global supply chain, curb consumer spending and lower investment appetite. The situation if persists and/or exacerbates, will in turn have a knock-on effect on Dominant's LED sales.

Near-term risk on LED demand aside, we believe the automotive LED industry holds tremendous potential in the longer term due to rapidly rising LED intensity in new car designs as automakers pursue better safety features, higher aesthetic appeal and comfort standards. Further, the global automotive industry continues to evolve alongside changing regulatory environments, consumer demand, and material innovation. More alliances among automotive suppliers will form to augment design, engineering, and technology innovation to accelerate the market with new vehicles and move toward more scalable mobility solutions.

To stay ahead, Dominant will continue to focus its resources in developing innovative products, including Smart RGB LED to meet changing customer demands and requirements. While the market remains challenging, we believe Dominant with its full range of interior and exterior automotive lighting solutions couple with Smart RGB LED for new application is well positioned to capitalise on future growth opportunities.

Renovation of the new factory and office relocation was completed on schedule. This will free up additional space in the existing factory building for future production expansion.

We are ever proud and thankful for the continuous support given by our customers, employees, suppliers and other stakeholders. Without such wonderful support, the Group would not be where it is today.

SUSTAINABILITY STATEMENT

INTRODUCTION

The Board is pleased to present this Sustainability Statement for the financial year ended 31 December 2019 prepared pursuant to paragraph 29 of Part A of Chapter 9 - Appendix 9C of Main Market Listing Requirements ("MMLR") of Bursa Securities Malaysia Berhad ("Bursa Malaysia"). The Board recognizes the important of embedding sustainability practices and values into our business operations and is aware that businesses are not judged solely on its financial performance but also on its conducts in respect of governance, economic, environment and social aspect with the ultimate goal of creating long term sustainable value to its stakeholders.

This Statement covers the Group's economic, environmental and social management and performance across all business operations in Malaysia including the activities carried out during the financial year ended 31 December 2019 and up to the date of this Statement. The Board have adhered the Statement to define stakeholder engagement, materiality assessment, sustainability commitment and achievement, and the assessment of the Group's management and performance on significant economic, environmental, and social impact.

SCOPE OF THE STATEMENT

The contents of this Statement primarily include activities carried out during the financial year ended 31 December 2019 and up to the date of this Statement. This Statement covers the Group's economic, environmental and social management and performance across all business operations in Malaysia. The Board have adhered the Statement to define stakeholder engagement, materiality assessment, sustainability commitment and achievement, and the assessment of the Group's management and performance on significant economic, environmental, and social impact.

The disclosures of the corporate governance practices and compliance with relevant provisions and requirements per MMLR and Malaysia Code on Corporate Governance 2017 are made in the Corporate Governance Overview Statement in the Annual Report and Corporate Governance Report 2019.

SUSTAINABILITY PRINCIPLES

The Board assumes the ultimate accountability for the integration of sustainability in the Group, including sustainability-related strategy and performance. The sustainability principles instilled by the Board are:

- To observe and comply with all relevant legislation, regulations, recommended trade practice and code of practice applicable and relevant to the Group;
- To consider sustainability matters and integrate these considerations into the Group's business operations and when making and implementing business strategies;
- To manage sustainability matters in structured and systematic manner, whereby sustainability matters are embedded throughout the Group and to be documented, continuously assessed and managed with reporting to the Board on scheduled interval or as and when the materiality of the sustainability matters requires such reporting;
- To continuously promote, train and communicate with all employees, suppliers, business partners and other relevant stakeholders to ensure that they are aware of, and are committed to, implementing and measuring sustainability activities as part of the Group's or their strategy, taking into consideration economic, environment, social and governance aspects;
- To continuously engage and communicate with all relevant stakeholders for the identification, assessment and management of material sustainable issues; and
- To strive to improve the Group's sustainability performance over times.

SUSTAINABILITY STATEMENT

(cont'd)

SUSTAINABILITY POLICY

The Group's Sustainability Policy is guided by the 17 Sustainable Development Goals ("SDGs") developed by the United Nations to address a range of social and economic development issues such as poverty, hunger, health, education, climate change, gender equality, water, sanitation, energy, environment and social justice. Included in the Sustainability Policy, inter-alia, the governance structure and structured sustainability assessment process approved by the Board.



A full copy of the Group's sustainability policy can be obtained from <http://www.do.com.my>.

STAKEHOLDERS' ENGAGEMENT

A stakeholder is a party that has an interest in a company who can either affect or be affected by the business. During the financial year under review, Heads of Department/Division relied on the informal channels (such as meetings, face-to-face communication), supported by formal channel of communication (such as Annual General Meeting, employees' performance appraisal, corrective action report, etc) to engage with the stakeholders.

Stakeholder Group	Engagement Objective(s)	Type of Engagement
Customer	To improve customer's satisfaction	Customers' Audit, Corrective Action report, meetings, Customer's Evaluation, electronic mail system and Code of Ethics and Conduct
Suppliers	To ensure sustainable supply of quality services and materials	Supplier's Evaluation and Appraisal, meetings, Corrective Action Report and Code of Ethics and Conduct
Employee	To retain competent employees and contractors	Employees' survey, employees' dialogue, annual appraisal and electronic mail system
Government & Regulators	To ensure full compliance with relevant laws and regulations	Official submission, official letter, public dialogue, public announcement, meetings and electronic mail system
Investor	To build up investor confident level in order to continue receive support/cooperative from investors	Annual report, general meetings, shareholders' dialogue, analyst briefings press release and public announcements
Board of Director	To align business strategy with sustainable practices	Board of Directors meeting and Committee meetings
Financial Institution	To ensure continuous financial support & sufficient banking facilities from financial institutions	Annual report, press release, public announcements, meeting, official submission and electronic mail system
Local Society	To create positive image and awareness to the public	Corporate social responsibility, meeting and press release
Media	To build positive image to the Group	Press conference/release and interview/visit
Industry Peers	To ensure business operation in line with the industry practice and law	Participation in trade associations, newsletters and meetings

SUSTAINABILITY STATEMENT

(cont'd)

SUSTAINABILITY MANAGEMENT ACTIVITY AND MATERIAL SUSTAINABILITY MATTERS

During the financial year under review and up to the date of this Statement, the Group had re-assessed the sustainability matters to ensure relevancy by performing the following activities in relation to the identification, management and reporting of sustainability matters and performance:





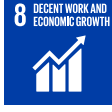
- Identification of the internal and external stakeholders' influence over and dependence on the Group through Stakeholder's Mapping.
- Stakeholders identified by Heads of Department/Division were assessed and prioritised for its degree of influence over and dependence on the Group based on the agreed upon criteria and rating scale.
- Heads of Department/Division performed identification of sustainability matters through stakeholders' engagement such as direct communication with the relevant stakeholders.
- Heads of Department/Division performed internal materiality assessment by using predetermined criteria and rating scale consistent with the impact rating of risk management to prioritise the sustainability matters for assessment by stakeholders and to determine the significance of the sustainability matters from the Group perspective.
- Subsequently, the degree of significance of the sustainable matters to influence on the assessment and decision by stakeholders were performed through informal stakeholders' engagement such as direct communication with the stakeholders by Heads of Department/Division.
- The results of the Stakeholder Prioritisation exercise, internal materiality assessment and degree of significance of the sustainable matters to influence on the assessment and decision by stakeholder were used to identify and prioritise sustainability matters by Heads of Department/Division. An identified sustainability matter is considered to be material by Heads of Department/Division if it is above the material threshold established by the Board. The results of the sustainability assessment were subsequently fed into the risk management system as part of the systematic risk management employed by the Group.
- The process employed and results of the sustainability assessment together with the identified material sustainability matters were submitted to the Group Managing Director ("GMD") for review and subsequently tabled to the Audit Committee for its review and deliberation before it was reported to the Board.

SUSTAINABILITY STATEMENT

(cont'd)

SUSTAINABILITY MANAGEMENT ACTIVITY AND MATERIAL SUSTAINABILITY MATTERS (CONT'D)

The Group's material sustainability matters remain unchanged after the re-assessment:

Sustainability Matters	Definition	Aspect Boundary		Relevant SDG Goals	Corresponding Risk Registers
		Internal Stakeholders	External Stakeholders		
Occupational Safety and Health (Social)	Anticipation, recognition, evaluation and control of hazards arising in or from the workplace that could impair the health and well-being of workers and stakeholders	Investors, Board of Directors and Employees	Customers, Supplier, Government & Regulators, Financial Institutions, Local Society, Media and Industry Peers	 	<ul style="list-style-type: none"> Industrial accident and fire risk
Procurement and Spending Practices (Economic)	Spending on local suppliers at significant location of operations	Investors and Board of Directors	Customer, Supplier, Local Society, and Industry Peers		<ul style="list-style-type: none"> Loss of key suppliers Raw material shortages
Labour Practices (Social)	Fair treatment of employees in regard to terms and conditions of employment and developments of employee's skills and knowledge	Investors, Board of Directors, Employees,	Customers, Government & Regulators, Local Society	 	<ul style="list-style-type: none"> Loss of key/skilled staff

OCCUPATIONAL SAFETY AND HEALTH (SOCIAL)

A safe and healthy workplace is not only the fundamental right of the employees but also relevant to stakeholder groups, such as customers, suppliers and contractors. It is the Group's priority to take the responsibility to maintain a productive workplace by minimising the risk of accidents, injury and exposure to health hazards.

The environment, health and safety management at workplace is managed by the Environment, Health and Safety Committee ("EHS Committee") (made up of representatives from the Management and the employees) in compliance with Environmental Quality Act 1974 (Regulations, Rules and Orders), *Occupational Safety and Health Act 1994*, *Occupational Safety and Health (Safety and Health Committee) Regulations 1996* and *Factories & Machinery Act 1967* (and its orders and regulations) and guided by the Safety and Health Policy established by the EHS Committee and approved by the Management. The responsibilities of EHS Committee includes identification of anticipated hazards, assessment of corresponding risks to safety and health and formulating controls to eliminate such hazards or control risks. Safety and health rules and regulations are established to ensure the operational activities are carried out in a manner to comply with the legal requirements and minimize occurrence of industrial accidents.

Qualified Safety and Health Officer ("SH Officer") is employed by the Group to oversee due observance of safety and health rules and regulations established at workplace and to promote safe and healthy conducts and environment at workplace. With support from Human Resource department, awareness programmes for safety and health are also established and implemented to ensure that all relevant stakeholders are competent to uphold the safety and health during the execution of their duties and responsibilities.

SUSTAINABILITY STATEMENT

(cont'd)

OCCUPATIONAL SAFETY AND HEALTH (SOCIAL) (CONT'D)

At operational level, GMD led in driving the improvement in the safety and health workplace with weekly meeting with Heads of Department/Division to brainstorm on potential enhancement in safety and health practices within the factory. Safety notices/signboards and indicators are placed at strategic and hazard-prone locations as well as on production equipment to convey safety messages and potential safety hazard to the customers, employees, suppliers, contractors and other visitors. Relevant stakeholders with access to our production facility are provided with required personal protective equipment per our safety and health rules and regulations established. Door access controls are installed at all restricted areas to prevent unauthorised access. Fire preventive equipment and systems are installed and inspected at regular interval to ensure its functionalities are not compromised over times and clear escape route plans are place in strategic locations. Production equipment used at our production facility is subject to service and maintenance at predetermined interval to ensure the equipment is safe for usage. Security guards are employed and deployed at important safety control points in the factory to ensure general safety and health of our stakeholders within our premise. Strategic locations at our factory are monitored through closed-circuit television system connecting to the surveillance control room. To ensure our readiness in handling unfortunate event, Emergency Response Team Members carried out drills and practices regularly to ensure that such unlikely incident is handled satisfactorily and promptly to minimise damage to the properties and people. Further measures on proper storage of flammable materials in dedicated areas, regular safety inspection of electrical wiring and cables and prohibition of smoking at workplace (except in dedicated smoking areas) are implemented to reduce the likelihood of fire hazard.

With the above operational controls, there was no fatal injury reported during financial year ended 31 December 2017 through financial year ended 31 December 2019.

There was neither legal action taken nor any fine or monetary sanction imposed against the Group in relation to occupational safety and health aspects from financial year ended 31 December 2018 to financial year ended 31 December 2019.

In view of the recent Covid-19 and influenza outbreak, Management has taken additional precaution steps to safeguard the safety and health of our employees and visitors which include:

- a) imposing business trip control to and from all countries including domestic travels and for employee who return from high risk countries will be required for self quarantine and work from home for a period of 14 days,
- b) restricting visitors from high risk countries and they are required to declare the countries that he/she visited for the past 14 days,
- c) requiring all employees and visitors to have temperature check and sanitising their hands before entering the factory premises, as well as sanitising their hands after lunch,
- d) providing sanitisers at key locations of the factory and office,
- e) sharing with the employees and visitor on the best practice for personal hygiene such as washing or santinising their hands every 2 hours,
- f) sanitising high human interaction area in the factory including all meeting rooms and common areas,
- g) wiping of the cafeteria and canteen with disinfectant after every break session,
- h) sanitising items that move into the factory,
- i) temporarily suspending all sports related activities paid by Dominant such as gym, badminton and futsal sessions,
- j) advising employees to avoid areas of gatherings or congregations with huge attendees,
- k) requiring employees to comply strictly to Movement Control Order ("MCO") since 18 March 2020, and
- l) requiring employees to inform HR if there are violations to the Covid-19 steps above.

As the date of this report, there is no known Covid-19 and influenza case reported in the factory premises.

SUSTAINABILITY STATEMENT (cont'd)

PROCUREMENT AND SPENDING PRACTICES (ECONOMIC)

In-line with sustainability spirit, the Group continues to engage local suppliers and contractors as far as possible in the pursuit of the business, not only for the growth of the local economy but also for the ease of access and communication and shorter response time. Formal procurement process specifications were established where new suppliers are subject to pre-qualification process to ensure only qualified suppliers with acceptable materials and services are accepted to do business with the Group while core materials with strict quality requirements are subjected to internal buy-off and customer qualification process. Key suppliers of the Group are subjected to annual appraisal system to ensure the suppliers are able to continue to deliver materials and services with acceptable quality standard.

Currently, Dominant has more than 800 local suppliers and contractors. When compared to 2018, the numbers of local suppliers and contractors increased by 9.1% in 2019. Despite our efforts to engage local suppliers, many of the materials required in our production are highly-niche materials hence local supply is not available. It is the practice of the Management that if the materials which abide to our required specifications are available locally, we would procure it locally.

LABOUR PRACTICES (SOCIAL)

Fostering excellent human resources remains a core focus of the Group to recruit and retain employees of high calibre as the Group aims to be an employer of choice. Through effective human resources strategies, the Group is committed in nurturing a diverse, competent and dedicated talent pool that will drive growth and add value to the Group.

The management of human resources are embodied in the formal Code of Conduct and Human Resource Management policy whereby acceptable requirements of fair treatment of legitimate employees are specified for strict compliance. No discrimination of gender (including acts of sexual harassment), race, religion, nationality, age, marital/pregnant and disable status is allowed and strict enforcement of no illegal and child labour in the work place. Career scale system is also established for transparent career advancement visible to all employees and formal succession planning put in place so that the best talent available is trained and ready to assume the next position in their career path. Furthermore, there are places of worship within the compound of the factory while working days and working hours are structured to take into consideration of the ethnic and religious needs of the workforce. All foreign workers are granted freedom of movement with policy of no withholding of passport/work permit implemented. Needless to say, the Group is in strict compliance of the relevant laws and regulations in relation to labour practices in the countries the Group have presence, such as, minimum wage, statutory contributions, employment practices and safety and health practices.

Dominant currently has 94 managerial positions and approximately a quarter of them are female leaders. Although the female managerial ratio was maintained throughout the last three years, the Group will continue its effort to promote female leaders as and when such potential candidate(s) and position(s) is/are available.

A whistle-blowing mechanism has been put in place by the Board and specific grievance procedures are readily available as a formal channel of reporting staff grievance(s) to the appropriate level of authority regarding labour practices, amongst others. During the year, the Anti-Bribery and Corruption Committee (ABCC) had received an allegation from a business associate on a manager who allegedly violated Dominant's Anti-Bribery and Anti-Corruption Policy. ABCC reported the incident to the GMD and performed an investigation under the Group Managing Director's supervision. The GMD has updated the incident and the investigation status to the Audit Committee and reported to the Board whenever there is any new progress. Based on the outcome of the investigation, Management has taken disciplinary action against the said manager and filed a report to the Malaysian Anti-Corruption Commission.

Apart from reporting corruption cases to the appropriate authorities, the Group believes that life-long learning and self-improvement are key to a healthy work culture that is abhorrent to potential corrupt practices. Hence, the Group focuses on talent development by instilling a culture of continuous improvement through various programmes which help employees to develop their full potential in their respective field of work. Among others, the Group has put in place a system of training needs-identification and future planning whereby all new employees are required to attend a special induction programme while existing employees are to undergo continuous learning to support their career development with emphasis on performance-enhancement. The learning can be inclusive of functional, on-the-job or people-based skills that are relevant to current or future job functions as part of the Group's succession planning to ensure that the best talent is available and ready to assume the next logical position in their career path.

There was neither legal action taken nor any fine or monetary sanction imposed related to labour practices from financial year ended 31 December 2017 to financial year ended 31 December 2019.

SUSTAINABILITY STATEMENT

(cont'd)

OTHER MAJOR ECONOMIC, ENVIRONMENT AND SOCIAL ACTIVITIES UNDERTAKEN DURING FINANCIAL YEAR

A. Economic

In order to support to the local economy where Dominant is operating and to improve the technology knowledge of locals, it is the policy of the Group that recruitment of local employees shall be prioritised over foreign candidates, despite the fact that local candidates were not forthcoming during its recruitment drives. Our employee's referral reward system will be one of the recruiting mechanism used to encourage our employees to refer their competent family members and friends to Dominant.

B. Environment

The Group, as one of the world leading light-emitting diodes ("LEDs") manufacturers offering high-performance and innovative light solutions for automotive market, is holding environment preservation closed to its heart. LED is a replacement light source that contains no mercury or lead and it uses less energy than incandescent and energy-saving florescent lights.

Dominant, the manufacturing arm of the Group, is accredited with *International Organization for Standardization ("ISO") 14001: 2015 - Environmental Management Systems* by SGS United Kingdom Ltd and SGS (Malaysia) Sdn Bhd. Dominant has a formal Environment Policy to convey its environmental commitment to all stakeholders and to align the organisational focus at all levels and its value chain participants at the environmental direction intended by the Management. The environment initiatives are led by GMD and EMS Committee, assisted by qualified EMS Officer. They are entrusted with the duties and responsibility to promote environmental awareness and enhance the environmental preservation practices over times. Green practices are incorporated in the standard operating procedures and process specifications. In particular, guideline on disposal of waste and EMS procedure on management of scheduled wastes are established and implemented in compliance with *Environmental Quality Act 1974*. Such guideline and procedure laid down the processes for non-scheduled wastes and scheduled wastes, with particular focus on the scheduled waste notification, handling, off-site treatment and record keeping where strict compliances are required. Most effluents generated by Dominant are treated on site in the waste water treatment plant while other scheduled waste collected are sent to licensed scheduled waste contractors for further treatment on scheduled time basis.

On the other hand, standard operating procedures are implemented for Industrial Effluent Treatment System ("IETS"), cooling tower water discharge and emission discharge. In a move to heed the call of the Department of Environment on environmental excellence, Dominant had embarked on streamlining its existing environmental policy and procedures toward compliance with *Guided Self-Regulation* and *Environmental Mainstreaming Tools (EMT)* proposed by the Department of Environment.

To ensure the effectiveness of the above guideline and procedure, continuous environmental preservation awareness training are provided by Dominant to all employees. To supplement the control system in relation to compliance to guideline and procedure per *ISO 14001: 2015 - Environmental Management Systems* accreditation, EMS Officer is responsible and accountable for environmental compliances by carrying out compliance monitoring through quarterly audit, including scheduled audits on effluent discharged and emission based on the acceptable conditions for discharge of industrial effluent imposed under *Environmental Quality (Industrial Effluents) Regulations 2009* by using acceptable scientific equipment with samples of such effluent sent to external accredited laboratory for independent test results.

At ground level, GMD led the environment enhancement programme focuses on 3R – "Reuse, Recycle and Reduce" on all aspects of the operations of Dominant. Bin system is implemented by Dominant for segregation of wastes at plant-wide and non-scheduled recyclable materials, such as, cardboard and plastic containers, are disposed to recovery centres for recovery or recycling.

To further promote the 3R principle, water flushing system in washrooms within the factory boundary were retrofitted to use treated clean water generated from effluent produced by the production process, instead of discharging to the general drain. Dominant is in the midst of identifying methods to improve the volume and quality of recycled water. With better quality and volume, the recycled water can be used for other additional purposes. To-date Dominant has recycled 13.5% of its total water usage from production and management has targeted to achieve 30% by 2021.

SUSTAINABILITY STATEMENT

(cont'd)

OTHER MAJOR ECONOMIC, ENVIRONMENT AND SOCIAL ACTIVITIES UNDERTAKEN DURING FINANCIAL YEAR (CONT'D)

B. Environment (Cont'd)

The Group explored multiple potential options to improve the energy conservation and renewable energy initiatives such as, use of light-emitting diodes ("LEDs") lamps throughout the plant and re-engineering of air compressor and vacuum system. As for non-production areas, requirement to turn off office lights and air-conditioning during non-working hours is imposed. In addition, the employees are educated with the practice of printing of documents only on "required-to" and "double sided" basis.

With LED products positioned itself as environmental friendly, it is critical that the material and components used in the manufacturing of LEDs by Dominant does not contain hazardous and toxic substance. The product design of its LED products and its procurement and manufacturing process are in compliant with the European Union Restriction of Hazardous Substances ("RoHS") Directive. It is our requirement that all material and components used in the manufacturing of LEDs are supported by Certificate of Compliance ("CoC") or Safety Data Sheet ("SDS") to verify the compliance of RoHS requirements while continuous communications are held with our suppliers on the requirements on the compliance with RoHS.

C. Social

The Board believes that better results could be yield from implementing better practices. Therefore, the Company's Code of Ethics and Conduct sets out the principles and standards which guide the way the Company conduct its business. Our Code of Ethics and Conduct explicitly defines our high expectations on each employee to comply with the terms of good business practices and high personal conduct beyond the strict adherence to local laws and regulations. Formal Anti-Bribery and Corruption Framework and Fair Competition Policy were formalised to promote integrity value enshrined in Code of Ethics and Conduct. Continuous awareness trainings were conducted during the financial year to educate the importance of good anti-bribery and corruption and fair competition behaviours.

The Group has established a proper channel for whistle-blowing with serious effort being taken in communicating the whistle-blowing policy to all our employees. A general email and whistle-blowing box was also set-up for whistle-blower to report any inappropriate ethical behaviours and workplace grievances. The confidentiality of the whistle-blower's identity is to be strictly maintained, unless prohibited by law. Privacy Policy is put in place to collect and manage confidential personal data collected from our stakeholders in compliance with *Personal Data Protection Act 2010*.

Lastly, the Group is committed in giving back to communities. Our strategy is to generate sustainable value for both the community and economic growth through effective use of the Group's capabilities and resources. During the financial year, the group has organised charity contribution in conjunction with Perbadanan Kemajuan Negeri Melaka (PKNM), organising no plastic campaign, donated monetary aid to a local school, organised donation campaign where employees are encouraged to donate to fellow employees who is in need of monetary aid and organising internal and external sporting activities for the employees.

The Group is committed to continue to invest in community programmes and other corporate social responsibility initiatives to contribute towards the betterment of local communities. Employee's participation is the key to success of these initiatives. Such initiatives help to increase employee's interaction outside working hours, build fellowship and support inter-departmental bonds. Whilst communities benefit, our employees benefit too.

PROFILE OF DIRECTORS

DATO' MOHAMMED AZLAN HASHIM

Non-Independent and Non-Executive Chairman

Malaysian, Male

Dato' Mohammed Azlan Hashim, aged 63, was appointed as the Non-Independent Non-Executive Chairman of D&O on 16 September 2004. Dato' Azlan is also the Chairman of IHH Healthcare Berhad, Marine & General Berhad, and Labuan IBFC Inc Sdn. Bhd. He also serves as a board member in Labuan Financial Services Authority.

He has extensive experience in the corporate sector, including financial services and investment. Positions that he has held include that of Chief Executive of Bumiputra Merchant Bankers Berhad, Group Managing Director of Amanah Capital Malaysia Berhad and Executive Chairman of Bursa Malaysia Group.

Dato' Azlan holds a Bachelor of Economics (Monash) and qualified as a Chartered Accountant (Australia). He is a Fellow Member of the Institute of Chartered Accountants, Australia, Member of The Malaysian Institute of Accountants, Fellow Member of the Institute of Chartered Secretaries and Administrators and Honorary Member of The Institute of Internal Auditors, Malaysia.

Dato' Azlan has attended all five meetings of the Board of Directors of the Company held during the financial year ended 31 December 2019.

Please refer to page 153 of this Annual Report for his securities holding.

TAY KHENG CHIONG

Group Managing Director

Malaysian, Male

Tay Kheng Chiong, aged 56, was appointed as the Group Managing Director of D&O on 16 September 2004. He is a member of the Employees' Share Option Scheme Committee.

Mr. Tay graduated from the University of Sunderland, England with a Bachelor of Engineering (Honours) degree majoring in Electrical and Electronics in 1989. Upon graduation, he joined a multinational semiconductor company in 1989 as a Product Development Engineer and was promoted to Senior Director of Opto Business Unit in 1999. In 1999, he obtained a Masters of Business Administration from the University of Strathclyde, Scotland. He is a registered Chartered Engineer with The Institution of Engineering and Technology, United Kingdom. He has more than 30 years of experience in the opto semiconductor industry. With his sound technical background and vast experience in the opto semiconductor industry, his forte lies in the management of the overall operations, business development and strategic direction of the D&O Group.

Mr. Tay is also a Director of Mega First Corporation Berhad ("MFCB"), a company listed on Main Board of Bursa Malaysia.

Mr. Tay has attended all five meetings of the Board of Directors of the Company held during the financial year ended 31 December 2019.

Please refer to page 153 of this Annual Report for his securities holding.

PROFILE OF DIRECTORS

(cont'd)

CHEAM DAU PENG

Executive Director

Malaysian, Male

Cheam Dau Peng, aged 67, was appointed as an Executive Director of D&O on 16 September 2004. Mr Cheam is a member of Employees' Share Option Committee.

Mr. Cheam started his career as a Production Supervisor with a multinational semiconductor company immediately after he completed his secondary school education. Backed by more than thirty (30) years of experience in the semiconductor industry, he has vast hands-on experience in plant operations. Mr. Cheam has been playing an active role in the growth and expansion of the D&O Group since 2001.

Mr. Cheam has attended all five meetings of the Board of Directors of the Company held during the financial year ended 31 December 2019.

Please refer to page 153 of this Annual Report for his securities holding.

GOH NAN YANG

Non-Independent and Non-Executive Director

Malaysian, Male

Goh Nan Yang, aged 56, was appointed as a Non-Independent Non-Executive Director of D&O on 16 September 2004. He is the Chairman of the Remuneration Committee and also members of the Employees' Share Option Scheme Committee and Nomination Committee.

Mr. Goh graduated from the University of Toledo with a Bachelor of Science (Honours) degree in Engineering. He joined a public listed company after graduation, during which period he was involved in several major infrastructure and housing projects. In the mid-1990's, he left employment and started his own business in property development and manufacturing activities in Melbourne, Australia. Since then, his business has diversified into hospitality and student education ventures.

Mr. Goh also sits in the board of MFCB. He holds directorships in several private limited companies in Malaysia and overseas as well.

Mr. Goh is deemed to be interested in various transactions between D&O Group and MFCB Group by virtue of his common directorships and deemed substantial shareholding in D&O and MFCB.

Mr. Goh is the brother-in-law of Madam Lim Yam Chiew. Madam Lim is a deemed substantial shareholder of the Company.

Mr. Goh has attended all five meetings of the Board of Directors of the Company held during the financial year ended 31 December 2019.

Please refer to page 153 of this Annual Report for his securities holding.

PROFILE OF DIRECTORS

(cont'd)

YEOW SEE YUEN

Independent and Non-Executive Director

Malaysian, Male

Yeow See Yuen, aged 52, was appointed as an Independent Non-Executive Director of D&O on 4 February 2009. He is a member of the Audit Committee, Remuneration Committee and Nomination Committee.

Mr. Yeow holds a first class honours degree in Accountancy from the National University of Singapore. He started his career with Cooper & Lybrand in Singapore in the audit division. He left the firm in 1994 to join Deutsche Securities Asia Limited ("Deutsche Securities") where he spent 9 years working in the Equity Research Department. During the period, he progressed through a series of positions including Deputy Head of Indonesia Research, Head of Malaysian Research and Head of Consumer Research Asia. Since leaving Deutsche Securities in 2003, he has been actively involved in investment banking related work, including investor relations corporate advisory and research consultancy.

Mr. Yeow is presently an Independent Non-Executive Director of MFCB and holds directorships in several private limited companies incorporated in Malaysia and overseas.

Mr. Yeow has attended all five meetings of the Board of Directors of the Company held during the financial year ended 31 December 2019.

Please refer to page 153 of this Annual Report for his securities holding.

WONG MENG TAK

Senior Independent and Non-Executive Director

Malaysian, Male

Wong Meng Tak, aged 72, was appointed as an Independent Non-Executive Director of D&O on 16 September 2004 and appointed as the Senior Independent and Non-Executive Director on 8 April 2013. Mr. Wong is the Chairman of the Audit Committee and Nomination Committee.

Mr. Wong obtained a Bachelor of Arts (Honours) degree majoring in Economics from the University of Malaya in 1971. He began his career in 1971 with The Hongkong And Shanghai Banking Corporation Ltd. Malaysia and held various positions within the bank. In 2002, he retired from the Bank as Senior Manager of Regional Credit.

Mr. Wong has attended all five meetings of the Board of Directors of the Company held during the financial year ended 31 December 2019.

Please refer to page 153 of this Annual Report for his securities holding.

PROFILE OF DIRECTORS

(cont'd)

JESPER BJOERN MADSEN

Independent and Non-Executive Director

Danish, Male

Jesper Bjoern Madsen, aged 66, was appointed as an Independent Non-Executive Director of D&O on 21 August 2014. He is members of Audit Committee and Remuneration Committee of D&O.

Mr. Madsen obtained a Master degree in Law from Copenhagen University, Denmark and later studied Scottish/English Law at the University of Edinburgh, Scotland.

Mr. Madsen has been working with the Carlsberg A/S Group for over 20 years. He was the Senior Vice President of Carlsberg Breweries A/S with responsibility for Asia, among other markets. Mr. Madsen was during his tenure as the said Senior President also a Non-Executive Chairman, Non-Executive Vice Chairman or Non-Executive Director in a number of Carlsberg's subsidiaries in Asia. He has vast experience in overseas investments and markets.

Mr. Madsen has attended all five meetings of the Board of Directors of the Company held during the financial year ended 31 December 2019.

Please refer to page 153 of this Annual Report for his securities holding.

Notes:

- *Save as disclosed above, none of the Directors holds directorship in public companies and other listed issuers.*
- *Save as disclosed above, none of the Directors have any family relationship with any Director and/or major shareholder of the Company.*
- *None of the Directors of the Company has been convicted of any offence within the past five (5) years other than traffic offence, if any.*
- *The Group has entered into recurrent related party transactions and/or related party transactions with parties in which the Directors of the Company, namely Tay Kheng Chiong, Cheam Dau Peng and Goh Nan Yang have direct or indirect interest in the transactions presented in Note 35 in the accompanying Financial Statements. Save as disclosed above, none of the other Directors have any conflict of interest within the Group.*

PROFILE OF KEY SENIOR MANAGEMENT

LOW TEK BENG

Dominant's Chief Operating Officer
Malaysian, Male

Low Tek Beng, aged 49, joined Dominant Opto Technologies Sdn Bhd on 1 May 2001 as the Director of Research and Development with the responsibility of overseeing the entire R&D of Dominant. He is also one of the co-founder of Dominant.

Mr. Low obtained his first class honours Bachelor of Mechatronic degree from the University of Leeds, United Kingdom in 1994. He began his career in that same year with a multinational semiconductor company as a Product Development Engineer and was subsequently promoted to Product Development Manager before he left the company in 2000.

Mr. Low currently is the Chief Operating Officer in Dominant, responsible for all manufacturing operations, engineering, global sales, marketing and product development activities.

In addition, Mr Low is also the Managing Director of Dominant Electronics Sdn Bhd and Dominant Technologies Sdn Bhd.

SIAY SAY FEI

Dominant's Vice President Quality Assurance
Malaysian, Male

Siay Say Fei, aged 51, was appointed as Vice President Quality Assurance of Dominant Opto Technologies Sdn. Bhd. on 1st July 2015. Mr. Siay graduated from the Queen's University of Belfast, United Kingdom with Master of Science in Manufacturing Systems Engineering in 1994.

He began his career with SIEMENS Component Sdn Bhd in 1994 as Process Engineer. In 1997 - March 2001, he joined ON Semiconductor Corporation (formerly a division of Motorola) as Project Management and Total Productive Maintenance Manager, he was involved in phase in New Product Introduction to production. Subsequently he joined Dominant Opto Technologies Sdn. Bhd. on 1st April 2001 as Senior QA & Purchasing Manager. He has more than 25 years of experience in the semiconductor industry.

LEE HAN YUNG

Group Financial Controller
Malaysian, Male

Lee Han Yung, aged 40, was appointed as the Group Financial Controller in March 2010. He is responsible for the overall finance and accounting matters of D&O Group, including assisting Group Managing Director to execute Risk Management Policy, implementation of internal controls and participate in investor relation activities.

Mr. Lee holds a first class honours degree in Accountancy from Multimedia University. He joined Omega Semiconductor Sdn Bhd in 2004 as an Accounts Executive and subsequently promoted to Financial Controller in 2007. He has over 16 years experience in finance and accounting especially in the semiconductor industry.

PROFILE OF KEY SENIOR MANAGEMENT

(cont'd)

VISHALINI SANKARAN

Senior Human Resource Manager

Malaysian, Female

Vishalini Sankaran, aged 43, was appointed as the Senior Human Resource Manager with a sub division of responsibility over the plant's security department on 1 December 2015. Ms. Vishalini graduated with a Bachelors of Science Honors Degree majoring in Psychology from Upper Iowa University, United States of America. She further pursued her Masters in Managerial Psychology from HELP University and is a member of the American Psychology Association (APA).

Vishalini Sankaran was the outgoing Vice President of Malaysian Employer's Federation (MEF) Negeri Sembilan branch before relocating to Melaka. Her 19 years career spans from being the HR and Training Manager at the Shangri-La Hotels & Resorts, Senior HR Manager at Johnson Matthey Sdn Bhd and finally with Dominant Opto Technologies Sdn. Bhd. People Development being her forte, she is a certified master trainer for all the Development Dimension International (DDI) programs as well as honored the Blue Sapphire Trainer under the Certified Hospitality Trainer establishment. She currently holds the position of Chairman of Malaysian Employer's Federation (MEF) Melaka.

Notes:

- *None of the Key Senior Management of the Group holds any directorship in public companies and other listed issuers, have any family relationship with any Director and/or major shareholder of the company, nor any personal interest in any business arrangement involving the Group.*
- *None of the Key Senior Management of the Group has been convicted of any offence within the past five (5) years other than traffic offence, if any.*

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors (“the Board”) of D & O Green Technologies Berhad (“D&O” or “the Company”) is committed to ensure that good corporate governance practices are applied throughout the Company and its subsidiaries (“the Group”) and form the fundamental basis of the corporate sustainability pursued by the Group for long term shareholders’ value creation. Hence, the Board fully supports the principles of good corporate governance practices (including the Intended Outcomes) as promulgated by the Malaysian Code on Corporate Governance 2017 (“MCCG”) to direct and manage the business and affairs of the Group towards promoting business prosperity and corporate accountability with the ultimate objective of realising long-term shareholder value while taking into account the interest of other stakeholders.

This statement sets out the overview of the manner in which the Company had applied the principles set out in the MCCG and the extent of compliance with the principles of MCCG advocated therein in accordance with paragraph 15.25 and Practice Note 9 of the Main Market Listing Requirements (“MMLR”) of Bursa Malaysia Securities Berhad (“Bursa Securities”).

Furthermore, the application of each practice set out in the MCCG during the financial year are disclosed in the Corporate Governance Report prescribed by Bursa Securities (“CG Report”) and announced the same together with the announcement of this Annual Report in accordance with paragraph 15.25 and Practice Note 9 of MMLR. The CG Report for the financial year under review and previous financial years are available for download from the “Corporate Governance” section of Company’s website at www.do.com.my.

The Corporate Governance Overview Statement (“CG Overview Statement”) should be read in tandem with the CG Report to provide comprehensive disclosure of the application of each principle and practice set out in the MCCG during the financial year.

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS

Board Responsibilities

The Board is responsible for the overall performance of the Group and focuses mainly on the strategic management, performance measurement and monitoring, enterprise risk management, standards of conduct and critical business issues and decisions. The Board comprises of Directors who are entrepreneurs and experienced professionals in the fields of business management, legal, economics, accountancy and engineering. All these different skills put together to enable the Board to effectively lead and control the Group. The Board is guided by the Board Charter approved by the Board and led by a Non-Executive Chairman to ensure its effectiveness. Together with other Directors, he leads the Board to have effective communication between stakeholders and at the same time instilling good corporate governance practice, leadership and effectiveness across the Board. A summary of the responsibilities of Chairman is disclosed in Practice 1.2 of CG Report.

It is the responsibilities of the Board to lead the Group towards its vision and mission and is responsible for the success of the Group by providing entrepreneur leadership and direction as well as management oversight. On the other hand, the Group Managing Director and Executive Directors are delegated with the authorities and responsibilities to ensure proper execution of strategies as well as effective and efficient operations throughout the Group. The authorisation procedures for key processes are stated in the Group’s policies and procedures.

The Board had reviewed and approved the Group’s charter and policies (including subsequent updates), whereas the Board of each subsidiaries of the Group is responsible on respective operating procedures which in line with the Group’s charter and policies.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(cont'd)

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

Board Responsibilities (Cont'd)

The Board is assuming the following, amongst other roles and responsibilities, broad categories of roles and responsibilities:-

- 1) Establishing and reviewing the vision and the strategic direction of the Group.
- 2) Overseeing the conduct of the business of the Group and to evaluate whether the business is being properly managed.
- 3) Establishing the Group's Code of Ethics and Conduct to govern the standard of ethics and goods conduct expected from the employees, customers and vendors and form the foundation for ethic rules within the Group.
- 4) Identifying principal risks faced by the Group and ensuring the implementation of appropriate controls and systems to monitor and manage these risks.
- 5) Establishing succession planning including appointing, training, determining the compensation, as well as assessing the performance of Directors and Committee members and, where appropriate, retiring and appointing new members of the Board.
- 6) Overseeing the development and implementation of a corporate disclosure policy for the Company.
- 7) Reviewing the adequacy and the integrity of internal control systems and management information systems, including systems for ensuring compliance with applicable laws, regulations, rules, directives and guidelines.
- 8) Reviewing the draft CG Report and CG Overview Statement and formulating action plans from time to time to enhance and promote good and recommended corporate governance practices.
- 9) Ensuring that the Group's strategies promote sustainability for long term benefits.

The roles and responsibilities of the Board and the application of the MCCG's practice are disclosed in Practice 1.1 of the CG Report.

Aside from the nine core roles and responsibilities listed above, significant matters that requires deliberation and approval from the Board is clearly defined by the Board in the Board Charter as matters reserved for the Board for consideration and approval during the Board's meeting.

The Board has delegated specific duties to the Board Committees which operate within a clearly defined terms of reference approved by the Board.

To ensure that there is a balance of power and authority within the Board, the position of the Chairman and the Group Managing Director is separated and there is a clear division of responsibilities between the Chairman who is the Non-Independent Non-Executive Director and the Group Managing Director who is the Executive Director. The Chairman of the Board is responsible for the governance, orderly conduct and effectiveness of the Board while the Group Managing Director is responsible for managing the Group's business operations and implementation of policies and strategies approved by the Board. A summary of the separation of the roles of Chairman and Group Managing Director is disclosed in Practice 1.3 of CG Report.

The Independent and Non-Executive Directors play an important role in ensuring that the strategies proposed by the management are fully deliberated and examined, to ensure that the interest of all shareholders and general public are given due considerations in the decision-making process.

In addition, Senior Independent Director is identified by the Board to whom concerns may be conveyed.

All board members shall notify the Chairman of the Board before accepting any new directorship or significant commitments outside the Company, including an indication of the time that will be spent on the new appointment. The Chairman shall also notify the Board if he or she has any new significant commitments outside the Company.

All Directors had confirmed that their directorship in listed companies do not exceed 5 to meet the expectation on time commitment.

In discharging its duties efficiently and effectively, the Board is assisted by a licensed Company Secretary and the details of the Company Secretary are disclosed in Practice 1.4 of CG Report.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(cont'd)

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

Board Responsibilities (Cont'd)

- **Board Charter**

The Board is guided by a formal Board Charter approved by the Board. The Board Charter sets out the composition, roles, functions, responsibilities and authorities of the Board and the Board Committees of the Company as well as roles and responsibilities of the Chairman of the Board, the Group Managing Director (including the Executive Directors), the Senior Independent Director and the Company Secretary. The Charter further defines the specific responsibilities and matters reserved for the Board, the Board delegation of authorities, commitment by all Directors, tenure of Independent Directors, governance structure of the Board and Board Committee, the Board proceedings, financial reporting responsibilities, unrestricted rights to access to information and independent advice, the Board evaluation and performance, the Board remuneration, Directors' training and continuing education, general meetings and attendance and code of conduct.

Further details of the Board Charter are disclosed in Practice 2.1 of CG Report.

The Board Charter is available for download from the Company's website at www.do.com.my under the "Corporate Governance" section of "Investor Relation" with last review performed on 28 November 2018.

- **Code of Ethics and Conduct and Whistle-Blowing Policy**

The Board is fully committed to the highest standards of integrity, transparency and accountability in the conduct of the Group's business and operations to ensure business sustainability through their conducts, individually or collectively, focusing on the key principles of serving with integrity and competency, avoiding conflict of interest, preserving confidentiality and privacy, working environment and condition are safe and healthy, workers are treated with respect and dignity and business operation are conducted ethically.

The Board incorporated the above key principles of expected conducts into the Company's Code of Ethics and Conduct ("the Code") to govern the standards of ethics and good conduct expected that is applicable to all the Group's employees and other stakeholders worldwide. The Code forms the integrity and ethical value expected from the employees which are incorporated in the Policy and Procedure for Employees.

To further enhance the ethical value throughout the Group, formal Anti-Bribery and Corruption Framework and Fair Competition Policy had been put in place by the Management to reduce the risk of bribery, conflict of interest and anti-competition practices within the Group.

Please refer to Practice 3.1 of CG Report for details.

To foster an environment where integrity, and ethical behavior are maintained, the Board has put in place a formal Whistle-Blowing Policy to encourage employees and other interested parties to disclose concerns about illegal, unethical or improper business conduct within the Group. Please refer to Practice 3.2 of CG Report for details.

Both the Code of Ethics and Conduct and Whistle-Blowing Policy are available for download from the "Corporate Governance" section of "Investor Relation" of the Company's website at www.do.com.my.

- **Board Meetings**

The Board meets regularly to perform its main function on the development and implementation of strategic plans, formulation of policies, overseeing the conduct and operations of the businesses of the Group, succession planning and ensuring appropriateness of internal control and effectiveness of risk management and is mindful of the importance of business sustainability in conducting the Group's business.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(cont'd)

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

Board Responsibilities (Cont'd)

- Board Meetings (Cont'd)**

To carry out its functions and responsibilities, the Board met five (5) times during the financial year ended 31 December 2019 and the attendance of each Director at the Board Meetings is as follows:-

Director	No. of Attendance	No. of Meetings Eligible to Attend
Dato' Mohammed Azlan Hashim	5	5
Tay Kheng Chiong	5	5
Cheam Dau Peng	5	5
Goh Nan Yang	5	5
Wong Meng Tak	5	5
Yeow See Yuen	5	5
Jesper Bjoern Madsen	5	5

The Board plans to meet at least four (4) times a year at quarterly intervals, with additional meetings convened when urgent and important decisions are required to be made between the scheduled meetings. All meetings of the Board are duly recorded in the Board minutes by the Company Secretary. The Company Secretary also attended all the Board Meetings of the Company. The Company Secretary ensures that all Board meetings are properly convened and that accurate and proper records of the deliberations, proceedings and resolutions passed are recorded and maintained in the statutory registers at the registered office of the Company.

- Supply of Information**

The Board members in their individual capacity have unrestricted access to complete information on a timely basis in the form and quality necessary for the discharge of their duties and responsibilities. Prior to each Board meeting, all Board members are furnished with the relevant documents and sufficient information, i.e. minutes of previous Board and individual committee meeting as well as board papers, no less than five (5) business days before the meeting to enable them to have sufficient time in obtaining a comprehensive understanding of the issues to be deliberated upon in order to arrive at a decision.

Besides direct access to management staff, external independent professional advisers are also made available to render their independent views and advice to the Board, whenever deemed necessary and in appropriate circumstances, at the Company's expense.

The Directors also have accessed to the advice and services of the Company Secretary who is responsible for ensuring that the Board's procedures are adhered to.

Please refer to Practice 1.5 of CG Report for details of the Board's proceedings on meeting materials and supply of information.

- Composition of the Board**

The Board currently has seven (7) members comprising two (2) Executive Directors (including the Group Managing Director), three (3) Independent Non-Executive Directors, and two (2) Non-Independent Non-Executive Directors. The profile of each Director is presented on pages 16 to 19 of this Annual Report. The composition of Independent Non-Executive Directors is in compliance with the minimum prescribed requirement in the MMLR to ensure that there is sufficient independent element in the Board to provide the necessary check and balance within the Board.

It is the responsibility of the Board to ensure that all members of the Board possess the necessary leadership experience, skill and diverse background, integrity and professionalism to discharge their duties and responsibilities diligently and effectively.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (cont'd)

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

Board Responsibilities (Cont'd)

- **Composition of the Board (Cont'd)**

Although, the above composition is depart from Practice 4.1 of MCCG which requires that at least half of the Board comprise of Independent Directors, the Board is in the opinion that, through formal assessments conducted on the Board and Board Committees and the independence of the Independent Directors, the Board concluded that the Independent Directors are professionals who have a diverse range of skills, knowledge and experiences in relevant fields and Independent Directors had demonstrated their independence and objectivity and actively participated during the Board and Board committees' proceedings. Therefore, adequate degree of independence is maintained notwithstanding the fact that only 42.9% of the Board is Independent Directors. Therefore, there is no disproportionate imbalance of power and authority on the Board between the Non-Independent and Independent Directors. The Board will continue to monitor and review the adequacy and effectiveness of the independent and objectivity element within the Board from time to time to ensure that it is adequate and effective. Please refer to Practice 4.1 of CG Report for further details.

- **Board Diversity**

It is the Board's responsibility to ensure that the diversity within the Board is preserved so that required mix of knowledge, skills, expertise and experience as well as age, ethnic and gender diversity are brought to the Board. The Board is satisfied that, through the formal procedure for nomination and selection and annual performance appraisal of the Board, the Board Committees and individual Directors, the current board composition represents a mix of knowledge, skills and experience required to discharge the Board's duties and responsibilities effectively as well as to ensure that no individual or small groups of individuals dominate the Board's decision-making process. The Board is supporting age, ethnic and gender diversity within the Group including the workplace, with a particular focus on supporting the representation of women and multi races with relevant age group at the Board and senior level of management within the Group shall such potential candidate is available.

Please refer to Practice 4.4 of the CG Report for the detailed disclosure on the Boardroom Diversity and Practice 4.5 of the CG Report for the detailed disclosure on the gender diversity.

- **Independent Directors**

Independence of the candidates to act as an Independent Director is assessed by Nomination Committee prior to their appointment based on formal nomination and selection process with the results of the review are reported to the Board for consideration and decision.

On annual basis, all Independent Non-Executive Directors are subjected to independent assessment based on prescribed criteria on his independence and objectivity for the Nomination Committee's review and recommendation to the Board to form an opinion on the independence and objectivity of the Independent Non-Executive Directors. Based on the above assessment performed in 2019, the Board is satisfied with the level of independence and objectivity demonstrated by all Independent Non-Executive Directors, and their ability to bring independent and objective judgement for Board deliberations.

The tenure of an Independent Director, as per stated in the Board Charter, shall not exceed a cumulative term of nine (9) years. In the event such Director is to remain as an Independent Director, the Board shall first justify and obtain annual shareholders' approval. If the Board continues to retain the Independent Director after the twelfth year, the Board should seek annual shareholders' approval through a two-tier voting process.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(cont'd)

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

Board Responsibilities (Cont'd)

- **Independent Directors (Cont'd)**

As at the date of this Annual Report, Mr. Wong Meng Tak, the Senior Independent Non-Executive Director had served on the Board for cumulative term of more than twelve (12) years and Mr. Yeow See Yuen, the Independent Non-Executive Director who had served the Board of the Company for a tenure of more than nine (9) years but less than twelve (12) years. Based on the Independent Directors' self-assessment submitted to the Nomination Committee for review and recommendation and subsequent review and deliberation by the Board in March 2020, the Board concluded that Mr. Wong Meng Tak and Mr. Yeow See Yuen, remain objective and independent in participating in the deliberations and decision making of the Board and Board Committees they are in. The length of their service on the Board did not interfere with their independent judgment and they continue to act in the best interest of the Group.

To remain as Independent Non-Executive Director, Mr. Wong Meng Tak will be subject to two-tier voting and Mr. Yeow See Yuen will be subject to shareholders' approval respectively in the forthcoming 16th Annual General Meeting.

Please refer to Practice 4.2 of CG Report for further details.

- **Appointment to the Board and Re-election of Directors and Senior Management**

Appointment of new Directors to the Board and member of Senior Management is recommended to the Nomination Committee for consideration and approved by the Board in accordance to the formal Policy and Procedures on Nomination and Selection of Directors and Senior Management developed by Nomination Committee and approved by the Board. It is the policy of the Board that highly qualified candidates with sufficient and relevant knowledge, skills and competency are sought to serve as members of the Board and the Senior Management to effectively discharge their responsibilities and duties and contribute in the governance of the Group. At the same time, gender and ethnic balance are being upheld within the Board and the Senior Management as and when such potential candidate is identified.

The processes and criteria for the nomination and selection of Director and member of Senior Management are specified in formal Policy and Procedures on Nomination and Selection of Directors and Senior Management. It is the policy established by the Board that recommendations from independent sources shall be sought (in addition to the recommendations from existing Directors and major shareholders) in relation to candidates for the new directorship.

Nomination Committee may also seek independent professional advice, at the Company's expense, to perform its responsibilities under nomination and selection procedure.

All Board members who are newly appointed are subject to retirement at the subsequent annual general meeting of the Company. All Directors (including the Group Managing Director) will retire at regular intervals by rotation at least once every three years and shall be eligible for re-election.

Please refer to Practice 4.4 and 4.6 of CG Report for the details on the nomination and election process of the Directors.

- **Performance Assessment and Evaluation of The Board and the Group Financial Controller**

On annual basis, the Company Secretary circulates to each Director with the relevant assessment and review forms/questionnaires in relation to the aforementioned assessments/evaluations with sufficient time for all the directors to complete in advance of the meeting of the Nomination Committee and the Board in order for the Company Secretary to collate the assessments/evaluations results for the Nomination Committee to review and report to the Board.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(cont'd)

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

Board Responsibilities (Cont'd)

- **Performance Assessment and Evaluation of The Board and the Group Financial Controller (Cont'd)**

The following assessments and evaluations were performed during the financial year:

1. Board performance evaluation with recommended evaluation criteria per Corporate Governance Guide issued by Bursa Malaysia Berhad, with necessary adaptation;
2. Peer review of the performance, knowledge, competency and skills of fellow Directors based on recommended evaluation criteria per Corporate Governance Guide issued by Bursa Malaysia Berhad with necessary adaptation;
3. Performance evaluation of board committees, i.e. the Audit Committee, Nomination Committee, Remuneration Committee and Employees' Share Option Scheme ("ESOS") Committee based on the recommended evaluation criteria adopted from Corporate Governance Guide issued by Bursa Malaysia Berhad, with necessary adaptation;
4. Self-financial literacy evaluation by Audit Committee members with evaluation criteria adopted from Corporate Governance Guide issued by Bursa Malaysia Berhad, with necessary adaptation;
5. Independence assessment of individual Independent Non-Executive Directors based on the criteria adopted from Corporate Governance Guide issued by Bursa Malaysia Berhad, with necessary adaptation;
6. Self and peer evaluation of the individual members of the Audit Committee based on the criteria adopted from Corporate Governance Guide issued by Bursa Malaysia Berhad, with necessary adaptation;
7. Audit Committee Evaluation Questionnaire based on the criteria adopted from Corporate Governance Guide issued by Bursa Malaysia Berhad, with necessary adaptation; and
8. Performance evaluation of the Group Financial Controller via Group Financial Controller's Evaluation Form.

With the above evaluation/review processes, the Board, through the Nomination Committee, reviewed and assessed its required mix of skills and experience and other qualities, including core competencies of individual Director, the Group Financial Controller, and the Board as a whole to ensure that it has the appropriate mix of skills and competencies to lead the Group effectively.

Based on the above evaluations conducted for financial year ended 31 December 2019, the Board, via reports by the Nomination Committee, was satisfied with the composition, performance and effectiveness of the Board, the Board Committees, the Directors and the Group Financial Controller.

Please refer to Practice 5.1 of CG Report for the details on the performance assessment and evaluation of the Board and the Group Financial Controller.

- **Directors and Senior Managements Remuneration**

The Board assumes the overall responsibility to establish and implement effective remuneration policy for the members of the Board and Senior Management in order to attract, retain and motivate Directors and Senior Management positively in pursue of the medium to long term objectives of the Group and are reflective of their experience and level of responsibilities. The Board had put in place a formal Board and Senior Management Remuneration Policy for adoption by Remuneration Committee in the review and consideration of proposed remuneration package of the members of the Board and Senior Management. Major components of the remuneration package for Executive Director, member of Senior Management and Non-Executive Director are specified in the formal policy.

The Remuneration Committee is responsible for recommending to the Board the remuneration packages of the members of the Board and Senior Management. None of the Executive Directors participated in any way in determining their individual remuneration. The Board as a whole determines the remuneration of the Directors and Senior Management. Individual Directors are abstained from deliberation and approval of his own remuneration.

Please refer to Practice 7.1 of CG Report for the summary of the total remuneration of individual Directors (including fees, salary, bonus, benefits in-kind and other emoluments) on named basis for the financial year ended 31 December 2019.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(cont'd)

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

Board Responsibilities (Cont'd)

- Directors and Senior Managements Remuneration (Cont'd)**

Disclosure on named basis of the Senior Management's remuneration component in bands of RM50,000 is not adopted as the Board is of the opinion that the disclosure may jeopardize the personal security of the individual Senior Management and increase the risk of loss of key personnel as their remuneration packages are published publicly.

Please refer to Practice 7.2 of CG Report for the explanation on the departure in relation to disclosure on named basis of the Senior Management's remuneration component in bands of RM50,000.

- Directors' Training**

As per the Board Charter, the Board is assigned with the responsibility to assess the training needs of the Directors and thereafter to enhance the Directors' knowledge and skills effectively via continuing education program in the form of training programs and field trips identified.

All Executive Directors have been with the Company for several years and are familiar with their duties and responsibilities as Directors. In addition, any newly appointed Directors will be given briefings and orientation by the Executive Directors and Senior Management on the business activities of the Group and its strategic directions, as well as their duties and responsibilities as Directors.

As at 31 December 2019, all the Directors had completed the Mandatory Accreditation Program prescribed by Bursa Securities and they are mindful that they should receive appropriate continuous training and to attend seminars and briefings in order to broaden their perspective and to keep abreast with new developments for the furtherance of their duties.

During the financial year ended 31 December 2019, all Directors received regular briefings and updates on the Group's business and operations and received updates on new regulations and statutory requirements. The Board identified the training needs of the members of the Board through the formal peer assessment of skills possessed by individual Directors submitted by the members of the Board and reviewed by Nomination Committee to identify the knowledge and skills required by the Board to discharge its responsibilities.

During the financial year, all members of the Board have attended training(s) that were organized by regulatory bodies or professional organizations. The trainings attended by individual Board member are shown in the following table:-

Director	Name of Conference/Talk/Seminar Attended or Participated	Organiser
Dato' Mohammed Azlan Hashim	Admiralty Law	Marine and General Berhad
	National Medical Research Council (NMRC) Awards Ceremony and Research Symposium 2019 (Singapore)	NMRC Ministry of Health, Singapore
	Responsibilities of Directors and Senior Management	KPMG
	IHH Quality Summit	IHH Healthcare Berhad
	Forbes Conference – Transcending the Turbulence	Forbes
	Update on Corporate Communication – ICN 1/2018: Corporate Website for Listed Issuer	In-house training by NeedsBridge Advisory Sdn Bhd

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(cont'd)

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

Board Responsibilities (Cont'd)

- Directors' Training (Cont'd)**

Director	Name of Conference/Talk/Seminar Attended or Participated	Organiser
Tay Kheng Chiong	Section 17A of Malaysian Anti-Corruption Commission Act 2009	Raja, Daryl & Loh Advocates and Solicitors
	Update on Corporate Communication – ICN 1/2018: Corporate Website for Listed Issuer	In-house training by NeedsBridge Advisory Sdn Bhd
Cheam Dau Peng	Section 17A of Malaysian Anti-Corruption Commission Act 2009	Raja, Daryl & Loh Advocates and Solicitors
	Update on Corporate Communication – ICN 1/2018: Corporate Website for Listed Issuer	In-house training by NeedsBridge Advisory Sdn Bhd
Goh Nan Yang	Section 17A of Malaysian Anti-Corruption Commission Act 2009	Raja, Daryl & Loh Advocates and Solicitors
	Update on Corporate Communication – ICN 1/2018: Corporate Website for Listed Issuer	In-house training by NeedsBridge Advisory Sdn Bhd
Wong Meng Tak	Audit Oversight Board Conversation with Audit Committees	Securities Commission Malaysia
	Update on Corporate Communication – ICN 1/2018: Corporate Website for Listed Issuer	In-house training by NeedsBridge Advisory Sdn Bhd
Yeow See Yuen	Section 17A of Malaysian Anti-Corruption Commission Act 2009	Raja, Daryl & Loh Advocates and Solicitors
	Update on Corporate Communication – ICN 1/2018: Corporate Website for Listed Issuer	In-house training by NeedsBridge Advisory Sdn Bhd
Jesper Bjoern Madsen	Section 17A of Malaysian Anti-Corruption Commission Act 2009	Raja, Daryl & Loh Advocates and Solicitors
	Update on Corporate Communication – ICN 1/2018: Corporate Website for Listed Issuer	In-house training by NeedsBridge Advisory Sdn Bhd

- Board Committees**

In discharging its fiduciary duties, the Board has delegated specific duties to four (4) subcommittees (Audit, Remuneration, Nomination and ESOS). The Committees have the authority to examine particular issues and report to the Board with their recommendation. The ultimate responsibility for the final decision on all matters, however, lies with the entire Board.

All Committees have written terms of references and the Board receives reports on their proceedings and deliberations. The Chairman of the respective Committees will brief the Board on the matters discussed at the Committee meetings and minutes of these meetings are circulated at the Board meetings.

- Audit Committee**

The terms of reference, the number of meetings held and activities carried out during the financial year and the attendance of each member can be found on page 38 of the Audit Committee Report.

Please refer to Practice 8.1, 8.2, 8.3, 8.4 and 8.5 of CG Report on disclosure in relation Audit Committee.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(cont'd)

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

Board Responsibilities (Cont'd)

- Nomination Committee**

The Nomination Committee comprises exclusively of Non-Executive Directors, a majority of whom are Independent Non-Executive Directors as required under MMLR. The Nomination Committee is guided by written terms of reference duly approved by the Board defining its rights, authorities and responsibilities. The Nomination Committee is chaired by a Senior Independent Director. The composition of the Nomination Committee is set out in the Corporate Information section of this Annual Report.

The full details of the Nomination Committee's Terms of Reference are published in the "Corporate Governance" section of "Investor Relation" of the Company's website at www.do.com.my.

The Nomination Committee members and the attendance records for meeting held during the financial year ended 31 December 2019 are as follows:-

Nomination Committee	No. of Meetings Held	Attendance
Wong Meng Tak (<i>Chairman</i>)	1	1
Yeow See Yuen	1	1
Goh Nan Yang	1	1

During the financial year ended 31 December 2019, the Nomination Committee conducted evaluation/review of the performance of the Board, the Board Committees and the Group Financial Controller, the skills possessed by each Directors and the independent assessment of the Independent Directors based on the pre-determined processes and evaluation/review criteria. The Nomination Committee reported the results of all the evaluations/reviews to the Board for review and deliberation to enable effective actions (including trainings to be attended) to be formulated and implemented for the proper and effective functioning of the Board and its Committees.

Please refer to Practice 4.4, 4.5 4.6, 4.7 and 5.1 of CG Report for details on the Nomination Committee and its activities.

- Remuneration Committee**

The Remuneration Committee was formed to assist the Board in determining, developing and recommending an appropriate remuneration policy and remuneration package for Directors and Senior Management to attract, retain and motivate the Directors and members of Senior Management. The Remuneration Committee is guided by formal terms of reference. Further disclosure on the Remuneration Committee (and its activities) and remuneration policies and procedure can be found in Practice 6.1 and 6.2 of CG Report.

The Remuneration Committee comprises exclusively of Non-Executive Directors, majority of whom are independent. Their attendance records are as follows:-

Remuneration Committee	No. of Meetings Held	Attendance
Goh Nan Yang (<i>Chairman</i>)	1	1
Jesper Bjoern Madsen	1	1
Yeow See Yuen	1	1

The full details of the Remuneration Committee's Terms of Reference are published in the "Corporate Governance" section of the Company's website at www.do.com.my.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(cont'd)

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

Board Responsibilities (Cont'd)

- **Remuneration Committee (Cont'd)**

The Remuneration Committee held a meeting during the financial year ended 31 December 2019 to review the proposed Directors' fees for Non-Executive Directors, proposed remuneration package of Executive Directors and Senior Management and with such recommended Directors' fees and remuneration packages were reported to the Board for approval or recommendation to the shareholders for approval, if applicable.

- **ESOS Committee**

The ESOS Committee was established on 28 June 2011, consists of two (2) Executive Directors and one (1) Non-Executive Director with the primary responsibility to administer the new ESOS established and will be expiring on 6 September 2021. The composition of the ESOS Committee is set out in the Corporate Information section of this Annual Report.

The authorities of the ESOS Committee is to do all acts and things, execute all documents and delegate any of its authorities and duties relating to the ESOS Scheme as it may, in its discretion consider to be necessary or desirable for giving effect to the ESOS Scheme.

ESOS committee is allowed to obtain advice from experts and advisers, both internal and external and to have full and unrestricted access to information to enable the Committee to fulfill its objectives and duties.

The functions of the ESOS Committee are:

1. To implement and administer the Scheme in such manner as it shall in its discretion deem fit in accordance with the ESOS Bylaws, including to deal with the issue and allotment of new shares in the Company arising from the exercise of option by grantees;
2. To decide on the number of shares to be offered to eligible participants and to make offers to eligible participants in accordance with the ESOS Bylaws;
3. To recommend the subscription price of the ESOS to the Board;
4. To recommend to the Board where it deems necessary, any amendment, modification, addition or deletion of the ESOS Bylaws;
5. To enter into any transactions, agreements, deeds, documents or arrangements, and make rules, regulations or impose terms and conditions or delegate its authorities relating to the Scheme subject to the provisions of the ESOS Bylaws; and
6. To take all other actions within the purview of the Committee pursuant to the ESOS Bylaws, for the necessary and effective implementation and administration of the Scheme.

During the financial year under review, the ESOS Committee reviewed and authorised the allotment of new ordinary shares pursuant to the exercise of options by the grantees of the ESOS and the offer of new options of 5,237,000 new ordinary shares in accordance with the Bylaws of the ESOS.

- **Economic, Environment and Social**

In order to promote sustainability of the Group's businesses, one of the business strategies adopted by the Board is to ensure the economic, environmental and social aspects of the businesses undertaken are well taken care of. The Group upheld the principle to maintain effective sustainability management continuously in order to contribute positively to the socio-economic development of the communities, to promote environmentally friendly business practices and to uphold good governance practice.

Please refer to the Sustainability Statement for the governance structure and process employed as well as the identification, assessment, management and reporting of sustainability matters during the financial year under review and up to the date of this Annual Report.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(cont'd)

PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT

The Audit Committee is tasked with the oversight role on the effectiveness of Audit and Risk Management. The composition and terms of reference of Audit Committee, the number of meetings held, attendance, and activities carried out during the financial year are available in the Audit Committee Report on pages 38 to 42 of this Annual Report and Practice 8.1 to 8.5 of CG Report.

- Relationship with Auditors**

The Group maintains a close and transparent relationship with its external auditors and internal audit function in seeking professional advice and ensuring compliance with the Group's policies and procedures, approved accounting standards and relevant regulations in Malaysia and the countries it is operating. The roles and responsibilities of the Audit Committee in relation to the external auditors and internal audit function are prescribed in the Audit Committee's Terms of Reference.

The engagement of the external auditors is governed by the engagement letter with terms of engagement (which includes, amongst others, the scope of coverage, the responsibilities of the external auditors, confidentiality, independence and the proposed fees) reviewed by the Audit Committee and its recommendation to the Board.

The Audit Committee met the external auditors thrice during the financial year under review to discuss on audit plans, audit findings, financial statements and other special matters that require the Audit Committee's attention. The Audit Committee also encourage free flow of information and views between Audit Committee and external auditor to allow external auditor to freely express their opinion without undue pressure.

The oversight of the external auditors was enhanced by the conduct of performance evaluation of the external auditors by the Audit Committee and subsequently reported to the Board. The external auditors of the Group confirmed to the Audit Committee on their independence in relation to the audit works to be performed and their commitment to communicate to the Audit Committee on their independence status on ongoing manner.

The Audit Committee had also considered the nature of other non-audit services provided during the year by the external auditors and the quantum of the fees as tabulated in the table below and was satisfied that the provision of these services did not in any way compromise their independence.

The audit and non-audit fees incurred for services rendered by the external auditors and their affiliated firms and companies to the Company and its subsidiaries for the financial year were as follows:

	Company	Group	Description
Audit Fees (RM)	45,600	143,200	Financial Statement Audit Fees
Non-Audit Fees (RM)	5,000	5,000	Review of Statement of Risk Management & Internal Controls
	-	30,000	Review of Reinvestment Allowance
	13,600	38,100	Tax Agent Fees
	-	21,000	Transfer Pricing Documentation

- Risk Management**

The Board recognises the importance of Risk Management in pursuing its Company's objective and have in place a formal Risk and Opportunity Management Policy and Procedure. The details of the Risk and Opportunity Management Policy and Procedure and risk management process are disclosed in Statement on Risk Management and Internal Control on pages 43 to 49 of this Annual Report.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(cont'd)

PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT (CONT'D)

- **Internal Control & Internal Audit Function**

The Board recognises the importance of having a sound internal control system for good corporate governance. As such, the internal audit function is established to perform the review of the adequacy and integrity of the system of internal control in managing the principal risks of the Group. The internal audit function is outsourced to a professional firm to assist the Audit Committee in reviewing the state of internal control of the Group and to highlight areas for management and operational improvements.

The state of system of internal control and internal audit function of the Group is explained in greater detail in Statement on Risk Management and Internal Control on pages 43 to 49 of this Annual Report and Practice 10.1 & 10.2 of CG Report.

- **Uphold Integrity in Financial Reporting**

The Directors strive to ensure that a balanced, clear and meaningful assessment of the financial positions and prospects of the Group are made in all disclosures to shareholders, investors and the regulatory authorities.

All financial statements, both annual financial statements to shareholders and the quarterly announcement of financial results, were reviewed by the Audit Committee and approved by the Board to ensure accuracy, adequacy and completeness of information and compliance with relevant accounting standards and regulations prior to its release to the regulatory authorities.

The Board, through the review by the Audit Committee and consultation with the Management and the external auditors, had presented fair and meaningful assessment of the Group's financial performance and position.

A summary of the works of the Audit Committee in the discharge of its functions and duties during the financial year is set out in the Audit Committee Report on pages 38 to 42 of this Annual Report.

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

- **Corporate Disclosure and Stakeholders Communication**

The core communication channel with the stakeholders employed by the Company is via the announcements made in Bursa Securities and all announcements to be made in Bursa Securities are to be approved by the Board, prior to its release. The Board is observing all disclosure requirements laid down by MMLR and Capital Markets and Services Act 2007 to have all material event and information to be disseminated publicly and transparently on timely basis to ensure fair and equitable access by all stakeholders without selective disclosure.

The Board has adopted a Corporate Disclosure Policy which set out the policies and procedures for the disclosure of material information of the Group.

The Annual Report is the main communication tool between the Company and its stakeholders. The Annual Report communicates comprehensive information on the financial results and activities undertaken by the Group. As a listed issuer, the contents and disclosure requirements of the Annual Report are governed by the MMLR.

Please refer to Practice 11.1 of CG Report on further disclosure of stakeholders' communication.

- **Encourage Shareholders Participation at General Meetings**

The general meetings are the principal forum for dialogue with shareholders. The shareholders are given the opportunity and are encouraged to participate in general meetings of the Company. The Board Charter includes the requirement that notice for the Annual General Meeting to be given to shareholders at least 28 clear days prior to the meeting.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (cont'd)

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

- **Encourage Shareholders Participation at General Meetings (Cont'd)**

To encourage shareholders' participation at general meetings, the Company allows a shareholder to appoint proxy who may not be a member of the Company and no qualification of proxy is imposed.

Adequate time is given during the general meetings to encourage and allow the shareholders to seek clarification or ask questions on pertinent and relevant matters. The external auditors are present at the Annual General Meeting to provide professional and independent clarification on issues and concerns raised by the shareholders during the meeting.

In addition to the above, the Company also welcome requests for meetings and interviews with professionals from the investment community and is always willing to meet up with institutional investors when required.

- **Poll Voting**

Pursuant to the Paragraph 8.29A(1) of the Listing Requirements of Bursa Securities, the Company is required to ensure that any resolution set out in the notice of general meetings is to be voted by poll. All resolutions put forth for shareholders' approval at the forthcoming 16th Annual General Meeting are to be voted by way of poll voting.

- **Leverage on Information Technology**

In order to promote transparency and thoroughness in public dissemination of material information, the Company's website incorporates an "Investor Relations" section which provides all relevant information on the Company and is accessible by the public via <http://www.do.com.my>. The "Investor Relations" section enhances the investor relations function by including all announcements made by the Company, Annual Reports of the Company and relevant Board Charter and policies as well as terms of reference of relevant Board Committees established and implemented by the Board for the public to access. Furthermore, email address is provided in the "Contact" section of Company's website to which concerns or request of any investor can be forwarded to.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors are responsible for ensuring that:-

- i. the annual financial statements of the Group and the Company are prepared in accordance with the provisions of the Malaysian Companies Act 2016 and applicable approved accounting standards of Malaysia so as to give a true and fair view of the state of affairs of the Group and the Company as at 31 December 2019, and of the results of their operations and cash flows for the year ended on that date; and
- ii. proper accounting and other records are kept which enable the preparation of the financial statements with reasonable accuracy and taking reasonable steps to ensure that appropriate systems are in place to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

In preparing the annual audited financial statements, the Directors have:

- applied the appropriate and relevant accounting policies on a consistent basis;
- made judgments and estimates that are reasonable and prudent;
- prepared the annual audited financial statements on a going concern basis; and
- obtained representation from the Group Financial Controller on matters on financial reporting through self-assessment by the Group Financial Controller.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(cont'd)

KEY FOCUS AREAS AND FUTURE PRIORITIES

In the short term, it is the focus of the Board to enhance the existing Anti-Bribery and Corruption Framework established and Whistle-Blowing Policy to be in line with the Guidelines on Adequate Procedures issued pursuant to section 17A(5) of the Malaysian Anti-Corruption Commission Act 2009 and to enhance the existing bribery risk assessment process to have such bribery risk assessment to be performed at governance, transactional, country, business opportunity and business relationship level so as to form the basis and context of the Group's anti-bribery activities.

In the medium term, the Board is to consider to have women representation on the Board (shall such vacancy available at the Board level), to improve the transparency on the disclosure of remuneration packages of the directors and key senior management and to leverage technology to facilitate voting in absentia and remote shareholders' participation at General Meetings.

ADDITIONAL COMPLIANCE STATEMENT

• Material Contracts with Related Parties

Apart from recurrent related party transactions as disclose on page 150 of this Annual Report, the followings are the material contract subsisting at the financial year ended 31 December 2019 or entered into since the end of the previous financial year by the Company and its subsidiaries which involve the interests of Director and major shareholders:

- On 8 August 2018, the Company and its subsidiary, Dominant Opto Technologies Sdn Bhd ("Dominant") entered into share options agreements to grant the following Directors and Senior Management ("Grantees") the options to subscribe for new ordinary share in Dominant ("Dominant Options"):

Grantee	Options
Tay Kheng Chiong	1,320,000
Low Tek Beng	1,100,000
Siay Say Fei	880,000

Pursuant to the share options agreements, the Grantees are entitled to subscribe for one (1) ordinary share in Dominant at the exercise price of RM5.95 per Dominant Options held by the Grantees. The Dominant Options shall vest from the date of grant of the Dominant Options, which shall be a date to be determined by the Dominant's Board and stated in the notice of grant issued to the Grantees from time to time. The Dominant Options shall be in force for a period of 10 years from 8 August 2018, being the date of the share options agreement.

As at the date of this Statement, the Dominant Options were yet to be granted to the Grantees by the Dominant's Board.

• Employee Share Scheme

During the financial year, the Company has granted 5,237,000 options under the D&O Employees' Share Option Scheme 2011 ("D&O ESOS") of the Company, apart from the Dominant Options. The number of options accepted was 5,237,000. The new options are expiring on 6 September 2021 and are exercisable in stages from the date of grant and if the employee remains in service.

With regards to the options granted to the Directors and Senior Management, the aggregate allocation applicable to them since commencement of the scheme was 81,989,000 options, which is equivalent to 48.85% of the new ordinary shares of the Company available under the scheme.

Please refer to pages 108 to 110 of the audited financial statement of the Company for the year ended 31 December 2019 for the additional details of the D&O ESOS.

• Utilisation of proceeds

The net proceeds from the exercise of options by eligible Directors and employees granted in accordance to the Bylaws of subsisting D&O ESOS (after deducting expenses incurred in the issuance of new shares, if any) are utilised for the purpose of funding the continuing growth and expansion and working capital requirement of the Group.

AUDIT COMMITTEE REPORT

The Board of Directors is pleased to present below the report of Audit Committee.

COMPOSITION

The members of the Audit Committee are as follows:-

Name	Position
Wong Meng Tak (<i>Senior Independent and Non-Executive Director</i>)	Chairman
Yeow See Yuen (<i>Independent and Non-Executive Director</i>)	Member
Jesper Bjoern Madsen (<i>Independent and Non-Executive Director</i>)	Member

The composition of Audit Committee is in compliance with the paragraph 15.09 of Main Market Listing Requirements ("MMLR"), whereby the Audit Committee consists of three (3) Independent Non-Executive Director, with one of the Audit Committee members, Mr. Yeow See Yuen fulfils the requirements under paragraph 15.09 (1)(c)(iii) and paragraph 7.1 of Practice Note 13 of MMLR.

The Audit Committee Chairman is an independent director and no alternate director had been appointed as a member of the Audit Committee. In compliance with Practice 8.1 of the Malaysian Code on Corporate Governance 2017 ("MCCG"), the Audit Committee Chairman is not the Chairman of the Board of Directors of the Company.

The full details of the AC's Terms of Reference are published on the Company's corporate website (www.do.com.my) under "Corporate Governance" section of "Investor Relations".

The profile of the members can be found on pages 16 to 19 of this Annual Report.

1. ATTENDANCE OF MEETINGS

There were five (5) meetings held by the Audit Committee members during the financial year ended 31 December 2019 and details of their attendance are as follows:-

Name	Attendance of Audit Committee meetings
Wong Meng Tak	5/5
Jesper Bjoern Madsen	5/5
Yeow See Yuen	5/5

The meetings were conducted with the quorum of minimum two (2) members and majority of members presented at the meeting were Independent Non-Executive Directors.

The meetings were appropriately structured through the use of notices of meeting and agendas, which were distributed together with the minutes of the previous meeting and relevant papers and reports to the members at least five (5) business days before the meetings. This will allow the members to have sufficient review time for the proper discharge of their duties and responsibilities diligently and effectively in compliance with the MMLR and its terms of reference.

The Group Financial Controller and representatives from external and internal auditors were also invited to attend the meetings and brief the members on specific issues during the meetings.

The Secretary of the Audit Committee is the Company Secretary and is responsible, together with the Chairman, to draft the agenda and circulating it prior to each meeting.

AUDIT COMMITTEE REPORT

(cont'd)

2. SUMMARY OF THE WORKS OF THE AUDIT COMMITTEE

The followings are the works performed by the Audit Committee and reported to the Board for its discussion and decision during the financial year ended 31 December 2019:-

- a) Reviewed the adequacy and relevance of the scope, functions, resources, internal audit plan and results from the internal audit reviews with the internal auditors.

During the financial year, the outsourced internal audit function reported the findings, recommendations and management action plans in relation to the internal audit cycles carried out based on the approved internal audit plan. Apart from that, the outsourced internal audit function reported to the Audit Committee on the progress of the approved internal audit plan for their review and subject to the revision of the internal audit focus and scope by the Audit Committee if it deems necessary based on the risk consideration. In addition, the outsourced internal audit function reported to the Audit Committee, through progress update report, the resources, experience, competency and continuous professional development of the outsourced internal audit function for its review on adequacy.

Please refer to the Statement on Risk Management and Internal Control from pages 43 to 49 for the oversights of the Audit Committee on the outsourced internal audit function.

- b) Reviewed the quarterly financial reports for announcement to the regulatory authorities and year-end statutory accounts with management as well as reviewed with management their preparation for the annual financial statements prior to commencement of the annual audit.

During the scheduled quarterly meetings, the Group Financial Controller presented the draft quarterly financial statements (including statement of financial position, statement of comprehensive income, statement of cash flow and notes to the account) for the Audit Committee's review. The key focuses during the review were on accounting policies used, analysis of major changes in components of statement of financial position, statement of comprehensive income and statement of cash flow, major judgmental and risk areas, significant adjustments resulting from the audit, the going concern assumption, compliance with accounting standards, compliance with MMLR and other legal requirements.

The reviews of the quarterly financial reports performed by the Audit Committee were supplemented by the analysis of the financial performance of the key operating subsidiaries and debtor ageing as well as comparison of actual financial results against budgeted financial results. Furthermore, the Audit Committee was able to assess the reasonableness of the assumption and estimates made in the draft quarterly financial statements based on the report by the Group Managing Director on the operation, proposed business strategy, market analysis, inventories' level, capacity expansion and process/productivity improvement activities undertaken/to be undertaken.

- c) Reviewed with external auditors on their audit plan prior to the commencement of audit.

During the financial year, the external auditors presented the Audit Planning Memorandum to the Audit Committee for review and comment prior to the commencement of the audit to ensure the audit scope is adequate and reasonable time was given to ensure the audit carried out effectively and not under undue time pressure. The Audit Planning Memorandum by the external auditors covers the engagement and reporting requirements, audit approaches, communication with the Audit Committee and Management, significant events during the financial year, areas of audit emphasis, engagement team and reporting timeline and deliverables, scope of component auditors, proposed audit fees, updates of accounting standards and MMLR and indicators of going concern.

AUDIT COMMITTEE REPORT

(cont'd)

2. SUMMARY OF THE WORKS OF THE AUDIT COMMITTEE (CONT'D)

- d) Reviewed the annual statutory accounts, the Audit Report, issues and reservations arising from audits and the management letter, with the external auditors.

Prior to the announcement of final quarterly financial statements, the external auditors presented Audit Review Memorandum and draft audit report to the Audit Committee (which include significant audit findings and significant deficiencies in internal control arising from the audits, proposed audit adjustment and unadjusted differences, if any) for its review and considerations. During the closing meeting, the external auditors presented the expected audit opinion on the financial statements, going concern, key audit matters, accounting records and other records and register, Statement on Risk Management and Internal Control and review of draft Annual Report. In addition, confirmation was sought from the external auditors by the Audit Committee that the results for the financial year were not differed by 10% or more from unaudited results previously made or released by the Company for that period.

During the financial year, the Audit Committee recommended for the Board's approval and adoption of the audited statutory financial statements of the Company and the Group after it was satisfied:

- 1) with the adequacy of the internal audit coverage on the effectiveness and reliability of the supporting internal controls and records;
 - 2) that the audit had been adequately planned and carried out in accordance with the approved auditing standards after the review with the external auditors and the Management;
 - 3) that the audited financial statements have been prepared in accordance with generally accepted accounting principles which have been consistently applied and in compliance with applicable accounting standards after review with the external auditors and the Management; and
 - 4) that presentation of the financial statements had been prepared in full compliance with the statutory requirements and applicable approved accounting standards after the review with the external auditors and the Management.
- e) Conducted performance evaluation and independent assessment on external auditors.

During the financial year under review, the Audit Committee conducted performance evaluation and independent assessment on external auditors based on recommended evaluation criteria per Corporate Governance Guide issued by Bursa Malaysia Berhad, such as calibre of the firm, quality process and performance, knowledge and skill sets of audit team, independence and objectivity, audit scope and planning, audit fees and audit communication. In addition, during the meetings with the external auditors, the external auditors confirmed to the Audit Committee on their independence in relation to the audit works to be performed and their commitment to communicate to the Audit Committee on their independence status on ongoing manner.

Based on satisfactory results of the performance and independence of the external auditors, the Audit Committee recommended to the Board on the reappointment of the external auditors as auditors of the Company for the financial year ended 31 December 2019.

- f) The Audit Committee met twice with the external auditors during the financial year under review without the presence of the executive directors and management where they are given the opportunity to raise any concern or professional opinion and thus, to be able to exert its functions independently.

During the private session, the external auditors informed the Audit Committee that there was no major audit issue to be highlighted to the Audit Committee and the Management was cooperative during the audit.

- g) Reviewed the disclosure of related party transactions and any conflict of interest situation and transactions which may have an impact on management integrity.

During the scheduled quarterly meetings, the Group Financial Controller reported to the Audit Committee the value of the transactions (from date of shareholders' mandate to end of the financial period) of individual Recurrent Related Party Transactions ("RRPT") as compared to the approved value of transactions per the shareholders' mandate obtained in the previous general meeting in order for the Audit Committee to identify RRPT exceeded or about to exceed the approved amount per the shareholders' mandate so that prompt action can be taken in resolving the matter. Apart from this, the Group Financial Controller also reported to the Audit Committee the value of the RRPT (from date of shareholders' mandate to end of the financial period) of which shareholders' mandate was not required and announcement was not required in accordance to the MMLR and Related Party Transaction (if any) for Audit Committee to review.

AUDIT COMMITTEE REPORT

(cont'd)

2. SUMMARY OF THE WORKS OF THE AUDIT COMMITTEE (CONT'D)

- h) Reviewed the latest changes of pronouncements issued by the accountancy, statutory and regulatory bodies.

The Audit Committee was kept aware of the new and revision of the accounting standards through the updates by the external auditors. The Audit Committee sought clarification of the application and impact of new and revised accounting standards with the external auditors shall the needs arise. The Audit Committee also received trainings by professionals on the updates and changes in MMLR and financial reporting standards during the financial year to assess the impacts on the financial reporting and MMLR compliances.

- i) Reported to and updated the Board on significant issues and concerns discussed during the Committee's meetings and where appropriate, made the necessary recommendations to the Board. Minutes of the Committee's meetings were made available to all Board Members for review and to seek clarification and confirmation from the Audit Committee Chairman.
- j) Reviewed the notice and agenda of Annual General Meeting, Management Discussion and Analysis, Corporate Governance Report, Corporate Governance Overview Statement, Audit Committee Report, Statement on Risk Management and Internal Control, Sustainability Statement, the Board's responsibility statement for the preparation of the annual audited financial statements and other information which required disclosure (such as profile of directors and key management, RRPTs, etc.) to ensure compliance with the MMLR, MCCG and other guidelines for publication in the Company's Annual Report.

The reviews were performed through meeting held with the Management to seek confirmation and clarification and presentation by the internal audit function on the results of the review of the compliance of the Corporate Governance Report, Corporate Governance Overview Statement, Audit Committee Report, Statement on Risk Management and Internal Control and Sustainability Statement, with the MMLR and MCCG.

- k) Reviewed the draft circular to shareholders – proposed renewal of Shareholders' Mandate for RRPTs of a revenue or trading nature.

The Audit Committee reviewed the draft circular with the Company Secretary and the Management to ensure the contents and presentation were in compliance with the MMLR.

- l) Identified high risk areas and sought mitigation and responses from the Management.

During the review of the financial performance and presentation of financial performance of the key operating subsidiaries as well as operational performance and business strategy, the Audit Committee identified areas or matters with high risk potential. The Audit Committee had sought clarification and mitigation plans from the Management on the potential high risk events with follow-up on subsequent meeting as matters arising therefrom until it is satisfied that such events are properly addressed based on the risk appetite of the Board.

- m) Reviewed the Key Risk and Opportunity Profile Update Report of the Group.

During the financial year under review, the Audit Committee reviewed and deliberated the Key Risk and Opportunity Profile Update Report (included but not limited to, Risk and Control Score Sheet (consists of strategic risks and key operational risks and opportunities), existing control activities for risks mitigation and opportunities optimization, likelihood and impact rating used and risk management process employed for review and assessment exercise by the Management) on its adequacy and effectiveness. Based on the review, the Audit Committee was satisfied with the process and results of the risk assessment and its responses and subsequently reported the results of the review to the Board.

- n) Reviewed the Sustainability Matters Assessment Result of the Group.

The Audit Committee reviewed on the sustainability matters assessment result presented by the outsourced internal audit function, which is engaged by the Group to facilitate in the sustainability matters assessment exercise. The reviews conducted by the Audit Committee were on the update on the identified material sustainability matters. Based on the review, the Audit Committee was satisfied with the process and results of the sustainability matters assessment and subsequently reported the results of review to the Board.

AUDIT COMMITTEE REPORT

(cont'd)

2. SUMMARY OF THE WORKS OF THE AUDIT COMMITTEE (CONT'D)

- o) Reviewed the ESOS Allocation.

During the financial year under review, the Audit Committee reviewed the share options granted and the new ordinary shares issued in relation to the exercise of the options granted and confirmed that the share options granted and the new ordinary shares issued during the financial year complied with the criteria set out in the ESOS By-laws.

3. THE INTERNAL AUDIT FUNCTION AND ACTIVITIES

The Group's internal audit function is outsourced to a professional firm. The outsourced internal audit function assists the Board and the Audit Committee in providing an independent assessment on the adequacy and effectiveness of the Group's system of internal control. The outsourced internal audit function reports directly to the Audit Committee. The audit engagement of the outsourced internal audit function is governed by the engagement letter with key terms include purpose and scope of works, accountability, independence, the outsourced internal audit function's responsibilities, the management's responsibilities, the authority accorded to the outsourced internal audit function, limitation of scope of works, confidentiality, proposed fees and engagement team. The appointment and resignation of the internal audit function as well as the proposed audit fees are subject to review and approval by the Audit Committee for its reporting to the Board for ultimate approval.

The scope of review by the outsourced internal audit function, through the internal audit plan, is determined and approved by the Audit Committee with feedback from executive management. In addition, the oversight of the internal audit functions by the Audit Committee is enhanced by the review of the resources of the outsourced internal audit function in term of their qualification and experience/exposure and continuous professional development of the employees of the outsourced internal audit function which is tabled by the outsourced internal audit function during the financial year under review. The performance of the internal audit function is formally evaluated by the Audit Committee through prescribed evaluation form adapted from Corporate Governance Guide issued by Bursa Malaysia Berhad. Private session with the internal audit function was held by Audit Committee during the financial year to promote free exchange of views and opinions between the Audit Committee and the internal audit function.

To preserve the independence and objectivity, the outsourced internal audit function is not permitted to act on behalf of Management, decide and implement management action plan, perform on-going internal control monitoring activities (except for follow up on progress of action plan implementation), authorize and execute transactions, prepare source documents on transactions, have custody of assets or act in any capacity equivalent to a member of the Management or the employee.

The outsourced internal audit function is accorded unrestricted access to all functions, records, property, personnel, Audit Committee and other specialized services from within or outside the Group and necessary assistance of personnel in units of the Group where they perform audits.

During the financial year, the outsourced internal audit function conducted scheduled internal audits in accordance with the internal audit plan (and any amendments thereof) approved by the Audit Committee. Areas of improvement in internal controls had been identified and formally tabled at the quarterly Audit Committee meetings. Follow up reviews were carried out to ascertain the status of implementation of agreed management action plans. The results of the follow up reviews were reported to the Audit Committee.

The further details on outsourced internal audit function and internal audit activities are disclosed in the Statement on Risk Management and Internal Control available in pages 43 to 49 of this Annual Report.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

Pursuant to paragraph 15.26(b) and Practice Note 9 of the Bursa Malaysia Securities Berhad Main Market Listing Requirements (“Listing Requirements”) in relation to requirement to prepare statement about the state of internal control of the listed issuer as a group, and as guided by the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers (“the Guidelines”) and the Malaysian Code on Corporate Governance 2017, the Board of D & O Green Technologies Berhad (“D&O” or “the Company”) (collectively with its subsidiaries, “the Group”) is pleased to present the statement on the state of the internal controls of the Group for the financial year ended 31 December 2019. The scope of this Statement includes the Company and its operating subsidiaries.

BOARD RESPONSIBILITIES

The Board affirms its overall responsibility for maintaining a sound governance, risk management and internal control systems and for reviewing their adequacy and effectiveness so as to provide assurance on the achievement of the Group’s mission, vision, core values, strategies and business objectives as well as to safeguard all its stakeholders’ interests and protecting the Group’s assets. The Board is to establish risk appetite of the Group based on the strategies, business objectives, internal and external business context, business nature and corporate lifecycle. The Board is committed to the establishment and maintenance of an appropriate control environment and governance framework that is embedded into the corporate culture, processes and strategies of the Group as well as to articulate and implement risk management and internal control system. The Board delegates the duty of identification, assessment and management of key business risks to the Group Managing Director while the Audit Committee, through its terms of reference approved by the Board, is delegated with the duty to review the adequacy and effectiveness of risk management and internal control systems of the Group and to provide assurance to the Board on the adequacy and effectiveness of risk management and internal control systems of the Group. Through the Audit Committee, the Board is kept informed on all significant control issues brought to the attention of the Audit Committee by the Management, the internal audit function and the external auditors.

The system of internal control covers, inter-alia, risk management as well as financial, operational, environmental and compliance controls. However, in view of the limitations that are inherent in any system of internal control, the system of internal control is designed to manage, rather than to eliminate, the risk of failure to achieve the Group’s business objectives. Accordingly, the system of internal control can only provide reasonable and not absolute assurance against material misstatement of losses and fraud.

RISK MANAGEMENT

The Board recognises risk management as an integral part of internal control system and good management practice in pursuing its strategies and business objectives. The Board maintains an on-going commitment for identifying, evaluating and managing significant risks and opportunities faced by the Group systematically during the financial year under review. The Board had put in place a formal Risk and Opportunity Management Policy and Procedure (“ROMP”), as the governance structure and processes for the risk management on enterprise wide, in order to embed the risk management practice into all level of the Group and to manage key business risks faced by the Group as well as to optimize key business opportunities available to the Group adequately and effectively as second-line-of-defense. The duties for the identification, evaluation and management of the key business risks and opportunities are delegated to the Group Managing Director.

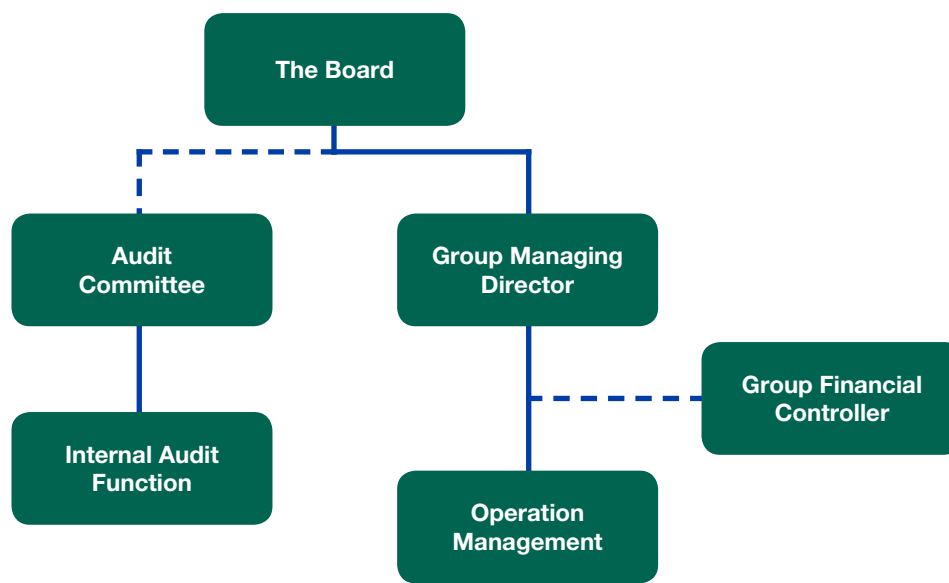
The principles, practices and process of ROMP established by the Board are, in material aspects, guided by the IATF 16949:2016 Standard by International Automotive Task Force.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

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RISK MANAGEMENT (CONT'D)

The ROMP established lays down the objectives and processes defined by the Board with formalised governance structure of the risk and opportunity management activities of the Group as follows:-



Clear roles and responsibilities of the Board, the Audit Committee, the Group Managing Director, the Operation Management (as risk and opportunity owners), the Group Financial Controller (as key risk and opportunity officer) and the internal audit function are defined in the ROMP. In particular, the roles and responsibilities of the Group Managing Director in relation to the risk and opportunity management are as follows:-

- implement the risk and opportunity management framework as approved by the Board;
- develop and implement the risk and opportunity management process which includes the identification of key risks and opportunities as well as devising appropriate additional action plan in cases where existing controls are ineffective, inadequate or non-existent and communicate the methodology to the Heads of Department;
- ensure that risk and opportunities strategies adopted are aligned with the Group's strategies (e.g. vision/mission, corporate strategies/goals, etc) and ROMP;
- periodic review and update of the Risk and Control Score Sheet of the Group and determination of corrective management action plan, if required; and
- update the Board on changes to the risks and opportunities on periodical basis (at least on annual basis) via Risk Report or when appropriate (due to significant fluctuations to the register) and the course of action to be taken by management in managing the changes.

In addition, the Operation Management team, i.e. the Heads of Department, is designated as risk and opportunity owners within their area of expertise and delegated with operational responsibilities with the following roles and responsibilities:-

- manage the risks and opportunities of the business processes under his/her control;
- identify risks and opportunities as well as evaluate existing controls and action plans. If controls and action plans deemed ineffective, inadequate or non-existent, to report to the Group Managing Director with the development of the management action plans and implement these action plans;
- periodic update of the changes in the Risk and Control Score Sheet, management action plans and the status of these plans;
- ensure that staff working under the Heads of Department understand the risk exposure and opportunities of the relevant process under his/her duty and the importance of the related controls and action plans; and
- ensuring adequacy of training for staff on risk and opportunity management.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

(cont'd)

RISK MANAGEMENT (CONT'D)

Systematic risk and opportunity management process is stipulated in the ROMP, whereby each step of the risk and opportunity identification, evaluation, control identification, treatment and control activities are laid down for application by the Group Managing Director and the Operation Management. Risk and opportunity assessment, at gross and residual level, are guided by the likelihood rating and impact rating established by the Board based on the risk appetite acceptable by the Board. Based on the risk and opportunity management process, Risk and Control Score Sheet were updated by the respective Head of Department and compiled by the Group Financial Controller, with relevant key risks and opportunities identified and rated based on the agreed upon risk and opportunity rating before reporting to the Group Managing Director for his review and subsequently to the Audit Committee via the Risk Report. The Risk and Control Score Sheet were primarily used for the identification of high residual risks which is above the risk appetite of the Group that require the Management and the Board's immediate attention and risk treatment as well as for future risk monitoring. In addition, key opportunities identified were registered in relevant Risk and Control Score Sheet to monitor the implementation of action plans to ensure its achievement. As an important risks and opportunities monitoring mechanism, the Management is scheduled to review the Risk and Control Score Sheet of key operating subsidiaries and assessment of emerging risks and opportunities identified at strategic and operational level on annual basis or on more frequent basis if circumstances required and to report to the Audit Committee on the results of the review and assessment.

During the financial year under review, the Management conducted a review and assessment exercise on existing strategic, governance and key operational risks as well as opportunities of D&O, Dominant Opto Technologies Sdn Bhd ("Dominant") and where applicable, relevant major risk and opportunities of all operating subsidiaries of Dominant were reviewed with emerging risks and opportunities assessed and incorporated into the Risk and Control Score Sheet for on-going monitoring and assessment, after taken into consideration of the internal audit findings. Key Risk and Opportunity Profile (included but not limited to, Risk and Control Score Sheet (consists of strategic risks and key operational risks and opportunities), existing control activities for risks mitigation and opportunities optimization, likelihood and impact rating used and risk management process employed for review and assessment exercise by the Management) was compiled and tabled to the Audit Committee for review and deliberation on its adequacy and effectiveness and thereafter reported the results of review to the Board, which assumes the primary responsibility of the Group's risk management.

At strategic level, business plans, business strategies and investment proposals with risks and opportunities consideration are formulated by the Senior Management and presented to the Group Managing Director and the Board for review and deliberation to ensure proposed plans and strategies are in line with the Group's risk appetite approved by the Board. In addition, specific strategic and key operational risks and opportunities are highlighted and deliberated by the Audit Committee and/or the Board during the review of the financial performance of the Group in the scheduled meetings.

As first-line-of-defense, respective heads of departments/divisions (i.e. risk and opportunity owners) are responsible for managing the risks under their responsibilities. Risk and opportunity owners are responsible for effective and efficient operational monitoring and management by way of maintaining effective internal controls and executing risk and control procedures on a day-to-day basis. Changes in key operational risks or emergence of new key business risks are identified through daily operational management and controls and review of financial and operational reports by respective level of Management generated by internal management information system, supplemented by external data and information collected. Respective risk and opportunity owners are responsible to assess the changes to the existing operational risks and emerging risks and to formulate and implement effective controls to manage these risks. Critical and material risks are highlighted to the Group Managing Director for the final decision on the formulation and implementation of effective internal controls and reported to the Audit Committee and the Board by the Group Financial Controller and the Group Managing Director respectively.

The monitoring of the risk and opportunity management by the Group is enhanced by the internal audits carried out by the internal audit function with specific audit objectives and business risks identified for each internal audit cycle based on the internal audit plan approved by the Audit Committee.

The above process has been practiced by the Group for the financial year under review and up to the date of approval of this statement.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

(cont'd)

INTERNAL CONTROL SYSTEM

The key features of the Group's internal control systems are described below:-

- **Board of Directors/Board Committees**

The role, functions, composition, operation and processes of the Board are guided by formal board charter whereby roles and responsibilities of the Board, the Non-Independent Non-Executive Chairman and the Executive Directors (including the Group Managing Director) are specified to preserve the independence of the Board from the Management.

Board Committees (i.e. Audit Committee, Remuneration Committee, Nomination Committee and Employees' Share Option Scheme ("ESOS") Committee) are established to carry out duties and responsibilities delegated by the Board, governed by written terms of reference.

Meetings of Board of Directors and respective Board Committees (except ESOS Committee) are carried out on scheduled basis to review the performance of the Group, from financial and operational perspective. Business plans and business strategies are proposed by the Group Managing Director for the Board's review and approval, after taking into risk consideration and responses.

- **Integrity and Ethical Value**

The tone from the top on integrity and ethical value are enshrined in a formal Code of Ethics and Conduct updated and approved by the Board on 28 November 2018. This formal code forms the foundation of integrity and ethical value for the Group.

Integrity and ethical value expected from the employees are incorporated in the Policy and Procedure for Employees whereby the ethical behaviours of employees expected with the customers, suppliers, society and environment are stated. Codes of conduct expected from employees to carry out their duties and responsibilities assigned are also established and formalised in Policy and Procedure for Employees.

To further enhance the ethical value throughout the Group, a formal Anti-Bribery and Corruption Framework had been put in place by the Management to prevent the risk of bribery and conflict of interest within the Group with Whistle-blowing policy implemented for all stakeholders to raise genuine concerns about possible improprieties in matters of financial reporting, compliance and other malpractices at the earliest opportunity.

- **Organisation Structure, Accountability and Authorisation**

The Group has a well-defined organisation structure in place with clear lines of reporting and accountability. The Group is committed to employing suitable and qualified staff so that the appropriate level of authorities and responsibilities can be delegated while accountability of performance and controls are assigned accordingly to competent staffs to ensure operational efficiency. The establishment and communication of job responsibilities and accountability of performance and controls for key positions are further enhanced via the job descriptions established by the Management.

The authorisation requirement of the key internal control points of key business processes are stated in the Group's policies and procedure.

- **Policies and Procedures**

The Group has documented policies and procedures that are regularly reviewed and updated to ensure its relevance to support the Group's business activities in achieving the Group's business objectives.

- **Periodical and/or Annual Budget**

Annual Budget (profit and loss, planned capital expenditure, financial positions and cash flow) and forecasts for the Group are presented to and approved by the Board on an annual basis and is applied to every key divisions of the Group. The actual performances are closely monitored against budgets to identify significant variances for prompt actions to be taken.

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

INTERNAL CONTROL SYSTEM (CONT'D)

- **Human Resource Policy**

Comprehensive guidelines on the human resource management are in place to ensure the Group's ability to operate in an effective and efficient manner by employing and retaining adequate competent employees possessing necessary knowledge, skill and experience (which are enhanced by continuous trainings thereafter) in order to carry out their duties and responsibilities effectively and efficiently.

Performance evaluations are carried out for all levels of staff to identify performance gaps, for training needs identification and talent development.

- **Information and Communication**

At operational level, clear reporting lines established across the Group and operation reports are prepared for dissemination of critical information to relevant personnel for effective communication throughout the Group for timely decision making and execution in pursuit of the business objectives. Matters that require the Board and the Senior Management's attention are highlighted for review, deliberation and decision on a timely basis.

The Group puts in place effective and efficient information and communication infrastructures and channels, i.e. computerized systems, secured intranet, electronic mail system and modern telecommunication, so that operation data and management information can be collected and communicated timely and securely to dedicated personnel within the Group for decision making and for communication with relevant external stakeholders. Apart from that, relevant financial and management reports are generated for different level of the organization structure for review and decision making. The management and board meetings are held for effective two-way communication of information at different level of management and the Board.

- **Monitoring and Review**

At operational level, key performance indicators are formulated to monitor the performance of key divisions/departments against targets established for prompt management action to be taken for unsatisfactory operational performance. Periodical management meetings are held to discuss and review budgets, financial and operational performance of key divisions/departments of the Group. The monitoring of compliance with relevant laws and regulations are further enhanced by review of specific areas of safety, health and environment by independent consultants engaged by the Group and enforcement bodies.

Apart from the above, quarterly financial statement which contains key financial results is presented to the Board for their review. Operational and financial performance report are also presented by the Group Managing Director during the Board's meeting for the Board to assess the operational performance (including comparison against budgets), business strategies, future prospect, external business conditions, capacity expansion and process/productivity improvement activities undertaken/to be undertaken.

In addition to the internal audits, significant control issues highlighted by the external auditors as part of their statutory audits and the monitoring of compliance with ISO certification carried out by internal ISO auditors as well as surveillance audit by independent consultants engaged by the Group serve as the fourth-line-of-defense.

INTERNAL AUDIT FUNCTION

The review of the adequacy and effectiveness of the Group's risk management and internal control system is outsourced to an independent professional firm, NeedsBridge Advisory Sdn Bhd, who, through the Audit Committee, provides the Board with much of the assurance it requires in respect of the adequacy and effectiveness of the Group's system on the risk management and internal control.

The outsourced internal audit function is reporting to the Audit Committee directly and the engagement director, Mr. Pang Nam Ming, is a Certified Internal Auditor accredited by the Institute of Internal Auditors Global and a professional member of the Institute of Internal Auditors Malaysia. The internal audits are carried out, in material aspects, in accordance with the International Professional Practices Framework established by the Institute of Internal Auditors Global. The outsourced internal audit function was manned by one (1) engagement director, four (4) managers/assistant manager and seven (7) senior consultants/consultants as at the end of the financial year under review.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

(cont'd)

INTERNAL AUDIT FUNCTION (CONT'D)

Based on the formal evaluation of internal audit function, performed and review of the works performed and deliverables by the outsourced internal audit function during the financial year, the Audit Committee and the Board are satisfied:

- that the outsourced internal audit function is free from any relationships or conflicts of interest which could impair their objectivity and independence;
- with the scope of the outsourced internal audit function;
- that the outsourced internal audit function possesses relevant experience, knowledge, competency and authority to discharge its functions effectively, possesses sufficient resources and has unrestricted access to employees and information for the internal audit activities; and
- with the internal audit plan, processes, the results of the internal audit and/or investigation undertaken.

Risk-based internal audit plan in respect of financial year ended 31 December 2019 was drafted by the outsourced internal audit function, after taking into consideration existing and emergent key business risks identified in the Key Risk and Opportunity Profile, the Senior Management's opinion and previous internal audits performed, and was reviewed and approved by the Audit Committee prior to execution. Each internal audit cycles within the internal audit plan are specific with regard to audit objective, key risks to be assessed and scopes of the internal control review.

As third-line-of-defense, the internal control review procedures performed by the outsourced internal audit function are designed to understand, document and evaluate risks and related controls in order to determine the adequacy and effectiveness of governance, risk and control structures and processes. Recommendations are formulated for improvement thereon. The internal audit procedures applied principally consist of process evaluations through interviews with relevant personnel involved in the process under review, review of the standard operating procedures and/or process flows provided and observations of the functioning of processes against the results of interviews, documented standard operating procedures and/or process flows. Thereafter, testing of controls for the respective audit areas through the review of the samples selected based on sample sizes calculated in accordance to predetermined formulation, subject to the nature of testing and verification of the samples.

During the financial year ended 31 December 2019, based on the internal audit cycles reviewed and approved by the Audit Committee for execution, the outsourced internal audit function has conducted reviews for fixed asset management and human resource management ("HRM") for key manufacturing subsidiary based in Malaysia as well as a review on the Corporate Governance Report, Corporate Governance Overview Statement and Audit Committee Report. The outsourced internal audit function also performed a review on HRM, credit control management, inventory management and regional banking management for an overseas subsidiary.

Upon the completion of the individual internal audit field work during the financial year, the internal audit report was presented to the Audit Committee during its scheduled meeting. During the presentation, the internal audit findings and recommendations as well as management responses and action plans were presented and deliberated with the members of the Audit Committee. Update on the status of action plans identified in the previous internal audit report is presented at subsequent Audit Committee meeting for review and deliberation.

In addition, during the Audit Committee meeting, the outsourced internal audit function reports its staff strength, qualification and experience as well as continuous professional education for the Audit Committee's review.

The cost incurred in maintaining the outsourced internal audit function for the financial year ended 31 December 2019 amounted to RM72,000.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

(cont'd)

ASSURANCE PROVIDED BY THE GROUP MANAGING DIRECTOR AND THE GROUP FINANCIAL CONTROLLER AND CONTROLS AND REGULATION ASSESSMENT BY THE SENIOR MANAGEMENT

In line with the Guidelines, the Group Managing Director, being highest ranking executive in the Company and the Group Financial Controller, being the person primarily responsible for the management of the financial affairs of the Company have provided assurance to the Board in writing stating that the Group's risk management and internal control systems have operated adequately and effectively, in all material aspects, to meet the Group's objectives during the financial year under review.

In addition, the Senior Management conducted assessment of controls and regulation based on the criteria adopted from Corporate Governance Guide issued by Bursa Malaysia Berhad during the financial year. The criteria assessed includes, overall control environment (i.e. identification and evaluation of business risks, internal controls, information systems, insurance and corporate code of conduct), other regulatory areas (i.e. tax and duties, environment, social and governance) and legal and secretarial matters. The results of the assessment by the Senior Management were tabled to the Board for review.

OPINION AND CONCLUSION

Based on the review of the risk management results and process, results of the internal audit activities, monitoring and review mechanism stipulated above, assurance provided by the Group Managing Director and the Group Financial Controller and the review by the Board of the results of the controls and regulation assessment completed by the Senior Management, the Board is of the opinion that the risk management and internal control systems are satisfactory and have not resulted in any material losses, contingencies or uncertainties that would require disclosure in the Group's Annual Report. The Board continues to take pertinent measures to sustain and, where required, to improve the Group's risk management and internal control system in meeting the Group's business objectives.

The Board is committed towards maintaining an effective risk management and internal control system throughout the Group and where necessary put in place appropriate plans to further enhance the Group's systems of internal control. Notwithstanding this, the Board will continue to evaluate and manage the significant business risks faced by the Group in order to achieve its mission, vision, core value, strategies and business objectives.

ASSURANCE PROVIDED BY EXTERNAL AUDITORS

Pursuant to paragraph 15.23 of the Listing Requirements, the external auditors have reviewed this Statement on Risk Management and Internal Control. Their review was performed in accordance with Audit and Assurance Practice Guide 3: Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report, issued by the Malaysia Institute of Accountants. Based on their review, nothing has come to their attention that causes them to believe this Statement is not prepared, in all material aspects, in accordance with the disclosures required by paragraph 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Public Listed Companies and Practices 9.1 and 9.2 of the Malaysian Code on Corporate Governance 2017 to be set out, nor is factually incorrect.

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DIRECTORS' REPORT

The Directors of D & O Green Technologies Berhad have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2019.

PRINCIPAL ACTIVITIES

The Company is principally engaged in the business of investment holding and the provision of management services (inclusive of manufacturing plant facility services). The principal activities of the subsidiaries are set out in Note 5 to the financial statements.

RESULTS

	The Group RM'000	The Company RM'000
Profit after taxation for the financial year	39,057	13,185
Attributable to:-		
Owners of the Company	34,871	13,185
Non-controlling interests	4,186	-
	39,057	13,185

DIVIDENDS

Dividends paid by the Company since 31 December 2018 are as follows:-

In respect of the ordinary shares

- (a) A first interim dividend of 0.5 sen per ordinary share for the financial year ended 31 December 2019 amounting to RM5,539,441 was paid on 28 June 2019; and
- (b) A second interim dividend of 0.5 sen per ordinary share for the financial year ended 31 December 2019 amounting to RM5,595,007 was paid on 30 December 2019;

In respect of Irredeemable Convertible Preference Shares ("ICPS")

- (a) A first interim dividend of 0.5 sen per ICPS for the financial year ended 31 December 2019 amounting to RM1,885,369 was paid to ICPS holders on 28 June 2019; and
- (b) A second interim dividend of 0.5 sen per ICPS for the financial year ended 31 December 2019 amounting to RM1,885,369 was paid to ICPS holders on 30 December 2019

based on the terms of the ICPS.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than those disclosed in the financial statements.

DIRECTORS' REPORT

(cont'd)

ISSUES OF SHARES AND DEBENTURES

During the financial year:-

- (a) the Company increased its issued and paid-up share capital from RM164,916,781 to RM171,559,260 by way of:-
- (i) issuance of 9,240,000 new ordinary shares at an exercise price of RM0.17, pursuant to the Employees' Share Option Scheme 2011 ("ESOS");
 - (ii) issuance of 3,791,500 new ordinary shares at an exercise price of RM0.30, pursuant to the ESOS;
 - (iii) issuance of 60,000 new ordinary shares at an exercise price of RM0.26, pursuant to the ESOS;
 - (iv) issuance of 212,500 new ordinary shares at an exercise price of RM0.25, pursuant to the ESOS;
 - (v) issuance of 2,343,500 new ordinary shares at an exercise price of RM0.28, pursuant to the ESOS; and
 - (vi) issuance of 920,000 new ordinary shares at an exercise price of RM0.495, pursuant to the ESOS.

The new ordinary shares issued rank pari passu in all respects with the existing shares of the Company.

- (b) there were no issues of debentures by the Company.

OPTIONS GRANTED OVER UNISSUED SHARES

During the financial year, no options were granted by the Company to any person to take up any unissued shares in the Company except for the share options granted pursuant to the Company's ESOS.

EMPLOYEES' SHARE OPTION SCHEME 2011

The ESOS is governed by the ESOS By-Laws and was approved by shareholders on 28 June 2011. The ESOS is to be in force for a period of 10 years effective from 7 September 2011.

Details of the ESOS are set out in Note 17(c) to the financial statements.

BAD AND DOUBTFUL DEBTS

Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for impairment losses on receivables, and satisfied themselves that there are no known bad debts and that adequate allowance had been made for impairment losses on receivables.

At the date of this report, the directors are not aware of any circumstances that would require the writing off of bad debts, or the additional allowance for impairment losses on receivables in the financial statements of the Group and of the Company.

CURRENT ASSETS

Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps 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 which would render the values attributed to the current assets in the financial statements misleading.

DIRECTORS' REPORT

(cont'd)

VALUATION METHODS

At the date of this report, the directors are not aware of any circumstances which have arisen which render adherence to the existing methods of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

CONTINGENT AND OTHER LIABILITIES

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

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

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

CHANGE OF CIRCUMSTANCES

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

ITEMS OF AN UNUSUAL NATURE

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

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, in the opinion of the directors, 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.

DIRECTORS

The names of directors of the Company who served during the financial year and up to the date of this report are as follows:-

Dato' Mohammed Azlan Hashim

Tay Kheng Chiong

Cheam Dau Peng

Goh Nan Yang

Wong Meng Tak

Yeow See Yuen

Jesper Bjoern Madsen

Low Tek Beng (Ceased to be Alternate Director to Cheam Dau Peng on 29 March 2019)

DIRECTORS' REPORT

(cont'd)

DIRECTORS (CONT'D)

The names of directors of the Company's subsidiaries who served during the financial year and up to the date of this report, not including those directors mentioned above, are as follows:-

Goh Nan Kioh
Ong Hock Kheng
Tai Tzu Hsiang
Goh Keng Chye
Masashi Nakamachi
Low Tek Beng
Goh Nang Yoon (Resigned on 30 August 2019)

DIRECTORS' INTERESTS

According to the register of directors' shareholdings, the interests of directors holding office at the end of the financial year in shares and options over shares of the Company during the financial year are as follows:-

a) Ordinary Shares

	Number of Ordinary Shares				At 31.12.2019
	At 1.1.2019	By exercise of ESOS	Bought	Sold	
The Company					
Direct Interests					
Dato' Mohammed Azlan Hashim	78,024,302	-	-	-	78,024,302
Tay Kheng Chiong	10,351,219	1,800,000	13,333	-	12,164,552
Cheam Dau Peng	8,301,576	900,000	-	(1,000,000)	8,201,576
Goh Nan Yang	133,333	-	-	-	133,333
Wong Meng Tak	333,333	275,000	-	(100,000)	508,333
Yeow See Yuen	5,186,799	700,000	-	-	5,886,799
Jesper Bioern Madsen	20,000	-	-	-	20,000

	Number of Ordinary Shares			
	At 1.1.2019	Bought	Sold	At 31.12.2019
<i>Deemed Interests</i>				
Dato' Mohammed Azlan Hashim *	33,554,113	-	-	33,554,113
Goh Nan Yang **	112,783,740	-	-	112,783,740

* Deemed interest by virtue of Section 8 of the Companies Act 2016 (shareholding held through his spouse, Datin Nonadiah Binti Abdullah)

** Deemed interest by virtue of Section 8 of the Companies Act 2016 (shareholding held through Omega Riang Sdn. Bhd.)

b) Irredeemable Convertible Preference Shares

Save for the deemed interest of 112,975,409 ICPS (29.96% of the total ICPS) by Mr Goh Nan Yang via his deemed interest by virtue of his shareholdings held through Thames Electronics Sdn Bhd, none of the other Directors have any interest, direct or deemed, in the ICPS of the Company.

DIRECTORS' REPORT

(cont'd)

DIRECTORS' INTERESTS (CONT'D)

In addition to the above, the following directors are deemed to have interests in the shares of the Company to the extent of the options granted to them pursuant to the ESOS of the Company are as follows:-

	Number of Options under ESOS			
	At 1.1.2019	Granted	Exercised	At 31.12.2019
Dato' Mohammed Azlan Hashim	1,060,000	-	-	1,060,000
Tay Kheng Chiong	12,522,800	2,237,000	(1,800,000)	12,959,800
Cheam Dau Peng	4,027,000	1,000,000	(900,000)	4,127,000
Goh Nan Yang	4,350,000	-	-	4,350,000
Wong Meng Tak	1,500,000	-	(275,000)	1,225,000
Yeow See Yuen	2,150,000	-	(700,000)	1,450,000
Jesper Bjoern Madsen	900,000	-	-	900,000

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of remuneration received or due and receivable by directors shown in the financial statements, or the fixed salary of a full-time employee of the Company) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest except for any benefits which may be deemed to arise from transactions entered into in the ordinary course of business with companies in which certain directors have substantial financial interests as disclosed in Note 35 to the financial statements.

Neither during nor at the end of the financial year was the Group or the Company a party to any arrangements whose object is to enable the directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate other than the share options granted to certain directors pursuant to the ESOS of the Company.

DIRECTORS' REMUNERATION

The details of the directors' remuneration paid or payable to the directors of the Group and of the Company during the financial year are disclosed in Note 34 to the financial statements.

INDEMNITY AND INSURANCE COST

During the financial year, the total amount of indemnity coverage and insurance premium paid for the directors and certain officers of the Group were RM5,000,000 and RM9,025, respectively. No indemnity was given to or insurance effected for auditors of the Company.

SUBSIDIARIES

The details of the Company's subsidiaries are disclosed in Note 5 to the financial statements.

DIRECTORS' **REPORT**

(cont'd)

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

The significant events during the financial year are disclosed in Note 41 to the financial statements.

SIGNIFICANT EVENT OCCURRING AFTER THE REPORTING PERIOD

The significant event occurring after the reporting period is disclosed in Note 42 to the financial statements.

AUDITORS

The auditors, Crowe Malaysia PLT, have expressed their willingness to continue in office.

The auditors' remuneration are disclosed in Note 29 to the financial statements.

Signed in accordance with a resolution of the directors dated 17 March 2020.

Dato' Mohammed Azlan Hashim

Tay Kheng Chiong

STATEMENT BY DIRECTORS

PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016

We, **Dato' Mohammed Azlan Hashim** and **Tay Kheng Chiong**, being two of the directors of **D & O Green Technologies Berhad**, state that, in the opinion of the directors, the financial statements set out on pages 62 to 148 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 of 31 December 2019 and of their financial performance and cash flows for the financial year ended on that date.

Signed in accordance with a resolution of the directors dated 17 March 2020

Dato' Mohammed Azlan Hashim

Tay Kheng Chiong

STATUTORY DECLARATION

PURSUANT TO SECTION 251(1)(b) OF THE COMPANIES ACT 2016

I, **Lee Han Yung**, being the officer primarily responsible for the financial management of **D & O Green Technologies Berhad**, do solemnly and sincerely declare that the financial statements set out on pages 62 to 148 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by the abovementioned
Lee Han Yung, NRIC Number: 801118-04-5141,
at Melaka
in the Melaka
on this 17 March 2020

Lee Han Yung

Before me

Pierre Lim Vey Yeow (M-085)
Commissioner for Oaths

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF D & O GREEN TECHNOLOGIES BERHAD
(Incorporated in Malaysia) Company No: 200401006867 (645371-V)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of D & O Green Technologies Berhad, which comprise the statements of financial position as at 31 December 2019 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 62 to 148.

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

Basis for Opinion

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

Independence and Other Ethical Responsibilities

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

Key Audit Matters

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

We have determined the matters described below to be the key audit matters to be communicated in our report.

Goodwill impairment Refer to Note 10 to the financial statements	
Key Audit Matter	How our audit addressed the key audit matter
<p>Goodwill balance as at 31 December 2019 stood at RM24.207 million.</p> <p>Management is required to conduct annual impairment assessment on the goodwill. For this purpose, management has estimated the recoverable amounts of the cash-generating unit in which the goodwill is attached to, using the value-in-use approach. This is derived from the present value of the future cash flows from the cash-generating unit.</p> <p>This assessment is significant to our audit as it is highly subjective, involves significant judgement and is based on assumptions that may be affected by future market and economic conditions.</p> <p>Further details are shown in Note 10 to the financial statements.</p>	<p>Our procedures included, amongst others:-</p> <ul style="list-style-type: none"> Reviewed management's estimate of the recoverable amount and tested the cash flows forecast for their accuracy; Reviewed the key business drivers underpinning the cash flows forecast prepared to support the recoverable amount; Evaluated the appropriateness and reasonableness of the key assumptions by considering prior budget accuracy, comparison to recent performance and our understanding of the business, trend analysis, and historical results; Reviewed sensitivity analysis performed by management over the key assumptions to understand the impact of changes over the valuation model; and Reviewed the adequacy of the Group's disclosures.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF D & O GREEN TECHNOLOGIES BERHAD
(Incorporated in Malaysia) Company No: 200401006867 (645371-V)
(cont'd)

Key Audit Matters (Cont'd)

Inventories Refer to Note 11 to the financial statements	
Key Audit Matter	How our audit addressed the key audit matter
The Group carries significant inventories as disclosed in Note 11 to the financial statements. The assessment of inventory write-downs due to excess quantities, obsolescence and decline in net realisable value below cost involved judgements and estimation uncertainty including forming expectations about future sales and demands.	<p>Our procedures included, amongst others:-</p> <ul style="list-style-type: none"> • Obtained understanding of:- <ul style="list-style-type: none"> • the Group's inventory management process; • the Group's process of identification and assessment of inventory write-downs; and • the Group's procedure for the estimation of inventory write-downs. • Reviewed the net realisable value of inventories on sampling basis; and • Evaluated the reasonableness and adequacy of the allowance for inventories recognised for identified exposures.

Information Other than the Financial Statements and Auditors' Report Thereon

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

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

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

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

Responsibilities of the Directors for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF D & O GREEN TECHNOLOGIES BERHAD

(Incorporated in Malaysia) Company No: 200401006867 (645371-V)

(cont'd)

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

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

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and 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's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF D & O GREEN TECHNOLOGIES BERHAD
(Incorporated in Malaysia) Company No: 200401006867 (645371-V)
(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 subsidiaries of which we have not acted as auditors, are disclosed in Note 5 to the financial statements.

OTHER MATTERS

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

Crowe Malaysia PLT
201906000005 (LLP0018817-LCA) & AF1018
Chartered Accountants

Kuala Lumpur

17 March 2020

Chua Wai Hong
02974/09/2021 J
Chartered Accountant

STATEMENTS OF FINANCIAL POSITION

AT 31 DECEMBER 2019

		The Group		The Company	
		2019	2018	2019	2018
	Note	RM'000	RM'000	RM'000	RM'000
ASSETS					
NON-CURRENT ASSETS					
Investments in subsidiaries	5	-	-	455,677	451,671
Property, plant and equipment	6	222,158	190,455	2,324	5,782
Right-of-use assets	7	8,832	-	2,757	-
Other investments	8	28,710	24,499	28,710	24,499
Intangible assets	9	10,354	10,008	-	-
Goodwill	10	24,207	24,207	-	-
		294,261	249,169	489,468	481,952
CURRENT ASSETS					
Inventories	11	151,638	150,091	-	-
Trade receivables	12	117,244	102,408	-	-
Other receivables, deposits and prepayments	13	6,197	8,056	67	198
Amount owing by a subsidiary	23	-	-	-	4,929
Current tax assets		2,571	52	4	11
Deposits with financial institutions	14	16,570	3,345	-	-
Cash and bank balances		46,532	47,417	465	452
		340,752	311,369	536	5,590
TOTAL ASSETS		635,013	560,538	490,004	487,542

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

STATEMENTS OF FINANCIAL POSITION

AT 31 DECEMBER 2019

(cont'd)

		The Group		The Company	
		2019	2018	2019	2018
	Note	RM'000	RM'000	RM'000	RM'000
EQUITY AND LIABILITIES					
EQUITY					
Share capital	15	171,559	164,916	171,559	164,916
Irredeemable convertible preference shares	16	228,671	228,671	228,671	228,671
Reserves	17	(44,600)	(70,451)	53,270	47,911
Equity attributable to owners of the Company		355,630	323,136	453,500	441,498
Non-controlling interests	5	31,489	29,190	-	-
TOTAL EQUITY		387,119	352,326	453,500	441,498
NON-CURRENT LIABILITIES					
Lease liabilities	18	607	-	-	-
Long-term borrowings	19	37,349	11,761	-	-
Deferred tax liabilities	20	15,583	12,438	150	150
		53,539	24,199	150	150
CURRENT LIABILITIES					
Trade payables	21	113,925	125,156	-	-
Other payables and accruals	22	17,903	22,325	514	702
Amount owing to a subsidiary	23	-	-	35,840	35,692
Lease liabilities	18	761	-	-	-
Current tax liabilities		6	708	-	-
Short-term borrowings	24	61,760	35,824	-	9,500
		194,355	184,013	36,354	45,894
TOTAL LIABILITIES		247,894	208,212	36,504	46,044
TOTAL EQUITY AND LIABILITIES		635,013	560,538	490,004	487,542

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

STATEMENTS OF

PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	The Group		The Company	
		2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
REVENUE	27	504,305	490,775	1,308	1,643
COST OF SALES		(363,862)	(350,914)	-	-
GROSS PROFIT		140,443	139,861	1,308	1,643
OTHER INCOME		4,108	6,980	17,608	17,658
		144,551	146,841	18,916	19,301
SELLING AND DISTRIBUTION EXPENSES		(8,711)	(8,169)	-	-
ADMINISTRATIVE EXPENSES		(47,409)	(42,969)	(4,809)	(5,184)
OTHER EXPENSES		(37,866)	(40,710)	(759)	(886)
FINANCE COSTS		(3,393)	(2,319)	(126)	(587)
NET IMPAIRMENT LOSSES ON FINANCIAL ASSETS	28	(102)	(551)	-	-
PROFIT BEFORE TAXATION	29	47,070	52,123	13,222	12,644
INCOME TAX EXPENSE	30	(8,013)	(9,921)	(37)	(41)
PROFIT AFTER TAXATION		39,057	42,202	13,185	12,603
OTHER COMPREHENSIVE INCOME/ (EXPENSES)					
<u>ITEMS THAT WILL NOT BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS</u>					
Fair value changes of equity instruments		4,211	3,320	4,211	3,320
<u>ITEMS THAT WILL BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS</u>					
Foreign currency translation differences		(1,331)	(140)	-	-
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR		41,937	45,382	17,396	15,923

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

STATEMENTS OF

PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019
(cont'd)

	Note	The Group		The Company	
		2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
PROFIT AFTER TAXATION ATTRIBUTABLE TO:-					
Owners of the company		34,871	35,961	13,185	12,603
Non-controlling interest		4,186	6,241	-	-
		39,057	42,202	13,185	12,603
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:-					
Owners of the company		37,888	39,360	17,396	15,923
Non-controlling interest		4,049	6,022	-	-
		41,937	45,382	17,396	15,923
EARNINGS PER SHARE (SEN)					
	31				
BASIC		2.803	3.056		
DILUTED		2.305	2.517		

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

			Non-distributable					Distributable			
			Irredeemable Convertible Preference Shares ("ICPS")	ESOS Reserve	Capital Reserve	Foreign Exchange Translation Reserve	Fair Value Reserve	Retained Profits/ (Accumulated Losses)	Attributable To Owners Of the Company	Non- Controlling Interests	
The Group	Note	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	Total Equity RM'000
Balance at 1.1.2018		110,350	-	12,449	29,918	(2,305)	8,239	56,585	215,236	98,780	314,016
Profit after tax for the financial year		-	-	-	-	-	-	35,961	35,961	6,241	42,202
Other comprehensive income/ (expenses) for the financial year:											
- foreign currency translation differences		-	-	-	-	79	-	-	79	(219)	(140)
- fair value changes of equity instruments		-	-	-	-	-	3,320	-	3,320	-	3,320
Total comprehensive income for the financial year		-	-	-	-	79	3,320	35,961	39,360	6,022	45,382
Balance carried forward		110,350	-	12,449	29,918	(2,226)	11,559	92,546	254,596	104,802	359,398

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019
(cont'd)

	The Group	Note	Non-distributable					Distributable		Attributable To Owners Of the Company	Non-Controlling Interests	Total Equity
			Share Capital	ICPS	ESOS Reserve	Capital Reserve	Foreign Exchange Translation Reserve	Fair Value Reserve	Retained Profits/ (Accumulated Losses)			
			RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
			110,350	-	12,449	29,918	(2,226)	11,559	92,546	254,596	104,802	359,398
	Balance brought forward											
	Contribution by and distribution to owners of the Company:											
	- ESOS vested		-	-	5,444	-	-	-	-	5,444	-	5,444
	- Issuance of ICPS		-	275,212	-	-	-	-	-	275,212	-	275,212
	- Issuance of shares:											
	- Conversion of ICPS		44,933	(44,933)	-	-	-	-	-	-	-	-
	- Exercise of ESOS		5,540	-	-	-	-	-	-	5,540	-	5,540
	- Transfer to share capital for ESOS options exercised		4,093	-	(4,093)	-	-	-	-	-	-	-
	- Dividend paid	32										
	- by the Company		-	-	-	-	-	-	(14,697)	(14,697)	-	(14,697)
	- by the subsidiary to the minority shareholders		-	-	-	-	-	-	-	-	(1,751)	(1,751)
	- Changes in a subsidiary's ownership interests that do not result in loss of control		-	-	-	-	-	-	(201,351)	(201,351)	(73,861)	(275,212)
	Total transactions with owners		54,566	230,279	1,351	-	-	-	(216,048)	70,148	(75,612)	(5,464)
	Transfer of ESOS Reserve for lapsed ESOS options		-	-	(219)	-	-	-	219	-	-	-
	Balance carried forward		164,916	230,279	13,581	29,918	(2,226)	11,559	(123,283)	324,744	29,190	353,934

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

(cont'd)

	Non-distributable				Distributable		Attributable To Owners Of the Company RM'000	Non- Controlling Interests RM'000	Total Equity RM'000
	Share Capital RM'000	ICPS RM'000	ESOS Reserve RM'000	Capital Reserve RM'000	Foreign Exchange Translation Reserve RM'000	Fair Value Reserve RM'000	Retained Profits/ (Accumulated Losses) RM'000		
The Group									
Balance brought forward	164,916	230,279	13,581	29,918	(2,226)	11,559	(123,283)	29,190	353,934
ICPS issuance expenses	-	(1,608)	-	-	-	-	-	-	(1,608)
Balance at 31.12.2018	164,916	228,671	13,581	29,918	(2,226)	11,559	(123,283)	29,190	352,326

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019
(cont'd)

	The Group	Note	Non-distributable				Distributable			Attributable To Owners Of the Company	Non-Controlling Interests	Total Equity
			Share Capital	ICPS	ESOS Reserve	Capital Reserve	Foreign Exchange Translation Reserve	Fair Value Reserve	Retained Profits/ (Accumulated Losses)			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Balance at 31.12.2018/1.1.2019	164,916	228,671	13,581	29,918	(2,226)	11,559	(123,283)	323,136	29,190	352,326		
Profit after tax for the financial year	-	-	-	-	-	-	34,871	34,871	4,186	39,057		
Other comprehensive (expenses)/income for the financial year:												
- foreign currency translation differences	-	-	-	-	(1,194)	-	-	(1,194)	(137)	(1,331)		
- fair value changes of equity instruments	-	-	-	-	-	4,211	-	4,211	-	4,211		
Total comprehensive (expenses)/income for the financial year	-	-	-	-	(1,194)	4,211	34,871	37,888	4,049	41,937		
Balance carried forward	164,916	228,671	13,581	29,918	(3,420)	15,770	(88,412)	361,024	33,239	394,263		

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

(cont'd)

	The Group	Note	Non-distributable					Distributable			Attributable To Owners Of the Company	Non-Controlling Interests	Total Equity
			Share Capital	ICPS	ESOS Reserve	Capital Reserve	Foreign Exchange Translation Reserve	Fair Value Reserve	Retained Profits/ (Accumulated Losses)				
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
	164,916		228,671	13,581	29,918	(3,420)	15,770	(88,412)	361,024	33,239	394,263		
Contribution by and distribution to owners of the Company:													
- ESOS vested	-	-	-	5,622	-	-	-	-	5,622	-	5,622	-	5,622
- Issuance of shares:													
- Exercise of ESOS	3,889	-	-	-	-	-	-	-	3,889	-	3,889	-	3,889
- Transfer to share capital for ESOS options exercised	2,754	-	-	(2,754)	-	-	-	-	-	-	-	-	-
- Dividend paid													
- by the Company	-	-	-	-	-	-	-	(14,905)	(14,905)	-	(14,905)	-	(14,905)
- by the subsidiary to the minority shareholders	-	-	-	-	-	-	-	-	-	(1,750)	(1,750)	-	(1,750)
Total transactions with owners	6,643	-	-	2,868	-	-	-	(14,905)	(5,394)	(1,750)	(7,144)	-	(7,144)
Transfer of ESOS Reserve for lapsed ESOS options	-	-	-	(474)	-	-	-	474	-	-	-	-	-
Balance at 31.12.2019	171,559	228,671	15,975	29,918	(3,420)	15,770	(102,843)	355,630	31,489	387,119			

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019
(cont'd)

				Non-distributable	Distributable	
	Share	ICPS	ESOS	Fair Value	Retained	Total
Note	Capital		Reserve	Reserve	Profits	Equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
The Company						
Balance at 1.1.2018	110,350	-	12,449	8,239	24,646	155,684
Profit after tax for the financial year	-	-	-	-	12,603	12,603
Other comprehensive income for the financial year:						
- Fair value changes of equity instruments	-	-	-	3,320	-	3,320
Total comprehensive income for the financial year	-	-	-	3,320	12,603	15,923
Contribution by and distribution to owners of the Company:						
- ESOS vested	-	-	5,444	-	-	5,444
- Issuance of ICPS	-	275,212	-	-	-	275,212
- Issuance of shares:						
- Conversion of ICPS	44,933	(44,933)	-	-	-	-
- Exercise of ESOS	5,540	-	-	-	-	5,540
- Transfer to share capital for ESOS options exercised	4,093	-	(4,093)	-	-	-
- Dividend paid	32	-	-	-	(14,697)	(14,697)
Total transactions with owners	54,566	230,279	1,351	-	(14,697)	271,499
Transfer of ESOS Reserve for lapsed ESOS options	-	-	(219)	-	219	-
ICPS issuance expenses	-	(1,608)	-	-	-	(1,608)
Balance at 31.12.2018	164,916	228,671	13,581	11,559	22,771	441,498

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

(cont'd)

				Non-distributable	Distributable		
	Note	Share Capital RM'000	ICPS RM'000	ESOS Reserve RM'000	Fair Value Reserve RM'000	Retained Profits RM'000	Total Equity RM'000
The Company							
Balance at 31.12.2018/1.1.2019		164,916	228,671	13,581	11,559	22,771	441,498
Profit after tax for the financial year		-	-	-	-	13,185	13,185
Other comprehensive income for the financial year:							
Fair value changes of equity instruments		-	-	-	4,211	-	4,211
Total comprehensive income for the financial year		-	-	-	4,211	13,185	17,396
Contribution by and distribution to owners of the Company:							
- ESOS vested		-	-	5,622	-	-	5,622
- Issuance of shares:							
- Exercise of ESOS		3,889	-	-	-	-	3,889
- Transfer to share capital for ESOS options exercised		2,754	-	(2,754)	-	-	-
- Dividend paid	32	-	-	-	-	(14,905)	(14,905)
Total transactions with owners		6,643	-	2,868	-	(14,905)	(5,394)
Transfer of ESOS Reserve for lapsed ESOS options		-	-	(474)	-	474	-
Balance at 31.12.2019		171,559	228,671	15,975	15,770	21,525	453,500

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

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

		The Group		The Company	
		2019	2018	2019	2018
	Note	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM/(FOR) OPERATING ACTIVITIES					
Profit before taxation:		47,070	52,123	13,222	12,644
Adjustments for:-					
Amortisation of government grant		-	(143)	-	-
Amortisation of intangible assets	9	1,047	532	-	-
Bad debt written off		79	-	-	-
Depreciation of property, plant and equipment	6	35,216	30,094	663	746
Depreciation of right-of-use assets	7	1,140	-	38	-
Employee benefits expense		5,622	5,444	1,616	1,627
(Gain)/loss on disposal of property, plant and equipment		(18)	390	-	-
Gain on disposal of investment in unquoted shares		-	(44)	-	-
Gain on disposal of marketable securities		-	(33)	-	-
Government grant income		-	(3,105)	-	-
Impairment loss on trade and other receivables	12&13	232	700	-	-
Interest expense		2,851	1,556	125	579
Interest expense on lease liabilities		70	-	-	-
Interest income		(291)	(208)	(12)	(3)
Inventories written down		503	466	-	-
Inventories written off		7,343	3,237	-	-
Net fair value loss on marketable securities		-	61	-	-
Provision for impairment loss of property, plant and equipment		8	-	-	-
Property, plant and equipment written off		534	635	-	-
Dividend income		(258)	(313)	(15,667)	(15,707)
Reversal of impairment losses on trade receivables	12	(130)	(149)	-	-
Unrealised (gain)/loss on foreign exchange		(2,367)	(1,707)	-	81
Operating profit/(loss) before working capital changes		98,651	89,536	(15)	(33)
Increase in inventories		(9,393)	(40,463)	-	-
(Increase)/Decrease in trade and other receivables		(13,774)	(1,794)	131	212
(Decrease)/Increase in trade and other payables		(13,182)	27,900	(188)	(269)
CASH FROM/(FOR) OPERATIONS		62,302	75,179	(72)	(90)
Income tax paid		(8,089)	(8,090)	(30)	(41)
Interest paid		(2,921)	(1,556)	(125)	(579)
NET CASH FROM/(FOR) OPERATING ACTIVITIES		51,292	65,533	(227)	(710)

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

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019
(cont'd)

		The Group		The Company	
		2019	2018	2019	2018
	Note	RM'000	RM'000	RM'000	RM'000
CASH FLOWS (FOR)/FROM INVESTING ACTIVITIES					
Acquisition of intangible assets		(1,393)	(8,157)	-	-
Dividend received		258	313	15,667	15,707
Interest received		291	208	12	3
Net withdrawal/(placement) of deposits with maturity period of more than three months		2,887	(1,601)	-	-
Placement of deposits pledged with licensed banks		(14)	(12)	-	-
Proceeds from disposal of property, plant and equipment		20	160	-	-
Proceeds from disposal of marketable securities		-	481	-	-
Proceeds from disposal of unquoted shares		-	285	-	-
Purchase of property, plant and equipment	33(a)	(75,865)	(54,882)	-	-
Repayment from/(advances to) a subsidiary		-	-	4,929	(4,929)
NET CASH (FOR)/FROM INVESTING ACTIVITIES		(73,816)	(63,205)	20,608	10,781
CASH FLOWS FROM/(FOR) FINANCING ACTIVITIES					
Government grant received		-	3,105	-	-
ICPS issuance expenses		-	(1,608)	-	(1,608)
Net drawdown of bankers' acceptances		15,773	375	-	-
Proceeds from exercise of ESOS		3,889	5,540	3,889	5,540
Drawdown of term loans		63,501	17,667	-	-
Advance from a subsidiary		-	-	148	-
Repayment of term loans		(15,974)	(12,470)	-	-
Net (repayment)/drawdown of revolving credits		(10,500)	2,500	(9,500)	(500)
Net repayment of hire purchase obligations		-	(142)	-	-
Payment of lease liabilities		(997)	-	-	-
Dividend paid to shareholders of the Company		(14,905)	(14,697)	(14,905)	(14,697)
Dividend paid to non-controlling interest		(1,750)	(1,751)	-	-
NET CASH FROM/(FOR) FINANCING ACTIVITIES		39,037	(1,481)	(20,368)	(11,265)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		16,513	847	13	(1,194)
EFFECTS OF FOREIGN EXCHANGE TRANSLATION		(1,300)	4,391	-	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		47,417	42,179	452	1,646
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	33(c)	62,630	47,417	465	452

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

1. GENERAL INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia. The registered office and principal place of business are as follows:-

Registered office	:	No. 15, Bukit Ledang, Off Jalan Duta, 50480 Kuala Lumpur.
Principal place of business	:	Lot 6, Batu Berendam Free Trade Zone, Phase III, 75350 Melaka.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors dated 17 March 2020.

2. PRINCIPAL ACTIVITIES

The Company is principally engaged in the business of investment holding and the provision of management services (inclusive of manufacturing plant facility services). The principal activities of the subsidiaries are set out in Note 5 to the financial statements.

3. BASIS OF PREPARATION

The financial statements of the Group are prepared under the historical cost convention and modified to include other bases of valuation as disclosed in other sections under significant accounting policies, and in compliance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

- 3.1 During the current financial year, the Group has adopted the following new accounting standards and interpretations (including the consequential amendments, if any):-

MFRSs and IC Interpretations (Including the Consequential Amendments)

MFRS 16 Leases

IC Interpretation 23 Uncertainty over Income Tax Treatments

Amendments to MFRS 9: Prepayment Features with Negative Compensation

Amendments to MFRS 119: Plan Amendment, Curtailment or Settlement

Amendments to MFRS 128: Long-term Interests in Associates and Joint Ventures

Annual Improvements to MFRS Standards 2015 - 2017 Cycles

The adoption of the above accounting standards and/or interpretations (including the consequential amendments, if any) did not have any material impact on the Group's financial statements except as follows:-

MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and replaced the previous guidance on lease accounting. Under MFRS 16, the classification of leases as either finance leases or operating leases is eliminated for lessees. All lessees are required to recognise their lease assets and the related lease obligations in the statement of financial position (with limited exceptions) as right-of-use assets and lease liabilities respectively. The right-of-use assets are subject to depreciation and the interest on lease liabilities are calculated using the effective interest method. The impacts on the financial statements of the Group upon its initial application of MFRS 16 are disclosed in Note 43 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019
(cont'd)

3. BASIS OF PREPARATION (CONT'D)

- 3.2 The Group has not applied in advance the following accounting standards and/or interpretations (including the consequential amendments, if any) that have been issued by the Malaysian Accounting Standards Board (MASB) but are not yet effective for the current financial year:-

MFRSs and/or IC Interpretations (Including The Consequential Amendments)	Effective Date
MFRS 17 Insurance Contracts	1 January 2021
Amendments to MFRS 3: Definition of a Business	1 January 2020
Amendments to MFRS 9, MFRS 139 and MFRS 7: Interest Rate Benchmark Reform	1 January 2020
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred
Amendments to MFRS 101 and MFRS 108: Definition of a Material	1 January 2020
Amendments to References to the Conceptual Framework in MFRS Standards	1 January 2020

The adoption of the above accounting standards and/or interpretations (including the consequential amendments, if any) is expected to have no material impact on the financial statements of the Group upon their initial application.

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Key Sources of Estimation Uncertainty

Management believes that there are no key assumptions made concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year other than as disclosed below:-

(a) Depreciation of Property, Plant and Equipment

The estimates for the residual values, useful lives and related depreciation charges for the property, plant and equipment are based on commercial and production factors which could change significantly as a result of technical innovations and competitors' actions in response to the market conditions. The Group anticipates that the residual values of its property, plant and equipment will be insignificant. As a result, residual values are not being taken into consideration for the computation of the depreciable amount. Changes in the expected level of usage and technological development could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised. The carrying amount of property, plant and equipment as at the reporting date is disclosed in Note 6 to the financial statements.

(b) Income Taxes

There are certain transactions and computations for which the ultimate tax determination may be different from the initial estimate. The Group recognises tax liabilities based on its understanding of the prevailing tax laws and estimates of whether such taxes will be due in the ordinary course of business. Where the final outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax expense and deferred tax balances in the year in which such determination is made. The carrying amount of current tax liabilities as at the reporting date is RM5,680 (2018 – RM708,406).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019
(cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

Key Sources of Estimation Uncertainty (Cont'd)

(c) Impairment of Goodwill

The assessment of whether goodwill is impaired requires an estimation of the value in use of the cash-generating unit to which the goodwill is allocated. Estimating a value in use amount requires management to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill as at the reporting date is disclosed in Note 10 to the financial statements.

(d) Impairment of Property, Plant and Equipment and Right-of-use Assets

The Group determines whether its property, plant and equipment and right-of-use assets is impaired by evaluating the extent to which the recoverable amount of the asset is less than its carrying amount. This evaluation is subject to changes such as market performance, economic and political situation of the country. A variety of methods is used to determine the recoverable amount, such as valuation reports and discounted cash flows. For discounted cash flows, significant judgement is required in the estimation of the present value of future cash flows generated by the assets, which involve uncertainties and are significantly affected by assumptions used and judgements made regarding estimates of future cash flows and discount rates. The carrying amount of property, plant and equipment and right-of-use assets as at the reporting date is disclosed in Note 6 and 7 to the financial statements.

(e) Amortisation of Patent Licence

Changes in the expected level of usage and technological development could impact the economic useful lives and therefore, future amortisation charges could be revised. The carrying amount of patent licence as at the reporting date is disclosed in Note 9 to the financial statements.

(f) Write-down of Inventories

Reviews are made periodically by management on damaged, obsolete and slow-moving inventories. These reviews require judgement and estimates. Possible changes in these estimates could result in revisions to the valuation of inventories. The carrying amount of inventories as at the reporting date is disclosed in Note 11 to the financial statements.

(g) Impairment of Trade Receivables

The Group uses the simplified approach to estimate a lifetime expected credit loss allowance for all trade receivables. The Group develops the expected loss rates based on the payment profiles of past sales and the corresponding historical credit losses, and adjusts for qualitative and quantitative reasonable and supportable forward-looking information. If the expectation is different from the estimation, such difference will impact the carrying value of trade receivables. The carrying amounts of trade receivables as at the reporting date are disclosed in Note 12 to the financial statements.

(h) Fair Value Estimates for Unquoted Financial Assets

The Group carries certain financial assets that are not traded in an active market at fair value. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. The amount of fair value changes would differ if the Group uses different valuation methodologies and assumptions, and eventually affect profit and/or other comprehensive income. The carrying amount of these financial assets as at the reporting date are disclosed in Note 8 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019
(cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

Critical Judgements Made in Applying Accounting Policies

Management believes that there are no instances of application of critical judgement in applying the Group's accounting policies which will have a significant effect on the amounts recognised in the financial statements other than as disclosed below:-

(a) Lease terms

Some leases contain extension options exercisable by the Group before the end of the non-cancellable contract period. In determining the lease term, management considers all facts and circumstances including the past practice and any cost that will be incurred to change the asset if an option to extend is not taken. An extension option is only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

(b) Share-based Payments

The Group measures the cost of equity settled transactions with employees by reference to the fair value of the equity investments at the date at which they are granted. The estimating of the fair value requires determining the most appropriate valuation model for a grant of equity instruments, which is dependent on the terms and conditions of the grant. This also requires determining the most appropriate inputs to the valuation model including the expected life of the option volatility and dividend yield and making assumptions about them.

4.2 BASIS OF CONSOLIDATION

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to the end of the reporting period.

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

Subsidiaries are consolidated from the date on which control is transferred to the Group up to the effective date on which control ceases, as appropriate.

Intragroup transactions, balances, income and expenses are eliminated on consolidation. Intragroup losses may indicate an impairment that requires recognition in the consolidated financial statements. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies with those of the Group.

(a) Business Combinations

Acquisitions of businesses are accounted for using the acquisition method. Under the acquisition method, the consideration transferred for acquisition of a subsidiary is the fair value of the assets transferred, liabilities incurred and the equity interests issued by the Group at the acquisition date. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs, other than the costs to issue debt or equity securities, are recognised in profit or loss when incurred.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019
(cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.2 BASIS OF CONSOLIDATION (CONT'D)

(a) Business Combinations (Cont'd)

Non-controlling interests in the acquiree may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets at the date of acquisition. The choice of measurement basis is made on a transaction-by-transaction basis.

(b) Non-Controlling Interests

Non-controlling interests are presented within equity in the consolidated statement of financial position, separately from the equity attributable to owners of the Company. Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

(c) Changes In Ownership Interests In Subsidiaries Without Change of Control

All changes in the parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of consideration paid or received is recognised directly in equity of the Group.

(d) Loss of Control

Upon the loss of control of a subsidiary, the Group recognises any gain or loss on disposal in profit or loss which is calculated as the difference between:-

- (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest in the former subsidiary; and
- (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the former subsidiary and any non-controlling interests.

Amounts previously recognised in other comprehensive income in relation to the former subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of (i.e. reclassified to profit or loss or transferred directly to retained profits). The fair value of any investments retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under MFRS 9 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

4.3 GOODWILL

Goodwill is measured at cost less accumulated impairment losses, if any. The carrying value of goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired. The impairment value of goodwill is recognised immediately in profit or loss. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Under the acquisition method, any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interests recognised and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities at the date of acquisition is recorded as goodwill.

Where the latter amount exceeds the former, after reassessment, the excess represents a bargain purchase gain and is recognised as a gain in profit or loss immediately.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019
(cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.4 FUNCTIONAL AND FOREIGN CURRENCIES

(a) Functional and Presentation Currency

The individual financial statements of each entity in the Group are presented in the currency of the primary economic environment in which the entity operates, which is the functional currency.

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

(b) Foreign Currency Transactions and Balances

Transactions in foreign currencies are converted into the respective functional currencies on initial recognition, using the exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities at the end of the reporting period are translated at the exchange rates ruling as of that date. Non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined. All exchange differences are recognised in profit or loss except for differences arising from the translation of available-for-sale equity instruments which are recognised in other comprehensive income.

(c) Foreign Operations

Assets and liabilities of foreign operations are translated to the Group's presentation currency at the exchange rates at the end of the reporting period. Income, expenses and other comprehensive income of foreign operations are translated at exchange rates at the dates of the transactions. All exchange differences arising from translation are taken directly to other comprehensive income and accumulated in equity; attributed to the owners of the Company and non-controlling interests, as appropriate.

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

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign subsidiary, or a partial disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that foreign operation attributable to the owners of the Company are reclassified to profit or loss as part of the gain or loss on disposal. The portion that related to non-controlling interests is derecognised but is not reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are reattributed to non-controlling interests and are not recognised in profit or loss. When the Group disposes of only part of its investment in an associate that includes a foreign operation while retaining significant influence, the proportionate share of the accumulative exchange differences is reclassified to profit or loss.

In the consolidated financial statements, when settlement of an intragroup loan is neither planned nor likely to occur in the foreseeable future, the exchange differences arising from translating such monetary item are considered to form part of a net investment in the foreign operation and are recognised in other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

(cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.5 FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised in the statements of financial position when the Group has become a party to the contractual provisions of the instruments.

Financial instruments are classified as financial assets, financial liabilities or equity instruments in accordance with the substance of the contractual arrangement and their definitions in MFRS 132. Interest, dividends, gains and losses relating to a financial instrument classified as a liability are reported as an expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity.

Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

A financial instrument is recognised initially at its fair value (other than trade receivables without significant financing component which are measured at transaction price as defined in MFRS 15 – Revenue from Contracts with Customers at inception). Transaction costs that are directly attributable to the acquisition or issue of the financial instrument (other than a financial instrument at fair value through profit or loss) are added to/deducted from the fair value on initial recognition, as appropriate. Transaction costs on the financial instrument at fair value through profit or loss are recognised immediately in profit or loss.

Financial instruments recognised in the statements of financial position are disclosed in the individual policy statement associated with each item.

(a) Financial Assets

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value (through profit or loss, or other comprehensive income), depending on the classification of the financial assets.

Debt Instruments

(i) Amortised Cost

The financial asset is held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest. Interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset. When the asset has subsequently become credit-impaired, the interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts), excluding expected credit losses, through the expected life of the financial asset or a shorter period (where appropriate).

(ii) Fair Value through Other Comprehensive Income

The financial asset is held for both collecting contractual cash flows and selling the financial asset, where the asset's cash flows represent solely payments of principal and interest. Movements in the carrying amount are taken through other comprehensive income and accumulated in the fair value reserve, except for the recognition of impairment, interest income and foreign exchange difference which are recognised directly in profit or loss. Interest income is calculated using the effective interest rate method.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019
(cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.5 FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Assets (Cont'd)

Debt Instruments (Cont'd)

(iii) Fair Value through Profit or Loss

All other financial assets that do not meet the criteria for amortised cost or fair value through other comprehensive income are measured at fair value through profit or loss.

The Group reclassifies debt instruments when and only when its business model for managing those assets change.

Equity Instruments

All equity investments are subsequently measured at fair value with gains and losses recognised in profit or loss except where the Group has elected to present the subsequent changes in fair value in other comprehensive income and accumulated in the fair value reserve at initial recognition.

The designation at fair value through other comprehensive income is not permitted if the equity investment is either held for trading or is designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise.

Dividend income from this category of financial assets is recognised in profit or loss when the Group's right to receive payment is established unless the dividends clearly represent a recovery of part of the cost of the equity investments.

(b) Financial Liabilities

(i) Financial Liabilities at Fair Value through Profit or Loss

Fair value through profit or loss category comprises financial liabilities that are either held for trading or are designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. The changes in fair value of these financial liabilities are recognised in profit or loss.

(ii) Other Financial Liabilities

Other financial liabilities are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts), through the expected life of the financial liability or a shorter period (where appropriate).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019
(cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.5 FINANCIAL INSTRUMENTS (CONT'D)

(c) Equity Instruments

Equity instruments classified as equity are measured initially at cost and are not re-measured subsequently.

(i) Ordinary Shares

Ordinary shares are classified as equity and recorded at the proceeds received, net of directly attributable transaction costs.

Dividends on ordinary shares are recognised as liabilities when approved for appropriation.

(ii) ICPS

ICPS is classified as equity if they are non-redeemable and any dividends are discretionary.

ICPS is classified as equity in accordance with the substance of the contractual arrangement of the instruments. Dividends on ICPS are recognised as distributions within equity.

(d) Derivative Financial Instruments

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Any gains or losses arising from changes in fair value on derivatives during the reporting period, other than those accounted for under hedge accounting, are recognised directly in profit or loss.

Any derivative embedded in a financial asset is not accounted for separately. Instead, the entire hybrid contract is classified and subsequently measured as either amortised cost or fair value as appropriate.

An embedded derivative is recognised separately from the host contract which is a financial liability as a derivative if, and only if, its risks and characteristics are not closely related to those of the host contract and the host contract is not measured at fair value through profit or loss.

(e) Derecognition

A financial asset or part of it is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. On derecognition of a financial asset measured at amortised cost, the difference between the carrying amount of the asset and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of a debt instrument classified as fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the fair value reserve is reclassified from equity to profit or loss. In contrast, there is no subsequent reclassification of the fair value reserve to profit or loss following the derecognition of an equity investment.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

(cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.5 FINANCIAL INSTRUMENTS (CONT'D)

(f) Financial Guarantee Contracts

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

Financial guarantee contracts are recognised initially as liabilities at fair value, net of transaction costs. Subsequent to initial recognition, financial guarantee contracts are recognised as income in profit or loss over the period of the guarantee or, when there is no specific contractual period, recognised in profit or loss upon discharge of the guarantee. If the debtor fails to make payment relating to a financial guarantee contract when it is due and the Company, as the issuer, is required to reimburse the holder for the associated loss, the liability is measured at the higher of the amount of the credit loss determined in accordance with the expected credit loss model and the amount initially recognised less cumulative amortisation.

4.6 INVESTMENTS IN SUBSIDIARIES

Investments in subsidiaries including the share options granted to employees of the subsidiaries are stated at cost in the statement of financial position of the Company, and are reviewed for impairment at the end of the reporting period if events or changes in circumstances indicate that the carrying values may not be recoverable. The cost of the investments includes transaction costs.

On the disposal of the investments in subsidiaries, the difference between the net disposal proceeds and the carrying amount of the investments is recognised in profit or loss.

4.7 PROPERTY, PLANT AND EQUIPMENT

All items of property, plant and equipment are initially measured at cost. Cost includes expenditure that are directly attributable to the acquisition of the asset and other costs directly attributable to bringing the asset to working condition for its intended use.

Subsequent to initial recognition, all property, plant and equipment, are stated at cost less accumulated depreciation and any impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when the cost is incurred and it is probable that the future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. The carrying amount of parts that are replaced is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

Depreciation is charged to profit or loss (unless it is included in the carrying amount of another asset) on the straight-line method to write off the depreciable amount of the assets over their estimated useful lives. Depreciation of an asset does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated.

The principal annual rates used for this purpose are:-

Leasehold land	Not applicable (2018: 75 - 90 years)
Buildings	5%
Renovation	10 - 20%
Plant and machinery	10 - 20%
Motor vehicles	10 - 20%
Furniture and fittings, office equipment and electrical installation	10 - 50%

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019
(cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.7 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Capital work-in-progress included in property, plant and equipment are not depreciated as these assets are not yet available to use.

The depreciation method, useful lives and residual values are reviewed, and adjusted if appropriate, at the end of each reporting period to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of the property, plant and equipment. Any changes are accounted for as a change in estimate.

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising from derecognition of the asset, being the difference between the net disposal proceeds and the carrying amount is recognised in profit or loss.

4.8 INTANGIBLE ASSETS

An intangible asset shall be recognised if, and only if it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and that the cost of the asset can be measured reliably. An entity shall assess the probability of the expected future economic benefits using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset. An intangible asset shall be measured initially at cost.

The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortised over their useful economic lives and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the profit or loss in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash generating unit level. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

(a) Patent Licence

The purchased patent licence is stated at cost less accumulated amortisation and impairment losses, if any. The patent licence is amortised on a straight-line basis over the periods of 5 to 20 years. In the event that the expected future economic benefits are no longer probable of being recovered, the patent licence is written down to its recoverable amount.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019
(cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.8 INTANGIBLE ASSETS (CONT'D)

(b) Research and development expenditure

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

Development expenditure is recognised as an expense except that costs incurred on development projects are capitalised as non-current assets to the extent that such expenditure is expected to generate future economic benefits. Development expenditure is capitalised if, and only if, an entity can demonstrate all of the following:-

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

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

The development expenditure is amortised on a straight-line method over a period of 3 years when the products are ready for sale or use. In the event that the expected future economic benefits are no longer probable of being recovered, the development expenditure is written down to its recoverable amount.

The amortisation method, useful life and residual value are reviewed, and adjusted if appropriate, at the end of each reporting period.

4.9 IMPAIRMENT

(a) Impairment of Financial Assets

The Group recognises a loss allowance for expected credit losses on trade receivables.

The expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument. The Group always recognises lifetime expected credit losses for trade receivables using the simplified approach. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience and are adjusted for forward-looking information (including time value of money where appropriate).

For all other financial instruments, the Group recognises lifetime expected credit losses when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at fair value through other comprehensive income, for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019
(cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.9 IMPAIRMENT (CONT'D)

(b) Impairment of Non-Financial Assets

The carrying values of assets, other than those to which MFRS 136 - Impairment of Assets does not apply, are reviewed at the end of each reporting period for impairment when an annual impairment assessment is compulsory or there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. When the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount and an impairment loss shall be recognised. The recoverable amount of the assets is the higher of the assets' fair value less costs to sell and its value-in-use, which is measured by reference to discounted future cash flow using a pre-tax discount rate that reflect current market assessment of the time value of money and the risks specific to the asset. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

An impairment loss is recognised in profit or loss immediately unless the asset is carried at its revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of a previously recognised revaluation surplus for the same asset. Any impairment loss recognised in respect of cash-generating unit is allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit and then to reduce the carrying amounts of the other assets in the cash-generating unit on a pro rate basis.

In respect of assets other than goodwill, and when there is a change in the estimates used to determine the recoverable amount, a subsequent increase in the recoverable amount of an asset is treated as a reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in profit or loss immediately unless the asset is carried at its revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

4.10 LEASES

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for low-value assets and short-term leases with 12 months or less. For these leases, the Group recognises the lease payments as an operating expense on a straight-line method over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use assets and the associated lease liabilities are presented as a separate line item in the statements of financial position.

The right-of-use asset is initially measured at cost. Cost includes the initial amount of the corresponding lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and the estimated costs of dismantling and restoration costs, less any incentives received.

The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses, and adjustment for any remeasurement of the lease liability. The depreciation starts from the commencement date of the lease. If the lease transfers ownership of the underlying asset to the Group or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. Otherwise, the Group depreciates the right-of-use asset to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of the right-of-use assets are determined on the same basis as those property, plant and equipment.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

(cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.10 LEASES (CONT'D)

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

The lease liability is subsequently measured at amortised cost using the effective interest method. It is remeasured when there is a change in the future lease payments (other than lease modification that is not accounted for as a separate lease) with the corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recognised in profit or loss if the carrying amount has been reduced to zero.

Accounting Policies Applied Until 31 December 2018

(a) Finance Leases

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incidental to ownership. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. The corresponding liability is included in the statement of financial position as hire purchase payables.

Minimum lease payments made under finance leases are apportioned between the finance costs and the reduction of the outstanding liability. The finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are recognised in the profit or loss and allocated over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each accounting period.

Leasehold land which in substance is a finance lease is classified as property, plant and equipment.

(b) Operating Leases

All leases that do not transfer substantially to the Group all the risks and rewards incidental to ownership are classified as operating leases and, the leased assets are not recognised on the statement of financial position of the Group.

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

4.11 INVENTORIES

Inventories are stated at the lower of cost and net realisable value. The cost of raw materials is determined on the weighted average cost method and comprises the purchase price and incidentals incurred in bringing the raw materials to their present location and condition.

Cost of finished goods and work-in-progress is determined using the standard cost basis, which approximates the actual costs and includes the cost of materials, labour and an appropriate proportion of production overheads.

Net realisable value represents the estimated selling price less the estimated costs of completion and the estimated costs necessary to make the sale.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019
(cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.12 INCOME TAXES

(a) Current Tax

Current tax assets and liabilities are expected amount of income tax recoverable or payable to the taxation authorities.

Current taxes are measured using tax rates and tax laws that have been enacted or substantively enacted at the end of the reporting period and are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss (either in other comprehensive income or directly in equity).

(b) Deferred Tax

Deferred tax are recognised using the liability method for all temporary differences other than those that arise from goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. The carrying amounts of deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that the related tax benefits will be realised.

Current and deferred tax items are recognised in correlation to the underlying transactions either in profit or loss, other comprehensive income or directly in equity. Deferred tax arising from a business combination is adjusted against goodwill or negative goodwill.

Current tax assets and liabilities or deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same taxable entity (or on different tax entities but they intend to settle current tax assets and liabilities on a net basis) and the same taxation authority.

4.13 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits, and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value with original maturity periods of three months or less.

4.14 PROVISIONS

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate of the amount can be made. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the provision is the present value of the estimated expenditure required to settle the obligation. The discount rate shall be a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as interest expense in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019
(cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.15 EMPLOYEE BENEFITS

(a) Short-term Benefits

Wages, salaries, paid annual leave and sick leave, bonuses and non-monetary benefits are measured on an undiscounted basis and are recognised in profit or loss in the period in which the associated services are rendered by employees of the Group.

(b) Defined Contribution Plans

The Group's contributions to defined contribution plans are recognised in profit or loss in the period to which they relate. Once the contributions have been paid, the Group has no further liability in respect of the defined contribution plans.

(c) Share-based Payment Transactions

The Group operates an equity-settled share-based compensation plan whereby certain employees of the Group and the Company have been granted rights to equity instruments of the Company (known as "share options") for services provided to the Group.

At grant date, the fair value of share options granted to employees is recognised as an employee expense, with a corresponding increase to capital contribution in equity, over the period in which the employees become unconditionally entitled to the share options. The amount recognised as an expense is adjusted to reflect the actual number of share options that are expected to vest. Service and non-market performance conditions attached to the transaction are not taken into account in determining the fair value.

In the Company's separate financial statements, the grant of the share options to the subsidiaries' employees is not recognised as an expense. Instead, the fair value of the share options measured at the grant date is accounted for as an increase to the investment in subsidiary undertaking with a corresponding credit to the employee share option scheme reserve.

Upon expiry of the share option, the employee share option scheme reserve is transferred to retained profits.

When the share options are exercised, the employee share option scheme reserve is transferred to share capital if new ordinary shares are issued.

4.16 CONTINGENT LIABILITIES

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

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

4.17 OPERATING SEGMENTS

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019
(cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.18 BORROWING COSTS

Borrowing costs that directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of those assets, until such time as the assets are ready for their intended use or sale. The capitalisation of borrowing costs is suspended during extended periods in which active development is interrupted.

All other borrowing costs are recognised in profit or loss as expenses in the period in which they are incurred.

4.19 EARNINGS PER ORDINARY SHARE

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

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

4.20 FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using a valuation technique. The measurement assumes that the transaction takes place either in the principal market or in the absence of a principal market, in the most advantageous market. For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. However, this basis does not apply to share-based payment transactions.

For financial reporting purposes, the fair value measurements are analysed into level 1 to level 3 as follows:-

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

The transfer of fair value between levels is determined as of the date of the event or change in circumstances that caused the transfer.

4.21 REVENUE FROM CONTRACTS WITH CUSTOMERS AND OTHER INCOME

Revenue is recognised by reference to each distinct performance obligation in the contract with customer and is measured at the consideration specified in the contract of which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, net of sales and service tax, returns, rebates and discounts.

The Group recognises revenue when (or as) it transfers control over a product or service to customer. An asset is transferred when (or as) the customer obtains control of that asset.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019
(cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.21 REVENUE FROM CONTRACTS WITH CUSTOMERS AND OTHER INCOME (CONT'D)

The Group transfers control of a good or service at a point in time unless one of the following overtime criteria is met:-

- The customer simultaneously receives and consumes the benefits provided as the Group performs.
- The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced.
- 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.

(a) Sale of Goods

Revenue from sale of goods is recognised when the Group has transferred control of the goods to the customer, being when the goods have been delivered to the customer and upon its acceptance. Following delivery, the customer has full discretion over the manner of distribution and price to sell the goods, and bears the risks of obsolescence and loss in relation to the goods.

The Group's obligation to replace or compensate faulty products under the standard terms is recognised as a provision.

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

(b) Interest Income

Interest income is recognised on an accrual basis using the effective interest method.

(c) Dividend Income

Dividend income from investments is recognised when the right to receive dividend payment is established.

(d) Rental Income

Rental income is accounted for on a straight-line method over the lease term.

(e) Rendering of Facility Services Fee

Revenue from providing facilities services is recognised over time in the period in which the services are rendered.

Customers are invoiced on a monthly basis and consideration is payable when invoiced.

(f) Government Grants

Government grants are recognised at their fair value when there is reasonable assurance that they will be received and all conditions attached will be met.

Grants that compensate the Group for expenses incurred are recognised in profit or loss on a systematic basis over the period necessary to match them with the related expenses which they are intended to compensate for. These grants are presented as other income in profit or loss.

Grants that compensate the Group for the cost of an asset are recognised as deferred grant income in the statement of financial position and are amortised to profit or loss on a systematic basis over the expected useful life of the relevant asset.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019
(cont'd)

5. INVESTMENTS IN SUBSIDIARIES

	The Company	
	2019	2018
	RM'000	RM'000
Unquoted shares, at cost:-	463,777	463,777
Share options granted to the employees of subsidiaries:		
- At 1 January	14,528	10,711
- Additions during the financial year	4,006	3,817
- At 31 December	18,534	14,528
	482,311	478,305
Less: Accumulated impairment losses	(26,634)	(26,634)
	455,677	451,671
Accumulated impairment losses:-		
At 1 January/31 December	(26,634)	(26,634)

The details of the subsidiaries are as follows:-

Name of Subsidiary	Principal Place of Business/Country of Incorporation	Percentage of Issued Share Capital Held by Parent		Principal Activities
		2019 %	2018 %	
Subsidiaries of the Company:-				
Omega Semiconductor Sdn. Bhd. (“Omega”)	Malaysia	100	100	Dormant.
Dominant Opto Technologies Sdn. Bhd. (“Dominant Malaysia”)	Malaysia	89.79	89.79	Manufacturing semiconductor components and machineries.
Subsidiary of Omega:-				
Equity Group Investment Limited (“EGIL”) ^ ^ ##	The British Virgin Islands	-	100	An investment holding company.
Subsidiaries of Dominant Malaysia:-				
Dominant Semiconductors Europe GmbH ^	Germany	100	100	Merchandising semiconductor components.
Dominant Opto Technologies Korea Inc ^	The Republic of Korea	100	100	Merchandising semiconductor components.
Domilight Technologies Sdn. Bhd. @	Malaysia	54	54	Dormant.
Dominant Technologies (Singapore) Pte. Ltd. (formerly known as Dominant Semiconductors (Singapore) Pte. Ltd.) (“Dominant Singapore”) #	Singapore	100	100	An investment holding company.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019
(cont'd)

5. INVESTMENTS IN SUBSIDIARIES (CONT'D)

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

Name of Subsidiary	Principal Place of Business/Country of Incorporation	Percentage of Issued Share Capital Held by Parent		Principal Activities
		2019	2018	
		%	%	
Subsidiaries of Dominant Malaysia (Cont'd):-				
Dominant Opto Technologies (Shanghai) Co., Ltd. #	The People's Republic of China	100	100	Merchandising semiconductor components.
Dominant Opto Technologies North America, Inc. ^^	United States of America	100	100	Merchandising semiconductor components and receiving sales commission of related products.
Dominant Electronics Sdn. Bhd.	Malaysia	100	100	Design, production and sales of printed circuit board assemblies and provision of engineering services.
Dominant Opto Technologies Japan K.K. ^^	Japan	100	100	Merchandising semiconductor components and receiving sales commission of related products.
Dominant Technologies Sdn. Bhd. (formerly known as Dominant Integrated Circuits Sdn. Bhd.) ("Dominant Technologies")	Malaysia	100	-	An investment holding company.
Subsidiary of Dominant Technologies:-				
DOT Semiconductor Inc. ^^	United States of America	100	-	Design, develop and sell integrated circuit chips for LED applications.
Subsidiary of Dominant Singapore:-				
Dominant Semiconductors (Lao) Sole Co., Ltd ^^	The Lao People's Democratic Republic	100	100	Dormant.

Notes:-

These subsidiaries were audited by other firms of chartered accountants.

^ These subsidiaries were audited by member firms of Crowe Global of which Crowe Malaysia PLT is a member.

^^ Not required to be audited under the laws of the country of incorporation.

@ The subsidiary has submitted for struck off during the current financial year on 22 November 2019.

Omega disposed its entire equity interest in Equity Group Investments Limited ("EGIL") during the financial year on 30 May 2019.

(a) In the last financial year, the Company had acquired an additional 27.95% equity interests in Dominant Malaysia, from its non-controlling interests for a total purchase consideration of RM275,212,500. Following the completion of the acquisition, Dominant Malaysia became a 89.79% owned subsidiary of the Company.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019
(cont'd)

5. INVESTMENTS IN SUBSIDIARIES (CONT'D)

- (b) The non-controlling interests at the end of the reporting period comprise the following:-

	Effective Equity Interest		The Group	
	2019	2018	2019	2018
	%	%	RM'000	RM'000
Dominant Malaysia	10.21	10.21	31,489	29,190

- (c) The summarised financial information (before intra-group elimination) for each subsidiary that has non-controlling interests that are material to the Group is as follows:-

	Dominant Group	
	2019	2018
	RM'000	RM'000
<u>At 31 December</u>		
Non-current assets	236,493	194,981
Current assets	337,510	309,730
Non-current liabilities	(53,389)	(24,049)
Current liabilities	(193,837)	180,418
Net assets	326,777	300,244
<u>Financial Year Ended 31 December</u>		
Revenue	504,305	490,775
Profit for the financial year	41,016	44,832
Total comprehensive income	39,688	44,692
Net cash flows from operating activities	50,110	66,156
Net cash flows for investing activities	(74,105)	(64,317)
Net cash flows from/(for) financing activities	38,902	(384)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

(cont'd)

6. PROPERTY, PLANT AND EQUIPMENT

	<div>← 1.1.2019 →</div>														
	As Previously Reported of	Initial Application of MFRS 16	As Restated	Additions	Disposals	Impairment Loss	Write-offs	Transfers	Currency Translation Differences	Depreciation Charges	At 31.12.2019				
The Group	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000				
2019															
Carrying Amount															
Leasehold land	7,435	(7,435)	-	-	-	-	-	-	-	-	-				
Buildings	10,700	-	10,700	-	-	-	-	-	(103)	(3,036)	7,561				
Renovation	11,960	-	11,960	807	-	-	-	1,410	(1)	(2,910)	11,266				
Plant and machinery	137,754	-	137,754	5,400	-	-	(524)	35,260	(2)	(27,404)	150,484				
Motor vehicles	1,006	(839)	167	-	-	-	-	-	(2)	(38)	127				
Furniture and fittings, office equipment and electrical installation	3,947	-	3,947	3,785	(2)	-	(7)	-	(20)	(1,828)	5,875				
Capital work-in-progress	17,653	-	17,653	65,873	-	(8)	(3)	(36,670)	-	-	46,845				
	190,455	(8,274)	182,181	75,865	(2)	(8)	(534)	-	(128)	(35,216)	222,158				

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019
(cont'd)

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

The Group	At 1.1.2018 RM'000	Additions RM'000	Disposals RM'000	Write-offs RM'000	Transfers RM'000	Currency Translation Differences RM'000	Depreciation Charges RM'000	At 31.12.2018 RM'000
2018								
<i>Carrying Amount</i>								
Leasehold land	7,537	-	-	-	-	-	(102)	7,435
Buildings	11,802	-	-	-	-	170	(1,272)	10,700
Renovation	9,253	1,679	-	-	3,633	-	(2,605)	11,960
Plant and machinery	124,965	8,424	(550)	(514)	29,953	(4)	(24,520)	137,754
Motor vehicles	552	667	-	-	-	(5)	(208)	1,006
Furniture and fittings, office equipment and electrical installation	3,712	1,733	-	(113)	-	2	(1,387)	3,947
Capital work-in-progress	8,290	42,957	-	(8)	(33,586)	-	-	17,653
	166,111	55,460	(550)	(635)	-	163	(30,094)	190,455

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019
(cont'd)

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

The Group	At Cost RM'000	Accumulated Depreciation RM'000	Carrying Amount RM'000
2019			
Buildings	15,792	(8,231)	7,561
Renovation	28,734	(17,468)	11,266
Plant and machinery	333,210	(182,726)	150,484
Motor vehicles	652	(525)	127
Furniture and fittings, office equipment and electrical installation	17,497	(11,622)	5,875
Capital work-in-progress	46,845	-	46,845
	442,730	(220,572)	222,158
2018			
Leasehold land	7,884	(449)	7,435
Buildings	21,890	(11,190)	10,700
Renovation	26,521	(14,561)	11,960
Plant and machinery	301,900	(164,146)	137,754
Motor vehicles	2,040	(1,034)	1,006
Furniture and fittings, office equipment and electrical installation	19,385	(15,438)	3,947
Capital work-in-progress	17,653	-	17,653
	397,273	(206,818)	190,455

The Company	1.1.2019		At 1.1.2019 RM'000	Depreciation Charges RM'000	At 31.12.2019 RM'000
	As Previously Reported RM'000	Initial Application Of MFRS16 RM'000			
2019					
<i>Carrying Amount</i>					
Leasehold land	2,795	(2,795)	-	-	-
Buildings	2,987	-	2,987	(663)	2,324
	5,782	(2,795)	2,987	(663)	2,324

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019
(cont'd)

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

	At 1.1.2018	Depreciation Charges	At 31.12.2018
	RM'000	RM'000	RM'000
The Company			
2018			
<i>Carrying Amount</i>			
Leasehold land	2,834	(39)	2,795
Buildings	3,664	(677)	2,987
Plant and machinery	20	(20)	-
Furniture and fittings, office equipment and electrical installation	10	(10)	-
	6,528	(746)	5,782

	At Cost	Accumulated Depreciation	Carrying Amount
	RM'000	RM'000	RM'000
The Company			
2019			
Buildings	9,140	(6,816)	2,324
Plant and machinery	1,195	(1,195)	-
Furniture and fittings, office equipment and electrical installation	1,477	(1,477)	-
	11,812	(9,488)	2,324

2018			
Leasehold land	3,118	(323)	2,795
Buildings	9,140	(6,153)	2,987
Plant and machinery	1,195	(1,195)	-
Furniture and fittings, office equipment and electrical installation	1,477	(1,477)	-
	14,930	(9,148)	5,782

- (a) Capital work-in-progress represents building, plant and machinery under construction which are not ready for commercial use at the end of the reporting period.
- (b) As at 31 December 2019, the property, plant and equipment of the Group and the Company with a carrying amount of RM97,693,087 and Nil (2018 – RM63,741,948 and RM5,782,133) respectively, were pledged to licensed banks for credit facilities granted to the Group.
- (c) In the last financial year, included in the property, plant and equipment of the Group were motor vehicles with a total carrying amount of RM839,015, which were acquired under hire purchase terms. These leased assets had been pledged as security for the hire purchase payables of the Group as disclosed in Note 25 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019
(cont'd)

7. RIGHT-OF-USE ASSETS

	1.1.2019		As Restated RM'000	Additions RM'000	Termination RM'000	Currency Translation Differences RM'000	Depreciation Charges (Note 29) RM'000	At 31.12.2019 RM'000
	As Previously Reported RM'000	Initial Application of MFRS 16 RM'000						
The Group								
2019								
<i>Carrying Amount</i>								
Leasehold land:								
- reclassification from PPE (MFRS 16)	-	7,435	7,435	-	-	-	(103)	7,332
- others	-	281	281	-	-	-	(74)	207
Buildings	-	829	829	477	(249)	(13)	(535)	509
Motor vehicles:								
- reclassification from PPE (MFRS 16)	-	839	839	-	-	-	(248)	591
- others	-	239	239	-	-	(6)	(116)	117
Furniture and fittings, office equipment and electrical installation	-	140	140	-	-	-	(64)	76
	-	9,763	9,763	477	(249)	(19)	(1,140)	8,832

Analysed by:-

Cost	10,669
Accumulated depreciation	(1,837)
	8,832

The comparative information is not presented as the Group has applied MFRS 16 using the modified retrospective approach.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019
(cont'd)

7. RIGHT-OF-USE ASSETS (CONT'D)

	1.1.2019		As Restated RM'000	Depreciation Charges (Note 29) RM'000	At 31.12.2019 RM'000
	As Previously Reported RM'000	Initial Application of MFRS 16 RM'000			
The Company					
2019					
<i>Carrying Amount</i>					
Leasehold land	-	2,795	2,795	(38)	2,757
	-	2,795	2,795	(38)	2,757
Analysed by:-					
Cost	3,118				
Accumulated depreciation	(361)				
	2,757				

The comparative information is not presented as the Company has applied MFRS 16 using the modified retrospective approach.

As at 31 December 2019, the right-of-use assets of the Group with a carrying amount of RM4,575,000 was pledged to licensed banks for credit facilities granted to the Group.

(a) The Group leasing activities are summarised below:-

- | | | |
|-------|--|---|
| (i) | Leasehold land | The Group has 3 leasehold factory lands. It is under lease period of 3, 85 and 99 years. The leases do not allow the Group to transfer or create any charge, whole or any part of the land unless prior consent from the state authority. |
| (ii) | Buildings | The Group has leased 3 office buildings under operating leases agreements that run between 2 to 5 years. |
| (iii) | Motor vehicles | The Group has leased certain motor vehicles under hire purchase arrangements with lease terms of 5 years. These leases are secured by the related motor vehicles. At the end of the lease term, the Group has the option to purchase the asset at an insignificant amount. The Group has also leased certain motor vehicles under operating leases with lease terms of 3 years. |
| (iv) | Furniture and fittings, office equipment and electrical installation | The Group has leased 3 servers under operating leases agreements that run for 3 years. |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019
(cont'd)

8. OTHER INVESTMENTS

	The Group		The Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Quoted shares, at fair value	28,710	19,376	28,710	19,376
Unquoted shares, at fair value	-	5,123	-	5,123
	28,710	24,499	28,710	24,499
Quoted and Unquoted shares:-				
At 1 January	24,499	21,283	24,499	21,179
Disposal during the financial year	-	(104)	-	-
Fair value changes	4,211	3,320	4,211	3,320
At 31 December	28,710	24,499	28,710	24,499

Equity Investments at Fair Value Through Other Comprehensive Income

- (a) The Group has designated the below equity investments at fair value through other comprehensive income because the Group intends to hold for the long-term strategic purposes.

The fair value of each investment is summarised below:-

	The Group/The Company	
	2019	2018
	RM'000	RM'000
Unquoted shares - Tongfang Optoelectronic (HK) Limited	-	5,123
Quoted shares - Securitag Assembly Group Co., Ltd.	28,710	19,376
	28,710	24,499

9. INTANGIBLE ASSETS

	At 1.1.2019	Additions	Amortisation	At 31.12.2019
	RM'000	RM'000	RM'000	RM'000
The Group				
2019				
<i>Carrying Amount</i>				
Patent licence	10,008	186	(1,047)	9,147
Development expenditure in progress	-	1,207	-	1,207
	10,008	1,393	(1,047)	10,354

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019
(cont'd)

9. INTANGIBLE ASSETS (CONT'D)

The Group	At Cost RM'000	Accumulated Amortisation RM'000	Carrying Amount RM'000
2019			
Patent licence	16,389	(7,242)	9,147
Development expenditure in progress	1,207	-	1,207
	17,596	(7,242)	10,354

The Group	At 1.1.2018 RM'000	Additions RM'000	Amortisation RM'000	At 31.12.2018 RM'000
2018				
<i>Carrying Amount</i>				
Patent licence	2,383	8,157	(532)	10,008

The Group	At Cost RM'000	Accumulated Amortisation RM'000	Carrying Amount RM'000
2018			
Patent licence	16,203	(6,195)	10,008

10. GOODWILL

	The Group	
	2019 RM'000	2018 RM'000
Goodwill	24,207	24,207

The goodwill arose from the investment in a subsidiary and is reviewed for impairment annually.

During the financial year, the Group has assessed the recoverable amount of goodwill on consolidation, and determined that goodwill is not impaired.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019
(cont'd)

10. GOODWILL (CONT'D)

The recoverable amounts of the cash-generating units are determined using the value in use approach, and this is derived from the present value of the future cash flows from the operating segments computed based on the projections of financial budgets approved by management covering a period of 5 years. The key assumptions used in the determination of the recoverable amounts are as follows:-

	2019	2018	Basis
	%	%	
Growth rate	10	12-15	Based on the management's expectation of market development.
Budgeted gross margin	28	29-30	Based on past performance and the management's expectation of market development.
Discount rate (pre-tax)	9.20	9.65	Reflects specific risks.

The values assigned to the key assumptions represent management's assessment of future trends in the cash-generating units and are based on both external sources and internal historical data.

The management believes that no reasonable possible change in the above key assumptions applied that is likely to materially cause the carrying value of the goodwill to exceed its recoverable amount.

11. INVENTORIES

	The Group	
	2019	2018
	RM'000	RM'000
At cost:-		
Raw materials	19,390	27,987
Work-in-progress	92,416	74,180
Finished goods	39,832	47,924
	151,638	150,091
Recognised in profit or loss:		
Inventories recognised as cost of sales	363,862	350,914
Inventories written down	503	466
Inventories written off	7,343	3,237

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019
(cont'd)

12. TRADE RECEIVABLES

	The Group	
	2019	2018
	RM'000	RM'000
Trade receivables	118,378	103,526
Allowance for impairment losses	(1,134)	(1,118)
	117,244	102,408
Allowance for impairment losses:-		
At 1 January	(1,118)	(1,057)
Addition during the financial year	(230)	(213)
Reversal during the financial year	130	149
Translation differences	5	3
Written off during the financial year	79	-
At 31 December	(1,134)	(1,118)

The Group's normal trade credit terms range from 30 to 90 (2018 - 30 to 90) days.

Included in the trade receivables of the Group in the previous financial year, was an amount owing by a related party amounted to RM7,000.

The amount owing is unsecured, interest-free and repayable according to the normal trade credit terms. The amount owing is to be settled in cash.

The nature of the related party relationship and details of the transactions involved are disclosed in Note 35 to the financial statements.

13. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	The Group		The Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Other receivables	2,678	4,065	56	185
Allowance for impairment losses	(928)	(926)	-	-
	1,750	3,139	56	185
Deposits	880	828	-	-
Prepayments	3,406	4,011	11	13
Others	161	78	-	-
	6,197	8,056	67	198

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019
(cont'd)

13. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (CONT'D)

	The Group	
	2019	2018
	RM'000	RM'000
Allowance for impairment losses:-		
At 1 January	(926)	(439)
Addition during the financial year	(2)	(487)
At 31 December	(928)	(926)

14. DEPOSITS WITH FINANCIAL INSTITUTIONS

- (a) The deposits with financial institutions of the Group at the end of the reporting period bore an effective interest rate ranging from 0.90% to 2.75% (2018 - 2.90%) per annum. The deposits have maturity period of 7 days to 1 month (2018 - 1 month).
- (b) Included in the deposits with financial institutions of the Group at the end of the reporting period is an amount of RM472,026 (2018 - RM458,820) which has been pledged to a licensed bank as security for banking facilities granted to the Group.
- (c) Included in the deposits with financial institutions of the Group in the previous financial year was an amount of RM2,886,548 which had been placed as short term fund.

15. SHARE CAPITAL

	The Group/The Company			
	2019	2018	2019	2018
	Number Of Shares			
	'000	'000	RM'000	RM'000
Issued and Fully Paid-up				
Ordinary Shares				
At 1 January	1,102,434	1,004,030	164,916	110,350
New shares issued upon exercise of ESOS options	16,567	24,310	3,889	5,540
Transfer from ESOS reserves upon exercise of ESOS options	-	-	2,754	4,093
New shares issued upon conversion of ICPS	-	74,094	-	44,933
At 31 December	1,119,001	1,102,434	171,559	164,916

- (a) During the financial year, the Company increased its issued and paid-up share capital from RM164,916,781 to RM171,559,260 by way of:-
- (i) issuance of 9,240,000 new ordinary shares at an exercise price of RM0.17, pursuant to the ESOS;
 - (ii) issuance of 3,791,500 new ordinary shares at an exercise price of RM0.30, pursuant to the ESOS;
 - (iii) issuance of 60,000 new ordinary shares at an exercise price of RM0.26, pursuant to the ESOS;

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019
(cont'd)

15. SHARE CAPITAL (CONT'D)

- (a) During the financial year, the Company increased its issued and paid-up share capital from RM164,916,781 to RM171,559,260 by way of (Cont'd):-
- (iv) issuance of 212,500 new ordinary shares at an exercise price of RM0.25, pursuant to the ESOS;
 - (v) issuance of 2,343,500 new ordinary shares at an exercise price of RM0.28, pursuant to the ESOS; and
 - (vi) issuance of 920,000 new ordinary shares at an exercise price of RM0.495, pursuant to the ESOS.
- The new ordinary shares issued rank pari passu in all respects with the existing shares of the Company.
- (b) The holders of ordinary shares are entitled to receive dividends as and when declared by the Company, and are entitled to one vote per share at meetings of the Company.

16. IRREDEEMABLE CONVERTIBLE PREFERENCE SHARES

	The Group/The Company			
	2019	2018	2019	2018
	Number Of Shares			
	'000	'000	RM'000	RM'000
At 1 January	377,074	-	228,671	-
Issuance during the financial year	-	451,168	-	275,212
Conversion during the financial year	-	(74,094)	-	(44,933)
ICPS issuance expenses	-	-	-	(1,608)
At 31 December	377,074	377,074	228,671	228,671

In the last financial year, the Company issued 451,168,029 ICPS at an issue price of RM0.61 per ICPS share for the acquisition of 27.95% equity interests in a subsidiary for a total purchase consideration of RM275,212,500. The salient terms of the ICPS are as follows:

- (a) Each ICPS shall be converted at the option of the holders into one ordinary share of the Company at any time, subject to the terms of ICPS;
- (b) The ICPS will not be listed on the Main Market of Bursa Securities ("Bursa"), however, the converted shares will be listed and quoted on Bursa;
- (c) There is no dividend rate for ICPS, however, if the Company declares, makes or pays any dividends and/or other distributions to the shareholders, the Company shall declare the same dividends and/or distribution to the ICPS holder;
- (d) The ICPS shall not be transferable, save and except for transfers between the holders of the ICPS, subject to the applicable laws, regulations and rules that would apply to the securities of the Company;
- (e) The ICPS shall rank equally among themselves. Upon the liquidation, dissolution or winding up of the Company, a distribution in equal priority with the holders of ordinary shares. The ICPS shall rank subordinated to all creditors of the Company in respect of payment of debt and payment out of assets of the Company upon liquidation, dissolution, or winding-up of the Company.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019
(cont'd)

17. RESERVES

	Note	The Group		The Company	
		2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Distributable:-					
(Accumulated losses)/Retained profits		(102,843)	(123,283)	21,525	22,771
Non-distributable:-					
Fair value reserve	(a)	15,770	11,559	15,770	11,559
Foreign exchange translation reserve	(b)	(3,420)	(2,226)	-	-
ESOS reserve	(c)	15,975	13,581	15,975	13,581
Capital reserve	(d)	29,918	29,918	-	-
		(44,600)	(70,451)	53,270	47,911

(a) Fair Value Reserve

The fair value reserve represents the cumulative fair value changes (net of tax, where applicable) of investment designated at fair value through other comprehensive income.

(b) Foreign Exchange Translation Reserve

The foreign exchange translation reserve arose from the translation of the financial statements of foreign subsidiaries whose functional currencies are different from the Group's presentation currency.

(c) Employee Share Option Scheme Reserve

The employee share option scheme reserve represents the equity-settled share options granted to employees. The reserve is made up of the cumulative value of services received from employees recorded over the vesting period commencing from the grant date of equity-settled share options, and is reduced by the expiry, exercise or lapse of the share options.

The Employee Share Option Scheme of the Company ("ESOS") is governed by the ESOS By-Laws and was approved by shareholders on 28 June 2011. The ESOS is to be in force for a period of 10 years effective from 7 September 2011.

The main features of the ESOS are as follows:-

- (i) Eligible persons are employees and/or directors of the Group, excluding an employee of dormant subsidiary within the Group, who have attained the age of at least eighteen years old.
- (ii) The maximum number of new ordinary shares of the Company, which may be available under the scheme, shall not exceed in aggregate fifteen percent (15%), or any such amount or percentage as may be permitted by the relevant authorities of the issued and paid-up share capital of the Company at any one time during the existence of the ESOS.
- (iii) The option price shall be determined by the Board of Directors of the Company upon recommendation of the Option Committee which is at a discount of not more than ten percent (10%) on the five (5)-day weighted average market price of shares of the Company immediately preceding the offer date of the option.
- (iv) The option may be exercised by the option holders by notice in writing to the Company in the prescribed form during the option period in respect of all or any part of the new ordinary shares of the Company comprised in the ESOS.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019
(cont'd)

17. RESERVES (CONT'D)

(c) Employee Share Option Scheme Reserve (Cont'd)

The main features of the ESOS are as follows (Cont'd):-

- (v) All new ordinary shares issued upon exercise of the options granted under the ESOS will rank pari passu in all respects with the existing ordinary shares of the Company, provided always that new ordinary shares so allotted and issued, will not be entitled to any dividends, rights, allotments and/or other distributions declared, where the entitlement date of which is prior to the date of allotment and issuance of the new ordinary shares.
- (vi) The aggregate allocation to the Directors and Senior Management of the Group shall not exceed fifty percent (50%) of new shares of the Company available under the Scheme.

The option prices and the details in the movement of the options granted are as follows:-

Date of Offer	Exercise Price RM	At 1.1.2019 '000	Granted *	Lapsed ^	Exercised	At 31.12.2019 '000	Number of Options over Ordinary Shares		
							Cumulative At 31.12.2019		
							Granted	Lapsed	Exercised
			'000	'000	'000	'000	'000	'000	'000
21.09.2011 #	0.17	19,004	-	-	(9,240)	9,764	67,224	(11,693)	(45,767)
14.08.2013 ##	0.30	18,792	-	-	(3,792)	15,000	32,710	(2,414)	(15,296)
13.10.2014 ##	0.26	60	-	-	(60)	-	240	-	(240)
15.06.2015 ##	0.25	125	-	-	(62)	63	350	-	(287)
24.08.2015 ##	0.25	250	-	-	(150)	100	300	-	(200)
24.11.2016 ####	0.28	17,752	-	(854)	(2,343)	14,555	22,564	(1,849)	(6,160)
05.10.2017 ####	0.495	10,580	-	(420)	(920)	9,240	11,400	(920)	(1,240)
01.11.2018 #####	0.725	21,350	-	(852)	-	20,498	21,637	(1,036)	(103)
16.12.2019 *	0.74	-	5,237	-	-	5,237	5,237	-	-
		87,913	5,237	(2,126)	(16,567)	74,457	161,662	(17,912)	(69,293)

Notes:-

These options are exercisable in stages if the employee remains in service after 3 years from the date of grant.

These options are exercisable in stages if the employee remains in service after 2 years from the date of grant.

These options are exercisable in stages if the employee remains in service after 1 year from the date of grant.

These options are exercisable in stages.

^ The options which lapsed during the financial year were due to resignation of employees.

* During the financial year, the Company granted 5,237,000 share options under the ESOS. These options are exercisable in stages.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019
(cont'd)

17. RESERVES (CONT'D)

(c) Employee Share Option Scheme Reserve (Cont'd)

The fair values of the share options granted were estimated using a black-scholes model, taking into account the terms and conditions upon which the options were granted. The fair values of the share options measured at grant date and the assumptions used are as follows:-

	Granted on 16.12.2019	Granted on 1.11.2018	Granted on 5.10.2017
Fair value of share options at the grant date (RM)	0.23	0.31	0.26
Weighted average ordinary share price (RM)	0.82	0.81	0.55
Exercise price of share option (RM)	0.74	0.73	0.50
Expected volatility (%)	39.78	39.03	43.30
Expected life from the grant date (years)	1.68	3	4
Risk free rate (%)	3.45	4.15	3.92
Expected dividend yield (%)	Nil	Nil	Nil

	Granted on 24.11.2016	Granted on 24.8.2015	Granted on 15.6.2015
Fair value of share options at the grant date (RM)	0.13	0.18	0.16
Weighted average ordinary share price (RM)	0.31	0.27	0.27
Exercise price of share option (RM)	0.28	0.25	0.25
Expected volatility (%)	37.66	79.34	75.86
Expected life from the grant date (years)	5	6	6
Risk free rate (%)	3.60	4.14	4.02
Expected dividend yield (%)	Nil	Nil	Nil

	Granted on 13.10.2014	Granted on 14.8.2013	Granted on 21.9.2011
Fair value of share options at the grant date (RM)	0.14	0.26	0.13
Weighted average ordinary share price (RM)	0.29	0.33	0.18
Exercise price of share option (RM)	0.26	0.30	0.17
Expected volatility (%)	55.18	65.73	70.18
Expected life from the grant date (years)	7	8	10
Risk free rate (%)	4.12	3.85	3.59
Expected dividend yield (%)	Nil	Nil	Nil

(d) Capital Reserve

The capital reserve arose from the issuance of new shares by a subsidiary to non-controlling interest at a premium. The issuance of new shares affected the ownership interest in the subsidiary without a change in control.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019
(cont'd)

18. LEASE LIABILITIES

	The Group 2019 RM'000
At 1 January	
- As previously reported	-
- Initial application of MFRS16	2,619
- As restated	2,619
Interest expense recognised in profit or loss (Note 29)	70
Repayment of principal	(997)
Repayment of interest expense	(70)
Termination of lease	(254)
At 31 December	1,368
Analysed by:-	
Current liabilities	761
Non-current liabilities	607
	1,368

The comparative information is not presented as the Group has applied MFRS 16 using the modified retrospective approach.

Certain lease liabilities of the Group are secured by the Group's motor vehicles under hire purchase arrangements as disclosed in Note 7(a)(iii) to the financial statements, with lease terms ranging from 3 to 5 years and bear effective interest rates ranging from 3.67% to 5.10%.

19. LONG-TERM BORROWINGS

	The Group 2019 RM'000	2018 RM'000
Hire purchase payables (Note 25)	-	539
Term loans (Note 26)	37,349	11,222
	37,349	11,761

20. DEFERRED TAX LIABILITIES

	The Group 2019 RM'000	2018 RM'000	The Company 2019 RM'000	2018 RM'000
At 1 January	12,438	10,203	150	150
Recognised in profit or loss (Note 30)	3,145	2,235	-	-
At 31 December	15,583	12,438	150	150

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019
(cont'd)

20. DEFERRED TAX LIABILITIES (CONT'D)

The deferred liabilities are presented after appropriated:-

	The Group		The Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Deferred tax assets:-				
Provision	(1,730)	(2,809)	-	-
Deferred tax liability:-				
Excess of capital allowances over depreciation	17,313	15,247	150	150
	15,583	12,438	150	150

21. TRADE PAYABLES

The normal trade credit terms granted range from 30 to 120 (2018 - 30 to 120) days.

Included in trade payables of the Group is an amount owing to related parties amounting to RM61,716,785 (2018 – RM60,072,219). The amount owing is unsecured, interest-free and subject to the normal trade credit terms. The amount owing is to be settled in cash.

The nature of the related party relationship and details of the transactions involved are disclosed in Note 35 to the financial statements.

22. OTHER PAYABLES AND ACCRUALS

	The Group		The Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Other payables	9,015	4,962	93	102
Accruals and provision	8,878	17,356	421	600
Deposits received	10	7	-	-
	17,903	22,325	514	702

Included in provision are derivatives assets/(liabilities) as follows:-

	Contract/Notional Amount		The Group	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Forward currency contract				
- Chinese Renminbi ("RMB")	24,986	30,065	66	151
- Euro	-	1,231	-	10
- United States Dollar	20,465	-	623	-
			689	161

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019
(cont'd)

22. OTHER PAYABLES AND ACCRUALS (CONT'D)

The Group does not apply hedge accounting.

Forward currency contracts are used to hedge the Group's foreign currency collection denominated in Chinese Renminbi and United States Dollar (2018 - RMB and Euro) at the end of the reporting period. The settlement dates on forward currency contracts range between 1 to 5 (2018 - 1 to 5) months after the end of the reporting period.

23. AMOUNTS OWING BY/(TO) A SUBSIDIARY

The amounts owing are non-trade in nature, unsecured, interest-free and repayable on demand. The amounts owing are to be settled in cash.

24. SHORT-TERM BORROWINGS

	Note	The Group		The Company	
		2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Bankers' acceptances	a	22,931	7,606	-	-
Hire purchase payables (Note 25)		-	220	-	-
Term loans (Note 26)		36,829	15,498	-	-
Revolving credits	b	2,000	12,500	-	9,500
		61,760	35,824	-	9,500

- (a) The bankers' acceptances of the Group at the end of the reporting period bore effective interest rates ranging from 2.33% to 2.90% (2018 - 3.33% to 3.64%) per annum and are secured by a corporate guarantee of the Company.
- (b) The revolving credits of the Group at the end of the reporting period bore effective interest rate of 4.52% (2018 - 4.82% to 4.94%) per annum. The revolving credit of the Company as at the end of the previous financial period bore effective interest rate of 4.82% per annum. The revolving credits are secured by:-

As at 31 December 2018

- (i) a pledge of the Company's property, plant and equipment as disclosed in Note 6 to the financial statements; and
- (ii) a corporate guarantee of the Company.

As at 31 December 2019

- (i) a corporate guarantee of the Company.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019
(cont'd)

25. HIRE PURCHASE PAYABLES

	The Group 2018 RM'000
Minimum hire purchase payments:	
- not later than 1 year	245
- later than 1 year and not later than 5 years	596
	841
Less: Future finance charges	(82)
Present value of hire purchase payables	759
Analysed by:-	
Current liabilities (Note 24)	220
Non-current liabilities (Note 19)	539
	759

The hire purchase payables have been represented as "lease liabilities" as shown in Note 18 to the financial statements following the application of MFRS 16 by the Group using modified retrospective approach.

In the last financial year, the hire purchase payables bore effective interest rates ranging from 3.67% to 5.10% per annum. The interest rates were fixed at the inception of the hire purchase arrangements.

In the last financial year, the hire purchase payables of RM69,999 were secured by a guarantee of a director of the Group. The hire purchase arrangements were due to expire between 1 to 4 years.

26. TERM LOANS (SECURED)

	The Group 2019 RM'000	2018 RM'000
Current liabilities (Note 24)	36,829	15,498
Non-current liabilities (Note 19)	37,349	11,222
	74,178	26,720

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019
(cont'd)

26. TERM LOANS (SECURED) (CONT'D)

The repayment terms of the term loans are as follows:-

	Effective Interest Rate As At 31 December 2019	The Group	
	%	2019 RM'000	2018 RM'000
Term loan I, repayment in full in December 2019	-	-	5,001
Term loan II, repayment in 36 monthly instalments effective from August 2018	3.19 #	7,042	12,575
Term loan III, repayment in 60 monthly instalments effective from March 2018	4.32 #	4,083	5,834
Term loan IV, repayment in full in January 2020	1.25 ^	2,066	2,128
Term loan V, repayment in full in February 2020	1.25 ^	1,147	1,182
Term loan VI, repayment in 60 monthly instalments	4.32 #	17,759	-
Term loan VII, repayment in 36 monthly installments	3.73 #	30,698	-
Term loan VIII, repayment in 36 monthly instalments	3.27 #	11,383	-
		74,178	26,720

^ - Fixed rate term loan

- Floating rate term loan

Term loan I, II, VII and VIII are secured by a corporate guarantee of the Company and a fixed charge over plant and machinery which is included in the property, plant and equipment as disclosed in Note 6 to the financial statements.

Term loan III and VI is secured by a corporate guarantee of the Company and a fixed charge over leasehold land and building which is included in the property, plant and equipment and right-of-use assets as disclosed in Note 6 and 7 respectively to the financial statements.

Term loans IV and V are secured by a negative pledge on the assets of a subsidiary.

The interest rate profile of the term loans is summarised below:-

	Effective Interest Rate As At 31 December 2019	The Group	
	%	2019 RM'000	2018 RM'000
Fixed rate term loans	1.25	3,213	3,310
Floating rate term loans	3.19 - 4.32	70,965	23,410
		74,178	26,720

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019
(cont'd)

27. REVENUE

	The Group		The Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
<u>Revenue from contracts with customers</u>				
Sale of goods	504,305	490,775	-	-
<u>Revenue from other sources</u>				
Facility service fees	-	-	1,308	1,643
	504,305	490,775	1,308	1,643

Revenue of the Group represents the invoiced value of the goods sold less returns and trade discounts. Revenue of the Company represents facility service fees.

28. NET IMPAIRMENT LOSS ON FINANCIAL ASSETS

	The Group		The Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Impairment losses:				
- trade receivables (Note 12)	230	213	-	-
- other receivables (Note 13)	2	487	-	-
Reversal of impairment losses:				
- trade receivables (Note 12)	(130)	(149)	-	-
	102	551	-	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019
(cont'd)

29. PROFIT BEFORE TAXATION

	The Group		The Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Profit before taxation is arrived at after charging/(crediting):-				
Auditors' remuneration:				
- current year	330	329	51	51
- overprovision in the previous financial year	-	(4)	-	(4)
Amortisation of government grant	-	(143)	-	-
Amortisation of intangible assets	1,047	532	-	-
Bad debt written off	79	-	-	-
Depreciation of property, plant and equipment *	35,216	30,094	663	746
Depreciation of right-of-use assets	1,140	-	38	-
Directors' remuneration (Note 34)	3,463	3,235	1,936	1,936
Interest expense:				
- bankers' acceptances	693	144	-	-
- hire purchase	-	17	-	-
- lease liabilities	70	-	-	-
- revolving credits	320	579	125	579
- term loans	1,838	816	-	-
(Gain)/Loss on disposal of property, plant and equipment	(18)	390	-	-
(Gain)/Loss on foreign exchange:				
- realised	(1,082)	297	57	59
- unrealised	(2,367)	(1,707)	-	81
Net compensation to customers	511	698	-	-
Net fair value loss on marketable securities	-	61	-	-
Provision for impairment loss on property, plant and equipment	8	-	-	-

* Included in the depreciation of property, plant and equipment of the Group is an amount of RM909,792 (2018 - RM236,699) incurred for the research and development aspect.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019
(cont'd)

29. PROFIT BEFORE TAXATION (CONT'D)

	The Group		The Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Profit before taxation is arrived at after charging/(crediting) (Cont'd):-				
Property, plant and equipment written off	534	635	-	-
Research and development expenses	19,873	29,307	-	-
Dividend income from:				
- Investment in marketable securities: quoted shares	(258)	(313)	(258)	(298)
- Subsidiary	-	-	(15,409)	(15,409)
Interest income:				
- deposits with financial institutions	(241)	(202)	(12)	(3)
- others	(50)	(6)	-	-
Gain on disposal of investment in unquoted shares	-	(44)	-	-
Gain on disposal of marketable securities	-	(33)	-	-
Government grant income	-	(3,105)	-	-
Staff costs:				
- defined contribution plans	5,385	5,190	143	154
- employee benefits expenses	4,001	3,774	508	381
- salaries and other benefits	80,489	82,528	1,618	2,014

NOTES TO THE FINANCIAL STATEMENTS

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(cont'd)

30. INCOME TAX EXPENSE

	The Group		The Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Income tax:				
- Malaysian taxation	4,544	6,302	4	-
- Foreign taxation	1,082	1,905	-	-
(Over)/Underprovision in previous financial years:				
- Malaysian taxation	(790)	(1,362)	1	-
	4,836	6,845	5	-
Deferred tax liabilities (Note 20)				
- for the financial year	3,145	2,145	-	-
- underprovision in the previous financial year	-	90	-	-
Withholding tax on dividend received	32	841	32	41
	8,013	9,921	37	41

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2018 - 24%) of the estimated assessable profit for the financial year. Taxation for other jurisdictions is calculated at rates prevailing in the respective jurisdictions.

On 21 October 2016, the Government of Malaysia announced the reduction of income tax rate from 24% to a range of 20% to 24% based on the percentage of increase in chargeable income as compared to the immediate preceding year of assessment for years of assessment 2018.

A reconciliation of income tax expense applicable to the profit before taxation at the statutory tax rate to income tax expense at the effective tax rate of the Group and of the Company is as follows:-

	The Group		The Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Profit before taxation	47,070	52,123	13,222	12,644
Tax at the statutory tax rate of 24%	11,297	12,508	3,173	3,035
Tax effects of:-				
Non-deductible expenses	3,049	3,593	450	636
Non-taxable income	(77)	-	(3,760)	(3,784)
Effects of differential in tax rates of subsidiaries	-	(133)	-	-
Deferred tax asset not recognised during the financial year	140	113	141	113
Utilisation of reinvestment allowance	(5,638)	(5,729)	-	-
(Over)/Underprovision of income tax in the previous financial year	(790)	(1,362)	1	-
Underprovision of deferred taxation in the previous financial year	-	90	-	-
Withholding tax on dividend received	32	841	32	41
Income tax expense for the financial year	8,013	9,921	37	41

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019
(cont'd)

30. INCOME TAX EXPENSE (CONT'D)

No deferred tax assets are recognised in respect of the following items:-

	The Group/ The Company	
	2019	2018
	RM'000	RM'000
Deferred tax asset:-		
Unutilised tax losses	612	612
Unabsorbed capital allowances	196	635
Excess of depreciation over capital allowances	4,036	3,768
Provision	146	307
	4,990	5,322

At the end of the reporting period, the Group and the Company has unused tax losses and unabsorbed capital allowances (stated at gross) of approximately RM612,000 (2018 - RM 612,000) and RM196,000 (2018 - RM635,000) respectively that are available for offset against future taxable profits in which the losses arose. No deferred tax assets are recognised in respect of these items as it is not probable that taxable profits will be available against which the deductible temporary differences can be utilised.

The unused tax losses are allowed to be carried forward for a minimum period of 7 consecutive years of assessment. The unabsorbed capital allowances do not expire under the current tax legislation in Malaysia and can be utilised against income from the same business source, subject to no substantial change in shareholders of the Company.

31. EARNINGS PER SHARE

(a) Basic

	The Group	
	2019	2018
Profit after taxation (RM'000)	39,057	42,202
Non-controlling interests (RM'000)	(4,186)	(6,241)
Profit attributable to owners of the Company (RM'000)	34,871	35,961
Dividends on ICPS (RM'000)	(3,771)	(3,991)
Profit attributable to ordinary equity holders of the Company (RM'000)	31,100	31,970
Weighted average number of ordinary shares in issue:-		
Issued ordinary shares at 1 January ('000)	1,102,434	1,004,030
Effect of new ordinary shares issued under ESOS during the financial year ('000)	7,214	8,506
Effect of new ordinary shares issued under ICPS during the financial year ('000)	-	33,624
Weighted average number of ordinary shares at 31 December ('000)	1,109,648	1,046,160
Basic earnings per ordinary share (sen)	2.803	3.056

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019
(cont'd)

31. EARNINGS PER SHARE (CONT'D)

(b) Diluted

	The Group	
	2019	2018
Profit attributable to owners of the Company (RM'000)	34,871	35,961
Weighted average number of ordinary shares for the year ('000) (as above)	1,109,648	1,046,160
Weighted average number of shares deemed to have been issued under ESOS at no consideration ('000)	26,359	40,002
Weighted average number of shares deemed to have been issued under ICPS at no consideration ('000)	377,074	342,350
Weighted average number of ordinary shares for diluted earnings per share computation ('000)	1,513,081	1,428,512
Diluted earnings per ordinary share (sen)	2.305	2.517

32. DIVIDEND

	The Company	
	2019	2018
	RM'000	RM'000
<i>Ordinary shares</i>		
Final dividend of 0.5 sen per ordinary share in respect of the previous financial year	-	5,194
Interim dividend of 1.0 sen (2018 - 0.5 sen) per ordinary share in respect of the current financial year	11,134	5,512
<i>ICPS shares</i>		
Final dividend of 0.5 sen per ICPS share in respect of the previous financial year	-	2,106
Interim dividend of 1.0 sen (2018 - 0.5 sen) per ICPS share in respect of the current financial year	3,771	1,885
	14,905	14,697

33. CASH FLOW INFORMATION

(a) The cash disbursed for the purchase of property, plant and equipment is as follows:-

	The Group	
	2019	2018
	RM'000	RM'000
Cost of property, plant and equipment purchased (Note 6)	75,865	55,460
Amount financed through hire purchase	-	(578)
Cash disbursed for purchase of property, plant and equipment	75,865	54,882

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019
(cont'd)

33. CASH FLOW INFORMATION (CONT'D)

(b) The reconciliations of liabilities arising from financing activities are as follows:-

The Group	Term Loans RM'000	Hire Purchase RM'000	Revolving Credits RM'000	Bankers' Acceptances RM'000	Lease Liabilities RM'000	Total RM'000
2019						
At 1 January	26,720	759	12,500	7,606	-	47,585
Effects on adoption of MFRS 16	-	(759)	-	-	2,619	1,860
At 1 January, as restated	26,720	-	12,500	7,606	2,619	49,445
<u>Changes in Financing Cash Flows</u>						
Proceeds from drawdown	63,501	-	3,000	115,546	-	182,047
Repayment of borrowing principal	(15,974)	-	(13,500)	(99,773)	(997)	(130,244)
Repayment of borrowing interests	(1,838)	-	(320)	(693)	(70)	(2,921)
<u>Non-cash Changes</u>						
Finance charges recognised in profit or loss	1,838	-	320	693	70	2,921
Termination of lease	-	-	-	-	(254)	(254)
Unrealised foreign exchange gain	(69)	-	-	(448)	-	(517)
At 31 December	74,178	-	2,000	22,931	1,368	100,477
2018						
At 1 January	20,955	323	10,000	7,033	-	38,311
<u>Changes in Financing Cash Flows</u>						
Proceeds from drawdown	17,667	578	5,500	32,115	-	55,860
Repayment of borrowing principal	(12,470)	(142)	(3,000)	(31,740)	-	(47,352)
Repayment of borrowing interests	(816)	(17)	(579)	(144)	-	(1,556)
<u>Non-cash Changes</u>						
Finance charges recognised in profit or loss	816	17	579	144	-	1,556
Unrealised foreign exchange loss	568	-	-	198	-	766
At 31 December	26,720	759	12,500	7,606	-	47,585

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019
(cont'd)

33. CASH FLOW INFORMATION (CONT'D)

(b) The reconciliations of liabilities arising from financing activities are as follows (Cont'd):-

The Company	Revolving Credits RM'000	Amount Owing to a Subsidiary RM'000	Total RM'000
2019			
At 1 January	9,500	35,692	45,192
<u>Changes in Financing Cash Flows</u>			
Advances	-	148	148
Repayment of borrowing principal	(9,500)	-	(9,500)
Repayment of borrowing interests	(125)	-	(125)
<u>Non-cash Changes</u>			
Finance charges recognised in profit or loss	125	-	125
At 31 December	-	35,840	35,840
The Company			
2018			
At 1 January	10,000	35,611	45,611
<u>Changes in Financing Cash Flows</u>			
Proceeds from drawdown	2,500	-	2,500
Repayment of borrowing principal	(3,000)	-	(3,000)
Repayment of borrowing interests	(579)	-	(579)
<u>Non-cash Changes</u>			
Finance charges recognised in profit or loss	579	-	579
Unrealised foreign exchange loss	-	81	81
At 31 December	9,500	35,692	45,192

(c) The total cash outflows for leases as a lessee are as follows:-

	The Group 2019 RM'000
Interest paid on lease liabilities	70
Payment on lease liabilities	997
	1,067

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019
(cont'd)

33. CASH FLOW INFORMATION (CONT'D)

(d) The cash and cash equivalents comprise the following:-

	The Group		The Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Deposits with financial institutions (Note 14)	16,570	3,345	-	-
Cash and bank balances	46,532	47,417	465	452
	63,102	50,762	465	452
Less:				
Deposits pledged to financial institutions	(472)	(458)	-	-
Deposits with original maturity of more than 3 months	-	(2,887)	-	-
	62,630	47,417	465	452

34. KEY MANAGEMENT PERSONNEL COMPENSATION

The key management personnel of the Group and of the Company include executive directors and non-executive directors of the Company and certain members of senior management of the Group and of the Company.

The key management personnel compensation during the financial year are as follows:-

	The Group		The Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
(a) Directors of the Company and the subsidiaries				
Executive Directors:				
- basic salaries, bonus and other benefits	1,605	1,330	591	598
- share options	1,311	1,095	798	528
Non-executive Directors:				
- allowances	12	10	12	10
- fee	225	225	225	225
- share options	310	575	310	575
	3,463	3,235	1,936	1,936
(b) Other Key Management				
- basic salaries, bonus and other benefits	2,910	3,210	289	293
- share options	586	1,067	91	130
	3,496	4,277	380	423

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019
(cont'd)

35. RELATED PARTY DISCLOSURES

(a) Identities of Related Parties

Parties are considered to be related to the Group if the Group or the Company has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control.

In addition to the information detailed elsewhere in the financial statements, the Group has related party relationships with its directors, key management personnel and entities within the same group of companies.

(b) Significant Related Party Transaction and Balances

Other than those disclosed elsewhere in the financial statements, the Group and the Company also carried out the following significant transactions with related parties during the financial year:-

	The Group		The Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Subsidiaries:				
- Facility service fees	-	-	1,308	1,643
- Rental income	-	-	1,920	1,920
- Payment on behalf	-	-	270	81
- Advances to	-	-	-	(4,164)
Related parties:				
- Purchases	122,733	123,450	-	-
- Sales	17	127	-	-
- Rental expense	167	112	-	-

The significant outstanding balances of the related parties (including the allowance for impairment loss made) together with their terms and conditions are disclosed in the respective notes to the financial statements.

36. OPERATING SEGMENTS

BUSINESS SEGMENTS

Information on business segments is not presented as the Group operates primarily in the semiconductor industry.

GEOGRAPHICAL SEGMENTS

Revenue is based on the country in which the customers are located.

Segment assets and capital expenditure are determined according to the country where these assets are located.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019
(cont'd)

36. OPERATING SEGMENTS (CONT'D)

GEOGRAPHICAL SEGMENTS (CONT'D)

The following is an analysis of the Group's business by geographical segments:-

	Asia RM'000	Europe RM'000	United States of America RM'000	Other Countries RM'000	Total RM'000
2019					
Revenue	335,363	104,475	49,168	15,299	504,305
Segment assets	596,463	35,784	2,766	-	635,013
Capital expenditure	75,853	9	3	-	75,865
2018					
Revenue	336,945	90,052	48,542	15,236	490,775
Segment assets	527,641	29,564	3,333	-	560,538
Capital expenditure	55,362	91	7	-	55,460

MAJOR CUSTOMERS

During the current financial year, there is no major customer with revenue equal to or more than 10% of the Group revenue.

37. CAPITAL COMMITMENTS

	The Group	
	2019 RM'000	2018 RM'000
Purchase of property, plant and equipment	26,524	34,895

38. OPERATING LEASE COMMITMENTS

The Group has applied MFRS 16 using the modified retrospective approach. As a result, the following information are disclosures as required by MFRS 117 'Leases':-

Leases as Lessee

The Group leases a number of servers under non-cancellation operating leases. The lease period is 3 (2018 - 3) years.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019
(cont'd)

38. OPERATING LEASE COMMITMENTS (CONT'D)

Leases as Lessee (Cont'd)

The future minimum lease payments under the non-cancellable operating leases are as follows:-

	The Group 2018 RM'000
Not more than 1 year	168
Later than 1 year and not later than 5 years	145
	313

39. FINANCIAL INSTRUMENTS

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

39.1 FINANCIAL RISK MANAGEMENT POLICIES

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

(a) Market Risk

(i) Foreign Currency Risk

The Group is exposed to foreign currency risk on transactions and balances that are denominated in currencies other than the respective functional currencies of entities within the Group. The currencies giving rise to this risk are primarily United States Dollar, Euro, Korean Won, New Taiwan Dollar and Chinese Renminbi. Foreign currency risk is monitored closely on an ongoing basis to ensure that the net exposure is at an acceptable level. On occasion, the Group enters into forward foreign currency contracts to hedge against the foreign currency risk. The Group also holds cash and cash equivalents denominated in foreign currencies for working capital purposes.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019
(cont'd)

39. FINANCIAL INSTRUMENTS (CONT'D)

39.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Market Risk (Cont'd)

(i) Foreign Currency Risk (Cont'd)

The Group's exposure to foreign currency risk (a currency which is other than the functional currency of the entities within the Group) based on the carrying amounts of the financial instruments at the end of the reporting period is summarised below:-

Foreign Currency Exposure

The Group	United States		Euro		Korean Won		New Taiwan Dollar		Ringgit Malaysia		Chinese Renminbi		Yen		Others		Total	
	RM'000	Dollar	RM'000	Dollar	RM'000	Won	RM'000	Dollar	RM'000	Malaysia	RM'000	Renminbi	RM'000	Yen	RM'000	Others	RM'000	RM'000
2019																		
Financial Assets																		
Other investments	-	-	-	-	-	-	-	28,710	-	-	-	-	-	-	-	-	-	28,710
Trade receivables	52,468		9,604		1,279		-	-	832		53,061		-	-	-	-	-	117,244
Other receivables	20		910		209		-	-	421		119		63		8		8	1,750
Deposits with financial institutions	7,459		-		3,535		-	-	2,022		3,554		-		-		-	16,570
Cash and bank balances	16,669		7,684		1,610		6		5,355		15,085		108		15		15	46,532
	76,616		18,198		6,633		28,716		8,630		71,819		171		23		23	210,806
Financial Liabilities																		
Trade payables	103,233		239		-		-		7,281		8		3,153		11		11	113,925
Other payables and accruals	293		737		960		-		10,916		4,913		57		27		27	17,903
Term loans	49,123		3,213		-		-		21,842		-		-		-		-	74,178
Bankers' acceptances	22,931		-		-		-		-		-		-		-		-	22,931
Revolving credits	-		-		-		-		2,000		-		-		-		-	2,000
	175,580		4,189		960		-		42,039		4,921		3,210		38		38	230,937

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019
(cont'd)

39. FINANCIAL INSTRUMENTS (CONT'D)

39.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Market Risk (Cont'd)

(i) Foreign Currency Risk (Cont'd)

Foreign Currency Exposure (Cont'd)

	United States Dollar	Euro	Korean Won	New Taiwan Dollar	Ringgit Malaysia	Chinese Renminbi	Yen	Others	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Net financial (liabilities)/ assets	(98,964)	14,009	5,673	28,716	(33,409)	66,898	(3,039)	(15)	(20,131)
Less: Net financial (assets)/ liabilities denominated in the entities' functional currencies	(2,225)	(10,498)	(5,668)	-	33,409	(63,104)	(81)	-	(48,167)
Less: Forward foreign currency contracts (contracted notional principal)	4,521	-	-	-	-	(24,986)	-	-	(20,465)
Currency Exposure	(96,668)	3,511	5	28,716	-	(21,192)	(3,120)	(15)	(88,763)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019
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39. FINANCIAL INSTRUMENTS (CONT'D)

39.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Market Risk (Cont'd)

(i) Foreign Currency Risk (Cont'd)

Foreign Currency Exposure (Cont'd)

The Group	United States Dollar RM'000	Euro RM'000	Korean Won RM'000	New Taiwan Dollar RM'000	Ringgit Malaysia RM'000	Chinese Renminbi RM'000	Yen RM'000	Others RM'000	Total RM'000
2018									
Financial Assets									
Other investments	5,123	-	-	19,376	-	-	-	-	24,499
Trade receivables	47,967	7,020	1,840	-	686	44,895	-	-	102,408
Other receivables	480	1,395	383	-	796	81	-	4	3,139
Deposits with financial institutions	-	-	1,684	-	458	1,203	-	-	3,345
Cash and bank balances	23,538	4,721	3,915	-	1,583	13,594	37	29	47,417
	77,108	13,136	7,822	19,376	3,523	59,773	37	33	180,808
Financial Liabilities									
Trade payables	104,155	315	-	-	15,624	-	4,887	175	125,156
Other payables and accruals	2,986	1,693	1,604	-	15,367	520	9	146	22,325
Term loans	17,576	3,310	-	-	5,834	-	-	-	26,720
Bankers' acceptances	7,606	-	-	-	-	-	-	-	7,606
Hire purchase payables	-	-	-	-	759	-	-	-	759
Revolving credits	-	-	-	-	12,500	-	-	-	12,500
	132,323	5,318	1,604	-	50,084	520	4,896	321	195,066

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(cont'd)

39. FINANCIAL INSTRUMENTS (CONT'D)

39.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Market Risk (Cont'd)

(i) Foreign Currency Risk (Cont'd)

Foreign Currency Exposure (Cont'd)

	United States Dollar	Euro	Korean Won	New Taiwan Dollar	Ringgit Malaysia	Chinese Renminbi	Yen	Others	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Net financial (liabilities)/ assets	(55,215)	7,818	6,218	19,376	(46,561)	59,253	(4,859)	(288)	(14,258)
Less: Net financial (assets)/ liabilities denominated in the entities' functional currencies	(3,151)	(6,083)	(6,218)	-	46,561	(51,923)	(28)	-	(20,842)
Less: Forward foreign currency contracts (contracted notional principal)	31,296	(1,231)	-	-	-	(30,065)	-	-	-
Currency Exposure	(27,070)	504	-	19,376	-	(22,735)	(4,887)	(288)	(35,100)

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019
(cont'd)

39. FINANCIAL INSTRUMENTS (CONT'D)

39.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Market Risk (Cont'd)

(i) Foreign Currency Risk (Cont'd)

Foreign Currency Exposure (Cont'd)

The Company	United States Dollar RM'000	New Taiwan Dollar RM'000	Ringgit Malaysia RM'000	Total RM'000
2019				
<u>Financial Assets</u>				
Other investments	-	28,710	-	28,710
Other receivables	-	-	56	56
Cash and bank balances	222	-	243	465
	222	28,710	299	29,231
<u>Financial Liabilities</u>				
Other payables and accruals	-	-	514	514
Amount owing to a subsidiary	-	-	35,840	35,840
	-	-	36,354	36,354
Net financial assets/(liabilities)	222	28,710	(36,055)	(7,123)
Less: Net financial liabilities denominated in the entity's functional currency	-	-	36,055	36,055
Currency Exposure	222	28,710	-	28,932

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019
(cont'd)

39. FINANCIAL INSTRUMENTS (CONT'D)

39.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Market Risk (Cont'd)

(i) Foreign Currency Risk (Cont'd)

Foreign Currency Exposure (Cont'd)

The Company	United States Dollar RM'000	New Taiwan Dollar RM'000	Ringgit Malaysia RM'000	Total RM'000
2018				
<u>Financial Assets</u>				
Other investments	5,123	19,376	-	24,499
Other receivables	-	-	185	185
Amount owing by a subsidiary	-	-	4,929	4,929
Cash and bank balances	218	-	234	452
	5,341	19,376	5,348	30,065
<u>Financial Liabilities</u>				
Other payables and accruals	-	-	702	702
Amount owing to a subsidiary	3,752	-	31,940	35,692
Revolving credits	-	-	9,500	9,500
	3,752	-	42,142	45,894
Net financial assets/(liabilities)	1,589	19,376	(36,794)	(15,829)
Less: Net financial liabilities denominated in the entity's functional currency	-	-	36,794	36,794
Currency Exposure	1,589	19,376	-	20,965

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(cont'd)

39. FINANCIAL INSTRUMENTS (CONT'D)

39.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Market Risk (Cont'd)

(i) Foreign Currency Risk (Cont'd)

Foreign Currency Risk Sensitivity Analysis

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

	The Group		The Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Effects on Profit After Taxation				
United States Dollar/RM:				
- weakened by 5%	3,673	1,223	(8)	134
Euro/RM:				
- weakened by 5%	(133)	(19)	-	-
Chinese Renminbi/RM:				
- weakened by 5%	805	864	-	-
Others/RM:				
- weakened by 5%	119	197	-	-
Effects on Other Comprehensive Income				
United States Dollar/RM:				
- weakened by 5%	-	(256)	-	(256)
New Taiwan Dollar/RM:				
- weakened by 5%	(1,436)	(969)	(1,436)	(969)

A 5% strengthening in the foreign currencies would have had an equal but opposite effect on the profit or loss after taxation and other comprehensive income. This assumes that all other variables remain constant.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019
(cont'd)

39. FINANCIAL INSTRUMENTS (CONT'D)

39.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Market Risk (Cont'd)

(ii) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises mainly from borrowings with variable rates. The Group's policy is to obtain the most favourable interest rates available and by maintaining a balanced portfolio mix of fixed and floating rate borrowings.

The Group's deposits with financial institutions and certain borrowings are carried at amortised cost. Therefore, they are not subject to interest rate risk as defined in MFRS 7 since neither their carrying amounts nor the future cash flows will fluctuate because of a change in market interest rates.

The Group's exposure to interest rate risk based on the carrying amounts of the financial instruments at the end of the reporting period is disclosed in Note 26 to the financial statements.

Interest Rate Risk Sensitivity Analysis

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

	The Group		The Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Effects on Profit/(Loss) After Taxation				
Increase of 1%	(539)	(178)	-	-
Decrease of 1%	539	178	-	-

(iii) Equity Price Risk

The Group's principal exposure to equity price risk arises mainly from changes in quoted investment prices.

If prices for quoted investments at the end of the reporting period strengthened by 5% with all other variables being held constant, the Group's total comprehensive income would have increased by RM1,435,485 (2018 – RM968,789). A 5% (2018 - 5%) weakening in the quoted prices would have had an equal but opposite effect on the Group's other comprehensive income.

(b) Credit Risk

The Group's exposure to credit risk, or the risk of counterparties defaulting, arises mainly from trade and other receivables. The Group manages its exposure to credit risk by the application of credit approvals, credit limits and monitoring procedures on an ongoing basis. For other financial assets (including quoted investments and cash and bank balances), the Group minimises credit risk by dealing exclusively with high credit rating counterparties.

NOTES TO THE FINANCIAL STATEMENTS

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(cont'd)

39. FINANCIAL INSTRUMENTS (CONT'D)

39.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Credit Risk (Cont'd)

The Company's exposure to credit risk arises principally from loans and advances to subsidiaries, and corporate guarantee given to financial institutions for credit facilities granted to a subsidiary. The Company monitors the results of the subsidiary regularly and repayments made by the subsidiary.

(i) Credit Risk Concentration Profile

The Group's major concentration of credit risk relates to the amounts owing by 2 customers which constituted approximately 29% (2018 - 27%) of its trade receivables at the end of the reporting period.

In addition, the Group also determines the concentration of credit risk by monitoring the geographical region of its trade receivables on an ongoing basis. The credit risk concentration profile of trade receivables (including related parties) at the end of the reporting period is as follows:-

	The Group	
	2019	2018
	RM'000	RM'000
The People's Republic of China	79,796	65,032
Europe	15,528	11,674
United States of America	10,291	9,707
Singapore	1,787	5,967
Korea	3,054	3,814
Japan	1,285	2,362
Taiwan	398	1,553
Malaysia	1,615	1,152
India	2,920	1,033
Others	570	114
	117,244	102,408

(ii) Exposure to Credit Risk

At the end of the reporting period, the maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statement of financial position of the Group and of the Company after deducting any allowance for impairment losses (where applicable).

In addition, the Company's maximum exposure to credit risk also includes corporate guarantee provided to its subsidiary as disclosed under the 'Maturity Analysis' of item (c) below, representing the outstanding banking facilities of the subsidiary as at the end of the reporting period. These corporate guarantees have not been recognised in the Company's financial statements since their fair value on initial recognition were not material.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019
(cont'd)

39. FINANCIAL INSTRUMENTS (CONT'D)

39.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Credit Risk (Cont'd)

(iii) Assessment of Impairment Losses

At each reporting date, the Group assesses whether any of the financial assets at amortised cost are credit impaired.

The gross carrying amounts of financial assets are written off when there is no reasonable expectation of recovery (i.e. the debtor does not have assets or sources of income to generate sufficient cash flows to repay the debt) despite the fact that they are still subject to enforcement activities.

Trade Receivables

The Group applies the simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

The Group considers any receivables having significant balances are deemed credit impaired.

The expected loss rates are based on the payment profiles of sales over a period of 4 months from the measurement date and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle their debts.

The information about the exposure to credit risk and the loss allowances calculated under MFRS 9 for both trade receivables are summarised below:-

The Group	Gross Amount RM'000	Individual Impairment RM'000	Collective Impairment RM'000	Carrying Value RM'000
2019				
Current (not past due)	100,610	-	(159)	100,451
- 1 to 30 days past due	15,209	-	(7)	15,202
- 31 to 60 days past due	1,420	-	(2)	1,418
- 61 to 90 days past due	33	-	-	33
- more than 90 days past due	1,106	(899)	(67)	140
	118,378	(899)	(235)	117,244
2018				
Current (not past due)	83,588	-	(119)	83,469
- 1 to 30 days past due	17,471	-	(13)	17,458
- 31 to 60 days past due	928	-	(3)	925
- 61 to 90 days past due	356	-	(38)	318
- more than 90 days past due	1,182	(917)	(27)	238
	103,525	(917)	(200)	102,408

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019
(cont'd)

39. FINANCIAL INSTRUMENTS (CONT'D)

39.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Credit Risk (Cont'd)

(iii) Assessment of Impairment Losses (Cont'd)

The movements in the loss allowances in respect of trade receivables are disclosed in Note 12 to the financial statements.

Other Receivables

Other receivables are also subject to the impairment requirements of MFRS 9, the identified impairment loss was immaterial and hence, it is not provided for.

Deposits with Financial Institutions, Cash and Bank Balances

The Group considers these banks and financial institutions have low credit risks. Therefore, the Group is of the view that the loss allowance is immaterial and hence, it is not provided for.

Amount Owing By Subsidiaries

The Company applies the 3-stage general approach to measuring expected credit losses for all inter-company balances. Generally, the Company considers loans and advances to subsidiaries have low credit risks. The Company assumes that there is a significant increase in credit risk when a subsidiary's financial position deteriorates significantly. As the Company is able to determine the timing of payments of the subsidiaries' loans and advances when they are payable, the Company considers the loans and advances to be in default when the subsidiaries are not able to pay when demanded. The Company considers a subsidiary's loan or advance to be credit impaired when the subsidiary is unlikely to repay its loan or advance in full or the subsidiary is continuously loss making or the subsidiary is having a deficit in its total equity.

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

The information about the exposure to credit risk and the loss allowances calculated under MFRS 9 for amount owing by a subsidiary is summarised below:-

	Gross Amount	12-month Loss Allowance	Lifetime Loss Allowance	Carrying Amount
The Company	RM'000	RM'000	RM'000	RM'000
2018				
Low credit risk	4,929	-	-	4,929
Significant increase in credit risk	-	-	-	-
Credit impaired	-	-	-	-
	4,929	-	-	4,929

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019
(cont'd)

39. FINANCIAL INSTRUMENTS (CONT'D)

39.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Credit Risk (Cont'd)

(iii) Assessment of Impairment Losses (Cont'd)

Financial Guarantee Contracts

All of the financial guarantee contracts are considered to be performing, have low risks of default and historically there were no instances where these financial guarantee contracts were called upon by the parties of which the financial guarantee contracts were issued to. Accordingly, no loss allowances were identified based on 12-month expected credit losses.

(c) Liquidity Risk

Liquidity risk arises mainly from general funding and business activities. The Group practises prudent risk management by maintaining sufficient cash balances and the availability of funding through certain committed credit facilities.

Maturity Analysis

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

The Group	Weighted Average Effective Interest Rate %	Carrying Amount RM'000	Contractual Undiscounted Cash Flows RM'000	Within 1 Year RM'000	1 - 5 Years RM'000	Over 5 Years RM'000
2019						
<u>Non-derivative</u>						
<u>Financial</u>						
<u>Liabilities</u>						
Trade payables	-	113,925	113,925	113,925	-	-
Other payables and accruals *	-	18,592	18,592	18,592	-	-
Lease liabilities	4.15	1,368	1,475	810	665	-
Term loans	3.64	74,178	77,823	38,957	38,866	-
Bankers' acceptances	2.51	22,931	22,931	22,931	-	-
Revolving credits	4.52	2,000	2,000	2,000	-	-
<u>Derivative Financial</u>						
<u>Assets</u>						
Forward currency contracts:						
derivative asset	-	(689)	-	-	-	-
- gross payments	-	-	45,451	45,451	-	-
- gross receipts	-	-	(46,140)	(46,140)	-	-
		232,305	236,057	196,526	39,531	-

* Excluded the derivative assets.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019
(cont'd)

39. FINANCIAL INSTRUMENTS (CONT'D)

39.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(c) Liquidity Risk (Cont'd)

Maturity Analysis (Cont'd)

The following table sets out the maturity profile of the financial liabilities at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period) (Cont'd):-

The Group	Weighted Average Effective Interest Rate %	Carrying Amount RM'000	Contractual Undiscounted Cash Flows RM'000	Within 1 Year RM'000	1 - 5 Years RM'000	Over 5 Years RM'000
2018						
<u>Non-derivative Financial Liabilities</u>						
Trade payables	-	125,156	125,156	125,156	-	-
Other payables and accruals *	-	22,486	22,486	22,486	-	-
Term loans	3.65	26,720	27,865	16,214	11,651	-
Bankers' acceptances	3.45	7,606	7,606	7,606	-	-
Hire purchase payables	4.13	759	841	245	596	-
Revolving credits	4.85	12,500	12,500	12,500	-	-
<u>Derivative Financial Assets</u>						
Forward currency contracts: derivative assets	-	(161)	-	-	-	-
- gross payments	-	-	31,296	31,296	-	-
- gross receipts	-	-	(31,457)	(31,457)	-	-
		195,066	196,293	184,046	12,247	-

* Excluded the derivative assets.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019
(cont'd)

39. FINANCIAL INSTRUMENTS (CONT'D)

39.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(c) Liquidity Risk (Cont'd)

Maturity Analysis (Cont'd)

The following table sets out the maturity profile of the financial liabilities at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period) (Cont'd):-

The Company	Weighted Average Effective Interest Rate %	Carrying Amount RM'000	Contractual Undiscounted Cash Flows RM'000	Within 1 Year RM'000	1 - 5 Years RM'000	Over 5 Years RM'000
2019						
<u>Non-derivative Financial Liabilities</u>						
Other payables and accruals	-	514	514	514	-	-
Amount owing to subsidiaries	-	35,840	35,840	35,840	-	-
Financial guarantee contracts in relation to corporate guarantee given to certain subsidiaries	-	-	95,896	95,896	-	-
		36,354	132,250	132,250	-	-
2018						
<u>Non-derivative Financial Liabilities</u>						
Other payables and accruals	-	702	702	702	-	-
Amount owing to subsidiaries	-	35,692	35,692	35,692	-	-
Revolving credits	4.83	9,500	9,500	9,500	-	-
Financial guarantee contracts in relation to corporate guarantee given to certain subsidiaries	-	-	34,016	34,016	-	-
		45,894	79,910	79,910	-	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019
(cont'd)

39. FINANCIAL INSTRUMENTS (CONT'D)

39.2 CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities within the Group will be able to maintain an optimal capital structure so as to support its businesses and maximise shareholders' value. To achieve this objective, the Group may make adjustments to the capital structure in view of changes in economic conditions, such as adjusting the amount of dividend payment, returning of capital to shareholders or issuing new shares.

The Group manages its capital based on debt-to-equity ratio that complies with debt covenants and regulatory, if any. The debt-to-equity ratio is calculated as net debt divided by total equity. The Group includes within net debt, loans and borrowings from financial institutions less cash and bank balances and deposits with financial institutions. Capital includes equity attributable to the owners of the Company and non-controlling interest. The debt-to-equity ratio of the Group at the end of the reporting period was as follows:-

	The Group	
	2019	2018
	RM'000	RM'000
Bankers' acceptances (Note 24)	22,931	7,606
Revolving credits (Note 24)	2,000	12,500
Hire purchase payables (Note 25)	-	759
Lease liabilities (Note 18)	1,368	-
Term loans (Note 26)	74,178	26,720
	100,477	47,585
Less:-		
Deposits with financial institutions	(16,570)	(3,345)
Cash and bank balances	(46,532)	(47,417)
Net debt/(Surplus of cash and cash equivalent)	37,375	(3,177)
Total equity	387,119	352,326
Debt-to-equity ratio	0.10	N/A

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019
(cont'd)

39. FINANCIAL INSTRUMENTS (CONT'D)

39.3 CLASSIFICATION OF FINANCIAL INSTRUMENTS

	The Group		The Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Financial Assets				
<u>Designated at Fair Value Through Other Comprehensive Income Upon Initial Recognition</u>				
Quoted investments	28,710	19,376	28,710	19,376
Unquoted investments	-	5,123	-	5,123
	28,710	24,499	28,710	24,499
<u>Amortised Cost</u>				
Trade receivables	117,244	102,408	-	-
Other receivables	1,750	3,139	56	185
Deposits with financial institutions	16,570	3,345	-	-
Cash and bank balances	46,532	47,417	465	452
Amount owing by a subsidiary	-	-	-	4,929
	182,096	156,309	521	5,566
Financial Liabilities				
<u>Amortised Cost</u>				
Trade payables	113,925	125,156	-	-
Other payables and accruals	17,903	22,325	514	702
Term loans	74,178	26,720	-	-
Bankers' acceptances	22,931	7,606	-	-
Hire purchase payables	-	759	-	-
Revolving credits	2,000	12,500	-	9,500
Amount owing to a subsidiary	-	-	35,840	35,692
	230,937	195,066	36,354	45,894

39.4 GAINS ARISING FROM FINANCIAL INSTRUMENTS

	The Group		The Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Financial Assets				
<u>Equity Investments at Fair Value Through Other Comprehensive Income</u>				
Net gains recognised in other comprehensive income	4,211	3,320	4,211	3,320

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019
(cont'd)

39. FINANCIAL INSTRUMENTS (CONT'D)

39.5 FAIR VALUE INFORMATION

The fair values of the financial assets and financial liabilities of the Group and of the Company which are maturing within the next 12 months approximated their carrying amounts due to the relatively short-term maturity of the financial instruments or repayable on demand terms.

The following table sets out the fair value profile of the financial instruments that are carried at fair value and those not carried at the fair value at the end of the reporting period:-

	Fair Value of Financial Instruments Carried At Fair Value			Fair Value of Financial Instruments Not Carried At Fair Value			Total Fair Value	Carrying Amount
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000		
The Group								
2019								
Financial Assets								
Other investments:								
- quoted shares	28,710	-	-	-	-	-	28,710	28,710
Financial Liabilities								
Term loans	-	-	-	-	74,178	-	74,178	74,178
2018								
Financial Assets								
Other investments:								
- quoted shares	19,376	-	-	-	-	-	19,376	19,376
- unquoted shares	-	-	5,123	-	-	-	5,123	5,123
Financial Liabilities								
Term loans	-	-	-	-	26,720	-	26,720	26,720
Hire purchase payables	-	-	-	-	759	-	759	759

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019
(cont'd)

39. FINANCIAL INSTRUMENTS (CONT'D)

39.5 FAIR VALUE INFORMATION (CONT'D)

	Fair Value of Financial Instruments Carried At Fair Value			Fair Value of Financial Instruments Not Carried At Fair Value			Total Fair Value	Carrying Amount
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000		
The Company								
2019								
Financial Assets								
Other investment:								
- quoted shares	28,710	-	-	-	-	-	28,710	28,710
2018								
Financial Assets								
Other investments:								
- quoted shares	19,376	-	-	-	-	-	19,376	19,376
- unquoted shares	-	-	5,123	-	-	-	5,123	5,123

(a) Fair Value of Financial Instruments Carried at Fair Value

(i) The fair values above have been determined using the following basis:-

- (aa) The fair value of quoted investments is determined at their quoted closing bid prices at the end of the reporting period.
- (bb) The fair value of unquoted equity investments is determined using discounted cash flow approach based on the next 5 financial years' pre-tax cash flow projections that approved by management based on following significant unobservable inputs:-

Unobservable Inputs

Revenue Based on existing sale trend and taking into account management's experience and knowledge of market conditions of the specific industries.

Discount rate of 9.9% (2018 - 6.9%) Reflects current market assessments of the uncertainty in the amount and timing of cash flows.

A 10% higher in revenue growth rate or 1% lower in discount rate would not result an increase in the carrying amount of the fair value of an unquoted equity investment in the statements of financial position.

(ii) There were no transfer between level 1 and level 2 during the financial year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019
(cont'd)

39. FINANCIAL INSTRUMENTS (CONT'D)

39.5 FAIR VALUE INFORMATION (CONT'D)

(b) Fair Value of Financial Instruments Not Carried at Fair Value

The fair values, which are for disclosure purposes, have been determined using the following basis:-

- (i) The fair values of the Group's term loans that carry floating interest rates approximated their carrying amounts as they are repriced to market interest rates on or near the reporting date.
- (ii) The fair values of hire purchase payables and term loans are determined by discounting the relevant future contractual cash flows using current market interest rates for similar instruments at the end of the reporting period. The interest rates used to discount the estimated cash flows are as follows:-

	The Group	
	2019	2018
	%	%
Hire purchase payables	-	3.67 - 5.10
Term loans	1.25 - 4.32	1.23 - 5.28

40. FOREIGN EXCHANGE RATES

The principal closing foreign exchange rates used (expressed on the basis of one unit of foreign currency to Ringgit Malaysia equivalent) for the translation of the foreign currency balances at the end of the reporting period are as follows:-

	The Group	
	2019	2018
	RM	RM
Chinese Renminbi	0.59	0.60
Euro	4.59	4.73
Japanese Yen 100	3.77	3.76
Korean Won 100	0.35	0.37
New Taiwan Dollar	0.14	0.14
Singapore Dollar	3.05	3.04
United States Dollar	4.09	4.14

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

(cont'd)

41. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

The significant events during the financial year are as follows:-

- (a) Dominant Malaysia, a subsidiary of the Company had on 30 January 2019 subscribed 750,000 shares in DOT Semiconductor Inc. ("DOT"), a company incorporated in the United States for a total consideration of USD750,000 or RM3,138,103 to be paid upon call. As of 21 August 2019, Dominant Malaysia has completed its capital investment commitment in DOT but the remaining 25% shareholder of DOT has yet to fulfil their investment commitment. Therefore, Dominant Malaysia is the sole shareholder in DOT after the completion of its capital investment. The principal activity of DOT is to design and develop integrated circuit chips for automotive LED applications.
- (b) Dominant Malaysia had on 15 May 2019 incorporated a new subsidiary known as Dominant Integrated Circuits Sdn. Bhd. ("Dominant IC"), a wholly-owned subsidiary of Dominant Malaysia. On 13 December 2019, the name of Dominant IC was changed to Dominant Technologies Sdn. Bhd. ("Dominant Technologies"). The principal activity of Dominant Technologies is to design, develop and sell integrated circuit chips for LED applications.
- (c) Omega Semiconductor Sdn. Bhd. had on 30 May 2019, disposed its entire equity interest in Equity Group Investments Limited for a total consideration of RM100.
- (d) DRE Technologies Co., Ltd, ("DRE"), a 51%-owned subsidiary of Dominant Malaysia has received the notice from the Registrar of Companies in Zhuhai, Hengqin New Area in the Peoples' Republic of China that DRE has been deregistered on 9 October 2019. DRE is dormant and has not commenced business or operations since its incorporation.

42. SIGNIFICANT EVENT OCCURRING AFTER THE REPORTING PERIOD

Dominant Electronics Sdn. Bhd. and Dominant Technologies Sdn. Bhd., had on 26 February 2020, established and implemented its employee's share option schemes respectively.

The main features of Dominant Electronics Sdn. Bhd. and Dominant Technologies Sdn. Bhd. employee share option scheme are as follows:-

- (i) Eligible persons are employees and/or directors of Dominant Electronics Sdn. Bhd. and Dominant Technologies Sdn. Bhd. respectively, excluding an employee of dormant subsidiary, who have attained the age of at least eighteen years old.
- (ii) The maximum number of new ordinary shares of Dominant Electronics Sdn. Bhd. and Dominant Technologies Sdn. Bhd., which may be available under the scheme respectively, shall not exceed in aggregate ten percent (10%) of the respective total number of issued shares, at any point of time throughout the duration of the scheme.
- (iii) The option price shall be determined by the Board of Directors of the Company upon recommendation of Dominant Electronics Sdn. Bhd. and Dominant Technologies Sdn. Bhd. respective Option Committee which shall not be less than the respective net assets per share at the relevant time or RM1.00 per Share, whichever is higher.
- (iv) All new ordinary shares issued upon exercise of the options granted will rank pari passu in all respects with the existing ordinary shares of Dominant Electronics Sdn. Bhd. and Dominant Technologies Sdn. Bhd. respectively, provided always that new ordinary shares so allotted and issued, will not be entitled to any dividends, rights, allotments and/or other distributions declared, where the entitlement date of which is prior to the date of allotment and issuance of the new ordinary shares.
- (v) The aggregate allocation to the Directors and Senior Management of Dominant Electronics Sdn. Bhd. and Dominant Technologies Sdn. Bhd. shall not exceed fifty percent (50%) of new shares respectively available under the Scheme.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

(cont'd)

43. INITIAL APPLICATION OF MFRS 16

The Group has adopted MFRS 16 using the modified retrospective approach under which the cumulative effect of initial application is recognised as an adjustment to the retained profits as at 1 January 2019 (date of initial application) without restating any comparative information.

The Group has applied MFRS 16 only to contracts that were previously identified as leases under MFRS 117 'Leases' and IC Interpretation 4 'Determining Whether an Arrangement Contains a Lease'. Therefore, MFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

(a) Lessee Accounting

At 1 January 2019, for leases that were classified as operating leases under MFRS 117, the Group measured the lease liabilities at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate at that date of 1 January 2019. The right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease.

The Group has used the following practical expedients in applying MFRS 16 for the first time:-

- Applied a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Applied for the exemption not to recognise operating leases with a remaining lease term of less than 12 months as at 1 January 2019;
- Excluded initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- Used hindsight in determining the lease term where the lease contract contains options to extend or terminate the lease.

For leases that were classified as finance leases, the Group has recognised the carrying amount of the lease asset and lease liability immediately before 1 January 2019 as the carrying amount of the right-of-use asset and the lease liability as at the date of initial application.

The following table explains the difference between the operating lease commitments disclosed in the last financial year (determined under MFRS 117) and the lease liabilities recognised at 1 January 2019:-

	The Group RM'000
Operating lease commitments as at 31 December 2018 as disclosed in last financial year	313
Discounted using the incremental borrowing rate as at 1 January 2019	1,860
Add: Finance lease liabilities recognised as at 31 December 2018	759
Lease liabilities recognised as at 1 January 2019	2,619

LIST OF PROPERTIES HELD

AS AT 31 DECEMBER 2019

No	Name of Registered Owner/Location	Description/ Existing Use	Land Area (Sq Ft)	Built-up Area (Sq Ft)	Approximate Age of Building	Date of Issuance	Tenure	Audited Net Book Value as at 31 Dec 2019 RM'000
1	HS(D) 21091 PT4623 Mukim Bachang Daerah Melaka Tengah 75350 Melaka Postal Address Lot 6 8726 Batu Berendam FTZ Phase 3 Batu Berendam 75350 Melaka	One (1) block of double storey factory cum office premise and one (1) block four storey factory	231,862	202,011	28 years	27.08.1990	Leasehold 99 years Expiring on 16.02.2091	4,813
2	HS(D) 62241 PT6560 (New Lot no.9422) Mukim Bachang Daerah Melaka Tengah 75350 Melaka Postal Address Lot 7 8730 Batu Berendam FTZ Phase 3 Batu Berendam 75350 Melaka	Three-storey detached factory building with a double-storey detached factory cum office building annexe and a single-storey lobby building annexe	258,915	301,111	1 year	13.02.2020	Leasehold 85 years Expiring on 19.12.2091	38,486

RECURRENT RELATED PARTY TRANSACTIONS (“RRPT”)

In accordance with Section 3.1.5 of Practice Note 12 and Para 10.09(2)(b) of Main Market Listing Requirements of Bursa Malaysia Securities Berhad, a breakdown of the aggregate value of recurrent related party transactions conducted during the financial year ended 31 December 2019 pursuant to the Shareholders’ Mandate are disclosed as follows:-

No.	Nature of Transactions	Companies within D&O Group	Related Parties	Relationship	Aggregated Amount RM(‘000)
1	Supply of chips or dies manufactured by Epistar	Dominant	Epistar Corporation (“Epistar”)	Note a	122,452

Note:-

- (a) *Epistar subscribed 11,000,000 new ordinary shares in Dominant on 9 November 2015 which is equivalent to 10% of Dominant’s total share capital.*

STATISTICS ON SHAREHOLDINGS

AS AT 16 APRIL 2020

ANALYSIS OF SHAREHOLDINGS

ORDINARY SHARES AS AT 16 APRIL 2020

Total Number of Issued Shares	:	RM174,923,296 divided into 1,126,299,954 ordinary shares; and
Class of Shares	:	Ordinary shares
Voting Rights	:	One vote per ordinary share held

DISTRIBUTION OF ORDINARY SHAREHOLDINGS AS AT 16 APRIL 2020

Size of Holdings	No. of Holders	% of Holders	No. of Holdings	% of Holdings
Less than 100	214	6.556	8,529	0.001
100 to 1,000	408	12.500	227,752	0.020
1,001 to 10,000	1,418	43.444	8,089,052	0.718
10,001 to 100,000	941	28.830	31,832,890	2.826
100,001 to less than 5% of issued shares	279	8.548	580,337,557	51.526
5% and above of issued shares	4	0.122	505,804,174	44.909
Total	3,264	100.00	1,126,299,954	100.000

THIRTY LARGEST ORDINARY SHAREHOLDERS AS AT 16 APRIL 2020

No.	Name of Securities Account Holder	No. of shares held	%
1	PRT Capital Pte Ltd	161,525,200	14.341
2	Citigroup Nominees (Asing) Sdn Bhd <i>UBS AG Singapore for Keen Capital Investments Limited</i>	153,470,932	13.626
3	Omega Riang Sdn Bhd	112,783,740	10.014
4	RHB Capital Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Mohammed Azlan Hashim</i>	78,024,302	6.927
5	Nonadiah Binti Abdullah	33,554,113	2.979
6	Lim Thiam Cheok	33,192,440	2.947
7	Camasia Limited	30,914,466	2.745
8	Kumpulan Wang Persaraan (Diperbadankan)	29,482,500	2.618
9	Chin Bee & Sons Sdn Bhd	29,344,262	2.605
10	Citigroup Nominees (Asing) Sdn Bhd <i>Exempt an for Citibank New York (Norges Bank 14)</i>	25,178,800	2.236
11	Chu Beng Han	23,761,800	2.110
12	Lim Soo Kiow	22,376,985	1.987
13	Kema Development Sdn Bhd	21,974,581	1.951
14	Maybank Nominees (Tempatan) Sdn Bhd <i>National Trust Fund (IFM Eastspring) (410140)</i>	15,780,700	1.401

STATISTICS ON SHAREHOLDINGS

AS AT 16 APRIL 2020

(cont'd)

THIRTY LARGEST ORDINARY SHAREHOLDERS (CONT'D) AS AT 16 APRIL 2020

No.	Name of Securities Account Holder	No. of shares held	%
15	Kam Chooi Suan	14,672,131	1.303
16	Lim Thian Soo	14,012,131	1.244
17	Tay Kheng Chiong	12,844,552	1.140
18	Geo-Mobile Asia Sdn Bhd	11,900,000	1.057
19	Maybank Nominees (Tempatan) Sdn Bhd <i>Mtrustee Berhad for Principal Dali Equity Growth Fund (UT-CIMB-DALI) (419455)</i>	10,623,600	0.943
20	RCI Ventures Sdn Bhd	10,182,666	0.904
21	Citigroup Nominees (Asing) Sdn Bhd <i>CBNY For Emerging Market Core Equity Portfolio DFA Investment Dimensions Group Inc</i>	6,166,800	0.548
22	Low Tek Beng	6,050,333	0.537
23	CIMB Group Nominees (Tempatan) Sdn Bhd <i>CIMB Commerce Trustee Berhad for Maybank Malaysia Smallcap Fund</i>	6,032,000	0.536
24	Mega First Housing Development Sdn Bhd	5,933,933	0.527
25	Cheam Dau Peng	5,897,576	0.523
26	Affin Hwang Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Yeow See Yuen</i>	5,886,799	0.522
27	Citigroup Nominees (Tempatan) Sdn Bhd <i>Universal Trustee (Malaysia) Berhad for CIMB-Principal Equity Fund</i>	5,787,900	0.514
28	Cartaban Nominees (Tempatan) Sdn Bhd <i>TMF Trustees Malaysia Berhad for Affin Hwang Wholesale Equity Fund</i>	5,524,400	0.490
29	Chng Soo Moi	5,262,000	0.467
30	Tai Yin Moi	5,067,210	0.450
Total		903,208,852	80.192

STATISTICS ON SHAREHOLDINGS

AS AT 16 APRIL 2020
(cont'd)

SUBSTANTIAL ORDINARY SHAREHOLDERS AS AT 16 APRIL 2020

No.	Name of Substantial Shareholder	Direct Interest		Deemed Interest	
		Shares	%	Shares	%
1	PRT Capital Pte Ltd	161,525,200	14.341	0	0.000
2	Keen Capital Investments Limited	153,470,932	13.626	0	0.000
3	Omega Riang Sdn Bhd	112,783,740	10.014	0	0.000
4	Goh Nan Kioh	0	0.000	373,960,530 ^a	33.203
5	Dato' Mohammed Azlan Hashim	78,024,302	6.927	33,554,113 ^b	2.979
6	Datin Nonadiah Abdullah	33,554,113	2.979	78,024,302 ^c	6.927
7	Lim Thiam Cheok	33,192,440	2.947	50,024,513 ^d	4.441
8	Lim Thian Soo	14,012,131	1.244	50,024,513 ^d	4.441
9	Lim Yam Poh	2,934,134	0.261	50,024,513 ^d	4.441
10	Lim Yam Chiew	2,927,468	0.260	112,783,740 ^e	10.014

DIRECTORS' INTEREST IN ORDINARY SHARES AS AT 16 APRIL 2020

No.	Name of Director	Direct Interest		Deemed Interest	
		Shares	%	Shares	%
1	Dato' Mohammed Azlan Hashim	78,024,302	6.927	33,554,113 ^b	2.979
2	Tay Kheng Chiong	12,844,552	1.140	0	0.000
3	Cheam Dau Peng	8,201,576	0.728	0	0.000
4	Goh Nan Yang	133,333	0.011	0	0.000
5	Yeow See Yuen	5,886,799	0.522	0	0.000
6	Wong Meng Tak	508,333	0.045	0	0.000
7	Jesper Bjoern Madsen	20,000	0.002	0	0.000

NOTES:

- a) Deemed interest by virtue of his/her shareholdings held through Keen Capital Investments Limited, PRT Capital Pte Ltd, Geo-Mobile Asia Sdn Bhd, Lanai Etika Sdn Bhd, Mega First Housing Development Sdn Bhd, RCI Ventures Sdn Bhd and Camasia Limited
- b) Deemed interest by virtue of his shareholdings held through his spouse, Datin Nonadiah binti Abdullah
- c) Deemed interest by virtue of her shareholdings held through her spouse, Dato' Mohammed Azlan Hashim
- d) Deemed interest by virtue of his/her shareholdings held through Kema Development Sdn Bhd, Geo-Mobile Asia Sdn Bhd, Lanai Etika Sdn Bhd, Mega First Housing Development Sdn Bhd and RCI Ventures Sdn Bhd
- e) Deemed interest by virtue of her shareholdings held through Omega Riang Sdn Bhd

Save as disclosed below, there are no other relationship or associations amongst the other substantial shareholders and Directors:-

- i) Goh Nan Yang is the brother-in-law of Lim Yam Chiew;
- ii) Goh Nan Kioh and Goh Nan Yang are siblings;
- iii) Goh Nan Kioh is the spouse of Lim Yam Chiew;
- iv) Lim Yam Chiew, Lim Thiam Cheok, Lim Yam Poh and Dr Lim Thian Soo are siblings; and
- v) Datin Nonadiah Abdullah is the spouse of Dato' Mohammed Azlan Hashim

STATISTICS ON SHAREHOLDINGS

AS AT 16 APRIL 2020

(cont'd)

IRREDEEMABLE CONVERTIBLE PREFERENCE SHARES

AS AT 16 APRIL 2020

Class of Shares	:	Irredeemable Convertible Preference Shares ("ICPS")
Listing status	:	Unquoted on the Main Market of Bursa Securities
Voting Rights	:	<p>The ICPS holders shall carry no right to vote at any general meeting of the Company except for the following circumstances:-</p> <p>(a) when the dividend or part of the dividend on the ICPS is in arrears for more than 6 months;</p> <p>(b) on a proposal to reduce the Company's share capital;</p> <p>(c) on a proposal for the disposal of the whole of the Company's property, business and undertaking;</p> <p>(d) on a proposal that affects rights attached to the ICPS;</p> <p>(e) on a proposal to wind up the Company; and</p> <p>(f) during the winding-up of the Company.</p>
Number of ICPS	:	377,073,768 ICPS

DISTRIBUTION OF ICPS SHAREHOLDINGS

AS AT 16 APRIL 2020

Size of Holdings	No. of Holders	Total Holdings	%
Less than 100	0	0	0.000
100 to 1,000	0	0	0.000
1,001 to 10,000	0	0	0.000
10,001 to 100,000	0	0	0.000
100,001 to less than 5% of issued shares	0	0	0.000
5% and above of issued shares	3	377,073,768	100.000
Total	3	377,073,768	100.000

LIST OF ICPS SHAREHOLDERS

AS AT 16 APRIL 2020

No.	Name of Securities Account Holder	No. of shares held	%
1	Golden Horizon Resources Limited	176,065,573	46.693
2	Thames Electronics Sdn Bhd	112,975,409	29.961
3	Camasia Limited	88,032,786	23.346
Total		377,073,768	100.000

STATISTICS ON SHAREHOLDINGS

AS AT 16 APRIL 2020
(cont'd)

DIRECTORS' INTEREST IN ICPS AS AT 16 APRIL 2020

No.	Name of Director	Direct Interest		Deemed Interest	
		Shares	%	Shares	%
1	Dato' Mohammed Azlan Hashim	0	0.000	0	0.000
2	Tay Kheng Chiong	0	0.000	0	0.000
3	Cheam Dau Peng	0	0.000	0	0.000
4	Goh Nan Yang	0	0.000	112,975,409 ^a	29.961
5	Yeow See Yuen	0	0.000	0	0.000
6	Wong Meng Tak	0	0.000	0	0.000
7	Jesper Bjoern Madsen	0	0.000	0	0.000

NOTES:

a) Deemed interest by virtue of his shareholdings held through Thames Electronics Sdn Bhd

NOTE TO SHAREHOLDERS

Notice of Annual General Meeting,
Statement Accompanying Notice of Annual General
Meeting and Proxy Form will be circulated separately
to the shareholders.

www.do.com.my
www.dominant-semi.com

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