FRONTKEN

Frontken Corporation Berhad (651020-T)

ANNUAL REPORT 2018

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Corporate Information

BOARD OF DIRECTORS

Ng Wai Pin
Chairman / Chief Executive Officer

Dr Tay Kiang Meng
Executive Director / Chief Scientist

Dato' Haji Johar Bin Murat @ Murad
Independent Non-Executive Director

Aaron Sim Kwee Lein
Senior Independent Non-Executive Director

Dr Jorg Helmut Hohnloser
Independent Non-Executive Director

AUDIT COMMITTEE

Dato' Haji Johar Bin Murat @ Murad
(Chairman)

Aaron Sim Kwee Lein
Dr Jorg Helmut Hohnloser

NOMINATION COMMITTEE

Dato' Haji Johar Bin Murat @ Murad
(Chairman)

Aaron Sim Kwee Lein
Dr Jorg Helmut Hohnloser

REMUNERATION COMMITTEE

Ng Wai Pin
(Chairman)

Dato' Haji Johar Bin Murat @ Murad
Aaron Sim Kwee Lein

COMPANY SECRETARIES

Mah Li Chen *(MAICSA 7022751)*
Chew Mei Ling *(MAICSA 7019175)*

REGISTERED OFFICE

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Megan Avenue II
Jalan Yap Kwan Seng
50450 Kuala Lumpur
Tel : (03) 2166 9718
Fax : (03) 2166 9728

HEAD OFFICE

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Pusat Dagangan Phileo Damansara 1
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46350 Petaling Jaya, Selangor
Tel : (03) 7968 3312
Fax : (03) 7968 3316
Email : erichee@frontken.com
Website : www.frontken.com

INVESTOR RELATIONS

Eric Hee
Tel : (03) 7968 3312
Fax : (03) 7968 3316
Email : erichee@frontken.com

SHARE REGISTRAR

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

AUDITORS

Crowe Malaysia PLT
(LLP0018817-LCA & AF 1018)
Chartered Accountants
Level 16 Tower C
Megan Avenue II
12 Jalan Yap Kwan Seng
50450 Kuala Lumpur
Tel : (03) 2788 9999
Fax : (03) 2788 9998

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia Securities Berhad
Stock Name : FRONTKN
Stock Code : 0128
Reuters Code : 0128.KL
Bloomberg Code : FRCB MK

Group Corporate Structure
As At 26 March 2019

FRONTKEN

Frontken Corporation Berhad (651020-T)

100% FRONTKEN MALAYSIA SDN BHD
- 100% Frontken (East Malaysia) Sdn Bhd
- 100% Frontken (Johor) Sdn Bhd
- 100% Frontken Projects Sdn Bhd

100% FRONTKEN (SINGAPORE) PTE LTD
- 100% Frontship Pte Ltd
- 100% Frontken Projects Pte Ltd
- 99.9% Frontken Philippines Inc.

95% PT FRONTKEN INDONESIA

45% TTES FRONTKEN INTEGRATED SERVICES SDN BHD

89.6% ARES GREEN TECHNOLOGY CORPORATION
- 100% Ares Green International Corporation

Our Vision, Mission & Profile

OUR VISION

To be the leading service provider in the industry we serve.

OUR MISSION

To serve our customers with complete satisfaction which includes not only the most competitive price and fastest delivery time but also the highest technical performance and reliability for all our services and products.

OUR PROFILE

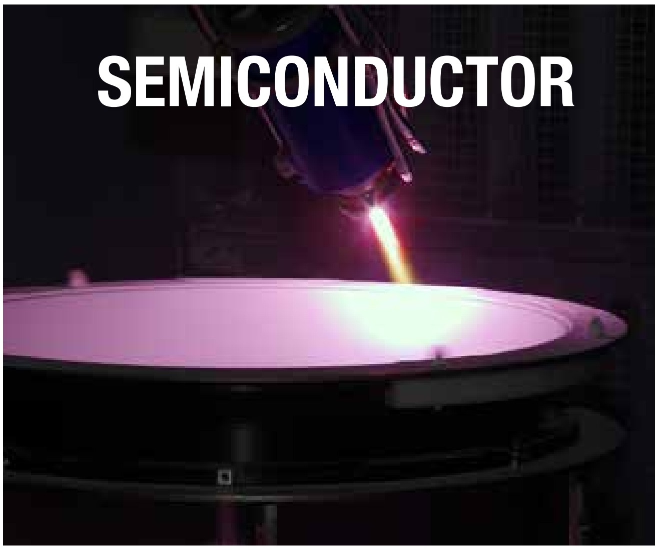
Frontken Corporation Berhad, listed on the Main Market of Bursa Malaysia Securities Berhad, has since its inception in 1996, established itself as a leading service provider of surface engineering in the Asia Pacific region. The Group's comprehensive range of services increases the efficiency and extends the lifespan of machinery and equipment, therefore improving the customer's operating and maintenance cost.

The Group utilises numerous spray coating methods and mechanical repair and services know-how to improve the operational efficiency of various industries, including the oil and gas, petrochemical, power generation, semiconductor and electronics manufacturing sectors. The Group also undertakes research and development in advanced materials and surface engineering technology to produce new and improved coatings for use in the protection against material degradation and to improve the productivity of industrial processes.

To date, the Group's customer portfolio comprises key players in the semiconductor, oil and gas, power generation and petrochemical industries in mainly Singapore, Malaysia, Taiwan and other countries such as the Philippines, Indonesia and Thailand.

The Group, together with its associates, has established a significant presence in the region. Furthermore, over the years, the Group has established an international network of representatives to market the Group's specialised services worldwide.

Our Services



Advanced Precision Cleaning

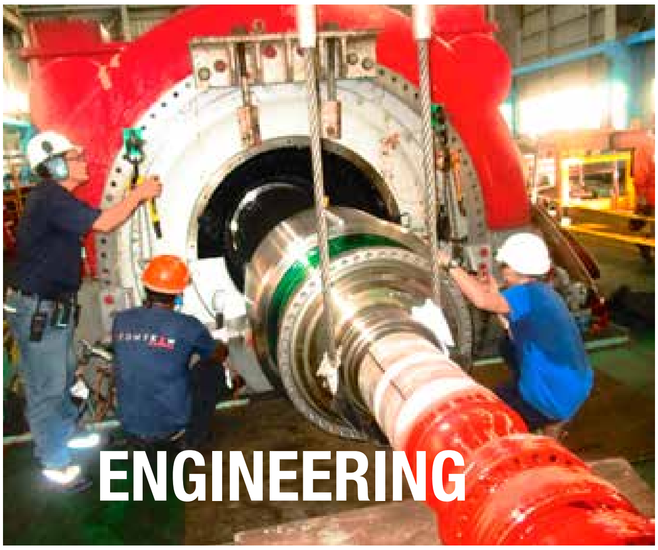
Advanced Precision cleaning and surface treatment of vacuum processes equipment parts in the semiconductors and TFT industries.

Decontamination of newly manufactured parts and routine maintenance. Kit management of semiconductor manufacturing components.

Advanced Surface Treatment & Specialty Coating

Advanced Surface treatment services include thermal spray coatings, arc spray coatings, precision anodization and precision texturing and polishing.

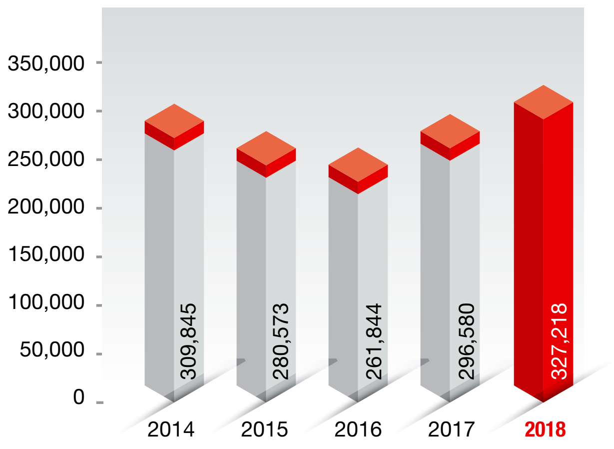
Protection, lifetime extension, performance and efficiency improvements via advance surface treatment technology such as cold build up treatment, plating, plating & conversion coating, specialised plasma transferred arc welding.

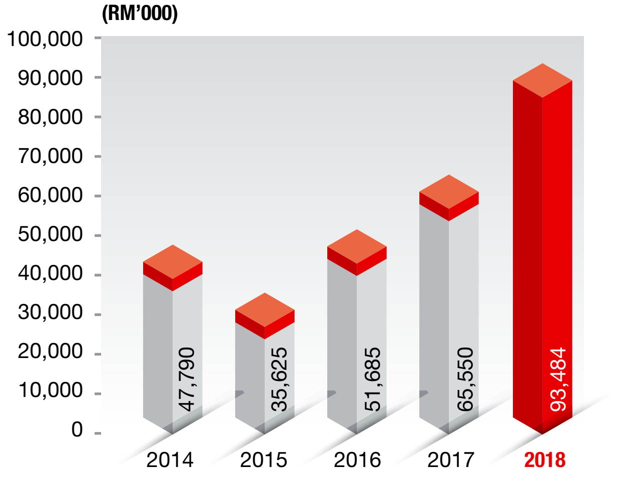


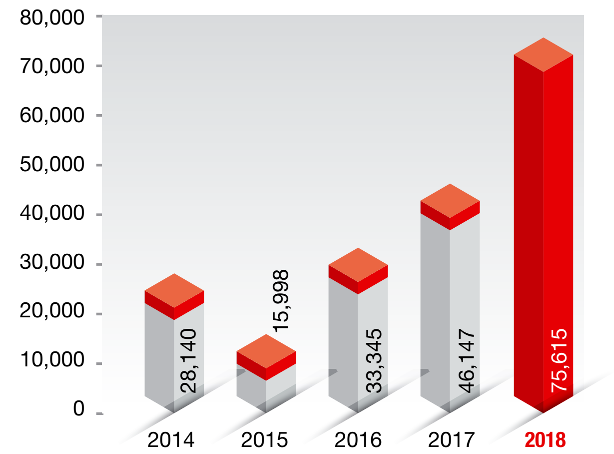
Rotating Equipment

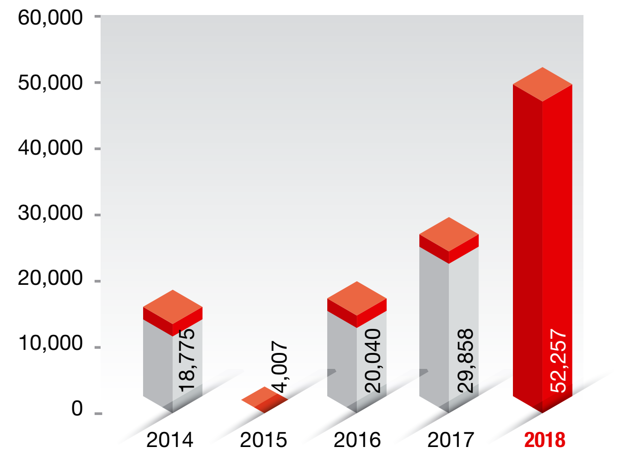
Equipment maintenance and overhaul, mechanical fitting & assembly, dynamic balancing, heat treatment, on site machining, metal stitching, laser alignment.

Financial Highlights









SEGMENTAL REVENUE – BY CUSTOMER LOCATION (RM'000)

	2014	2015	2016	2017	2018
Singapore	42,740	35,263	38,408	46,616	54,262
Malaysia	157,893	113,398	71,166	51,054	58,714
Taiwan	90,405	107,337	125,893	168,479	182,886
Others	18,807	24,575	26,377	30,431	31,356
	309,845	**280,573**	**261,844**	**296,580**	**327,218**

SEGMENTAL REVENUE – BY INDUSTRY (RM'000)

	2014	2015	2016	2017	2018
Semiconductor	139,600	158,737	185,162	235,017	261,621
Oil & Gas	131,062	91,856	50,374	41,132	46,424
General*	39,183	29,980	26,308	20,431	19,173
	309,845	**280,573**	**261,844**	**296,580**	**327,218**

* *Comprises power generation, aerospace, marine, steel, cement, wood processing, pulp & paper, printing, agriculture, industrial manufacturing, food, construction and other sectors.*

Financial Highlights (cont'd)

SUMMARISED GROUP BALANCE SHEETS

As At 31 Dec (RM'000)	2014	2015	2016	2017	2018
Non-Current Assets	173,019	172,843	190,575	188,706	177,493
Current Assets	183,363	217,040	217,187	242,385	277,567
Total Assets	**356,382**	**389,883**	**407,762**	**431,091**	**455,060**
Share Capital	101,141	105,344	105,344	118,925	118,925
Reserves	105,663	131,211	156,266	162,675	206,115
Shareholders' Equity	206,804	236,555	261,610	281,600	325,040
Non-Controlling Interests	32,913	34,684	33,799	24,373	19,604
Total Equity	**239,717**	**271,239**	**295,409**	**305,973**	**344,644**
Non-Current Liabilities	28,341	32,331	25,420	16,061	12,348
Current Liabilities	88,324	86,313	86,933	109,057	98,068
Total Liabilities	116,665	118,644	112,353	125,118	110,416
Total Equity and Liabilities	**356,382**	**389,883**	**407,762**	**431,091**	**455,060**

SUMMARISED GROUP CASH FLOWS

Year Ended 31 Dec (RM'000)	2014	2015	2016	2017	2018
Net Cash Flows From Operating Activities	40,672	44,500	44,424	69,029	63,322
Net Cash Flows For Investing Activities	(21,164)	(7,386)	(35,037)	(32,078)	(7,142)
Net Cash Flows (For)/From Financing Activities	(4,426)	6,246	(18,473)	(8,389)	(27,786)
Net Increase/(Decrease) in Cash and Cash Equivalents	15,082	43,360	(9,086)	28,562	28,394
Effect of exchange differences	1,079	9,182	2,037	(6,377)	293
Cash and Cash Equivalents at Beginning of Year	36,414	52,575	105,117	98,068	120,253
Cash and Cash Equivalents at End of Year	52,575	105,117	98,068	120,253	148,940

FINANCIAL ANALYSIS

(RM'000)	2014	2015	2016	2017	2018
Turnover growth	62.6%	-9.5%	-6.7%	13.3%	10.3%
Profit Before Tax Growth	376.1%	-43.2%	108.4%	38.4%	63.9%
Net Profit Growth	909.0%	-78.7%	400.1%	49.0%	75.0%
Pre-tax Profit Margin	9.1%	5.7%	12.7%	15.6%	23.1%
Net Profit Margin	6.1%	1.4%	7.7%	10.1%	16.0%
Gearing Ratio (Net of cash) (times)	0.0	0.0	0.0	0.0	0.0
Return on Average Shareholders' Equity	9.6%	1.8%	8.1%	11.0%	17.2%
Return on Average Total Assets	5.7%	1.1%	5.0%	7.1%	11.8%
Earnings Per Share (Sen)					
- Basic	1.9	0.4	1.9	2.9	5.0
- Diluted	#n/a	^ 0.4	^ 1.9	^ 2.9	^ 5.0

The diluted earnings per share was not presented as the average market value of the ordinary shares of the Company is lower than the exercise price for the outstanding warrants and any exercise of warrants would be antidilutive.

^ *The Group has not issued any dilutive potential ordinary shares and hence, the diluted earnings per share is equal to the basic earnings per share .*

Chairman's Message

Dear valued shareholders,

This was a most exciting and exceptional year for us in that we enjoyed another record breaking year in terms of performance and profitability. It was not only a celebration of good results but also a significant change in the Group's shareholding structure.

We were fortunate to be able to continue to grow in a fairly volatile market with increasing commodity prices and geopolitical uncertainty. While these uncertainties challenged us, they also helped propel our progress. In fact, the ability of our team to leverage on change as a means for progress is a competitive advantage and one of the key factors to our steady and consistent performance.

In short, it was a challenging, gratifying and invigorating year for all of us and, in particular, for myself.

On behalf of the Board of Directors, it is my great pleasure to present to you the Annual Report and Audited Financial Statements of the Group and its subsidiaries for the financial year ended 31 December 2018 ("FYE2018"). As part of this Annual Report, we include the following Management Discussion and Analysis to provide our shareholders with a more insightful and informative details of the Group's operations and performance.

MANAGEMENT DISCUSSION AND ANALYSIS

Review 2018

2018 was a banner year for our semiconductor business as we posted another year of growth in terms of revenue and profit. For us, this was important as it showed that we are a trusted partner to our customers. This in turn will facilitate the creation of a long-term sustainable partnership. Hopefully, this will translate into more business for our Group and in turn enhance the value to our shareholders.

In addition, the Group's continuous investment in research and development ("R&D") enabled us to provide quick response to our customers' needs, increasing their capacities while also reducing operational cost.

Of course, we could not have done it without our valuable and experienced colleagues that provided the operational expertise that is required in our business. Over the last few years, we have made considerable efforts in empowering our employees wherever they are located, for instance, by establishing a structured career framework/path and increasing the scope and quality of our training, among other things.

Consequently, the Group's semiconductor business in Taiwan, Singapore and Malaysia saw strong improvements in their respective businesses with an increase in revenue of 14.5%, 26.0% and 16.9% (based on their local currency) respectively compared to FYE2017.

While the semiconductor business delivered respectable numbers, our engineering business continued to struggle although we saw some light at the end of the tunnel towards the second half of the year. Like many other businesses, we managed to overcome some of the challenges we faced during the course of the year. During the downturn over the last couple of years in the oil and gas industry, we worked diligently on our cost reduction strategies and improve productivity in all areas of our operations. The efforts and perseverance paid off as can be evidenced by the recovery of our engineering business. Premised on that, we are cautiously optimistic that the positive momentum for our engineering business will continue in the coming year.

Chairman's Message (cont'd)

Review of Financial Performance

For FYE2018, the Group achieved another record breaking year with its best ever results with higher profitability on the back of a record revenue of RM327.2 million compared to RM296.6 million in FYE2017, a growth of 10.3%. The Group's profit after tax increased by 56.6% to RM57.0 million from RM36.4 million compared to the preceding year. Our Earnings Before Interest Tax Depreciation and Amortisation grew by 42.5% to RM93.5 million from RM65.6 million a year ago.

Our 2018 financial performance had been very encouraging for the Group and myself. The stronger results were a reflection of the hard work put in by everyone in the Group.

This is a testament to our committed employees and our unwavering determination to never choose between the quality of services we provide and the profitability generated in our business. Our emphasis to consistently deliver high quality works and services to our customers were also the key determinants of our growth; which will continue to sustain our business in the future.

Frontken Malaysia

Frontken Malaysia reported an operating profit of RM4.97 million in FYE2018 from a revenue of RM58.1 million compared to RM0.6 million and RM50.3 million respectively in the preceding year, an improvement of 678.0% and 15.1% respectively.

The Group's semiconductor services operation in Kulim continued to deliver solid performance despite the challenging business environment. With a carefully thought out business strategy, we were able to retain our position as the largest precision cleaning service provider in the country; accounting for a very significant slice of the market share. The industry we cover ranges from semiconductor, photovoltaic, OLED, media as well as major semiconductor OEM contract manufacturers.

The growth this year was mainly attributable to the rebound in the hard disk sector driven by stronger demand in the cloud computing business and also increased business from our customer involved in the production of wafer for LED chips. To better cater for the growth in our business, we added a new line in our Kulim facility. This new line will improve our efficiency and in turn reduce operating costs.

The Group's engineering business, Frontken (East Malaysia) Sdn Bhd ("FEM") and TTES Frontken Integrated Services Sdn Bhd ("TFIS") made modest progress in line with the overall recovery in this segment of our business. With the somewhat more stable crude oil price trading in an acceptable range, our business also saw some pick up during the second half of the year. We saw more activities during this period and we are hopeful that the worst may be behind us. We believe this positive momentum will carry through to 2019 and are hopeful that it will be a better year for our engineering business particularly if TFIS is able to secure some long-term service contracts from its customers.

In East Malaysia, FEM was able to capitalise on the better operating environment and thus performed better compared to last year. With some of the potential works in the pipeline, we believe FEM will continue to thrive in 2019.

The Group's initiative to seek non-traditional approach in the oil and gas and also non-oil and gas industries; leveraging on available resources from other subsidiaries proved to have worked in reducing our fixed cost. Encouraged by this new strategy, we will continue to push forward with our efforts in reducing costs in the coming years.

Chairman's Message (cont'd)

Frontken Taiwan - Ares Green Technology

Once again, the Group's subsidiary in Taiwan, Ares Green Technology Corporation ("AGTC") emerged as our biggest contributor with a revenue of RM186.2 million, an increase of 8.6% compared to last year. This was equivalent to approximately 56.9% of the Group's turnover. The operating profit also grew by 23.2% to RM49.4 million in comparison to the RM40.1 million achieved in 2017.

The growth came mainly from the ramp up of production of the advanced node chip by our customers coupled with our ability to successfully deliver on our customers' localisation project of some of the tools they used.

This year we celebrated the 20th anniversary of AGTC; a year which saw many of our colleagues receiving their long-service awards and among them were services for over 10, 15 and 20 years. It was heartening to see so many of my colleagues achieving such milestones and for quite a number of them, this was their first job. It is such commitment and dedication that got us to where we are today. I hope they will stay with us for many more years to come in our journey to build a strong foundation for the future of not only AGTC but also the Group.

The challenges within the semiconductor industry in Taiwan during the last few years had been immense but so have been the opportunities that we were presented with. It has always been our vision to set the industry's standard in terms of excellent service and consistent quality so that we are the obvious choice for our customers when it comes to precision cleaning and other support services in the semiconductor industry. I believe we are making good progress in achieving our vision and today we are proud to be the preferred company and/or partner for our customers and OEM for the latest and most advanced technologies.

However, we cannot be complacent and thus need to continue to invest in R&D so that we may continue to be ahead of our competitors particularly in the leading edge segment. At the same time, we will work closely with our customers on their localisation initiatives to further reduce their operational costs. We believe such initiatives will contribute to our growth in times to come.

Together with our continuous investment in R&D, we aim to be ever ready, maximizing our capabilities with the cutting-edge technology that creates values and to support our customers' evolving needs and rising expectations in the increasing demand of new technology nodes.

Frontken Philippines

The Group's operation in the Philippines, Frontken Philippines Inc. ("FPI") reported an operating profit of RM2.65 million on the back of a revenue of RM17.4 million. In spite of the reduction in our cleaning services for the solar panel industry, we were able to sustain our profitability through prudent cost management and growth in our engineering division.

All in all, it was another successful year for FPI following its collaboration with strategic technology partners which benefitted the end-users and its partners. The hybrid model of global expertise and local content continues to be a desired direction for our customers. To that end, the Group intends to pursue this model and seek other complementing potential partners to further enhance the overall range of goods and services for our customers.

The Group's key markets in the Philippines will continue to be the oil and gas and power generation, which made up a bulk of its 2018's revenue. A majority of the revenue breakdown indicates a growing demand for local manpower technical support for on-site activities; hence the need to focus on

Chairman's Message (cont'd)

sustaining the provision of these services through continued training and development plans to accommodate and prepare for the current and future needs of our customers and their requirements.

The emphasis will be on training and developing manpower with multi-skilled competencies, continued focus on cost-saving measures ensuring optimum consumption and allocation of resources and implementing performance matrix objectives and tools to monitor and manage overall performance and effectiveness.

Banking on our well-trained and experienced personnel coupled with excellent HSE record with goal zero Incident mantra, amongst our other offerings, the creation of our local Power Team dedicated to cater to the power generation industry requirements will pave way for the realisation of our projected 2019 revenue.

Frontken Singapore

Frontken Singapore Pte Ltd ("FSPL") came out of its shell in FYE2018 with a stellar performance; recording an operating profit of RM18.4 million on the back of a revenue of RM66.1 million, an increase of 318.2% and 15.0% respectively compared to the preceding year. I believe FSPL was our best performing unit in terms of profit growth.

As mentioned in my statement last year, we secured a new customer that will contribute positively to our performance. Although the contribution was not as much as we had anticipated it nonetheless played a part in our improved performance. The main contributor was from our existing customers that saw increased demand for their products. That coupled with some excellent cost savings from process optimisation as a result of our R&D efforts saw our margins improved tremendously. The better performance from our oil and gas division also helped. However, more hard work needs to be done to ensure that we stay ahead of the pack. At the outset of 2018, we implemented a series of action in our engineering/oil and gas division which included optimising both manpower and resources and sharpening our focus. Those initiatives bore fruits as costs reduced significantly and with it the losses as well, leading to it achieving EBITDA breakeven. Increased activities and steady work orders from new and existing customers further helped our cause in trying to turn around this business unit.

MOVING FORWARD

It had been a busy year but we hope we will be even busier in the new year. As we leave behind another good year and turn to a new page, we remain cautiously optimistic of the outlook for 2019. We are constantly open and ready for new challenges as we work in an increasingly competitive environment coupled with uncertainties. To that end, we will continue to embrace the same purpose and stand guided by the same values that define who we are and how we will move forward as a Group by focusing on our strategic priorities.

The Group's performance this year had definitely raised the bar for us for the coming years. Having said that, we will continue to explore ways to add new sources of value to our customers through our initiatives such as reducing costs, improving productivity and efficiency in all areas of our operations. We will also continue to look for new opportunities for growth or partnership and collaborations in taking our business to greater heights including undertaking merger and acquisition to further boost our bottom line.

Chairman's Message (cont'd)

We remain committed to provide excellent shareholders' value, and achieving this with high standards of corporate governance practices in an ethical, sustainable and safe working environment.

Having enjoyed a stellar 2018, we will not rest on our laurel and will continue to work even harder for a better 2019.

ACKNOWLEDGEMENT

On behalf of the Board, I would like to thank my fellow Directors for their support, dedication and invaluable guidance and support throughout the year.

I would like to express my appreciation to all my colleagues for going the extra mile with their unstinting hard work, dedication and commitment during the year.

To our customers, suppliers, business associates, government authorities as well as regulators of the countries in which we operate, we thank you for the opportunity and trust that you have given to us. We hope that all of you will continue to provide us with the same support in years to come.

Lastly, my heartfelt thanks go to all of you, our longstanding shareholders and stakeholders, for your continual support and trust in us.

Financial Review

RESULTS OF OPERATIONS

in RM'000

REVENUE			EBITDA		
2017	296,580	10%	2017	65,550	43%
2018	327,218		2018	93,484	

NET PROFIT			EBITDA MARGIN as a % of revenue		
2017	29,858	75%	2017	22.1	7%
2018	52,257		2018	28.6	

REVENUE

The revenue for the Group for the financial year ended 31 December 2018 ("FYE2018") was RM327.2 million against RM296.6 million in the previous financial year. Overall, the Group revenue increased by RM30.6 million or 10.3% compared to the preceding financial year mainly due to the positive growth of the semiconductor business.

REVENUE (by customer location)	2018 RM'000	%	2017 RM'000	%	% change in revenue
Taiwan	182,886	56	168,479	57	9
Singapore	54,262	17	46,616	16	16
Malaysia	58,714	18	51,054	17	15
Philippines	17,185	5	17,462	6	-2
Others	14,171	4	12,969	4	9
Total	**327,218**	**100**	**296,580**	**100**	**10**

An analysis of revenue by customer location showed growth in our business particularly in Singapore, Malaysia and Taiwan. Slowdown in our customers' business in solar industry resulted in a drop of business in the Philippines.

The revenue in Taiwan increased from RM168.5 million to RM182.9 million in FYE2018 or a 9% increase compared to the preceding financial year. Our subsidiary in Taiwan continue to enjoy better business performance due to the positive growth of the semiconductor business. The better performance for our subsidiaries in Malaysia and Singapore was attributable to the growth in semiconductor related business with strong support from its customers and improvement in engineering business.

EARNINGS

Earnings before interest, tax, depreciation and amortisation ("EBITDA") of the Group for FYE2018 increased to RM93.5 million from RM65.6 million the year before. As a percentage of revenue, EBIDTA increased by 7% which was mainly due to higher revenue.

The profit after tax increased by 57% to RM57.0 million from RM36.4 million in the previous financial year mainly because of our semiconductor division in Taiwan, Malaysia and Singapore performed better this year and also an improvement in engineering business.

The consolidated net profit attributable to shareholders of the Company for FYE 2018 was RM52.3 million, an increase of RM22.4 million or 75% compared to the net profit attributable to shareholders of RM29.9 million for the preceding financial year was mainly due to better performances by our non-wholly owned subsidiary and increase of the Group's equity interest in the subsidiary in Taiwan in FYE2018. This translated to basic earnings per share in FYE2018 of 4.99 sen compared to basic earnings per share of 2.85 sen in the previous financial year.

Financial Review (cont'd)

CASH FLOWS

in RM'000

NET DEBT			WORKING CAPITAL		
2017	(93,235)	33%	2017	133,327	35%
2018	(124,144)		2018	179,499	

FREE CASH FLOW			CAPITAL EXPENDITURE		
2017	49,015	16%	2017	20,152	51%
2018	56,907		2018	9,892	

The free cash flow increased from RM49.0 million to RM56.9 million in FYE2018 mainly due to lower capital expenditure in relation to the plant expansion of our subsidiary in Taiwan compared to the preceding financial year.

The net cash from operating activities was RM63.3 million and RM69.0 million in year 2018 and 2017 respectively. The net cash outflow for financing activities was RM27.8 million in year 2018 as compared to RM8.4 million in year 2017. The increase was mainly due to higher loan repayment and dividend payment in year 2018 as compared to the preceding financial year.

Net cash used for investing activities decreased from RM32.1 million in the preceding financial year to RM7.1 million in year 2018. The decrease in cash outflow for investing activities was mainly due to lower capital expenditure and lower additional investment in a subsidiary in Taiwan in year 2018. The proceeds from disposal of an associate in year 2018 also contribute to the decrease in net cash used for investing activities.

Our Group has cash and cash equivalent of RM148.9 million as at the end of year 2018 compared to RM120.3 million as at the end of year 2017. The Group will continue to exercise prudence in cash flow management while conserving the cash for potential future expansion and investing activities.

FINANCIAL POSITION

The Group's shareholders' fund improved from RM281.6 million as at 31 December 2017 to RM325.0 million as at 31 December 2018 due to increase in retained earnings.

Total assets of the Group increased from RM431.1 million as at 31 December 2017 to RM455.1 million as at 31 December 2018. Total Group's liabilities of RM110.4 million as at 31 December 2018 were lower by RM14.7 million or 12% compared to the previous year. The Group's borrowings decreased from RM33.8 million in year 2017 to RM13.7 million in year 2018.

The total Group's borrowings as at 31 December 2018 that is repayable within one year is 35%. Taiwan Dollar borrowings represented 65% of the total borrowings whilst borrowings denominated in Singapore Dollar and Ringgit Malaysia made up 19% and 16% of the total borrowings respectively. Foreign currency borrowings were drawn to hedge against our Group's overseas investments and receivables which were denominated in foreign currencies.

Board Of Directors' Profile

NG WAI PIN
Chairman / Chief Executive Officer

- Aged 53, Male, Malaysian
- Appointed to the Board on 10 April 2006
- Chairman of Remuneration Committee

Ng Wai Pin, formerly a Senior Independent Non-Executive Director of Frontken Corporation Berhad ("FCB"), was re-designated as the Chairman / Managing Director of the Company on 19 January 2012. Then, he was re-designated as the Chairman / Chief Executive Officer of the Company on 29 March 2018. He holds a Bachelor of Laws degree from University of Auckland and was admitted to the roll of barristers and solicitors of the High Court of New Zealand in 1989. He then continued practising as a barrister and solicitor in a leading legal firm in Auckland for a number of years before returning to Malaysia where he joined Shook Lin & Bok, a legal firm in Kuala Lumpur. He was admitted as an Advocate and Solicitor of the High Court of Malaya in 1993. He later became a Director and Chief Executive Officer of an oil and gas services company listed on Bursa Malaysia Securities Berhad with regional operations, before returning to private practice in law. From September 2005 to February 2009, he was the Chief Operating Officer of a company listed on the Singapore Exchange Limited and was seconded as the Chief Executive Officer of a company listed on the Australian Stock Exchange. He is also the Executive Chairman of Ares Green Technology Corporation, a public company in Taiwan, R.O.C., a subsidiary of FCB. He also sits on the board of BSL Corporation Berhad as an Independent Non-Executive Director.

He has no family relationship with any other Directors or major shareholders of the Company.

He has not been convicted of any offences within the past five years. He has no conflict of interest with the Company.

DR TAY KIANG MENG
Executive Director / Chief Scientist

- Aged 54, Male, Singaporean
- Appointed to the Board on 10 April 2006

Dr Tay Kiang Meng holds a Bachelor of Engineering (First Class Honours) in Manufacturing Systems Engineering from University of Portsmouth, and a Master of Science in Advanced Manufacturing Systems and a PhD in Engineering from Brunel University, United Kingdom.

He is responsible for research and development leading the Group's technology roadmap, spearheading research and development ("R&D") activities, formalising the Group's quality systems, developing critical manufacturing technologies for FCB's semiconductor technology and advanced materials engineering, and exploring new technology opportunities for the Group. He has more than 20 years of professional experiences in technology development, R&D, and has led some of the most significant technology innovations in semiconductor-related manufacturing technology and advanced materials engineering.

An engineer and scientist by training, Dr Tay began his professional R&D experience with research think tank, Gintic Institute of Manufacturing Technology, Singapore. Dr Tay has received honours and awards in many of his academic, research and technology development work.

Dr Tay also sits on the board of the FCB's subsidiary, Ares Green Technology Corporation.

He has no family relationship with any other Directors or major shareholders of the Company.

He has not been convicted of any offences within the past five years. He has no conflict of interest with the Company.

Board Of Directors' Profile (cont'd)

DATO' HAJI JOHAR BIN MURAT @ MURAD
Independent Non-Executive Director

- Aged 72, Male, Malaysian
- Appointed to the Board on 10 April 2006
- Chairman of Audit Committee and Nomination Committee, Member of Remuneration Committee

Dato' Haji Johar Bin Murat @ Murad graduated with a Bachelor degree in Malay Studies from Universiti Malaya in 1971. He has worked in various government agencies, such as the Ministry of Science, Technology & Environment, the Ministry of Finance, the Ministry of Public Enterprises (now known as Ministry of Entrepreneur and Co-operative Development) and Economic Planning Unit of Prime Minister's Department. During his tenure of service in the Ministry of Finance (1996 – 2000), he was a director of the following organisations:-

- Yayasan Tun Razak (Tun Razak foundation)
- Perbadanan Kemajuan Negeri Selangor (Selangor State Economic Development Corporation)
- Majlis Sukan Negara Malaysia (National Sports Council)
- Lembaga Pembangunan Labuan (Labuan Development Authority)
- Syarikat MKIC Malaysia (Malaysia Equity Investment of Malaysia)
- Jawatankuasa Pengurusan Hutan Serantau (Regional Forestry Management Committee)
- Majlis Penyelidikan dan Kemajuan Sains Negara (National Council of Science and Research Development)

When he was the Deputy Secretary General (Operations) of the Ministry of Science, Technology & Environment from 2000 to 2003, Dato' Haji Johar was also an Alternate Director of Lembaga Pengarah Technology Park Malaysia, MIMOS Berhad, SIRIM Berhad, Malaysian Agriculture Research and Development Institute, Malaysia Technology Development Corporation, Composite Technology Research Malaysia Sdn Bhd, Malaysia Design Council and National Science Centre. He was also the Chairman of Audit Committee of MIMOS Berhad and a member of the Board of Tender for MIMOS Berhad and SIRIM Berhad. Currently, he sits on the board of several other private companies.

He has no family relationship with any other Directors or major shareholders of the Company.

He has not been convicted of any offences within the past five years. He has no conflict of interest with the Company.

AARON SIM KWEE LEIN
Senior Independent Non-Executive Director

- Aged 53, Male, Malaysian
- Appointed to the Board on 27 August 2009
- Member of Audit Committee, Nomination Committee and Remuneration Committee

Aaron Sim Kwee Lein was identified as the Senior Independent Non-Executive Director of FCB on 20 February 2012. He is a Fellow member of the Chartered Association of Certified Accountants (UK), a Chartered Accountant of the Malaysian Institute of Accountants, a member of CPA Australia and a Chartered Member of the Institute of Internal Auditors Malaysia. He commenced his career with an international accounting firm and gained professional exposure in stock-broking, trading, manufacturing and construction concerns. Thereafter, he joined a listed company on the Main Board of Bursa Malaysia Securities Berhad as an Internal Auditor where he was engaged in audit work of stock-broking, manufacturing, retail and distribution concerns. In addition, he was also involved in due diligence, operational rationalisation and strategic planning work of corporate acquisitions. Subsequently, he joined a food retail franchise chain company as the Finance & Administrative Manager before becoming the Deputy General Manager of Corporate Strategies and Affairs of a glove manufacturing company. Thereafter, he has been involved in providing business and financial advisory services. Mr Sim also sits on the board of Freight Management Holdings Bhd and Excel Force MSC Berhad.

He has no family relationship with any other Directors or major shareholders of the Company.

He has not been convicted of any offences within the past five years. He has no conflict of interest with the Company.

Board Of Directors' Profile (cont'd)

DR JORG HELMUT HOHNLOSER
Independent Non-Executive Director

- Aged 61, Male, German
- Appointed to the Board on 20 February 2012
- Member of Audit Committee and Nomination Committee

Dr Jorg Helmut Hohnloser received his M.D. from the University of Ulm, Germany and PhD (Medical Informatics) from the University of Munich, Germany. He has 25 years of working experience in the medical field, including research and teaching, and was involved in the development of medical IT systems. In 2000, he took over the management of Cleanpart GmbH and built the company from a single-location operation in Germany to a group with 12 locations in Germany, France and USA. Cleanpart GmbH was founded in 1998 and is principally involved in the cleaning and refurbishment of recyclable components from production systems in the semiconductor and related industries. Dr Jorg Helmut Hohnloser also sits on the board of the FCB's subsidiary, Ares Green Technology Corporation.

He has no family relationship with any other Directors or major shareholders of the Company.

He has not been convicted of any offences within the past five years. He has no conflict of interest with the Company.

Senior Management's Profile

HEE KOK HIONG
Chief Financial Officer

- Aged 46, Male, Malaysian
- Appointed in 2012

Hee Kok Hiong is a Fellow member of the Association of Chartered Certified Accountants (UK) and Chartered Accountant of Malaysia Institute of Accountants.

He has more than twenty years working experience in the areas of finance and administration where he started his career as an audit assistant at Ernst & Young in 1996 where he led and managed various statutory and special audits of companies in a wide spectrum of industries. He left the firm in 2001 to join a co-operative society as its Manager for Finance & Administration Department. Prior to joining Frontken Corporation Berhad ("FCB") as the Group Financial Controller in 2009, he was the Group Financial Controller of a private company with business operations worldwide, where he spend 5 years overseeing its finance, administration and human resource functions.

Mr Hee also sits on the board of FCB's subsidiaries, namely, Ares Green Technology Corporation, Frontken Philippines Inc., TTES Frontken Integrated Services Sdn Bhd, Frontken Projects Sdn Bhd and PT Frontken Indonesia.

He has no family relationship with any other Directors or major shareholders of the Company.

He has not been convicted of any offences within the past five years. He has no conflict of interest with the Company.

LEE BOON TIAN
Director of Frontken Malaysia Sdn Bhd ("FMSB")

- Aged 45, Male, Malaysian
- Appointed in 2016

Lee Boon Tian holds a Diploma in Mechanical Engineering from the Federal Institute of Technology and has the combined entrepreneurial acumen with engineering studies and business management skills to drive revenue, profit performance and market share.

He has extensive working experience in the semiconductor related field with the first seven years attached to one of the largest semiconductor equipment manufacturers in the divisions of parts cleaning and cleanroom consumable sales.

In 2007, he joined FMSB, a wholly-owned subsidiary of FCB, as a senior sales and marketing manager and was promoted to General Manager in 2010. He was later appointed as a Board member of FMSB in 2016.

He has no family relationship with any other Directors or major shareholders of the Company.

He has not been convicted of any offences within the past five years. He has no conflict of interest with the Company.

MOHD SHUKRI BIN HITAM
Managing Director of TTES Frontken Integrated Services Sdn Bhd ("TFIS")

- Aged 52, Male, Malaysian
- Appointed in 2000

Mohd Shukri Bin Hitam holds a Bachelor of Science in Aerospace Engineering, Bachelor of Science in Aeronautics (specialised in Aircraft Maintenance Engineering), Associate Science (Diploma) in Aircraft Maintenance Management Technology and Certificate in Airframe and Power Plant Mechanic.

He has extensive working experience in engineering related fields. Prior to the incorporation of TFIS, he worked in various organisations as engineer and consulting specialist in rotating equipment and turbomachinery engineering and technical services.

He is the Managing Director of TFIS and is responsible to oversee the overall operations of TFIS, engineering and technical services and directs various engineering and technical consultancy services at joint-service and consultancy companies.

He has no family relationship with any other Directors or major shareholders of the Company.

He has not been convicted of any offences within the past five years. He has no conflict of interest with the Company.

Senior Management's Profile (cont'd)

George I. Lagos graduated from Don Bosco Technical College, Industrial Technology Course. He has extensive working experience in the oil and gas industry, power and related industrial fields. Prior to joining FPI in 2003, he has held various senior positions in multinational companies and has gathered a wealth of experience that encompasses maintenance of various types of rotating and static machinery in the oil and gas, power and general industry.

GEORGE I. LAGOS
President, Frontken Philippines Inc. ("FPI")

- Aged 59, Male, Filipino
- Appointed in 2003

He was appointed as the President in 2003 and is the chairman of the Board of FPI.

He has no family relationship with any other Directors or major shareholders of the Company.

He has not been convicted of any offences within the past five years. He has no conflict of interest with the Company.

Tsai Yu Min holds a Degree in Chemical Engineering from Taiwan Taichung Feng Chia University.

He has extensive working experience in sales and marketing and general management and has been working with AGTC, a subsidiary of FCB, since 2000. Before his appointment as General Manager in 2013, he was the sales manager, responsible for formulation of sales and marketing strategies for AGTC.

TSAI YU MIN
General Manager, Ares Green Technology Corporation ("AGTC")

- Aged 42, Male, Taiwanese
- Appointed in 2013

He has no family relationship with any other Directors or major shareholders of the Company.

He has not been convicted of any offences within the past five years. He has no conflict of interest with the Company.

Png Eng Wah holds a Diploma in Mechanical Engineering from Ngee Ann Polytechnic, Singapore.

He has extensive working experience in the business of surface metamorphosis technology including special process development, technology transfer and setting up of research and development and engineering application in thermal coating processes prior to joining FS in 1997.

PNG ENG WAH
Senior Vice President, Frontken (Singapore) Pte Ltd ("FS")

- Aged 55, Male, Singaporean
- Appointed in 2004

He was appointed the Senior Vice President of FS in 2004, responsible for the overall operations of FS's semiconductor division.

He has no family relationship with any other Directors or major shareholders of the Company.

He has not been convicted of any offences within the past five years. He has no conflict of interest with the Company.

Save as disclosed on pages 15 to 19, none of the Directors and members of Key Senior Management hold any other directorship in any public company and/or listed issuer in Malaysia.

Sustainability Report

MESSAGES FROM SUSTAINABILITY COMMITTEE

"Frontken Group has been in the business for more than 20 years, using advanced innovative technology to develop sustainable products and services that make critical parts last longer, perform better and look beautiful and recyclable over numerous critical production processes in many domain industries."

We welcome your interest in learning more about our sustainability development at Frontken Group. We are glad to have deepened the Frontken Group's commitments to various aspects of sustainability development. Our sustainability report covers our accomplishments in financial year 2018 ("FY2018") during which time we took important steps to expand and implement our sustainability vision, which is key to the long-term sustainable growth, development and profitability of Frontken Group. We have dedicated additional resources to fully leverage and integrate our sustainability initiatives across the company. These initiatives are aimed to recognise opportunities for improvement, build value and preserves business integrity and protects our reputation.

At Frontken Group, we build advanced technology to help our customers to develop sustainable products and services that make their critical parts last longer, perform better and look beautiful and recyclable in their critical processes. In short, we research, develop and build advanced technology to support and extend the critical processes for our customers' businesses. Frontken technology help customers to (a) PROTECT the surfaces of their critical parts used in everyday production; (b) PRESERVE their critical parts materials, so that they last longer in everyday production; (c) PROVIDE for a sustainable future via recycling, repairing, refurbishment and re-coating.

We believe in delivering both shareholder and social values for the long-term growth by building excellence corporate governance that will contribute positively to the society and the environment. We have spent considerable time and resources in shifting the business models of our businesses towards becoming more sustainable. We have also focused on identifying new opportunities, as evidenced by our investments in for example the upgrading and expansion of our Taiwan plant, that have become the leader in terms of semiconductor support technology as well as in sustainability.

The Frontken Board and Management, through our internal and external stakeholder engagement and materiality assessment of our business, had earlier identified key trends and topics that are critical to the continued success of our business, such as reducing emissions to environmental, reducing energy use and waste and improving safety and productivity, creating an inclusive social platform and good corporate governance, business continuity plan, etc. We have always and constantly reviewed such risks as important opportunities to strengthen our risk management, and create long-term value and sustainable growth for our group. The assessing and improving of our operational sustainability have been integrated as part of the Frontken Group's strategic formulation. The Board will continue to provide oversight with the support of the Sustainability Management Committee and Risk Management Committee where these materials environmental, social and governance, etc are reviewed and implemented.

In FY2018, Frontken Group continue to strengthen and focus on the five "Core Areas for Action on Sustainability", these five dimensions of sustainability development are (a) responsible management; (b) responsible innovation and service; (c) responsible green production; (d) responsible workplace; and (e) inclusive society and communities. Based on the material issues we have identified, we have laid out a set of strategies and long-term goals in this report as our "Frontken 2025 Vision". In the long term vision, we aim to benchmark our sustainability development with the GRI Framework and United Nations Sustainable Development Goals by continuing to make efforts in the economic, environmental, and social dimensions of our business, and make a contribution towards resolving environmental and social issues.

Some of our highlights of our achievements are summarised as follows, with more details within our second Frontken Group Sustainability Report FY2018, which the Group measure and report its sustainability performance.

Sustainability Report (cont'd)

FY2018 ACHIEVEMENT OF SUSTAINABILITY GOALS

I. Responsible Management

Frontken views the sustainable development of its management team characters and capabilities as a key part of its corporate social responsibility. We focus on financial prudence, discipline and integrity with strong risk management. We are committed to high standards of corporate governance to sustain growth and performance, and to safeguard stakeholders' interest and maximize long-term shareholder value.

II. Responsible Innovation and Service

Frontken has long been the trusted technology partner and service provider to the global semiconductor industry. We are a leader in providing next generations of precision cleaning and coating technology to our customers. We help customers quickly enter into production with our precision cleaning and coating capabilities and provide them with competitive advantage in their products and yield performance. In 2018, we led the advanced precision cleaning and coating in the 7/7+nm and 5nm process technology in Taiwan. We also led the most advanced precision cleaning and coating for the next generation memory wafer process in Singapore. In FY2018, our R&D team researched and developed more environmentally friendly methods for our coating and cleaning process, we improved our production process flow and productivity by 58% and reduced the manpower by 1.67 hours per kit, and most importantly we replace the dangerous steps and processes that are not conducive to the physical and mental health of employees and the environment.

III. Responsible Green Production

Frontken Group has continued to improve its green production method to meet the operational challenges that global warming may bring by making progress through innovation. In FY2018, our production capacity has increased while processes continue to grow more complex, but through our efforts, unit production average power usage is 11.91 kWh per part produced; the unit production average water usage is 0.14 cubic meter per part; and unit production average waste produced is 0.00043 ton (0.43kg) per part.

We also implemented 268242 KW of green power, directly supporting renewable energy. We continue to adhere to strict waste classification at the source, we have introduced new methods to perform internal recycling of waste water, enabling them to become reusable resources and lowering reliance on outsourcing. Total benefits from waste recycling for the full year exceeded 55.907 ton per year.

We are committed to complying with or exceeding all relevant regulatory requirements, to prevention of pollution and to continual improvement in the environmental, health and safety performance of its operations, processes and products.

IV. Responsible Workplace

Frontken group recruits and employs people based on their talents, without regard to their nationality around the world in a fair, open, and just fashion. Frontken strive to groom and retain a diverse and robust talent pool to support and drive our growth through continuous training and development and instilling a strong culture of safety and excellence, whilst encouraging work-life balance. These are implemented through talent development, groom leaders, knowledge training and exchange, health & safety, employee wellness, etc. We employ people based on their talents, without regard to their nationality. We offer good terms of compensation above the industry average, leave and benefits that meet employees' needs, a variety of training courses, and do our utmost to create a safe and healthy work environment.

In FY2018, Frontken employee Retention Rate (%) is 99.18.

Frontken contributed or invested more than 10,249 hours to train employees.

We have a very low health and safety recordable injury rate of 0.03 hour per 100 Employees.

Sustainability Report (cont'd)

V. Inclusive Society and Communities

Frontken aims to be proactive in corporate social responsibility to create a total inclusive society and communities. Through the caring for education of the underprivileged, providing education opportunities, and promoting sports, arts and culture, we encourage employees to participate in public service in reading, guiding, ecology and conservation, and caring for the underprivileged and elderly.

In FY2018, Frontken and its volunteers contributed for a total of 5,233 hours.

We have been supporting schools and non-profit organisations to benefit a total of 9 people.

CONCLUSION

Our report highlights Frontken products and services that contribute to our customers' sustainability goals, such as precision recycle cleaning, refurbishment, re-coatings for critical parts that extend the parts life, products that prevent corrosion and conserve natural resources and other products and services that support the enhanced performance of wafer manufacturing processes. We also report on our efforts to ensure we conduct our business in a socially responsible manner along our entire value chain, from the materials we buy and the production method in which our products and services are used.

Frontken engineers and employees are constantly developing and producing products and services or working together with our customers enabling them to optimize the use of our technology. Our employees are critical to our sustained success. Our report explains our efforts to ensure the health and safety of our employees, and at the same time support their development and job satisfaction. We also recognise the important work we do to protect the communities where our employees live and work by ensuring that our production facilities adhered to rigorous environmental standards.

On behalf of the Board and Management of Frontken Group, we would like to thank all our staff, partners and stakeholders who have been with us throughout our sustainability journey. We look forward to your continued engagement, partnership and support. On behalf of all of us at Frontken, I hope this report provides you with new insights into our business and the ways in which we embrace sustainability. Thank you for your time.

Statement Of Directors' Responsibilities

The Directors are required by the Companies Act 2016 ("the Act") to prepare financial statements in accordance with the applicable approved accounting standards set out by Malaysian Accounting Standards Board, and the provisions of the Act and the Main Market Listing Requirements of Bursa Securities, and to lay these before the Company at its Annual General Meeting.

The Directors are responsible for ensuring that the financial statements provide a true and fair view of the financial position of the Group and the Company as at 31 December 2018 and of their financial performance and cash flows for the financial year ended 31 December 2018.

The Directors are responsible to ensure that the Group and the Company keep accounting records which disclose the financial position of the Group and of the Company with reasonable accuracy, enabling them to ensure that the financial statements comply with the Act.

Corporate Governance Overview Statement

The Board of Directors ("Board") of Frontken Corporation Berhad ("Company") is cognizant of the importance of applying high standards of corporate governance in the Company for the purposes of safeguarding the interest of its shareholders and other stakeholders as well as the assets of the Group, comprising the Company and all its subsidiaries. In applying corporate governance practices, the Board is mindful that such practices should consider and reflect transparency, accountability, ethical culture, sustainability and financial performance of the Group.

Accordingly, the Board seeks to embed in the Group a culture that is aimed at delivering balance between conformance requirements with the need to deliver long-term strategic imperatives through performance, without compromising on personal or corporate ethics and integrity.

This Statement, which is issued pursuant to Paragraph 15.25(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, provides an overview of the Company's application of the Principles set out in the Malaysian Code on Corporate Governance ("MCCG") for the financial year under review and up to the date of this Statement. The details on how the Company has applied each Practice as set out in the MCCG are disclosed in the Corporate Governance Report, which is available for viewing on the Company's website at www.frontken.com.

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS

I. Board Responsibilities

The Directors are collectively responsible to the Company's shareholders for the long-term success of the Group in terms of its overall strategic direction, values and governance. The Board is led by experienced and knowledgeable Board members who provide the Company with the core competencies and the leadership necessary for the Group to meet its business objectives.

All Directors are aware of their responsibility to take decisions objectively which promote the success of the Group for the benefits of shareholders and other stakeholders. The role and responsibilities of the Board, which are set out in the Board Charter available on the Company's website at www.frontken.com are summarised as follows:

- Setting the strategic direction of the Group and monitoring the implementation of strategies by Management;
- Overseeing the conduct of the Company's business;
- Identifying principal risks and ensuring the implementation of appropriate internal controls and mitigation measures;
- Succession planning;
- Overseeing the development and implementation of a shareholder communications policy for the Company; and
- Reviewing the adequacy and integrity of the management information and internal control system of the Company.

The Board Charter is periodically reviewed and updated, with the most recent in February 2019 approved by the Board, to be in line with the Practices of the Malaysian Code on Corporate Governance.

To assist in the discharge of its stewardship role, the Board has delegated and conferred some of its authority and powers to its Committees, namely the Audit Committee, Nomination Committee and Remuneration Committee ("Board Committees"). The Board Committees are entrusted with the responsibility to oversee specific aspects of the Company's affairs in accordance with their respective terms of reference as approved by the Board and to report to the Board with their findings and recommendations. The decision whether to act on such recommendation lies with the Board.

The Chairman of the Board, who is also the Chief Executive Officer, is primarily responsible to lead the Board. Based on the Board Charter, the Chairman's responsibilities encompass the following:

- Leading the Board in its responsibilities for the business and affairs of the Company and its oversight of management;
- Overseeing the Board in the effective discharge of its supervisory role;
- The efficient organisation and conduct of the Board's function and meetings;
- Facilitating the effective contribution of all Directors;
- Briefing of all Directors in relation to issues arising at meeting;
- The promotion of constructive and respectful relations between Board members and between the Board and Management;

Corporate Governance Overview Statement (cont'd)

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

I. Board Responsibilities (cont'd)

- Committing the time necessary to discharge effectively his/her role as Chairman; and
- Ensuring regular and effective evaluation of the Board's performance.

In carrying out his role, the Chairman works with Senior Management, manage the Board, and promote effective relations with shareholders, other stakeholders and the public.

The role of day-to-day management of the Group's business development and operations, including implementation of policies and decisions of the Board, is helmed by the Chief Executive Officer, assisted by his fellow Executive Director. The Board is mindful of the dual role held by Mr Ng Wai Pin as the Chairman and Chief Executive Officer which is a departure from Practice 1.3 of the MCCG that states the positions of Chairman and the Chief Executive Officer are to be held by different individuals. The Board is of the view that there is no concentration of power and authority, and that no one individual has unfettered powers for decision making. Furthermore, there is a majority of Independent Non-Executive Directors on the Board who are individuals of calibre, credibility and are free from any business or other relationship which could materially interfere with the exercise of their independent judgement. These Independent Non-Executive Directors are capable of exercising independent judgement to ensure fair and objective deliberations at Board meetings.

To enhance accountability, the Board has established clear functions reserved for itself and those delegated to Management. There is a formal schedule of matters reserved to the Board for its deliberation and decision to ensure the direction and control of the Company are in its hands. Key matters reserved for the Board include, inter-alia, the approval of annual budgets, quarterly and annual financial statements for announcement, investment and divestiture, as well as monitoring of the Group's financial and operating performance. Such delineation of roles is clearly set out in the Board Charter, which serves as a reference point for Board activities. Delegation of authorities have also been put in place to ensure balance between operational efficiency and control over corporate and financial governance.

The Company has in place a Code of Conduct for its Directors and employees and it is available on the Company's website. The Board has also formalised in writing its Whistle Blowing Policies and Procedures for employees to raise genuine concerns, without fear of reprisal, about possible improprieties on matters pertaining to financial reporting, compliance, malpractices and unethical business conduct within the Group. The Whistle Blowing Policies and Procedures document is uploaded on the Company's website at www.frontken.com.

Directors have full access to the Company Secretaries, who are all members of the Malaysian Institute of Chartered Secretaries and Administrators ("MAICSA"), to provide advisory services to the Board, particularly on corporate governance issues and compliance with the relevant policies and procedures, laws and regulatory requirements, in addition to the administrative matters on meetings of the Board, Board Committees and shareholders.

As stipulated in the Board Charter, the Directors are required to devote sufficient time to carry out their responsibilities. The Board obtains this commitment from Directors at the time of appointment. Each Director is expected to commit time as and when required to discharge the relevant duties and responsibilities, besides attending meetings of the Board or Board Committees.

Continuous Professional Development

The Board encourages its members to enrol in appropriate continuing education programme to equip them to serve the interests of the Company. The Directors are updated by way of circulars on matters relating to changes to the Main Market Listing Requirements and briefing by the Company Secretaries at the Board Meeting following the changes.

Corporate Governance Overview Statement (cont'd)

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

I. Board Responsibilities (cont'd)

Continuous Professional Development (cont'd)

All Directors have completed the Mandatory Accreditation Programme as required by the Listing Requirements of Bursa. During the financial year under review, the trainings attended by the Directors included briefings, seminars, workshops and conferences conducted by the relevant regulatory authorities and professional bodies. Details of the training programmes attended/ participated by the Directors are as follows:

Directors	Training/Seminar/Conference/Workshop
Ng Wai Pin	• Storytelling Techniques in Investor Relations – MIRA • Malaysia Mini Corp Day 2018
Dr Tay Kiang Meng	• Techinnovation Singapore organised by Intellectual Property Intermediary Singapore
Dato' Haji Johar bin Murat @ Murad	• Practical Approach and Guidelines For Risk Management and Internal Control
Aaron Sim Kwee Lein	• Corporate Tax Planning: Capitalising the Right Tax Opportunities for Your Business • Updates on Malaysian Corporate Governance Guidelines 2017 • Risk Management Conference 2018

As at the date of this Statement, the Company had yet to receive any information on the training that Dr Jorg Helmut Holnloser has attended during the financial year under review.

II. Board Composition

The Board currently consists of five (5) members, comprising two (2) Executive Directors and three (3) Independent Non-Executive Directors. The Board composition exceeds the recommendation of Practice 4.1 of the MCCG which states that at least half the Board is to comprise Independent Non-Executive Directors as well as Main Market Listing Requirements of Bursa Securities, which stipulate that at least two (2) Directors or one-third (1/3) of the Board, whichever is higher, must be independent.

The Independent Non-Executive Directors provide the necessary checks and balances in the Board's exercise of their functions by facilitating an independent evaluation of the Board's decisions and decision-making process.

The Executive Directors are complemented by the experience and independent views of the Independent Non-Executive Directors who are professionals in the field of finance, accounting, administration, strategic management, and research and development. The Board members possess a fair range of business, finance, administration, research and development, and legal experience. The mix skills and experience are vital in directing and supervising the Group's overall business activities in light of the increasing challenging economic and operating environment in which the Group operates. The profile of each Director is set out on pages 15 to 17 of the Company's 2018 Annual Report.

The Nomination Committee ("NC") is entrusted to assess the adequacy and appropriateness of the Board composition, identifying and recommending suitable candidates for Board membership and also to assess annually the performance of the Directors, succession plans and Board diversity, including gender, age and ethnicity diversity, training courses for Directors and other qualities of the Board, including core-competencies which the Independent Non-Executive Directors should bring to the Board. The Board has the ultimate responsibility of decision making on the appointment. This process ensures that the Board membership accurately reflects the long-term strategic direction and needs of the Company and determines the skill matrix to support the strategic direction and needs of the Company.

Corporate Governance Overview Statement (cont'd)

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

II. Board Composition (cont'd)

Based on the annual assessment conducted during the financial year under review and up to the date of this Statement, the NC was satisfied with the existing Board composition and concluded that each Director has the requisite competence and capability to serve on the Board and had sufficiently demonstrated their commitment to the Group in terms of time and participation during the financial year under review, and recommended to the Board for the re-election of the retiring Directors at the Company's forthcoming Annual General Meeting ("AGM"). All assessments and evaluations carried by the NC in discharge of its functions were duly documented.

At the end of the financial year under review, the Board has two Directors, namely Dato' Haji Johar Bin Murat @ Murad and Aaron Sim Kwee Lein, who have served as Independent Non-Executive Directors of the Company for a cumulative term of more than twelve (12) and nine (9) years respectively. The Board has assessed, via the Nomination Committee, their independence and, accordingly, recommended them for shareholders' approval to continue to serve as Independent Non-Executive Directors of the Company for the ensuing year. Apart from being satisfied that they fulfilled the criteria under the definition of Independent Non-Executive Director provided in the Main Market Listing Requirements of Bursa Securities, the Board believes the following justifications are sufficient and appropriate for it to recommend their extensions as Independent Non-Executive Directors to be voted on at the forthcoming AGM of the Company:

- Both of them have demonstrated their commitment to the Company by attending all meetings of the Board and Board Committees of which they are members;
- They bring with them vast experience and expertise to complement the competencies of the other Directors to enhance boardroom discussions and decision;
- They have been with the Company for more than twelve (12) and nine (9) years and accordingly, are familiar with the nuances and understand the Group's business operations; and
- They have exercised due care and diligence during their tenure as Independent Non-Executive Directors of the Company and carried out their duties professionally and objectively in the interest of the Company and shareholders.

The NC has conducted an assessment on the independence of Independent Non-Executive Directors for the financial year 2018 based on the criteria on independence adopted by the Board. Following the recommendation of the NC, the Board is of the opinion that the independence of the existing Independent Non-Executive Directors remain unimpaired and their judgement over business dealings of the Company were not influenced by the interest of the other Directors or substantial shareholders.

The Board does not have a specific policy for setting targets for women, ethnic or age composition on the Board. Evaluation of the suitability of candidates is based on the candidates' competency, character, time availability, integrity and experience in meeting the Company's needs. The Board constantly advocates fair and equal participation and opportunity for all individuals of the right calibre.

A summary of key activities undertaken by the NC in discharging its duties during the financial year under review and up to the date of this Statement is set out below:

- Reviewed and assessed the independence of Independent Non-Executive Directors;
- Reviewed and recommended re-election of Directors who were due for re-appointment and retirement by rotation, including the deliberation on Independent Non-Executive Directors whose tenure has exceeded nine (9) years and which would require their continuance as Independent Non-Executive Directors to be voted on at the forthcoming Annual General Meeting;
- Assessed the effectiveness of the Board as a whole, the Board Committee and the contribution of each individual Director;
- Considered the training undertaken by the Directors; and
- Reviewed and assessed the term of office and performance of the Audit Committee and each of its members.

Corporate Governance Overview Statement (cont'd)

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

III. Remuneration

The Board has established a Remuneration Committee ("RC") comprising three (3) members, the majority of whom are Independent Non-Executive Directors. The RC is entrusted by the Board to implement the policies and procedures on matters relating to the remuneration of the Board and Senior Management and making recommendations on the same to the Board for approval.

The Board has adopted the said policies as deliberated by the RC to determine the remuneration of Directors and Senior Management, which is aligned with the business strategy and long-term objectives of the Company. The Executive Directors and Senior Management are paid salaries, allowance, performance-based incentive, including bonus, and other customary benefits as appropriate. The remuneration is set based on relevant market relativities, performance, qualifications, experience and geographic location where the personnel is based. The salary level for Executive Directors and Senior Management takes into account the nature of the role, performance of the business and the individual and market positioning.

The remuneration of Independent Directors comprises fees and meeting allowances. The Board ensures that the remuneration for Independent Non-Executive Directors do not conflict with their obligation to bring objectivity and independent judgement on matters discussed at Board meetings.

The respective Directors are required to abstain from deliberation and voting on their own remuneration at Board Meetings.

Pursuant to the Main Market Listing Requirements of Bursa Securities, the Company is required to disclose the remuneration received by its Directors, on a named basis, for the financial year under review from the Company and the Group, covering Directors' fees, salaries, bonuses, benefits-in-kind and others. Full details of such remuneration received by the Directors on a named basis are disclosed under Practice 7.1 of the Corporate Governance Report of the Company which is uploaded on the corporate website at www.frontken.com.

Meetings of the Board and Board Committees

During the financial year under review, the Board convened five (5) meetings whilst the Audit Committee, Nomination Committee and Remuneration Committee held five (5), two (2) and two (2) meetings respectively. The attendance of the members at the said meetings is set out below:

Name of Director	Board	Audit Committee	Nomination Committee	Remuneration Committee
Ng Wai Pin *Chairman of Board and Remuneration Committee and Chief Executive Officer*	5/5	N/A	N/A	2/2
Dr Tay Kiang Meng *Executive Director*	5/5	N/A	N/A	N/A
Dato' Haji Johar bin Murat @ Murad *Independent Non-Executive Director and Chairman of Audit Committee and Nomination Committee*	5/5	5/5	2/2	2/2
Aaron Sim Kwee Lein *Senior Independent Non-Executive Director*	5/5	5/5	2/2	2/2
Dr Jorg Helmut Holnloser *Independent Non-Executive Director*	3/5	3/5	1/2	N/A

Corporate Governance Overview Statement (cont'd)

PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT

I. Audit Committee

In assisting the Board to discharge its duties on financial reporting, the Board has established an Audit Committee, comprising three (3) Independent Non-Executive Directors, with Dato' Haji Johar Bin Murat @ Murad as the Committee Chairman. The composition, including its roles and responsibilities as well as a summary of its activities carried out during the financial year under review, are set out in the Audit Committee Report on pages 37 to 39 of this Annual Report. One of the key responsibilities of the Audit Committee is to ensure that the financial statements of the Group and Company comply with Malaysian Financial Reporting Standards, International Financial Reporting Standards and provisions of the Companies Act 2016. Such financial statements comprise the quarterly financial report announced to Bursa Securities and the annual statutory financial statements.

The Board understands its role in upholding the integrity of financial reporting by the Company. Accordingly, the Audit Committee, which assists the Board in overseeing the financial reporting process of the Company, has adopted a policy for the types of non-audit services permitted to be provided by the external auditors and/or their affiliates, including the need for obtaining the Audit Committee's approval for such services.

The Audit Committee has formalised a policy that requires a former key audit partner to observe a cooling-off period of at least two (2) years before being appointed as a member of the Audit Committee.

II. Risk Management And Internal Control Framework

The Board has overall responsibility for maintaining a sound system of risk management and internal control of the Group that provides reasonable assurance on efficient business operations, compliance with laws and regulations as well as internal procedures and guidelines.

The Audit Committee assists the Board in reviewing the adequacy and operating effectiveness of the system of risk management and internal control in the Group. The Audit Committee does this by deploying an independent outsourced and in-house internal audit function that conducts internal audit, with findings presented to the Audit Committee, including the remedial measures and action plans agreed by Management to address the matters so highlighted. For more details of the Internal Audit function, refer to the Statement on Risk Management and Internal Control which is included in the Company's 2018 Annual Report as well as the Corporate Governance Report that is made available on the Company's website at www.frontken.com.

The Audit Committee is responsible for overseeing the risk management framework and policies while Management of the respective business units and subsidiaries is tasked to manage business risks, including developing, implementing and monitoring mitigating measures to manage such risks to acceptable levels. Details of the Group's Risk Management framework, activities carried out for the financial year under review and reporting processes are set out in the Statement on Risk Management and Internal Control included in this Annual Report.

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

I. Communication With Stakeholders

The Board recognises the importance of being transparent and accountable to the Company's shareholders and other stakeholders and acknowledges the continuous communication between the Company and stakeholders would facilitate mutual understanding of each other's objectives and expectations. As such, the Board ensures the supply of clear, comprehensive and timely information to stakeholders by way of various disclosures and announcements, including quarterly and annual financial results which provide investors with up-to-date financial information of the Group. All these announcements and other information about the Company, which are disseminated according to the Company's Corporate Disclosure Policy, are available on the Company's website at www.frontken.com where shareholders, investors and public may access.

In addition, the Directors also ensure that engagement with shareholders occurs at least once a year during the AGM to better understand their needs and obtain their feedback.

Corporate Governance Overview Statement (cont'd)

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

II. Conduct Of General Meetings

The AGM is the principal forum for shareholder dialogue, allowing shareholders to review the Group's performance through the Company's Annual Report and pose questions to the Board for clarification.

At the 14th AGM held on 24 May 2018, all the Directors (including the chair of the Board Committees), with the exception of Dr Jorg Helmut Hohnloser, were present in person to engage directly with and were accountable to the shareholders for their stewardship of the Company. During the AGM, shareholders participated in deliberating resolutions being proposed or on the Group's operations in general. The Directors and Senior Management appropriately responded to all questions raised and provided clarification as required by the shareholders.

The Board has not adopted electronic voting as the number of shareholders turning up for the AGM was relatively small and the voting for resolutions was expediently carried out by traditional balloting, supervised by an independent scrutineer.

The Board has set up the corporate website at www.frontken.com to encourage shareholders and investors to pose questions and queries to the Company. These questions and queries are attended to by the Company's Senior Management. In addition, the Board also encourages shareholders and other stakeholders to communicate with the Company through other channels, via post at Suite 301, Block F, Pusat Dagangan Phileo Damansara 1, No. 9, Jalan 16/11, Off Jalan Damansara, 46350 Petaling Jaya, Selangor, Malaysia, fax at (03) 7968 3316 or e-mail at erichee@frontken.com.

This Statement is dated 26 March 2019.

Statement On Risk Management And Internal Control

PURPOSE OF STATEMENT

Paragraph 15.26 (b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") stipulates that a listed issuer must ensure that its board of directors makes a statement ("Statement on Risk Management and Internal Control" or "Statement") about the state of risk management and internal control of the listed issuer as a group. The Statement needs to include sufficient and meaningful information required by shareholders and other stakeholders to make an informed assessment of the main features and adequacy of the listed issuer's risk management and internal control system as a group.

Accordingly, the Board of Directors ("Board") of Frontken Corporation Berhad ("Company") furnishes this Statement, which outlines the nature and scope of the system of risk management and internal control in the Group (comprising the Company and its subsidiaries) for the financial year ended 31 December 2018 and up to the date of approval of this Statement for inclusion in the Company's Annual Report. For the purpose of disclosure, this Statement has considered and, where pertinent, included the mandatory contents outlined in the "Statement on Risk Management and Internal Control - Guidelines for Directors of Listed Issuers", a publication of Bursa Securities, which provides guidance to listed issuers in preparing the Statement.

BOARD'S RESPONSIBILITY ON RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges and assumes its overall responsibility for the Group's system of risk management and internal control to safeguard shareholders' investment and the Group's assets as well as reviewing the adequacy and operating effectiveness of this system in meeting the Group's business objectives. The Board is mindful of the need to establish clear roles and responsibilities in discharging its fiduciary and leadership functions in line with the Principles, Practices and Guidance of the Malaysian Code on Corporate Governance ("MCCG"). As such, the Board is aware of its principal responsibilities, as outlined in the following Practices and Guidance of the MCCG, pertaining to risk management and internal control:

- Practice 1.1 and Guidance 1.1
  The Board should:
  - ensure a sound framework for internal controls and risk management;
  - understand the principal risks of the Company's businesses and recognise that business decisions involve the taking of appropriate risks;
  - set the risk appetite within which the Board expects Management to operate and ensure that there is an appropriate risk management framework to identify, analyse, evaluate, manage and monitor significant financial and non-financial risks;

- Practice 9.1
  The Board should establish an effective risk management and internal control framework; and

- Practice 9.2
  The Board should disclose the features of its risk management and internal control framework, and the adequacy and effectiveness of this framework.

The MCCG also provides that the Board should, in its disclosure, include a discussion on how key risk areas such as finance, operations, regulatory compliance, reputation, cyber security and sustainability were evaluated and the controls in place to mitigate or manage those risks.

In view of the limitations inherent in any system of risk management and internal control ("System"), the System is designed to manage, rather than eliminate, the risk of failure to achieve the Group's business and strategic objectives. The System can, hence, only provide reasonable, but not absolute, assurance against any material misstatement, financial loss or fraudulent activity.

Statement On Risk Management And Internal Control (cont'd)

BOARD'S RESPONSIBILITY ON RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)

In applying Practice 9.1 of the MCCG, the Board has formalised an Enterprise Risk Management framework ("ERM Framework" or "Framework") that encapsulates pertinent policies and guidelines to streamline the Group's risk management initiatives and activities in a structured and holistic manner to safeguard shareholders' investment and the Group's assets. This Framework accords largely with the ISO31000:2018 Risk Management – Guidelines, which set out the key principles, framework and process on risk management. With this Framework, the Board has established an on-going process to identify, evaluate, control, report and monitor significant business risks faced by the Group on an ongoing basis. The Board, through its Audit Committee, reviews the outcome of this process, including mitigating measures implemented by Management to address the key risks as identified. This process has been in place for the financial year under review and up to the date of approval of this Statement for inclusion in the Annual Report of the Company.

RISK MANAGEMENT FRAMEWORK – WHAT IT IS AND HOW IT FUNCTIONS

Risk management is embedded in the Group's key business processes through its ERM Framework, which sets out, inter-alia, an easy-to-understand step-by-step approach to identify and evaluate risks faced by business units and, by extension, the Group. To streamline risk management processes and activities, the Board has formalised in writing relevant risk management policies and guidelines for adherence by business units across the Group. The ERM Framework embodies a structured assessment process, culminating in the compilation of specific risk profiles of key business units and companies in the Group by Risk Management Units ("RMUs"), including the semi-annual update of risk profiles to take into account the vagaries of evolving business environment as well as emerging risks.

The individual risks in the profile are scored for their likelihood of occurrence and the impact thereof based on a '5 by 5' risk matrix, deploying parameters established for each key business unit or company in the Group. The risk parameters comprise relevant financial and non-financial metrics for risks to be evaluated in terms of likelihood of their occurrence and the impact thereof – this feature essentially articulates the Board's risk appetite, i.e. the extent of risk the Group is prepared to take or seek in achieving its business objectives.

Details of specific risks are documented in individual risk registers, covering the risk description, root causes of risk, risk consequences, internal controls implemented by Management to address the root causes, Management's assessment of the effectiveness of internal controls and the residual risk rating, i.e. the balance of risk after considering the effects of internal controls deployed to mitigate the risk. The action plans that Management has taken and/or is taking to mitigate the risks to acceptable levels are reported by the RMUs to the Audit Committee and the outcome is documented in the Audit Committee meeting minutes. The Audit Committee is tasked to brief the Board the outcome of the risk update and mitigating measures deployed, including any significant issues therefrom. For each of the business risks identified, a risk owner is entrusted to ensure appropriate actions are taken to mitigate the risk to an acceptable level within specified timeline. The Risk Coordinator of the Group, when reviewing the risk update by business units, enquires into the status of action plans undertaken by Management of the business units concerned before reporting to the Audit Committee. During the financial year under review, there were two (2) risk updates conducted by the various business units and companies in the Group with the outcome reported by the Risk Coordinator to the Audit Committee and the Board for further comments. The business risks as identified encompassed risks on strategies, finance, operations, regulatory compliance, reputation, cyber security and sustainability.

INTERNAL CONTROL SYSTEM – THE SALIENT FEATURES

Apart from those internal controls deployed by Management to mitigate risks as mentioned above, the Group's internal control system also covers the following key elements:

- an organisation structure with clearly defined lines of responsibilities and appropriate levels of delegation and authority, including financial limits of authority in approving transactions/activities as well as mandate to operate bank accounts. The structure also sets out clear reporting lines and segregation of duties for key processes like strategic management, operations, sales and collections, procurement and payment, human resource, capital expenditure, research and development, financial reporting, corporate affairs, and investments;

- a process of hierarchical reporting which provides a documented and auditable trail of accountability, with appropriate sign-off by personnel entrusted with the responsibilities;

Statement On Risk Management And Internal Control (cont'd)

INTERNAL CONTROL SYSTEM – THE SALIENT FEATURES (CONT'D)

- an annual budgetary exercise that requires all business units and companies in the Group to formulate financial budgets which are then consolidated into a Group budget, presented to the Board for comments and approval. Quarterly review of the Group's performance against budget is carried out at Board meetings where explanations on significant variances are furnished by Management. Management meetings at operational level are conducted to review financial performance against business plans and monitor the respective business unit's performance against budget;

- significant changes in business development are reported by Management to the Board at scheduled meetings. This oversight review enables the Board to evaluate and monitor the Group's business performance vis-à-vis its strategic objectives;

- the Audit Committee, which is entrusted by the Board to oversee, amongst others, the Company's financial reporting process, in particular the quarterly and annual announcements of the Group's financial performance, meets at least quarterly to review the announcements, seeks clarification and explanations from Management before recommending the announcements to the Board for approval;

- internal policies and procedures on key business processes are formalised in writing for adherence by personnel across the Group. These policies and procedures essentially guide personnel on complying with internal control requirements and applicable laws and regulations;

- structured whistle-blower policies and procedures are formalised in writing to enable employees of the Group to raise genuine concerns about suspected improprieties on matters of financial reporting, non-compliance with laws and regulations, malpractices or unethical business conduct within the Group at the earliest opportunity and in an appropriate way without fear of reprisal; and

- where issues arise that affect the reliability and integrity of financial information of any business unit, special audits are commissioned by the Audit Committee or Senior Management, as the case may be, to assist the Board in fulfilling its oversight responsibilities.

INTERNAL AUDIT FUNCTION – ITS STRUCTURE AND SCOPE OF COVERAGE

The Group has two (2) groups of internal auditors – one covering the operations of the Group (except for Taiwan operations), and the other covering solely the Taiwan operations. The internal audit function of the Group (excluding Taiwan operations) is outsourced to an independent professional firm, namely BDO Governance Advisory Sdn Bhd, whilst the internal audit function covering Taiwan operations is an in-house function, i.e. the internal audit personnel are employees of the subsidiary in Taiwan, namely Ares Green Technology Corporation ("AGTC").

The appointment of the outsourced internal audit service provider followed an assessment of its suitability and capability by the Audit Committee of the Company whilst the performance of the in-house internal audit function is under the oversight of AGTC's Board.

Outsourced internal audit coverage – Group (excluding Taiwan operations)

The outsourced internal audit team, which is helmed by an average of four (4) professionals from the firm, including the head of the team, Mr Karthigayan Supramaniam, who is a member of the Malaysian Institute of Accountants and the Institute of Internal Auditors, Malaysia, conducted an assessment of the Group's system of internal control during the financial year under review, focusing on selected significant business units and reported its observations, including Management's response and action plans thereto, directly to the Audit Committee. The internal audit function was also tasked to conduct a follow-up on the status of implementation of action plans by Management on the recommendations highlighted, as deemed relevant. The Audit Committee took note of the issues raised and questions were posed to Management on the timeliness of measures to address the concerns as reported.

Statement On Risk Management And Internal Control (cont'd)

INTERNAL AUDIT FUNCTION – ITS STRUCTURE AND SCOPE OF COVERAGE (CONT'D)

Outsourced internal audit coverage – Group (excluding Taiwan operations) (cont'd)

The internal audit plan for the financial year was prepared based largely on the Group's financial information and the relative risks of the business units to the achievement of the Group's business objectives. The outsourced internal audit function adopted a risk-based and process life cycle approach in identifying auditable entities within the Group as well as the auditable areas. This approach deployed aligns with the International Professional Practices Framework of the Institute of Internal Auditors Inc. ("IIA"), which encompasses, inter-alia, the Code of Ethics and International Standards for the Professional Practice of Internal Auditing, and the IIA Risk Based Internal Auditing Guidance. For the financial year ended 31 December 2018, the following two (2) business units in Malaysia and the Philippines, together with the identified processes, were selected for internal audit with the Audit Committee's concurrence:

Name of business unit	Processes covered by internal audit, addressing the key business risks therein
TTES Frontken Integrated Services Sdn Bhd (Kemaman Operation)	• Sales to receipts (including customer credit management) • Procure to pay (including vendor management) • Fixed assets management
Frontken Philippines Inc.	• Sales to receipt (including debt monitoring) • Procure to pay (including vendor management) • Fixed assets management (including safeguards over spare parts)

Detailed internal audit tests were carried out by the internal audit function to assess the adequacy and operating effectiveness of the business units' system of internal controls in achieving corporate objectives. Transactions and activities were selected for testing on a sample basis. Internal audit observations on systems weakness and areas for improvement, including recommended mitigating measures to address the concerns raised, were included in internal audit reports presented to the Audit Committee during the financial year.

In-house internal audit coverage (Taiwan operations)

The in-house internal auditor, Miss Kelly Huang, who is an accounting graduate, has a working experience of not less than 19 years covering internal audit, external audit and finance function. Independent of the activities she audits, the in-house internal auditor was tasked to assess the adequacy and operating effectiveness of the system of internal control of AGTC, the Company's subsidiary helming the Taiwan operation. In conducting her work, she adopted the internal audit guidelines from the Regulations Governing Establishment of Internal Control Systems by Public Companies issued by Taiwan Financial Supervisory Commission. The in-house internal auditor conducted an assessment of AGTC's system of internal control during the financial year under review, focusing on selected significant areas as approved by the Board of AGTC and reported her observations, including Management's response and action plans thereto, directly to the Board of AGTC. The in-house internal auditor was also tasked to conduct a follow-up on the status of implementation of action plans by Management on the recommendations highlighted. The Board of AGTC took note of the issues raised and questions were posed to Management on the timeliness of measures to address the concerns as reported.

The in-house internal audit plan for the financial year under review was prepared based largely on AGTC's financial information and the relative risks to the achievement of AGTC's business objectives. The in-house internal auditor adopted a process life cycle approach in identifying the auditable areas in AGTC. For the financial year ended 31 December 2018, the following areas were selected for internal audit with AGTC's Board's concurrence:

Statement On Risk Management And Internal Control (cont'd)

INTERNAL AUDIT FUNCTION – ITS STRUCTURE AND SCOPE OF COVERAGE (CONT'D)

In-house internal audit coverage (Taiwan operations) (cont'd)

Business areas covered	Transactions/activities covered by internal audit, addressing the key business risks therein
Property, plant and equipment management	Acquisition, custody, repairs and maintenance, disposal and insurance of assets
Production management	Inspection, storage and sourcing
Sales and receipts management	Logistics management, order management, invoicing, discounts, returns, collections, credit control and receivables management
Purchases and payments management	Requisition, procurement, acceptance and inspection
Information technology management	System development and program modification, application controls, input/output integrity

A summary of the findings of the in-house internal auditor was also shared with the Audit Committee of the Company for notation and comments, if any.

For the financial year ended 31 December 2018, the Audit Committee of the Company as well as Board of AGTC reviewed the work of the internal audit functions, outsourced and in-house, as the case may be, their observations and recommendations in order to obtain assurance on the adequacy and operating effectiveness of the Group's risk management and internal control system. The total cost incurred by the Group for the internal audit functions (both in-house and outsourced) for the financial year under review amounted to approximately RM225,000 (2017: RM195,000).

External Auditors

The external auditors, in the course of their statutory audit of the Group's financial statements, reviewed the Group's system of internal control to the extent of their planned reliance as laid out in their audit planning memorandum. Any significant deficiencies in internal controls identified during the audit, together with the improvement measures to strengthen internal controls, were reported in writing to the Audit Committee by the external auditors vide their presentation deck.

In assisting the Board to assess the adequacy and operating effectiveness of the Group's risk management and internal control system, the Audit Committee reviewed the observations raised by the internal and external auditors, as well as actions taken by Management to address the areas of concern for the financial year ended 31 December 2018. The Audit Committee reported to the Board the outcome of its engagement with the internal and external auditors concerning the adequacy and operating effectiveness of the Group's system of risk management and internal control.

BOARD'S COMMENTS ON THE ADEQUACY AND OPERATING EFFECTIVENESS OF THE GROUP'S RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

The Board, through its Audit Committee, has reviewed the adequacy and operating effectiveness of the Group's risk management and internal control system, and that relevant actions have been or were being taken, as the case may be, to remedy the internal control weaknesses identified from the review.

The Board is of the view that the system of risk management and internal control, in place for the financial year under review and up to the date of approval of this Statement for inclusion in the Annual Report of the Company, is sound and sufficient to safeguard shareholders' investment and the Group's assets. Whilst the Board is of the view that there were no material losses incurred during the financial year as a result of weaknesses in the risk management and internal control system, the Board believes that this system must continuously evolve to meet the changing business landscape and environment the Group operates in. Therefore, the Board continues to put in place action plans, as deemed appropriate, to strengthen the system of risk management and internal control from time to time.

Statement On Risk Management And Internal Control (cont'd)

ASSURANCE BY THE CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER ON THE ADEQUACY AND OPERATING EFFECTIVENESS OF THE RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

The Board has received assurance in writing from the Chief Executive Officer and Chief Financial Officer stating that the Group's risk management and internal control system operated adequately and effectively, in all material aspects, for the financial year under review and up to the date of this Statement.

REVIEW OF STATEMENT BY THE EXTERNAL AUDITORS

Pursuant to Paragraph 15.23 of Bursa's Listing Requirements, the external auditors have reviewed this Statement for inclusion in the Annual Report for the financial year ended 31 December 2018. The external auditors have reported to the Board that, based on their review procedures performed and evidence obtained, nothing has come to their attention that caused them to believe that this Statement intended to be included in the Annual Report is not prepared, in all material respects, in accordance with the disclosures required by Paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issues to be set out, nor is the Statement factually inaccurate.

This Statement is made in accordance with the resolution of the Board of Directors dated 26 March 2019.

Audit Committee Report

A. COMPOSITION AND ATTENDANCE

In line with Paragraph 15.09(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities), the Company has established an Audit Committee ("AC" or "Committee"), comprising the following members who are all Independent Non-Executive Directors:

Name	Position
Dato' Haji Johar bin Murat @ Murad	Chairman of Committee
Aaron Sim Kwee Lein	Member
Dr Jorg Helmut Hohnloser	Member

Members of the AC are appointed by the Board of Directors from amongst the Directors who fulfil the following requirements:

(a) the Committee must comprise not less than three (3) members who are financially literate;

(b) all the Committee members must be Non-Executive Directors, with a majority of them being Independent Non-Executive Directors; and

(c) at least one (1) member of the Committee:

   (i) must be a member of the Malaysian Institute of Accountants;

   (ii) if he is not a member of the Malaysian Institute of Accountants, he must have at least three (3) years of working experience; and:

      (aa) he must have passed the examinations specified in Part I of the First Schedule of the Accountants Act 1967; or

      (bb) he must be a member of one of the associations of accountants specified in Part II of the First Schedule of the Accountants Act 1967; or

   (iii) fulfils such other requirements as prescribed or approved by Bursa Securities.

The Board assesses the performance of the Committee in terms of its effectiveness and contribution of Committee members on an annual basis to determine whether the Committee and its members have carried out their duties in accordance with their terms of reference. The meeting attendance of the Committee members is provided in the Corporate Governance Overview Statement in this Annual Report.

B. MEETINGS

There were five (5) meetings held during the financial year under review. The Committee met with the External Auditors privately once during the financial year under review without the presence of the Executive Directors and Management. At this meeting, the Committee enquired into the co-operation extended by Management in the course of the audit, including the supply of information to facilitate the conduct of the external audit and whether the External Auditors encountered any difficulty in obtaining such co-operation and information for the purpose of the External Audit.

Meetings of the Committee are planned ahead so that the members can make the necessary arrangement to attend the meetings. The notice for the meetings, together with meeting papers, is normally served at least one (1) week before each meeting to enable AC members to read, including an opportunity for them to inquire into the agenda items as well as to seek more information before the meeting.

At each Board meeting, the Committee Chairman briefs the Board pertaining to matters discussed at the Committee meeting held earlier. A copy of the minutes of the Committee meeting is circulated to the Board for notation.

Audit Committee Report (cont'd)

C. ROLES AND RESPONSIBILITIES

In February 2019, the terms of reference of the Audit Committee were revised to be in line with the Practices and Guidance promulgated by the Malaysian Code on Corporate Governance and the Main Market Listing Requirements of Bursa Securities, as the case may be. Full details of the Committee's terms of reference are uploaded on the Company's website at www.frontken.com.

D. AUTHORITY

The Committee shall have the authority to:

- Investigate any matter within its terms of reference;
- Have the resources which are required to perform its duties;
- Have full and unrestricted access to any information pertaining to the Group which it requires in the course of performing its duties;
- Have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activities;
- Obtain independent professional or other advice; and
- Convene meetings with the external auditors, the internal auditors or both, excluding the attendance of other Directors and employees of the Group, whenever deemed necessary.

E. SUMMARY OF WORKS DURING THE FINANCIAL YEAR

The principal activities undertaken by the Committee during the financial year under review are summarised as follows:

- Reviewed the unaudited quarterly and year-end financial statements prior to recommending the same for the Board's approval, focusing particularly on significant and unusual events and compliance with applicable approved accounting standards and other legal requirements;

- Reviewed the Audit Committee Report, Corporate Governance Overview Statement, Corporate Governance Report and the Statement on Risk Management and Internal Control prior to recommending the same for Board's approval for inclusion in the Company's Annual Report;

- Reviewed the appointment of the External and Internal auditors, their independence and effectiveness, including their fees. The amount of fees paid or payable to the External Auditors of the Company or a firm or company affiliated to the External Auditors for the financial year under review in respect of non-audit services rendered to the Company and the Group amounted to approximately RM9,000 and RM30,000 respectively;

- Reviewed with the External Auditors their audit planning memorandum, comprising the scope of audit, areas of audit emphasis, audit approach and timetable;

- Met with the External Auditors on their audit report, Audit Review Memorandum and key audit matters;

- Reviewed the issues raised by the External Auditors pertaining to the audit carried out on the financial statements, including opportunities for improvement to internal controls based on observations made in the course of the audit;

- Reviewed the adequacy of the scope, functions, competency and resources of the Internal Audit Function, and that it has the necessary authority to carry out its work;

- Reviewed and approved the Internal Audit Plan tabled by the outsourced independent Internal Audit Function, reviewed the scope of work coverage by the outsourced Internal Audit Function for the financial year under review, including the results of evaluation of adequacy of the internal control system, as well as Management's response to recommendations for improvement, on the reports from the outsourced Internal Audit Function;

Audit Committee Report (cont'd)

E. SUMMARY OF WORKS DURING THE FINANCIAL YEAR (CONT'D)

- Noted the outcome of internal audit work and issues raised by the in-house Internal Auditor covering the Taiwan operations, including Management action plans;

- Briefed the Board the outcome of the meetings of the Committee, covering largely the work and results of the External Auditors and Internal Audit Function, recurrent related party transactions, quarterly announcements and year-end financial statements as well as the risk management update of the Group;

- Reviewed the related party transactions within the Group;

- Reviewed semi-annually the summary reports on risk management of the Group as presented by the Risk Management Units on the status of risks faced by the Group, including emerging risks, and action plans deployed to manage the risks concerned to acceptable levels; and

- Evaluated the performance of the External Auditors in meeting the requirements of the Company before recommending to the Board for the tabling of their re-appointment at the Annual General Meeting for approval by shareholders.

The dates of AC meetings are pre-planned and communicated to the auditors in advance for them to prepare the Audit Review Memorandum, Audit Planning Memorandum, Internal Audit Plan and Internal Audit reports for presentation to the Audit Committee to meet the respective deadlines. The AC also noted the internal control deficiencies or areas of improvement identified by the Internal Audit Function and action plan for corrective actions or improvement by Management.

The Group has an in-house Internal Auditor who is based at the Company's subsidiary in Taiwan, namely Ares Green Technology Corporation, who conducts internal audit covering solely the Taiwanese operations. As for the Company and other subsidiaries, the Internal Audit Function is outsourced to an independent internal audit service provider, namely BDO Governance Advisory Sdn Bhd. The principal function of internal audit is to undertake systematic reviews of the internal control system within the Group in accordance with approved internal audit plan, so as to provide assurance that such a system is adequate and operating effectively as intended. The Internal Audit Function's responsibilities are to provide independent and objective reports on the state of internal controls of the various operating units within the Group to the AC and provide recommendations for the improvement of the control procedures, so that remedial actions are taken to mitigate weaknesses noted in the system and controls of the respective operating units.

Details of internal audit activities, scope of coverage and cost incurred on the combined Internal Audit Function for the financial year under review, are set out in the Statement on Risk Management and Internal Control included in this Annual Report.

This Report is dated 26 March 2019.

Additional Disclosure

1. SHARE BUY-BACK

At the Fourteenth Annual General Meeting held on 24 May 2018, the shareholders of the Company granted authority to the Company to purchase its own shares provided that the aggregate number of shares purchased shall not exceed 10% of the total number of issued shares of the Company at the time of purchase.

There were no transactions carried out under the Company's share buy-back during the financial year.

As at 31 December 2018, the Company held 5,466,600 treasury shares out of its total number of issued shares of 1,053,435,130 ordinary shares. Such treasury shares were held at a carrying amount of RM663,237. There was no resale or cancellation of treasury shares during the financial year.

2. AUDIT FEES AND NON-AUDIT FEES

During the financial year, the audit fees paid or payable by the Company and the Group to our external auditors in respect of audit of the financial statements for the financial year ended 31 December 2018 amounted to approximately RM109,000 and RM545,000 respectively.

The non-audit fees paid or payable to a member firm of external auditors, Crowe Malaysia PLT by the Company and the Group during the financial year ended 31 December 2018 amounted to approximately RM9,000 and RM30,000 respectively.

3. MATERIAL CONTRACT

There were no material contracts entered into by the Company and its subsidiaries involving the interest of the Directors and/or major shareholders of the Company, either still subsisting at the end of the financial year, or which were entered into since the end of the previous financial year.

FINANCIAL STATEMENTS

Directors' Report

The directors of **FRONTKEN CORPORATION 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 2018.

PRINCIPAL ACTIVITIES

The principal activities of the Company are that of investment holding and provision of management services to its subsidiaries.

The principal activities of the subsidiaries are disclosed in Note 11 to the financial statements.

FINANCIAL RESULTS

	The Group RM	The Company RM
Profit after taxation for the financial year	57,002,432	15,082,195
Attributable to:		
Owners of the Company	52,256,898	15,082,195
Non-controlling interests	4,745,534	-
	57,002,432	15,082,195

DIVIDENDS

The dividends on ordinary shares paid or declared by the Company since the end of the previous financial year in respect of the financial year ended 31 December 2018 were as follows:

	RM
- First interim single-tier dividend of 0.7 sen per ordinary share on 1,047,968,530 ordinary shares, paid on 21 December 2018	7,335,779

On 12 February 2019, the Company declared and approved a second interim single-tier dividend of 0.8 sen per ordinary share on 1,047,968,530 ordinary shares, payable on 28 March 2019, in respect of the financial year ended 31 December 2018 amounting to RM8,383,748. The financial statements for the current financial year do not reflect this interim dividend. Such dividend will be accounted for in the shareholders' equity as an appropriation of retained earnings in the financial year ending 31 December 2019.

RESERVES AND PROVISIONS

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

ISSUES OF SHARES AND DEBENTURES

During the financial year:-

(a) there were no changes in the issued and paid-up share capital of the Company; and

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

Directors' Report
(cont'd)

TREASURY SHARES

During the financial year, the Company did not purchase its issued ordinary shares from the open market. The shares purchased are being held as treasury shares in accordance with Section 127(6) of the Companies Act 2016 and are presented as a deduction from total equity.

As at 31 December 2018, the Company held 5,466,600 treasury shares at a carrying amount of RM663,237. The details on the treasury shares are disclosed in Note 21 to the financial statements.

SHARE OPTIONS

No options have been granted by the Company to any parties during the financial year to take up unissued shares of the Company.

No shares have been issued during the financial year by virtue of the exercise of any option to take up unissued shares of the Company. As of the end of the financial year, there were no unissued shares of the Company under options.

OTHER FINANCIAL INFORMATION

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

(a) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for impairment losses on receivables, and had satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for impairment losses on receivables; and

(b) to ensure that any current assets which were unlikely to realise their book values in the ordinary course of business had been written down to their estimated realisable values.

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

(a) which would cause the amount written off for bad debts or the amount of allowance for impairment losses on receivables in the financial statements of the Group and of the Company to be inadequate to any substantial extent; or

(b) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or

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

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

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

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

(b) any contingent liability of the Group and of the Company which has arisen since the end of the financial year.

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

In the opinion of the directors, no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group and of the Company for the succeeding financial year.

Directors' Report
(cont'd)

DIRECTORS

The following names of directors who served on the Board of the Company during the financial year and up to the date of this report:-

Ng Wai Pin
Dr. Tay Kiang Meng
Dato' Haji Johar Bin Murat @ Murad
Aaron Sim Kwee Lein
Dr. Jorg Helmut Hohnloser

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:-

Hee Kok Hiong
Sia Chiok Meng
Lee Boon Tian
Mohd. Shukri Bin Hitam
Fauziah Binti Hamlawi
Mok Siew Wai
George I.Lagos
Andres Seno Jr.
Glenn A.Lagos
Wong Tong Lok (Resigned on 31 May 2018)

DIRECTORS' INTERESTS

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

	Number of Ordinary Shares			
	At 1.1.2018	Bought	Sold	At 31.12.2018
Shares in the Company				
Direct Interests				
Ng Wai Pin	6,000,000	592,900	-	6,592,900
Dr. Tay Kiang Meng	9,404,808	-	-	9,404,808
Indirect Interests				
Ng Wai Pin	-	290,991,473	-	290,991,473

By virtue of his shareholding in the Company, Ng Wai Pin is deemed to have interests in shares in its related corporations during the financial year to the extent of the Company's interests, in accordance with Section 8 of the Companies Act 2016.

The other directors holding office at the end of the financial year had no interests in the shares of the Company or its related corporations during the financial year.

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 or related corporations) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest 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 17 to the financial statements.

Directors' Report
(cont'd)

DIRECTORS' BENEFITS (Cont'd)

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.

DIRECTORS' REMUNERATION

The details of the directors' remuneration paid or payable to the directors of the Company during the financial year are disclosed in Note 7 to the financial statements.

INDEMNITY AND INSURANCE COST

During the financial year, there is no indemnity given to or professional indemnity insurance effected for directors, officers or auditors of the Company.

SUBSIDIARIES

The details of the Company's subsidiaries are disclosed in Note 11 to the financial statements.

AUDITORS

The auditors, Crowe Malaysia PLT (converted from a conventional partnership, Crowe Malaysia which was previously known as Crowe Horwath), have expressed their willingness to continue in office.

The auditors' remuneration are disclosed in Note 7 to the financial statements.

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

NG WAI PIN

DATO' HAJI JOHAR BIN MURAT @ MURAD

26 March 2019

Independent Auditors' Report
To The Member Of Frontken Corporation Berhad

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Frontken Corporation Berhad, which comprise the statements of financial position as at 31 December 2018 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 50 to 132.

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

Independent Auditors' Report
To The Member Of Frontken Corporation Berhad (cont'd)

Key Audit Matters (Cont'd)

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

Goodwill impairment

Refer to Note 13 to the financial statements.

Key Audit Matter	How our audit address the Key Audit Matter
The Group has goodwill of approximately RM33.8 million comprised within the 3 cash-generating units ("CGU"). For the CGUs which comprised goodwill, the determination of recoverable amount, being the higher of fair value less costs to sell and value-in-use, requires judgement on the part of management in identifying and then valuing the relevant CGUs. The value-in-use models used to assess the risk of impairment are based on assumptions including revenue forecasts, gross and operating margins and discount rates, all of which are country-specific. We focused on this area because of the inherent judgement involved in determining key assumptions such as future sales growth, profit margins, discount rates and terminal value.	Our procedures included, amongst others:- (a) Making enquiries of and challenging the management on the key assumptions made, including:- i. the achievement of the business plan; and ii. sales growth, operating margin, discount rates and long-term growth rates; (b) Performing sensitivity analysis on key assumptions and agreeing with management's conclusion to ascertain the extent of change that individually, or in combination, would be required for the goodwill to be impaired; and (c) Assessing the adequacy of disclosure of goodwill in the financial statements.

Recoverable of trade receivables

Refer to Note 17 to the financial statements.

Key Audit Matter	How our audit address the Key Audit Matter
The trade receivables of the Group amounted to approximately RM106.8 million and it constituted 38% of the total current assets of the Group. We focused on this area due to the long outstanding receivable balances which exceeded the credit term of 90 days granted by the Group. The total long outstanding balances which exceeded the credit term amounted to approximately RM17.4 million is considered to be of a major credit risk. The assessment of recoverability of these long outstanding receivables involved judgement and estimation of uncertainty by Management.	Our procedures included, amongst others:- (a) Testing the adequacy of the Group's allowance for impairment losses on trade receivables by assessing the Group's policy and historical data from the Group's previous collection experience; (b) Reviewing the Group's subsequent collection after the financial year for major receivables; (c) Reviewing the expected credit loss assessment by challenging whether the historic experience is representative of the current circumstances and of recent losses incurred in the receivables and assessing the reasonableness of forward-looking adjustments; and (d) Assessing the adequacy of disclosure in the financial statements.

Independent Auditors' Report
To The Member Of Frontken Corporation Berhad (cont'd)

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 Directors for the Financial Statements

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

In preparing the financial statements of the Group and of the Company, the directors are responsible for assessing the Group'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.

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

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

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

Independent Auditors' Report
To The Member Of Frontken Corporation Berhad (cont'd)

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

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's 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.

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 11 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
LLP0018817-LCA & AF 1018
Chartered Accountants

Ngiam Mia Teck
Approval No: 03000/07/2020 J
Chartered Accountant

Kuala Lumpur

26 March 2019

Statements Of Profit Or Loss And Other Comprehensive Income
For The Financial Year Ended 31 December 2018

	Note	The Group 2018 RM	The Group 2017 RM	The Company 2018 RM	The Company 2017 RM
Revenue	5	327,217,653	296,580,399	23,571,768	17,072,004
Cost of sales		(200,645,515)	(191,761,385)	-	-
Gross profit		126,572,138	104,819,014	23,571,768	17,072,004
Other income		5,428,239	4,217,565	660,501	914,452
Administrative expenses		(45,053,083)	(48,905,377)	(6,398,815)	(4,630,345)
Other expenses		(10,841,990)	(13,001,448)	(257,817)	(152,857)
Finance costs	6	(568,006)	(931,264)	(56,109)	(194,461)
Share of results in associates, net of tax		78,115	(51,126)	-	-
Profit before tax	7	75,615,413	46,147,364	17,519,528	13,008,793
Income tax expense	8	(18,612,981)	(9,739,133)	(2,437,333)	-
Profit after tax		57,002,432	36,408,231	15,082,195	13,008,793
Other comprehensive income/ (expenses), net of tax					
Items that Will Not be Reclassified Subsequently to Profit or Loss					
Actuarial gain/(loss)		397,811	(141,544)	-	-
Items that Will be Reclassified Subsequently to Profit or Loss					
Foreign currency translation differences		(1,570,946)	(5,562,030)	-	-
Total other comprehensive income		55,829,297	30,704,657	15,082,195	13,008,793
Profit after tax attributable to:-					
Owners of the Company		52,256,898	29,857,681	15,082,195	13,008,793
Non-controlling interests		4,745,534	6,550,550	-	-
		57,002,432	36,408,231	15,082,195	13,008,793
Total comprehensive income attributable to:-					
Owners of the Company		51,317,151	24,042,022	15,082,195	13,008,793
Non-controlling interests		4,512,146	6,662,635	-	-
		55,829,297	30,704,657	15,082,195	13,008,793
Earnings per ordinary share attributable to owners of the Company					
Basic (sen)	9	4.99	2.85		
Diluted (sen)	9	4.99	2.85		

The accompanying Notes form an integral part of these Financial Statements.

Statements Of Financial Position
At 31 December 2018

	Note	The Group 2018 RM	The Group 2017 RM	The Company 2018 RM	The Company 2017 RM
ASSETS					
Non-Current Assets					
Property, plant and equipment	10	140,400,220	150,045,683	19,382	33,024
Investments in subsidiaries	11	-	-	140,919,708	133,786,626
Investment in an associate	12	-	1,962,919	-	-
Goodwill on consolidation	13	33,760,856	33,760,856	-	-
Deferred tax assets	14	2,155,621	1,681,320	-	-
Fixed deposits with licensed banks	15	1,176,576	1,255,726	-	-
Total Non-Current Assets		177,493,273	188,706,504	140,939,090	133,819,650
Current Assets					
Inventories	16	13,710,671	13,474,892	-	-
Trade receivables	17	106,845,857	91,714,963	-	-
Other receivables, deposits and prepaid expenses	17	6,727,231	5,302,620	76,088	48,221
Amount owing by subsidiaries	18	-	-	172,800	2,878,962
Amount owing by an associate	12	-	1,333,852	-	-
Current tax assets		376,409	1,243,058	-	-
Short-term investments	19	13,288,430	3,508,429	11,858,212	2,108,006
Fixed deposits with licensed banks	15	3,626,961	6,493,207	-	1,104,683
Cash and bank balances		132,991,602	119,313,578	2,251,996	7,649,011
Total Current Assets		277,567,161	242,384,599	14,359,096	13,788,883
Total Assets		455,060,434	431,091,103	155,298,186	147,608,533

The accompanying Notes form an integral part of these Financial Statements.

Statements Of Financial Position
At 31 December 2018 (cont'd)

	Note	The Group 2018 RM	The Group 2017 RM	The Company 2018 RM	The Company 2017 RM
EQUITY AND LIABILITIES					
Equity					
Share capital	20	118,925,352	118,925,352	118,925,352	118,925,352
Reserves	21	206,115,178	162,674,659	24,666,198	16,919,782
Equity attributable to owners of the company		325,040,530	281,600,011	143,591,550	135,845,134
Non-controlling interests		19,603,901	24,372,710	-	-
Total Equity		344,644,431	305,972,721	143,591,550	135,845,134
Non-Current Liabilities					
Term loans	22	7,533,055	11,546,695	-	-
Hire purchase payables	23	1,341,277	165,961	-	-
Other payables	24	2,792,672	3,225,327	-	-
Deferred tax liabilities	14	680,550	1,122,761	-	-
Total Non-Current Liabilities		12,347,554	16,060,744	-	-
Current Liabilities					
Trade payables	24	18,117,811	19,077,746	-	-
Other payables and accrued expenses	24	63,466,967	60,559,540	3,385,377	2,194,444
Amount owing to subsidiaries	18	-	-	8,321,259	7,531,022
Bank overdrafts	25	-	5,181,941	-	-
Bank borrowings	25	3,914,913	16,750,512	-	2,037,933
Hire purchase payables	23	862,253	182,250	-	-
Current tax liabilities		11,706,505	7,305,649	-	-
Total Current Liabilities		98,068,449	109,057,638	11,706,636	11,763,399
Total Liabilities		110,416,003	125,118,382	11,706,636	11,763,399
Total Equity and Liabilities		455,060,434	431,091,103	155,298,186	147,608,533

The accompanying Notes form an integral part of these Financial Statements.

Statements Of Changes In Equity
For The Financial Year Ended 31 December 2018

The Group	Share capital RM	Treasury shares RM	Share premium RM (Non-distributable)	Foreign currency translation reserve RM (Non-distributable)	Statutory reserve RM (Non-distributable)	Retained earnings RM (Distributable)	Attributable to owners of the Company RM	Non-controlling interests RM	Total Equity RM
Balance at 1 January 2017	105,343,513	(663,237)	13,581,839	34,703,988	3,908,108	104,735,836	261,610,047	33,799,139	295,409,186
Other comprehensive income recognised for the financial year:									
- defined benefit plan actuarial loss	-	-	-	-	-	(95,025)	(95,025)	(46,519)	(141,544)
- foreign currency translation differences	-	-	-	(5,720,634)	-	-	(5,720,634)	158,604	(5,562,030)
Profit after tax for the financial year	-	-	-	-	-	29,857,681	29,857,681	6,550,550	36,408,231
Total comprehensive income for the financial year	-	-	-	(5,720,634)	-	29,762,656	24,042,022	6,662,635	30,704,657
Contributions by and distributions to owners of the Company:									
- Dividends:									
- by the Company	-	-	-	-	-	(5,239,843)	(5,239,843)	-	(5,239,843)
- by subsidiaries to non-controlling interests	-	-	-	-	-	-	-	(1,627,352)	(1,627,352)
- Transfer to statutory reserve	-	-	-	-	2,138,410	(2,138,410)	-	-	-
- Transfer to share capital upon implementation of the Companies Act 2016	13,581,839	-	(13,581,839)	-	-	-	-	-	-
- Changes in ownership interests in subsidiaries that do not result in a loss of control	-	-	-	-	-	1,187,785	1,187,785	(14,461,712)	(13,273,927)
Balance at 31 December 2017	118,925,352	(663,237)	-	28,983,354	6,046,518	128,308,024	281,600,011	24,372,710	305,972,721

The accompanying Notes form an integral part of these Financial Statements.

Statements Of Changes In Equity
For The Financial Year Ended 31 December 2018 (cont'd)

The Group	Share capital RM	Treasury shares RM	Non-distributable: Foreign currency translation reserve RM	Non-distributable: Statutory reserve RM	Distributable: Retained earnings RM	Attributable to owners of the Company RM	Non-controlling interests RM	Total Equity RM
Balance at 1 January 2018	118,925,352	(663,237)	28,983,354	6,046,518	128,308,024	281,600,011	24,372,710	305,972,721
Other comprehensive income recognised for the financial year:								
- defined benefit plan actuarial gain	-	-	-	-	371,079	371,079	26,732	397,811
- foreign currency translation differences	-	-	(1,310,826)	-	-	(1,310,826)	(260,120)	(1,570,946)
Profit after tax for the financial year	-	-	-	-	52,256,898	52,256,898	4,745,534	57,002,432
Total comprehensive income for the financial year	-	-	(1,310,826)	-	52,627,977	51,317,151	4,512,146	55,829,297
Contributions by and distributions to owners of the Company:								
- Dividends:								
- by the Company	-	-	-	-	(7,335,779)	(7,335,779)	-	(7,335,779)
- by subsidiaries to non-controlling interests	-	-	-	-	-	-	(2,688,727)	(2,688,727)
- Transfer to statutory reserve	-	-	-	3,064,332	(3,064,332)	-	-	-
- Changes in ownership interests in subsidiaries that do not result in a loss of control	-	-	-	-	(540,853)	(540,853)	(6,592,228)	(7,133,081)
Balance at 31 December 2018	118,925,352	(663,237)	27,672,528	9,110,850	169,995,037	325,040,530	19,603,901	344,644,431

The accompanying Notes form an integral part of these Financial Statements.

Statements Of Changes In Equity
For The Financial Year Ended 31 December 2018 (cont'd)

The Company	Share capital RM	Treasury shares RM	Non-distributable Share premium RM	Distributable Retained earnings RM	Total Equity RM
Balance at 1 January 2017	105,343,513	(663,237)	13,581,839	9,814,069	128,076,184
Profit after taxation/Total comprehensive income for the financial year	-	-	-	13,008,793	13,008,793
Contribution by and distributions to owners of the Company:					
- Dividend	-	-	-	(5,239,843)	(5,239,843)
- Transfer to share capital upon implementation of the Companies Act 2016	13,581,839	-	(13,581,839)	-	-
Balance at 31 December 2017	118,925,352	(663,237)	-	17,583,019	135,845,134
Balance at 1 January 2018	118,925,352	(663,237)	-	17,583,019	135,845,134
Profit after taxation/Total comprehensive income for the financial year	-	-	-	15,082,195	15,082,195
Contribution by and distributions to owners of the Company:					
- Dividend	-	-	-	(7,335,779)	(7,335,779)
Balance at 31 December 2018	118,925,352	(663,237)	-	25,329,435	143,591,550

The accompanying Notes form an integral part of these Financial Statements.

Statements Of Cash Flows
For The Financial Year Ended 31 December 2018

	The Group		The Company	
	2018 RM	2017 RM	2018 RM	2017 RM
CASH FLOWS FROM/(FOR) OPERATING ACTIVITIES				
Profit before tax	75,615,413	46,147,364	17,519,528	13,008,793
Adjustments for:				
Depreciation of property, plant and equipment	17,300,505	18,471,479	17,331	21,667
Interest expense	568,006	931,264	56,109	194,461
Allowance for impairment loss on property, plant and equipment	-	49,749	-	-
Unrealised (gain)/loss on foreign exchange	(616,303)	4,613,657	190,487	95,813
Allowance for impairment losses on amount owing by a subsidiary	-	-	1,242,999	270,000
Allowance for impairment losses on receivables	932,838	71,151	-	-
Bad debt written off	153,130	-	-	-
Inventories written off	-	137,087	-	-
Gain on disposal of an associate	(672,207)	-	-	-
Property, plant and equipment written off	10,678	506,875	-	-
Share of results in an associate	(78,115)	51,126	-	-
Interest income	(917,220)	(844,780)	(549,987)	(514,753)
Gain on disposal of property, plant and equipment	(164,099)	(11,181)	-	-
Writeback of allowance for impairment losses on trade receivables	(10,000)	(60,137)	-	-
Dividend income from subsidiaries	-	-	(23,527,968)	(17,028,204)
Operating Profit/(Loss) Before Working Capital Changes	92,122,626	70,063,654	(5,051,501)	(3,952,223)
(Increase)/Decrease in:				
Inventories	(379,713)	(2,955,410)	-	-
Trade receivables	(16,590,199)	2,180,666	-	-
Other receivables and prepaid expenses	(1,492,450)	(424,370)	(27,867)	13,997
Amount owing by an associate	1,330,780	1,698	-	-
(Decrease)/Increase in:				
Trade payables	(826,277)	(1,354,959)	-	-
Other payables and accrued expenses	3,376,361	9,419,139	1,190,933	956,353
Cash Generated From/(For) Operations	77,541,128	76,930,418	(3,888,435)	(2,981,873)
Taxes paid	(14,218,858)	(7,901,643)	-	-
Net Cash From/(For) Operating Activities	63,322,270	69,028,775	(3,888,435)	(2,981,873)

The accompanying Notes form an integral part of these Financial Statements.

Statements Of Cash Flows
For The Financial Year Ended 31 December 2018 (cont'd)

	The Group		The Company	
	2018 RM	2017 RM	2018 RM	2017 RM
CASH FLOWS (FOR)/FROM INVESTING ACTIVITIES				
Repayment from subsidiaries	-	-	1,514,464	9,000,836
Purchase of property, plant and equipment	(7,492,297)	(20,152,154)	(3,689)	(830)
Dividend received from subsidiaries	-	-	21,039,335	14,800,304
Additional investment/acquisition of subsidiaries (Note 11)	(7,133,082)	(13,273,927)	(7,133,082)	(13,273,927)
Proceeds from disposal of an associate	2,496,557	-	-	-
Proceeds from disposal of property, plant and equipment	1,077,256	138,530	-	-
Withdrawal of short-term investments	-	2,197,876	-	-
Net withdrawal/(placement) of fixed deposits with licensed banks	2,992,578	(1,833,200)	1,104,683	(31,986)
Interest received	917,220	844,780	549,987	514,753
Net Cash (For)/From Investing Activities	(7,141,768)	(32,078,095)	17,071,698	11,009,150
CASH FLOWS FOR FINANCING ACTIVITIES				
Decrease in amount owing to subsidiaries (Note 29(a))	-	-	591,745	(5,754,789)
Repayment of term loans (Note 29(a))	(16,712,117)	(7,883,738)	(2,037,933)	(2,090,577)
Interest paid	(568,006)	(931,264)	(56,109)	(194,461)
Dividend paid by the Company (Note 26)	(7,335,779)	(5,239,843)	(7,335,779)	(5,239,843)
Dividend paid by a subsidiary to non-controlling interests	(2,626,027)	(1,984,852)	-	-
Drawdown of term loans (Note 29(a))	-	7,901,920	-	-
Payment of hire purchase payables (Note 29(a))	(544,511)	(251,063)	-	-
Net Cash For Financing Activities	(27,786,440)	(8,388,840)	(8,838,076)	(13,279,670)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	28,394,062	28,561,840	4,345,187	(5,252,393)
Effect of exchange rate changes	293,086	(6,376,820)	8,004	(374,697)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	120,252,919	98,067,899	9,757,017	15,384,107
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 29(b))	148,940,067	120,252,919	14,110,208	9,757,017

Note : During the financial year, the Group and the Company acquired property, plant and equipment at an aggregate cost of RM9,892,297 and RM3,689 (2017: RM20,152,154 and RM830), respectively, of which RM2,400,000 and NIL (2017: NIL and NIL), respectively, was acquired under hire-purchase arrangements.

The accompanying Notes form an integral part of these Financial Statements.

Notes To The Financial Statements

1. GENERAL INFORMATION

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

The principal activities of the Company are that of investment holding and provision of management services to its subsidiaries.

The principal activities of the subsidiaries are disclosed in Note 11 to the financial statements.

The registered office of the Company is located at B-11-10, Level 11, Megan Avenue II, Jalan Yap Kwan Seng, 50450 Kuala Lumpur, Malaysia.

The principal place of business of the Company is located at Suite 301, 3rd Floor, Block F, Pusat Dagangan Phileo Damansara 1, No. 9, Jalan 16/11, Off Jalan Damansara, 46350 Petaling Jaya, Selangor Darul Ehsan, Malaysia.

The financial statements of the Group and of the Company have been authorised by the Board of Directors for issuance on 26 March 2019.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

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.

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

MFRSs and IC Interpretations (Including The Consequential Amendments)

MFRS 9 Financial Instruments (IFRS 9 as issued by IASB in July 2014)

MFRS 15 Revenue from Contracts with Customers

IC Interpretation 22 Foreign Currency Transactions and Advance Consideration

Amendments to MFRS 2: Classification and Measurement of Share-based Payment Transactions

Amendments to MFRS 4: Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts

Amendments to MFRS 15: Effective Date of MFRS 15

Amendments to MFRS 15: Clarifications to MFRS 15 ‘Revenue from Contracts with Customers’

Amendments to MFRS 140: Transfers of Investment Property

Annual Improvements to MFRS Standards 2014 – 2016 Cycles

- Amendments to MFRS 1: Deletion of Short-term Exemptions for First-time Adopters
- Amendments to MFRS 128: Measuring an Associate or Joint Venture at Fair Value

The adoption of the above accounting standards and interpretations (including the consequential amendments, if any) did not have any material impact on the Group’s financial statements other than the new classification of financial assets under MFRS 9 which is disclosed in Note 27(c) to the financial statements. This is because the measurement of financial assets under MFRS 9 and the timing and amount of revenue recognised under MFRS 15 are consistent to the Group’s current practice.

Notes To The Financial Statements
(cont'd)

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONT'D)

2.2 The Group has not applied in advance the following accounting standards and 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 16 Leases	1 January 2019
MFRS 17 Insurance Contracts	1 January 2021
IC Interpretation 23 Uncertainty over Income Tax Treatments	1 January 2019
Amendments to MFRS 3: Definition of a Business	1 January 2020
Amendments to MFRS 9: Prepayment Features with Negative Compensation	1 January 2019
Amendments to MFRS 10 and MFRS 128: Sale or Contributions of Assets between an Investor and its Associate or Joint Venture	Deferred
Amendments to MFRS 101 and MFRS 108: Definition of Material	1 January 2020
Amendments to MFRS 119: Plan Amendment, Curtailment or Settlement	1 January 2019
Amendments to MFRS 128: Long-term Interests in Associates and Joint Ventures	1 January 2019
Amendments to References to the Conceptual Framework in MFRS Standards	1 January 2020
Annual Improvements to MFRS Standards 2015 – 2017 Cycles	1 January 2019

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 except as follows:-

MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and will replace the current guidance on lease accounting when it becomes effective. 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 leased assets and the related lease obligations in the statement of financial position (with limited exceptions). The leased assets are subject to depreciation and the interest on lease liabilities are calculated using the effective interest method. The Group is currently assessing the financial impact that may arise from the adoption of this standard.

The amendments to MFRS 119 require an entity to use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after the plan amendment, curtailment or settlement when the entity remeasures its net defined benefit liability (asset). The amendments will be applied prospectively of which the possible impacts upon its initial application cannot be reasonably determined at the moment.

3. SIGNIFICANT ACCOUNTING POLICIES

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:-

(i) 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 13 to the financial statements.

Notes To The Financial Statements
(cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Critical Accounting Estimates And Judgements (Cont'd)

Key Sources of Estimation Uncertainty (Cont'd)

(ii) Impairment of Property, Plant and Equipment

The Group determines whether its property, plant and equipment 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 as at the reporting date is disclosed in Note 10 to the financial statements.

(iii) 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 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 10 to the financial statements.

(iv) 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 assets and liabilities as at the reporting date are RM376,409 and RM11,706,505 (2017: RM1,243,058 and RM7,305,649) respectively.

(v) Deferred Tax Assets

Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unabsorbed capital allowances to the extent that it is probable that future taxable profits would be available against which the deductible temporary differences, unused tax losses and unabsorbed capital allowances could be utilised. Management judgement is required to determine the amount of deferred tax assets that can be recognised, based on the assessment of the probability of the future taxable profits. The carrying amount of deferred tax assets as at the reporting date is disclosed in Note 14 to the financial statements.

(vi) 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 amount of trade receivables as at the reporting date are disclosed in Note 17 to the financial statements.

Notes To The Financial Statements
(cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Critical Accounting Estimates And Judgements (Cont'd)

Key Sources of Estimation Uncertainty (Cont'd)

(vii) 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 16 to the financial statements.

(viii) Impairment of Non-Trade Receivables

The loss allowances for non-trade financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting appropriate inputs to the impairment calculation, based on the past payment trends, existing market conditions as well as forward-looking estimates at the end of each reporting period. The carrying amounts of other receivables and amounts owing by intercompany as at the reporting date are disclosed in Notes 17 and 18 to the financial statements.

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) Classification of Leasehold Land

The classification of leasehold land as a finance lease or an operating lease requires the use of judgement in determining the extent to which risks and rewards incidental to its ownership lie. Despite the fact that there will be no transfer of ownership by the end of the lease term and that the lease term does not constitute the major part of the indefinite economic life of the land, management considered that the present value of the minimum lease payments approximated to the fair value of the land at the inception of the lease. Accordingly, management judged that the Group has acquired substantially all the risks and rewards incidental to the ownership of the land through a finance lease.

Operating Segments

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.

Revenue from Contracts with Customers and Other Income

(i) Revenue from contracts with customers

Revenue from contracts with customers is recognised by reference to each distinct performance obligation in the contract with customer. Revenue from contracts with customers is measured at its transaction price, being the amount of consideration 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
(cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Revenue from Contracts with Customers and Other Income (Cont'd)

(i) Revenue from contracts with customers (Cont'd)

Depending on the substance of the contract, revenue is recognised when the performance obligation is satisfied, which may be at a point in time or over time. 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.

Sales 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.

Rendering of services

Revenue from services is recognised at a point in time in which the services have been rendered to a customer. Following the rendered of services, the Group has a present right to payment for the services rendered and the customer has obtained the remaining benefits from the services.

(ii) Management fee

Management fee is recognised on an accrual basis.

(iii) Interest income

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

(iv) Dividend income

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

Income Taxes

(i) 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).

Notes To The Financial Statements
(cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Income Taxes (Cont'd)

(ii) 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.

(iii) Goods and services tax ("GST")

Revenues, expenses and assets are recognised net of GST except for the GST in a purchase of assets or services which are not recoverable from the taxation authorities, the GST are included as part of the costs of the assets acquired or as part of the expense item whichever is applicable.

In addition, receivables and payables are also stated with the amount of GST included (where applicable).

The net amount of the GST recoverable from or payable to the taxation authorities at the end of the reporting period is included in other receivables or other payables.

Government Grants

Grants from the government are recognised initially as deferred income at their fair value where there is reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Grants that compensate the Group for expenses incurred are recognised in profit or loss over the periods necessary to match the grants with the related expenses which they are intended to compensate for. These grants are presented as other income in profit or loss or a deduction in reporting the related expenses in profit or loss.

Borrowing Costs

Borrowing costs that are 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.

Notes To The Financial Statements
(cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Employee Benefits

(i) Short-term employee benefits

Wages, salaries, paid annual leave and bonuses 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.

(ii) 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.

(iii) Defined benefit plans

The Group's net obligation in respect of defined benefit retirement plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The calculation is performed annually by a qualified actuary using the projected unit credit with service increment method. When the calculation results in a benefit to the Group, the recognised asset is limited to the total of any unrecognised past service costs and the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Group. An economic benefit is available to the Group of it is realisable during the life of the plan, or on settlement of the plan liabilities.

When the benefits of a plan are improved, the portion of the increased benefit relating to the past service by employees is recognised in profit or loss on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in profit or loss.

The Group recognises all actuarial gains and losses arising from defined benefit plans in other comprehensive income and all expenses related to defined benefit plans in personnel expenses in profit or loss.

The Group recognises gains and losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on curtailment comprises any resulting change in the fair value of plan assets, change in the present value of defined benefit obligation and any related actuarial gains and losses and past service cost that had not previously been recognised.

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 (including structured entities, if any) 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.

Notes To The Financial Statements
(cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Basis of Consolidation (Cont'd)

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.

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 (2017 - MFRS 139) or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Notes To The Financial Statements
(cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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 in profit or loss immediately.

Functional and Foreign Currencies

(i) 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.

(ii) Foreign currency transactions and balances

Transactions in foreign currencies are converted into the respective functional currencies on initial recognition, using the exchange rates at the transaction dates. Monetary assets and liabilities at the end of the reporting period are translated at the 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.

(iii) Foreign operations

Assets and liabilities of foreign operations (including any goodwill and fair value adjustments arising on acquisition) 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 related to non-controlling interests is derecognised but is not reclassified to profit or loss.

Notes To The Financial Statements
(cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Functional and Foreign Currencies (Cont'd)

(iii) Foreign operations (Cont'd)

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.

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 definition 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.

(i) 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

- 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).

Notes To The Financial Statements
(cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Financial Instruments (Cont'd)

(i) Financial Assets (Cont'd)

Debt Instruments (Cont'd)

- 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.

- 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.

(ii) Financial Liabilities

- 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.

- 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
(cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Financial Instruments (Cont'd)

(iii) Equity Instruments

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

- 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.

- Treasury Shares

  When the Company's own shares recognised as equity are bought back, the amount of the consideration paid, including all costs directly attributable, are recognised as a deduction from equity. Own shares purchased that are not subsequently cancelled are classified as treasury shares and are presented as a deduction from total equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of treasury shares.

  Where treasury shares are reissued by resale, the difference between the sales consideration received and the carrying amount of the treasury shares is recognised in equity.

  Where treasury shares are cancelled, their costs are transferred to retained profits.

(iv) 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 expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(v) 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 Group, 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.

Notes To The Financial Statements
(cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Financial Instruments (Cont'd)

Accounting Policies Applied Until 31 December 2017

The Group has applied MFRS 9 retrospectively but has elected not to restate comparative information of its financial instruments. As a result, the comparative information of the Group's financial assets continues to be accounted for in accordance with their previous accounting policies as summarised below:-

- Financial assets were designated at fair value through profit or loss when the financial asset was either held for trading or was designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. Derivatives were also classified as held for trading unless they were designated as hedges. Financial assets at fair value through profit or loss were stated at fair value at each reporting date with any gain or loss arising on remeasurement recognised in profit or loss.

- Unquoted trade receivables and other receivables with fixed or determinable payments were classified as loans and receivables financial assets, measured at amortised cost using the effective interest method, less any impairment loss. Interest income was recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

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, other than freehold land, are stated at cost less accumulated depreciation and any impairment losses.

Freehold land is stated at cost less impairment losses, if any and is not depreciated.

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 on property, plant and equipment 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:-

Freehold buildings	25 - 50 years
Long-term leasehold buildings	50 years
Long-term leasehold land	47 - 60 years
Factory and office renovation	5% - 10%
Plant and machinery	10% - 20%
Workshop tools	10% - 20%
Office equipment	33.3% - 80%
Furniture and fittings	10% - 33.3%
Motor vehicles	10% - 20%
Computers	33.3% - 85.7%

Capital work-in-progress is stated at cost. Cost comprises the direct expenditure incurred on the construction and commissioning of the capital asset. Capital work-in-progress is not depreciated until its completion and availability for commercial use.

Notes To The Financial Statements
(cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Property, Plant and Equipment (Cont'd)

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 amounts, method and periods 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.

Investments in Subsidiaries

Investments in 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.

Investments in Associates

An associate is an entity in which the Group has a long-term equity interest and where it exercises significant influence over the financial and operating policies.

The investment in an associate is accounted for in the consolidated financial statements using the equity method based on the financial statements of the associate made up to 31 December 2018. The Group's share of the post-acquisition profits and other comprehensive income of the associate is included in the consolidated statement of profit or loss and other comprehensive income, after adjustment if any, to align the accounting policies with those of the Group, from the date that significant influence commences up to the effective date on which significant influence ceases or when the investment is classified as held for sale. The Group's interest in the associate is carried in the consolidated statement of financial position at cost plus the Group's share of the post-acquisition retained profits and reserves. The cost of investment includes transaction costs.

When the Group's share of losses exceeds its interest in an associate, the carrying amount of that interest is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation.

Unrealised gains or losses on transactions between the Group and the associate are eliminated to the extent of the Group's interest in the associate. Unrealised losses are eliminated unless cost cannot be recovered.

When the Group ceases to have significant influence over an associate and the retained interest in the former associate is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as the initial carrying amount of the financial asset in accordance with MFRS 9 (2017 - MFRS 139). Furthermore, the Group also reclassifies its share of the gain or loss previously recognised in other comprehensive income of that associate to profit or loss when the equity method is discontinued.

Notes To The Financial Statements
(cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Impairment

(i) Impairment of Financial Assets

The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost and 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.

<u>Accounting Policy Applied Until 31 December 2017</u>

The Group has applied MFRS 9 retrospectively but has elected not to restate comparative information of its financial instruments. As a result, the comparative information on the impairment of Group's financial assets has been accounted for in accordance with its previous accounting policy as summarised below:-

- The Group assessed at the end of each reporting period whether there was objective evidence that a financial asset (or group of financial assets) was impaired. Impairment losses were incurred only if there was objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset and that events had an impact on the estimated future cash flows of the financial asset (or group of financial assets) that could be reliably estimated. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost was considered an indicator that the assets are impaired.

(ii) 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 an asset 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 flows using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where it is not possible to estimate the recoverable amount of an individual asset, the Group determines the recoverable amount of the cash-generating unit to which the asset belongs.

Notes To The Financial Statements
(cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Impairment (Cont'd)

(ii) Impairment of Non-financial Assets (Cont'd)

An impairment loss is recognised in profit or loss immediately.

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.

Leased Assets

(i) 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.

(ii) 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 and of the Company.

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.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out method and comprises the purchase price and incidentals incurred in bringing the inventories to their present location and condition.

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
(cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Cash and Cash Equivalents

Cash and cash equivalents comprise cash in hand, bank balances, demand deposit 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.

The Group excluded deposits pledged to financial institutions from cash and cash equivalents for the purpose of the statements of cash flows.

Provisions

Provisions are recognised when the Group and the Company have a present obligation (legal or constructive) as a result of past events, when it is probable that the Group will be required to settle that obligation, and when a reliable estimate of the amount can be made. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the end of the reporting period, and are discounted to present value where the effect is material.

At end of each reporting period, the provisions are reviewed by the directors and adjusted to reflect the current best estimate. The provisions are reversed if it is no longer probable that the Group and the Company will be required to settle the obligation. The unwinding of the discount is recognised as interest expense in profit or loss.

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.

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.

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 the effects of all dilutive potential ordinary shares.

Notes To The Financial Statements
(cont'd)

4. OPERATING SEGMENTS

The Group has one reportable segment as the Group is principally engaged in one business segment which is the provision of engineering services.

The Group Chief Executive Officer (the chief operating decision maker) review internal management report at least on a quarterly basis.

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

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

The Group is organised into the following geographical segments:
- Malaysia
- Singapore
- Philippines
- Taiwan
- Indonesia

Notes To The Financial Statements
(cont'd)

4. OPERATING SEGMENTS (CONT'D)

The Group 2018	Geographical segment Malaysia RM	Singapore RM	Philippines RM	Taiwan RM	Indonesia RM	Elimination RM	Reportable segment Total RM
Revenue							
External revenue	57,772,617	65,151,266	17,237,534	186,088,274	967,962	-	327,217,653
Inter-segment revenue	282,796	939,085	189,673	153,986	-	(1,565,540)	-
Total revenue	58,055,413	66,090,351	17,427,207	186,242,260	967,962	(1,565,540)	327,217,653
Results							
Segment profit/(loss) before interest, tax and share of results in an associate	28,681,165	18,441,712	2,653,309	49,395,987	(939,070)	(23,717,226)	74,515,877
Share of results in an associate							78,115
Interest income							917,220
Gain on disposal of an associate							672,207
Finance costs							(568,006)
Profit before tax							75,615,413
Income tax expense							(18,612,981)
Profit after tax							57,002,432

Notes To The Financial Statements
(cont'd)

4. OPERATING SEGMENTS (CONT'D)

The Group 2018	Geographical segment Malaysia RM	Singapore RM	Philippines RM	Taiwan RM	Indonesia RM	Elimination RM	Reportable segment Total RM
Assets							
Non-current assets							
- Property, plant and equipment	22,584,698	26,646,814	2,311,450	86,588,806	2,268,452	-	140,400,220
- Deferred tax assets	-	-	-	2,155,621	-	-	2,155,621
- Goodwill	33,760,856	-	-	-	-	-	33,760,856
- Others	1,176,576	-	-	-	-	-	1,176,576
Current assets	23,205,482	89,200,664	17,713,850	139,387,673	905,693	7,153,799	277,567,161
Consolidated total assets							455,060,434
Liabilities							
Tax liabilities	489,534	3,750,725	50,268	8,096,528	-	-	12,387,055
Segment liabilities	36,992,314	11,345,062	4,547,105	71,949,255	9,501,314	(36,306,102)	98,028,948
Consolidated total liabilities							110,416,003
Other Information							
Capital expenditure	3,571,885	871,413	55,168	5,393,831	-	-	9,892,297
Depreciation	2,959,132	5,280,298	707,080	8,055,821	298,174	-	17,300,505
Other non-cash items							
- income	168,924	647,518	247,650	325,784	13,710	-	1,403,586
- expenses	325,597	29,870	-	1,020,413	333,950	-	1,709,830

Notes To The Financial Statements
(cont'd)

4. OPERATING SEGMENTS (CONT'D)

The Group 2017	Geographical segment Malaysia RM	Singapore RM	Philippines RM	Taiwan RM	Indonesia RM	Elimination RM	Reportable segment Total RM
Revenue							
External revenue	50,275,907	55,646,383	17,494,618	171,431,491	1,732,000	-	296,580,399
Inter-segment revenue	152,284	1,819,801	57,824	256,827	-	(2,286,736)	-
Total revenue	50,428,191	57,466,184	17,552,442	171,688,318	1,732,000	(2,286,736)	296,580,399
Results							
Segment profit/(loss) before interest, tax and share of results in an associate	18,843,703	4,402,242	2,575,152	40,068,920	(1,399,077)	(18,205,966)	46,284,974
Share of results in an associate							(51,126)
Interest income							844,780
Finance costs							(931,264)
Profit before tax							46,147,364
Income tax expense							(9,739,133)
Profit after tax							36,408,231

Notes To The Financial Statements
(cont'd)

4. OPERATING SEGMENTS (CONT'D)

The Group 2017	Geographical segment Malaysia RM	Singapore RM	Philippines RM	Taiwan RM	Indonesia RM	Elimination RM	Reportable segment Total RM
Assets							
Non-current assets							
- Property, plant and equipment	22,567,767	31,318,885	3,074,167	90,208,490	2,876,374	-	150,045,683
- Investment in an associate	-	1,962,919	-	-	-	-	1,962,919
	22,567,767	33,281,804	3,074,167	90,208,490	2,876,374	-	152,008,602
- Deferred tax assets	-	-	-	1,681,320	-	-	1,681,320
- Goodwill	33,760,856	-	-	-	-	-	33,760,856
- Others	1,255,726	-	-	-	-	-	1,255,726
Current assets	13,829,265	90,708,738	16,694,204	120,280,108	1,279,707	(407,423)	242,384,599
Consolidated total assets							431,091,103
Liabilities							
Tax liabilities	519,186	2,060,749	14,076	5,834,399	-	-	8,428,410
Segment liabilities	36,041,531	30,110,213	6,623,246	74,107,072	9,922,050	(40,114,140)	116,689,972
Consolidated total liabilities							125,118,382
Other Information							
Capital expenditure	2,097,418	1,274,791	387,669	16,392,276	-	-	20,152,154
Depreciation	3,299,029	6,395,619	827,296	7,635,607	313,928	-	18,471,479
Other non-cash items							
- income	728,870	53,137	44,358	3,771	-	-	830,136
- expenses	313,582	4,730,572	-	515,605	577,578	-	6,137,337

Notes To The Financial Statements
(cont'd)

4. OPERATING SEGMENTS (CONT'D)

Other significant non-cash expenses/(income) consists of the following:-

	The Group 2018 RM	The Group 2017 RM
Allowance for impairment losses on		
- Property, plant and equipment	-	49,749
- Receivables	932,838	71,151
Bad debt written off	153,130	-
Inventories written off	-	137,087
Unrealised loss on foreign exchange	613,184	5,372,475
Property, plant and equipment written off	10,678	506,875
	1,709,830	6,137,337
Writeback of allowance for impairment losses on trade receivables	(10,000)	(60,137)
Gain on disposal of property, plant and equipment	(164,099)	(11,181)
Unrealised gain on foreign exchange	(1,229,487)	(758,818)
	(1,403,586)	(830,136)

Major customers

The major customers with revenue equal to or more than 10% of the Group's total revenue are as follows:-

	Revenue 2018 RM	Revenue 2017 RM	Segment
Customer 1	97,684,931	82,961,664	Engineering services
Customer 2	33,138,386	35,197,962	Engineering services

5. REVENUE

	The Group 2018 RM	The Group 2017 RM	The Company 2018 RM	The Company 2017 RM
Provision of services	306,691,000	123,366,479	-	-
Sale of goods	20,526,653	173,213,920	-	-
Dividend income from subsidiaries	-	-	23,527,968	17,028,204
Management fee from subsidiaries	-	-	43,800	43,800
	327,217,653	296,580,399	23,571,768	17,072,004

Notes To The Financial Statements
(cont'd)

6. FINANCE COSTS

	The Group		The Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Interest expense on:-				
Term loans	298,652	522,694	56,109	194,461
Hire purchase	76,454	25,343	-	-
Money market loan	138,510	298,948	-	-
Bank overdrafts	54,390	84,279	-	-
	568,006	931,264	56,109	194,461

7. PROFIT BEFORE TAX

Profit before tax is arrived at after crediting/(charging) the following:-

	The Group		The Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Interest income from:				
Subsidiaries	-	-	70,885	107,981
Third parties	917,220	844,780	479,102	406,772
Writeback of allowance for impairment losses on trade receivables	10,000	60,137	-	-
Gain/(Loss) on foreign exchange - net:				
Unrealised	616,303	(4,613,657)	(190,487)	(95,813)
Realised	(152,105)	908,165	39,099	403,883
Gain on disposal of property, plant and equipment	164,099	11,181	-	-
Gain on disposal of an associate	672,207	-	-	-
Staff costs	(98,134,256)	(95,233,442)	(985,240)	(845,130)
Depreciation of property, plant and equipment	(17,300,505)	(18,471,479)	(17,331)	(21,667)
Directors' remuneration:				
- directors of the Company:				
- fee	(283,512)	(270,000)	(283,512)	(270,000)
- salaries and other emoluments	(3,141,590)	(2,546,483)	(3,141,590)	(2,546,483)
- directors of the Subsidiaries:				
- fee	-	(19,496)	-	-
- salaries and other emoluments	(4,260,363)	(4,182,759)	-	-

Notes To The Financial Statements
(cont'd)

7. PROFIT BEFORE TAX (CONT'D)

Profit before tax is arrived at after crediting/(charging) the following:- (Cont'd)

	The Group		The Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Auditors' remuneration:				
- audit fee				
- current financial year				
- Crowe Malaysia PLT in Malaysia	(205,500)	(221,000)	(111,000)	(110,000)
- other auditors	(341,429)	(341,335)	-	-
- over/(under)provision in prior year				
- Crowe Malaysia PLT in Malaysia	2,000	(1,000)	2,000	-
- other auditors	-	3,119	-	-
- non-audit fee				
- Crowe Malaysia PLT in Malaysia	(30,100)	(10,100)	(9,000)	(5,000)
Property, plant and equipment written off	(10,678)	(506,875)	-	-
Allowance for impairment loss on plant and equipment	-	(49,749)	-	-
Allowance for impairment losses on amount owing by a subsidiary	-	-	(1,242,999)	(270,000)
Allowance for impairment losses on receivables	(932,838)	(71,151)	-	-
Bad debt written off	(153,130)	-	-	-
Inventories written off	-	(137,087)	-	-

(a) Staff costs

Staff costs include salaries, bonuses, contributions to statutory defined contribution plans, defined benefits plan and all other staff related expenses. Contributions to statutory defined contribution plans and defined benefits plan, included in staff costs, made by the Group and by the Company during the financial year are as follows:-

	The Group		The Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Defined contribution plan	4,269,779	4,457,505	117,500	98,277
Defined benefits plan	184,449	218,866	-	-

(b) Key management personnel compensation

The remuneration of the members of key management is as follows:-

	The Group		The Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Directors of the Company	7,685,465	7,018,738	3,425,102	2,816,483
Directors of the Subsidiaries	2,284,443	2,309,304	-	-
Other Key Management Personnel	4,291,701	3,236,928	393,800	365,630
	14,261,609	12,564,970	3,818,902	3,182,113

Notes To The Financial Statements
(cont'd)

7. PROFIT BEFORE TAX (CONT'D)

(b) Key management personnel compensation (Cont'd)

In addition to the above disclosure, there is an unallocated provision of director fees in a subsidiary amounting to RM1,542,196 (2017: RM1,249,274).

(c) Directors' remuneration

Contributions to provident fund, included in directors' remuneration, made by the Group and by the Company during the current financial year are as follows:-

	The Group		The Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Contributions to provident funds:				
Directors of the Company	501,524	406,523	501,524	406,523
Directors of the Subsidiaries	50,856	47,462	-	-
	552,380	453,985	501,524	406,523

8. INCOME TAX EXPENSE

	The Group		The Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Estimated current tax payable:				
Malaysian:				
- Current year	2,620,952	1,172,020	-	-
- Overprovision in prior years	(32,230)	(15,165)	-	-
	2,588,722	1,156,855	-	-
Foreign:				
- Current year	13,627,745	8,451,372	-	-
- Underprovision in prior years	842,882	740,768	-	-
	14,470,627	9,192,140	-	-
Withholding tax	2,437,333	-	2,437,333	-
	19,496,682	10,348,995	-	-
Deferred tax (Note 14):				
- Current year	(815,216)	(429,222)	-	-
- Overprovision in prior years	(68,485)	(180,640)	-	-
	(883,701)	(609,862)	-	-
	18,612,981	9,739,133	2,437,333	-

Notes To The Financial Statements
(cont'd)

8. INCOME TAX EXPENSE (CONT'D)

A reconciliation of income tax expense at the applicable statutory income tax rate to income tax expense at the effective income tax rate is as follows:-

	The Group		The Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
Profit before tax	75,615,413	46,147,364	17,519,528	13,008,793
Tax at the applicable tax rate of 24% (2017: 24%)	18,147,699	11,075,367	4,204,687	3,122,110
Effect of different tax rates of other tax jurisdictions	(3,679,175)	(3,486,645)	-	-
Tax effects of:				
Non-deductible expenses	1,710,528	2,373,685	1,516,854	998,530
Income not subject to tax	(320,604)	(66,071)	(5,721,541)	(4,120,640)
Utilisation of deferred tax assets previously not recognised	(41,124)	(547,559)	-	-
Tax incentives	(251,734)	(250,718)	-	-
Income tax exemption	(512,800)	(419,768)	-	-
Deferred tax assets not recognised for the year	399,439	503,609	-	-
Under/(Over)provision in prior years				
- Current tax	810,652	725,603	-	-
- Deferred tax	(68,485)	(180,640)	-	-
Effect of share of results in associates	(18,748)	12,270	-	-
Withholding tax	2,437,333	-	2,437,333	-
Income tax expense	18,612,981	9,739,133	2,437,333	-

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2017: 24%) of the estimated assessable profit for the financial year. The taxation of other jurisdictions is calculated at the rates prevailing in the respective jurisdiction.

For years of assessment 2017 and 2018, the Malaysian statutory tax rate will be reduced by 1% to 4%, based on the prescribed incremental percentage of chargeable income from business, compared to that of the immediate preceding year of assessment. The Group has accounted for the reduction in the tax rate in the current financial year, based on the percentage of increase in chargeable income of the Company and its subsidiaries.

Notes To The Financial Statements
(cont'd)

9. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing profit after taxation attributable to owners of the Company by the weighted average number of ordinary shares in issue during the financial year.

	The Group	
	2018	**2017**
Profit after taxation attributable to owners of the Company (RM)	52,256,898	29,857,681
Number of shares in issue as of 1 January	1,053,435,130	1,053,435,130
Effects of:		
Treasury shares acquired	(5,466,600)	(5,466,600)
Weighted average number of ordinary shares for basic earnings per share computation as of 31 December	1,047,968,530	1,047,968,530
Basic earnings per ordinary share attributable to equity holders of the Company (sen)	4.99	2.85

The Group has not issued any dilutive potential ordinary shares and hence, the diluted earnings per share is equal to the basic earnings per share.

Notes To The Financial Statements
(cont'd)

10. PROPERTY, PLANT AND EQUIPMENT

The Group	COST						
	As at 1 January 2017 RM	Foreign currency translation differences RM	Reclassifications RM	Additions RM	Write-offs RM	Disposals RM	As at 31 December 2017 RM
Freehold land	20,905,820	(298,554)	-	-	-	-	20,607,266
Freehold buildings	52,471,489	(1,158,079)	8,639,752	687,896	(59,388)	-	60,581,670
Long-term leasehold land	4,845,316	(89,970)	-	-	-	-	4,755,346
Long-term leasehold buildings	42,102,115	(790,939)	-	-	-	-	41,311,176
Factory and office renovation	26,829,711	(572,880)	-	347,296	-	-	26,604,127
Plant and machinery	178,876,957	(4,108,535)	16,058,823	5,886,272	(3,283,917)	(149,227)	193,280,373
Workshop tools	2,331,874	-	-	96,977	(13,500)	-	2,415,351
Office equipment	7,837,028	(148,648)	-	489,995	(167,334)	(37,600)	7,973,441
Furniture and fittings	983,014	(19,931)	-	2,630	(432)	-	965,281
Motor vehicles	8,346,655	(130,345)	91,156	329,257	-	(382,643)	8,254,080
Computers	1,358,267	(21,018)	-	99,812	-	(2,679)	1,434,382
Capital work-in-progress	13,578,778	180,067	(24,789,731)	12,212,019	-	-	1,181,133
Total	360,467,024	(7,158,832)	-	20,152,154	(3,524,571)	(572,149)	369,363,626

Notes To The Financial Statements
(cont'd)

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

The Group	COST						
	As at 1 January 2018 RM	Foreign currency translation differences RM	Reclassifications RM	Additions RM	Write-offs RM	Disposals RM	As at 31 December 2018 RM
Freehold land	20,607,266	(180,903)	-	-	-	-	20,426,363
Freehold buildings	60,581,670	(600,275)	1,145,387	-	-	-	61,126,782
Long-term leasehold land	4,755,346	(37,046)	-	-	-	-	4,718,300
Long-term leasehold buildings	41,311,176	(112,815)	-	-	-	-	41,198,361
Factory and office renovation	26,604,127	(115,563)	-	2,335,564	-	-	28,824,128
Plant and machinery	193,280,373	(1,137,376)	3,573,137	2,656,777	(1,546,234)	(3,077,799)	193,748,878
Workshop tools	2,415,351	-	-	-	-	(12,000)	2,403,351
Office equipment	7,973,441	(33,487)	-	70,463	(121,229)	-	7,889,188
Furniture and fittings	965,281	(5,583)	-	2,300	(12,078)	-	949,920
Motor vehicles	8,254,080	(48,238)	-	397,773	-	(155,558)	8,448,057
Computers	1,434,382	(7,731)	-	24,184	(251,828)	-	1,199,007
Capital work-in-progress	1,181,133	(17,390)	(4,718,524)	4,405,236	-	-	850,455
Total	369,363,626	(2,296,407)	-	9,892,297	(1,931,369)	(3,245,357)	371,782,790

Notes To The Financial Statements
(cont'd)

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

The Group	ACCUMULATED DEPRECIATION					
	As at 1 January 2017 RM	Foreign currency translation differences RM	Charge for the year RM	Write-offs RM	Disposals RM	As at 31 December 2017 RM
Freehold land	-	-	-	-	-	-
Freehold buildings	19,945,731	(387,722)	1,922,376	(59,388)	-	21,420,997
Long-term leasehold land	651,535	-	68,290	-	-	719,825
Long-term leasehold buildings	15,090,850	(327,665)	1,489,277	-	-	16,252,462
Factory and office renovation	17,711,570	(375,026)	1,901,519	-	-	19,238,063
Plant and machinery	135,060,012	(2,799,617)	11,967,741	(2,617,464)	(128,378)	141,482,294
Workshop tools	2,188,368	-	59,993	(13,498)	-	2,234,863
Office equipment	7,162,002	(130,504)	358,396	(167,334)	(37,532)	7,185,028
Furniture and fittings	956,945	(18,303)	12,623	(432)	-	950,833
Motor vehicles	6,123,802	(88,108)	592,723	-	(276,144)	6,352,273
Computers	1,138,824	(16,969)	98,541	-	(2,746)	1,217,650
Capital work-in-progress	-	-	-	-	-	-
Total	206,029,639	(4,143,914)	18,471,479	(2,858,116)	(444,800)	217,054,288

Notes To The Financial Statements
(cont'd)

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

The Group	ACCUMULATED DEPRECIATION As at 1 January 2018 RM	Foreign currency translation differences RM	Charge for the year RM	Write-offs RM	Disposals RM	As at 31 December 2018 RM
Freehold land	-	-	-	-	-	-
Freehold buildings	21,420,997	(195,900)	2,042,602	-	-	23,267,699
Long-term leasehold land	719,825	-	68,291	-	-	788,116
Long-term leasehold buildings	16,252,462	(23,704)	1,433,381	-	-	17,662,139
Factory and office renovation	19,238,063	(56,996)	1,717,549	-	-	20,898,616
Plant and machinery	141,482,294	(636,682)	10,973,061	(1,535,572)	(2,164,643)	148,118,458
Workshop tools	2,234,863	-	58,833	-	(11,999)	2,281,697
Office equipment	7,185,028	(25,114)	305,516	(121,214)	-	7,344,216
Furniture and fittings	950,833	(5,178)	6,489	(12,078)	-	940,066
Motor vehicles	6,352,273	(34,243)	598,834	-	(155,558)	6,761,306
Computers	1,217,650	(5,170)	95,949	(251,827)	-	1,056,602
Capital work-in-progress	-	-	-	-	-	-
Total	217,054,288	(982,987)	17,300,505	(1,920,691)	(2,332,200)	229,118,915

Notes To The Financial Statements
(cont'd)

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

	IMPAIRMENT LOSS									NET BOOK VALUE	
The Group	**As at 1 January 2017 RM**	**Foreign currency translation differences RM**	**Recognised for the year RM**	**Write-off RM**	**As at 31 December 2017/1 January 2018 RM**	**Foreign currency translation differences RM**	**Recognised for the year RM**	**Write-off RM**	**As at 31 December 2018 RM**	**As at 31 December 2018 RM**	**As at 31 December 2017 RM**
Freehold land	-	-	-	-	-	-	-	-	-	20,426,363	20,607,266
Freehold buildings	-	-	-	-	-	-	-	-	-	37,859,083	39,160,673
Long-term leasehold land	-	-	-	-	-	-	-	-	-	3,930,184	4,035,521
Long-term leasehold buildings	-	-	-	-	-	-	-	-	-	23,536,222	25,058,714
Factory and office renovation	-	-	-	-	-	-	-	-	-	7,925,512	7,366,064
Plant and machinery	2,370,946	2,540	49,749	(159,580)	2,263,655	-	-	-	2,263,655	43,366,765	49,534,424
Workshop tools	-	-	-	-	-	-	-	-	-	121,654	180,488
Office equipment	-	-	-	-	-	-	-	-	-	544,972	788,413
Furniture and fittings	-	-	-	-	-	-	-	-	-	9,854	14,448
Motor vehicles	-	-	-	-	-	-	-	-	-	1,686,751	1,901,807
Computers	-	-	-	-	-	-	-	-	-	142,405	216,732
Capital work-in-progress	-	-	-	-	-	-	-	-	-	850,455	1,181,133
Total	2,370,946	2,540	49,749	(159,580)	2,263,655	-	-	-	2,263,655	140,400,220	150,045,683

Notes To The Financial Statements
(cont'd)

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

The Company	COST As at 1 January 2017 RM	Addition RM	Write-offs RM	As at 31 December 2017/1 January 2018 RM	Addition RM	Write-off RM	As at 31 December 2018 RM
Office renovation	151,775	-	-	151,775	-	-	151,775
Office equipment	36,667	830	(720)	36,777	-	-	36,777
Furniture and fittings	73,032	-	(2,032)	71,000	-	-	71,000
Computers	39,748	-	-	39,748	3,689	(6,367)	37,070
Total	301,222	830	(2,752)	299,300	3,689	(6,367)	296,622

The Company	ACCUMULATED DEPRECIATION As at 1 January 2017 RM	Charge for the year RM	Write-offs RM	As at 31 December 2017/1 January 2018 RM	Charge for the year RM	Write-off RM	As at 31 December 2018 RM	NET BOOK VALUE As at 31 December 2018 RM	As at 31 December 2017 RM
Office renovation	106,291	15,178	-	121,469	15,177	-	136,646	15,129	30,306
Office equipment	33,017	3,696	(720)	35,993	277	-	36,270	507	784
Furniture and fittings	72,289	513	(2,032)	70,770	230	-	71,000	-	230
Computers	35,764	2,280	-	38,044	1,647	(6,367)	33,324	3,746	1,704
Total	247,361	21,667	(2,752)	266,276	17,331	(6,367)	277,240	19,382	33,024

Notes To The Financial Statements
(cont'd)

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

As of 31 December 2018, freehold land and buildings, long-term leasehold land and buildings and plant and machinery of the Group with a total net book value of RM74,137,199 (2017: RM76,966,680) have been charged as collateral to certain banks for term loans and bank borrowings granted to the Group as mentioned in Note 22 to the financial statements.

Included in property, plant and equipment of the Group are plant and equipment acquired under hire purchase arrangements with net book value totalling RM2,830,962 (2017: RM321,132).

11. INVESTMENTS IN SUBSIDIARIES

	The Company	
	2018 RM	2017 RM
Unquoted shares, at cost:-		
At beginning of the year	134,773,867	121,499,940
Addition during the year	7,133,082	13,273,927
	141,906,949	134,773,867
Accumulated impairment losses	(987,241)	(987,241)
	140,919,708	133,786,626

The details of the subsidiaries are as follows:-

Name of Subsidiaries	Principal Place of Business/ Country of Incorporation	Percentage of Issued Share Capital Held by Parent 2018 %	2017 %	Principal Activities
Subsidiaries of the Company				
Frontken Malaysia Sdn. Bhd. ("FMSB")	Malaysia	100	100	Provision of surface metamorphosis technology using thermal spray coating processes and a series of complementary processes including mechanical and chemical engineering works.
Frontken (Singapore) Pte. Ltd. ("FSPL")[1]	Singapore	100	100	Provision of surface metamorphosis technology using thermal spray coating processes and a series of complementary processes including mechanical and chemical engineering works.
PT Frontken Indonesia [1]	Indonesia	95	95	Provision of surface metamorphosis technology using thermal spray coating processes and a series of complementary processes including mechanical and chemical engineering works.
TTES Frontken Integrated Services Sdn. Bhd. ("TTES") [2]	Malaysia	45	45	Engaged in the business of turbo machinery technical engineering services.
Ares Green Technology Corporation ("AGTC") [1]	Taiwan	89.59	84.65	Provision of surface treatment and advanced precision cleaning for the TFT - LCD (Thin Film Transistor - Liquid Crystal display) and semi-conductor industries.

Notes To The Financial Statements
(cont'd)

11. INVESTMENTS IN SUBSIDIARIES (CONT'D)

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

Name of Subsidiaries	Principal Place of Business/ Country of Incorporation	Percentage of Issued Share Capital Held by Parent 2018 %	2017 %	Principal Activities
Subsidiaries of FMSB				
Frontken (East Malaysia) Sdn. Bhd. [1]	Malaysia	100	100	Provision of surface metamorphosis technology using thermal spray coating processes and a series of complementary processes including mechanical and chemical engineering works.
Frontken (Johor) Sdn. Bhd.	Malaysia	100	100	Provision of surface metamorphosis technology using thermal spray coating processes and a series of complementary processes including mechanical and chemical engineering services.
Frontken Projects Sdn. Bhd. ("FPSB")	Malaysia	100	100	Provision of surface metamorphosis technology using thermal spray coating processes and a series of complementary processes including mechanical and chemical engineering services.
Subsidiaries of FSPL				
Frontship Pte. Ltd. [1]	Singapore	100	100	Procurement of materials, equipment consumable parts and engineering services.
Frontken Projects Pte. Ltd. ("FPPL") [1]	Singapore	100	100	General contractors and process and individual plant engineering services.
Frontken Philippines Inc [1]	Philippines	99.99	99.99	Provision of surface metamorphosis technology using thermal spray coating processes and a series of complementary processes including mechanical and chemical engineering works.
Subsidiary of AGTC				
Ares Green International Corporation ("AGIC") [1]	Samoa	100	100	Investment holding.

1 The financial statements of the subsidiaries are audited by auditors other than the auditors of the Company.

2 TTES is considered a subsidiary of the Group as the Group has control over the operating and management policies of this subsidiary via the board of directors appointed by the Group.

Notes To The Financial Statements
(cont'd)

11. INVESTMENTS IN SUBSIDIARIES (CONT'D)

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

	Effective Equity Interest		The Group	
	2018	2017	2018	2017
	%	%	RM	RM
AGTC	10.41	15.35	17,101,317	21,992,581
TTES	55	55	4,504,474	4,363,942
Other individually immaterial subsidiaries			(2,001,890)	(1,983,813)
			19,603,901	24,372,710

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:-

	AGTC	
	2018	2017
	RM	RM
At 31 December		
Non-current assets	93,117,748	96,308,669
Current assets	139,081,688	119,981,594
Non-current liabilities	(9,108,383)	(11,631,864)
Current liabilities	(70,937,400)	(68,309,606)
Net assets	152,153,653	136,348,793
Financial Year Ended 31 December		
Revenue	186,242,260	171,688,318
Profit for the financial year	38,938,273	32,409,052
Total comprehensive income	37,866,538	29,559,209
Total comprehensive income attributable to non-controlling interests	4,178,491	6,494,934
Dividends paid to non-controlling interests	(2,477,527)	(1,478,852)
Net cash from operating activities	46,078,848	42,947,705
Net cash for investing activities	(5,803,272)	(20,432,017)
Net cash for financing activities	(22,646,402)	(13,876,148)

Notes To The Financial Statements
(cont'd)

11. INVESTMENTS IN SUBSIDIARIES (CONT'D)

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:- (Cont'd)

	TTES	
	2018 RM	2017 RM
At 31 December		
Non-current assets	2,696,260	2,770,350
Current assets	7,860,708	7,636,730
Non-current liabilities	(104,507)	(199,574)
Current liabilities	(2,262,508)	(2,273,064)
Net assets	8,189,953	7,934,442
Financial Year Ended 31 December		
Revenue	17,125,230	15,396,296
Profit for the financial year	639,512	389,320
Total comprehensive income	639,512	389,320
Total comprehensive income attributable to non-controlling interests	351,732	214,126
Dividends paid to non-controlling interests	(211,200)	(148,500)
Net cash (for)/from operating activities	(821,816)	1,543,746
Net cash from/(for) investing activities	1,594,276	(1,858,768)
Net cash for financing activities	(378,522)	(764,202)

During the financial year:-

(i) In the month of January 2018, the Company acquired 1,313,116 ordinary shares of NT$10 each representing 3.85% of the issued and paid-up share capital of AGTC for a total cash consideration of NT$39,393,480 (including incidental costs) (equivalent to RM5,490,245). Following the acquisition, the Group's interest in AGTC increased from 84.65% to 88.50%. The carrying amount of AGTC's net assets shared by the Group on the date of the acquisition was RM113,090,059. The Group recognised a decrease in non-controlling interests of RM5,037,019 and a decrease in retained earnings of RM453,225.

(ii) In the month of March 2018, the Company acquired 91,985 ordinary shares of NT$10 each representing 0.27% of the issued and paid-up share capital of AGTC for a total cash consideration of NT$2,759,550 (equivalent to RM372,498). Following the acquisition, the Group's interest in AGTC increased from 88.50% to 88.77%. The carrying amount of AGTC's net assets shared by the Group on the date of the acquisition was RM121,788,780. The Group recognised a decrease in non-controlling interests of RM364,477 and a decrease in retained earnings of RM8,021.

(iii) In the month of November 2018, the Company acquired 278,298 ordinary shares of NT$10 each representing 0.82% of the issued and paid-up share capital of AGTC for a total cash consideration of NT$9,353,279 (equivalent to RM1,270,339). Following the acquisition, the Group's interest in AGTC increased from 88.77% to 89.59%. The carrying amount of AGTC's net assets shared by the Group on the date of the acquisition was RM131,297,655. The Group recognised a decrease in non-controlling interests of RM1,190,732 and a decrease in retained earnings of RM79,607.

Notes To The Financial Statements
(cont'd)

11. INVESTMENTS IN SUBSIDIARIES (CONT'D)

The following summarises the effect of changes in equity interest in AGTC that is attributable to owners of the Company:-

	AGTC 2018 RM
Equity interest at 1 January 2018	114,356,212
Effect of increase in Company's ownership interest	6,592,228
Share of comprehensive income	14,103,895
Equity interest at 31 December 2018	135,052,335

In the previous financial year:-

(i) In the month of June 2017, the Company acquired 3,891,229 ordinary shares of NT$10 each representing 11.43% of the issued and paid-up share capital of AGTC for a total cash consideration of NT$93,675,619 (including incidental costs) (equivalent to RM13,273,927). Following the acquisition, the Group's interest in AGTC increased from 73.22% to 84.65%. The carrying amount of AGTC's net assets shared by the Group on the date of the acquisition was RM95,753,364. The Group recognised a decrease in non-controlling interests of RM14,461,712 and an increase in retained earnings of RM1,187,785.

The following summarises the effect of changes in equity interest in AGTC that is attributable to owners of the Company:

	AGTC 2017 RM
Equity interest at 1 January 2017	84,985,591
Effect of increase in Company's ownership interest	14,461,712
Share of comprehensive income	14,908,909
Equity interest at 31 December 2017	114,356,212

12. INVESTMENT IN AN ASSOCIATE

	The Group 2018 RM	The Group 2017 RM
Unquoted shares		
- at cost	1,193,279	1,193,279
Share of post-acquisition results	309,291	231,176
Foreign currency translation differences	562,232	538,464
	2,064,802	1,962,919
Disposed during the year	(2,064,802)	-
	-	1,962,919

On 6 September 2018, FSPL, a wholly-owned subsidiary of the Company, entered into a Sale and Purchase agreement to dispose of 1,172,004 ordinary shares, representing its entire 49% equity interest in Frontken (Thailand) Co., Ltd. for a cash consideration of SGD830,000 (equivalent to RM2,496,557).

Notes To The Financial Statements
(cont'd)

12. INVESTMENT IN AN ASSOCIATE (CONT'D)

In the previous financial year, the summarised financial information of the associate that was material to the Group was as follows:-

	The Group 2017 RM
Current assets	1,029,788
Non-current assets	4,155,784
Current liabilities	(1,534,038)
Non-current liabilities	(25,132)
Net assets	3,626,402
Revenue	2,319,031
Loss for the financial year	(104,339)
Group's share of results for the financial year	(51,126)

The details of the associate are as follows:-

Name of Associate	Principal Place of Business	Effective Equity Interest 2018 %	Effective Equity Interest 2017 %	Principal Activities
Indirect Associate				
Frontken (Thailand) Co., Ltd.	Thailand	-	49	Provision of surface metamorphosis technology using thermal spray coating processes and a series of complementary processes including mechanical and chemical engineering works.

Amount owing by an associate

	The Group 2018 RM	The Group 2017 RM
Amount owing by an associate		
- Trade	-	922,516
- Non-trade	-	411,336
	-	1,333,852

In the previous financial year, the normal trade credit terms granted to associate ranged from 30 to 90 days.

In the previous financial year, the non-trade balance was unsecured, interest-free and repayable on demand. The amount owing was settled in cash.

Notes To The Financial Statements
(cont'd)

13. GOODWILL ON CONSOLIDATION

	The Group	
	2018 RM	2017 RM
At beginning/end of year	33,760,856	33,760,856

Goodwill acquired in a business combination is allocated, at acquisition, to the cash-generating unit ("CGU") that is expected to benefit from that business combination. The carrying amount of the goodwill had been allocated as follows:-

	The Group	
	2018 RM	2017 RM
Frontken (East Malaysia) Sdn. Bhd.	805,812	805,812
Ares Green Technology Corporation	24,588,453	24,588,453
TTES Frontken Integrated Services Sdn. Bhd.	8,366,591	8,366,591
	33,760,856	33,760,856

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired.

The recoverable amount of the CGU is determined from value in use calculation. The key assumptions for the value in use calculation are those regarding the expected changes to pricing and direct costs, growth rates and discount rates during the period.

	2018 %	2017 %
Budgeted gross margin	18 to 48	19 to 46
Growth rates		
- Year 1	1 to 23	1 to 23
- Year 2 to 5	1 to 17	1 to 15
Pre-tax discount rates	15 to 19	17 to 18

The calculation of value-in-use for CGU are most sensitive to the following assumptions:-

(i) Budgeted gross margin — Management determines budgeted gross margin based on past performance and its expectations of market development.

(ii) Growth rates — The growth rates are based on industry growth forecasts. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market. These calculations use pre-tax cash flow projections based on financial budgets approved by management and extrapolated cash flows for a five-year period based on growth rates consistent with the long-term average growth rate for the industry.

(iii) Discount rates — Management estimates discount rate using pre-tax rate that reflect current market assessments of the time value of money and the risk specific to the CGU. The rate used to discount the forecasted cash flows reflects specific risks and expected returns relating to the industry.

(iv) Terminal value — Terminal value is based on zero growth of projected present value of particular subsidiaries from year 2023 until infinity.

The management believes that there is no reasonable change in the above key assumptions which would cause the carrying amount of the goodwill to exceed its recoverable amounts.

Notes To The Financial Statements
(cont'd)

14. DEFERRED TAX ASSETS/LIABILITIES

	The Group 2018 RM	The Group 2017 RM
Deferred tax assets		
At beginning of year	1,681,320	1,602,804
Transfer from profit or loss (Note 8)	448,594	73,771
Transfer to other comprehensive expenses	37,904	35,072
Foreign currency translation differences	(12,197)	(30,327)
At end of year	2,155,621	1,681,320
Deferred tax liabilities		
At beginning of year	1,122,761	1,671,539
Transfer to profit or loss (Note 8)	(435,107)	(536,091)
Foreign currency translation differences	(7,104)	(12,687)
At end of year	680,550	1,122,761

The net deferred tax liabilities and assets are in respect of the tax effects of the following:-

	The Group Deferred Tax (Assets)/Liabilities 2018 RM	The Group Deferred Tax (Assets)/Liabilities 2017 RM
Temporary differences arising from property, plant and equipment	462,997	994,307
Others	(1,938,068)	(1,552,866)
	(1,475,071)	(558,559)

As mentioned in Note 3, the tax effects of deductible temporary differences, unused tax losses and unused tax credits which would give rise to deferred tax assets are recognised 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. As of 31 December 2018, the estimated amount of net deferred tax assets, calculated at the current tax rate which has not been recognised in the financial statements of the Group due to uncertainty of its realisation, is as follows:-

	The Group Deferred Tax Assets/(Liabilities) 2018 RM	The Group Deferred Tax Assets/(Liabilities) 2017 RM
Unutilised tax losses	1,197,575	2,502,877
Unabsorbed capital allowances	130,084	295,533
Temporary differences arising from property, plant and equipment	14,160	-
	1,341,819	2,798,410

The unutilised tax losses and unabsorbed capital allowances are subject to the agreement of the tax authorities.

Notes To The Financial Statements
(cont'd)

15. FIXED DEPOSITS WITH LICENSED BANKS

Fixed deposits with licensed banks of the Group earn effective interests ranging from 0.25% to 3.35% (2017: 0.25% to 4.33%) per annum. The fixed deposits of the Group have maturity periods ranging from 30 days to 365 days (2017: 30 days to 365 days).

In the previous financial year, fixed deposits with licensed banks of the Company earned an effective interest 2.95% per annum. The fixed deposits of the Company had a maturity period of 30 days.

The fixed deposits of the Group and of the Company amounting to RM1,961,948 (2017: RM3,136,080) and Nil (2017: RM1,104,683) are pledged to licensed banks as security for banking facilities granted to the Group and the Company.

Pursuant to the Service Agreements entered between TTES and its customer, TTES is required to pledge the fixed deposits with licensed bank amounted to RM1,176,576 (2017: RM1,255,726) as security for the bank guarantee which are provided for projects that are secured by TTES. As the availability period of the bank guarantee facility for these projects are more than a year, hence, the fixed deposits with licensed banks are classified as non-current assets.

16. INVENTORIES

	The Group	
	2018	**2017**
	RM	**RM**
Raw materials	4,119,988	4,617,245
Work-in-progress	3,257,330	2,971,259
Finished goods	6,333,353	5,886,388
	13,710,671	13,474,892
Recognised in profit or loss:-		
Inventories recognised as cost of sales	27,330,731	26,617,869
Inventories written off	-	137,087

17. TRADE RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAID EXPENSES

Trade receivables of the Group comprise amounts outstanding for the provision of services and sale of goods. The credit periods granted to the customers range from 30 to 90 days (2017: 30 to 90 days).

	The Group	
	2018	**2017**
	RM	**RM**
Trade receivables	108,977,255	93,498,201
Allowance for impairment losses	(2,131,398)	(1,783,238)
	106,845,857	91,714,963

Notes To The Financial Statements
(cont'd)

17. TRADE RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAID EXPENSES (CONT'D)

Movement in allowance for impairment losses on trade receivables is as follows:-

	The Group	
	2018	2017
	RM	RM
At 1 January	1,783,238	1,923,650
Allowance for impairment losses	932,838	71,151
Writeback of allowance for impairment losses	(10,000)	(60,137)
Written off as bad debts	(568,190)	(128,077)
Exchange difference	(6,488)	(23,349)
At 31 December	2,131,398	1,783,238

Included in trade receivables of the Group are the following amounts owing by the related parties:-

	The Group	
	2018	2017
	RM	RM
A & I Engine Rebuilders Sdn. Bhd.	-	201
AMT Engineering Sdn. Bhd.	-	7,521
Tenaga-Tech (M) Sdn. Bhd.	-	18,957
	-	26,679

In the previous financial year, the said amount, which arose mainly from trade transactions, was unsecured, interest-free and repayable on demand. The amount owing was settled in cash.

The related parties and their relationships with the Group are as follows:-

Name of related parties	Relationship
A & I Engine Rebuilders Sdn. Bhd.	A company in which Sia Chiok Meng, a director of a subsidiary, is also a director and has a financial interest.
AMT Engineering Sdn. Bhd.	A company in which Sia Chiok Meng, a director of a subsidiary, is also a director and has a financial interest.
Tenaga-Tech (M) Sdn. Bhd.	A company in which Mohd Shukri Bin Hitam and Fauziah Binti Hamlawi, directors of a subsidiary, are also directors and have financial interest.

Notes To The Financial Statements
(cont'd)

17. TRADE RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAID EXPENSES (CONT'D)

Transactions undertaken with related parties during the financial year are as follows:-

	The Group	
	2018	2017
	RM	RM
A & I Engine Rebuilders Sdn. Bhd.		
Sales	380	370
AMT Engineering Sdn. Bhd.		
Sales	5,410	50,597
Purchases	4,668	1,985
Rental expense	144,000	144,000
Tenaga-Tech (M) Sdn. Bhd.		
Sales	42,975	46,850
Purchases	87,336	75,297

Other receivables, deposits and prepaid expenses consist of:-

	The Group		The Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
Other receivables	3,960,723	3,151,330	46,439	17,758
Deposits	1,864,851	1,610,492	4,950	4,950
Prepaid expenses	901,657	540,798	24,699	25,513
	6,727,231	5,302,620	76,088	48,221

18. AMOUNTS OWING BY/TO SUBSIDIARIES

	The Company	
	2018	2017
	RM	RM
Amount owing by:-		
Advances	3,343,579	3,338,241
Non-trade balances	1,316,671	2,785,172
	4,660,250	6,123,413
Allowance for impairment losses	(4,487,450)	(3,244,451)
	172,800	2,878,962
Amount owing to:-		
Non-trade balances	8,321,259	7,531,022

Notes To The Financial Statements
(cont'd)

18. AMOUNTS OWING BY/TO SUBSIDIARIES (CONT'D)

	The Company	
	2018	2017
	RM	RM
Allowance for impairment losses:-		
At beginning of the year	(3,244,451)	(2,974,451)
Allowance for impairment losses	(1,242,999)	(270,000)
At end of the year	(4,487,450)	(3,244,451)

The amounts owing by/to the subsidiaries arose mainly from unsecured advances and payments made on behalf. The amount arising from unsecured advances bear interest ranging from 3.0% to 4.9% (2017: 3.0% to 4.9%) per annum and is repayable on demand whilst the amount arising from payments made on behalf is interest-free. The amount owing is to be settled in cash.

19. SHORT-TERM INVESTMENTS

	The Group		The Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
Unit trust	13,288,430	3,508,429	11,858,212	2,108,006
Fair value	13,288,430	3,508,429	11,858,212	2,108,006

20. SHARE CAPITAL

	The Group/The Company			
	2018	2017	2018	2017
	Number of shares		RM	RM
Issued and fully paid-up				
At beginning of year	1,053,435,130	1,053,435,130	118,925,352	105,343,513
Transfer from share premium account	-	-	-	13,581,839
At end of year	1,053,435,130	1,053,435,130	118,925,352	118,925,352

(i) The holders of ordinary shares (except treasury shares) are entitled to receive dividends as and when declared by the Company, and are entitled to one vote per ordinary share at meetings of the Company. The ordinary shares have no par value.

(ii) On 31 January 2017, the concepts of authorised share capital and par value of share capital were abolished in accordance with the Companies Act 2016. Consequently, the amount standing to the credit of the Company's share premium account became part of the Company's share capital pursuant to the transitional provisions set out in Section 618(2) of the Companies Act 2016. There is no impact on the numbers of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition.

Included in share capital is share premium amounting to RM13,581,839 (2017: RM13,581,839) that is available to be utilised in accordance with Section 618(4) of the Companies Act 2016 on or before 30 January 2019 (twenty-four(24) months from the commencement of Section 74 of the Companies Act 2016).

Notes To The Financial Statements
(cont'd)

21. RESERVES

	The Group		The Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
Non-distributable:				
Treasury shares	(663,237)	(663,237)	(663,237)	(663,237)
Foreign currency translation reserve	27,672,528	28,983,354	-	-
Statutory reserve	9,110,850	6,046,518	-	-
Distributable:				
Retained earnings	169,995,037	128,308,024	25,329,435	17,583,019
	206,115,178	162,674,659	24,666,198	16,919,782

Share premium

	The Group/ The Company	
	2018	2017
	RM	RM
At beginning of year	-	13,581,839
Transfer to share capital	-	(13,581,839)
At end of year	-	-

Treasury shares

During the financial year, the Company did not purchase its issued ordinary shares from the open market. The shares purchased are being held as treasury shares in accordance with Section 127(6) of the Companies Act 2016 and are presented as a deduction from total equity.

As at 31 December 2018, the Company held 5,466,600 (2017: 5,466,600) treasury shares at a carrying amount of RM663,237 (2017: RM663,237).

As at 31 December 2018, the number of outstanding ordinary shares in issue after the set-off of 5,466,600 (2017: 5,466,600) treasury shares held by the Company is 1,047,968,530 (2017: 1,047,968,530) ordinary shares.

Foreign currency translation reserve

Foreign currency translation differences arose from the translation of the financial statements of foreign subsidiaries and the Group's share of an associate's foreign currency translation differences are taken to the foreign currency translation reserve as described in the significant accounting policies.

Statutory reserve

The statutory reserve is maintained by the Group's subsidiary in Taiwan in accordance with the regulations in that country.

Retained earnings

Under the single tier tax system, tax on the Company's profits is the final tax and accordingly, any dividends to the shareholders are not subject to tax.

Notes To The Financial Statements
(cont'd)

22. TERM LOANS

	The Group		The Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
Principal outstanding	11,447,968	15,836,487	-	2,037,933
Less: Portion due within one year (Note 25)	(3,914,913)	(4,289,792)	-	(2,037,933)
Non-current portion	7,533,055	11,546,695	-	-

The non-current portion is repayable as follows:-

	The Group	
	2018	2017
	RM	RM
Later than one year but not later than five years	7,533,055	11,546,695

(a) The term loans are secured by:-

(i) legal charges over certain freehold land and buildings of the Group as disclosed in Note 10 to the financial statements;

(ii) legal charges over the long-term leasehold land and buildings of the Group as disclosed in Note 10 to the financial statements;

(iii) corporate guarantees of the Company; and

(iv) fixed deposits as disclosed in Note 15 to the financial statements.

(b) The interest rate profile of the term loans is summarised below:-

	Effective Interest Rate		The Group	
	2018	2017	2018	2017
	%	%	RM	RM
Floating rate term loans	1.40 – 3.40	1.40 – 6.57	11,447,968	15,836,487

	Effective Interest Rate		The Company	
	2018	2017	2018	2017
	%	%	RM	RM
Floating rate term loans	-	6.57	-	2,037,933

Notes To The Financial Statements
(cont'd)

23. HIRE PURCHASE PAYABLES

	The Group 2018 RM	2017 RM
Total outstanding	2,356,236	374,634
Less: Interest-in-suspense	(152,706)	(26,423)
Present value of payments	2,203,530	348,211
Less: Amount due within 12 months (included under current liabilities)	(862,253)	(182,250)
Non-current portion	1,341,277	165,961

The non-current portion is payable as follows:-

	The Group 2018 RM	2017 RM
Later than one year but not later than five years	1,341,277	165,961

It is the Group's policy to acquire certain of its plant and equipment under hire purchase arrangements. The hire purchase arrangements are expiring 1 to 3 years (2017: 1 to 5 years). The interest rates implicit in the hire purchase obligations range from 2.80% to 5.28% (2017: 1.70% to 5.28%) per annum.

The Group's hire purchase payables are secured by the financial institutions' charge over the assets under hire purchase as disclosed in Note 10 to the financial statements.

24. TRADE PAYABLES, OTHER PAYABLES AND ACCRUED EXPENSES

Trade payables of the Group comprise amounts outstanding for trade purchases. The credit periods granted to the Group for trade purchases range from 30 to 90 days (2017: 30 to 90 days). Included in trade payables is RM6,365 (2017: RM4,721) owing to related parties.

Other payables and accrued expenses consist of:-

	The Group		The Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Other payables	29,894,936	33,705,986	28,481	9,358
Accrued expenses	36,364,703	30,078,881	3,356,896	2,185,086
	66,259,639	63,784,867	3,385,377	2,194,444
Less: Other payables (included under non-current liabilities)	(2,792,672)	(3,225,327)	-	-
Current liabilities	63,466,967	60,559,540	3,385,377	2,194,444

Notes To The Financial Statements
(cont'd)

24. TRADE PAYABLES, OTHER PAYABLES AND ACCRUED EXPENSES (CONT'D)

Included in other payables are defined benefit plan as detailed below:-

	The Group	
	2018	2017
	RM	RM
Defined benefit plan (Overseas subsidiaries)		
- Taiwan	2,156,890	2,467,745
- Philippines	201,538	240,191
- Indonesia	434,244	517,391
	2,792,672	3,225,327

(a) Defined benefit plan – Taiwan

	The Group	
	2018	2017
	RM	RM
Fair value of plan assets	(5,876,339)	(5,554,990)
Present value of plan obligations	8,033,229	8,022,735
	2,156,890	2,467,745

The Group contributes to a defined benefit plan that provides retirement benefits for employees upon retirement based on the following:-

(i) 2 months average salary for each year for the first 15 years of working; and

(ii) 1 month average salary for each year subsequent to 15 years of working.

A maximum entitlement for a retired employee is 45 months average salary. The average salary of a retired employee is calculated based on the average 6 months' salary prior to his retirement date.

Plan assets comprise:-

	The Group	
	2018	2017
	RM	RM
Cash at bank	827,388	998,232
Short-term investments	180,404	297,748
Debentures	483,623	651,600
Fixed income investments	933,750	854,913
Equity securities	2,975,778	2,389,201
Others	475,396	363,296
	5,876,339	5,554,990

Notes To The Financial Statements
(cont'd)

24. TRADE PAYABLES, OTHER PAYABLES AND ACCRUED EXPENSES (CONT'D)

(a) Defined benefit plan – Taiwan (Cont'd)

Movement in the present value of defined benefit obligations:-

	The Group	
	2018 RM	2017 RM
At 1 January	8,022,735	8,285,454
Current service costs and interest	127,281	136,062
Actuarial (gains)/losses in other comprehensive income	(4,388)	173,425
Defined plan payable	(30,694)	(437,803)
Exchange difference	(81,705)	(134,403)
At 31 December	8,033,229	8,022,735

Movement in the fair value of plan assets:-

	The Group	
	2018 RM	2017 RM
At 1 January	5,554,990	5,835,050
Expected return on plan assets	82,934	90,349
Actuarial gains/(losses) in other comprehensive income	144,483	(32,882)
Contribution paid into the plan	177,922	191,751
Defined plan payable	(30,695)	(437,803)
Exchange difference	(53,295)	(91,475)
At 31 December	5,876,339	5,554,990

Expenses recognised in profit or loss:-

	The Group	
	2018 RM	2017 RM
Current service costs and interests	127,281	136,062
Expected return on plan assets	(82,934)	(90,349)
Net benefit expense	44,347	45,713

Actuarial gains and losses recognised directly in other comprehensive income:-

	The Group	
	2018 RM	2017 RM
Actuarial gains/(losses) recognised during the year	186,775	(171,235)

Notes To The Financial Statements
(cont'd)

24. TRADE PAYABLES, OTHER PAYABLES AND ACCRUED EXPENSES (CONT'D)

(a) Defined benefit plan – Taiwan (Cont'd)

The Group's defined benefit plan based on the actuarial valuation performed by an independent actuary adopting the Projected Unit Credit With Service Increment method, with the following principal actuarial assumptions:-

		The Group	
		2018	**2017**
i)	Retirement age	65	65
ii)	Disability rate (per annum)	10% of mortality rate	10% of mortality rate
iii)	Discount rate (per annum)	1.375%	1.50%
iv)	Expected rate of salary increases (per annum)	3.00%	3.00%

	The Group	
	2018 (Decrease)/ Increase RM	**2017 (Decrease)/ Increase RM**
Effect on defined benefit obligations		
Discount rate (per annum)		
- strengthened by 0.25%	(302,242)	(306,073)
- weakened by 0.25%	317,950	322,355
Expected rate of salary increases (per annum)		
- strengthened by 0.25%	307,794	312,093
- weakened by 0.25%	(294,117)	(298,000)

(b) Defined benefit plan – Philippines

The Group conforms to the minimum regulatory benefit under prevailing law and regulations which is of the defined benefit type.

The normal retirement age is 60. The plan provides a benefit equal to 22.5 days' salary for every year of credited service. The regulatory benefits are paid in lump sum upon retirement.

Movement in the present value of defined benefit obligations:-

	The Group	
	2018 RM	**2017 RM**
At 1 January	240,191	269,068
Current service costs and interest	34,757	41,578
Actuarial gains in other comprehensive income	(65,268)	(42,928)
Exchange difference	(8,142)	(27,527)
At 31 December	201,538	240,191

Notes To The Financial Statements
(cont'd)

24. TRADE PAYABLES, OTHER PAYABLES AND ACCRUED EXPENSES (CONT'D)

(b) Defined benefit plan – Philippines (Cont'd)

Expenses recognised in profit or loss:-

	The Group	
	2018 RM	**2017 RM**
Current service costs and interests	34,757	41,578

Actuarial gains and losses recognised directly in other comprehensive income:-

	The Group	
	2018 RM	**2017 RM**
Actuarial gain recognised during the year	65,268	42,928

The Group defined benefit plan based on the actuarial valuation performed by an independent actuary adopting the Projected Unit Credit method, with the following principal actuarial assumptions:-

		The Group	
		2018	**2017**
i)	Retirement age	60	60
ii)	Discount rate (per annum)	7.49%	5.70%
iii)	Expected rate of salary increases (per annum)	2.00%	2.00%

	The Group	
	2018 (Decrease)/ Increase RM	**2017 (Decrease)/ Increase RM**
Effect on defined benefit obligations		
Discount rate (per annum)		
- strengthened by 1%	(2,983)	(11,557)
- weakened by 1%	3,132	13,065
Expected rate of salary increases (per annum)		
- strengthened by 1%	3,272	10,968
- weakened by 1%	(3,170)	(9,804)

(c) Defined benefit plan – Indonesia

The Group conforms to the obligations relating to the employee benefits due under the prevailing law and regulations.

Notes To The Financial Statements
(cont'd)

24. TRADE PAYABLES, OTHER PAYABLES AND ACCRUED EXPENSES (CONT'D)

(c) Defined benefit plan – Indonesia (Cont'd)

Movement in the present value of defined benefit obligations:-

	The Group	
	2018	**2017**
	RM	**RM**
At 1 January	517,391	414,805
Current service costs and interest	105,345	131,575
Actuarial (gains)/losses in other comprehensive income	(145,768)	13,237
Defined plan payable	(21,467)	-
Exchange difference	(21,257)	(42,226)
At 31 December	434,244	517,391

Expenses recognised in profit or loss:-

	The Group	
	2018	**2017**
	RM	**RM**
Current service costs and interests	105,345	131,575

Actuarial gains and losses recognised directly in other comprehensive income:-

	The Group	
	2018	**2017**
	RM	**RM**
Actuarial gains/(losses) recognised during the year	145,768	(13,237)

The Group defined benefit plan based on the actuarial valuation performed by an independent actuary adopting the Projected Unit Credit method, with the following principal actuarial assumptions:-

		The Group	
		2018	**2017**
i)	Retirement age	55	55
ii)	Disability rate (per annum)	1% of mortality rate	1% of mortality rate
iii)	Discount rate (per annum)	8.20%	7.00%
iv)	Expected rate of salary increases (per annum)	10.00%	10.00%

Notes To The Financial Statements
(cont'd)

24. TRADE PAYABLES, OTHER PAYABLES AND ACCRUED EXPENSES (CONT'D)

(c) Defined benefit plan – Indonesia (Cont'd)

	The Group	
	2018 (Decrease)/ Increase RM	2017 (Decrease)/ Increase RM
Effect on defined benefit obligations		
Discount rate (per annum)		
- strengthened by 1%	(32,677)	(48,762)
- weakened by 1%	37,682	56,997
Expected rate of salary increases (per annum)		
- strengthened by 1%	40,970	60,307
- weakened by 1%	(36,094)	(52,296)

25. BANK BORROWINGS

	The Group		The Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Short-term borrowings				
- Money market security	-	12,460,720	-	-
Term loans - current portion (Note 22)	3,914,913	4,289,792	-	2,037,933
	3,914,913	16,750,512	-	2,037,933
Bank overdrafts	-	5,181,941	-	-
	3,914,913	21,932,453	-	2,037,933

In the previous financial year, the short-term borrowings represent money market loan facility obtained by a subsidiary incorporated in Singapore which are rolled over every month. The money market loan facility bears effective interest rates ranging from 2.44% to 2.96% per annum. The bank overdrafts, which are obtained by a subsidiary incorporated in Singapore, bear effective interest rate of 5.00% per annum.

The security for the bank borrowings are disclosed in Note 22 to the financial statements.

26. DIVIDENDS

	The Group/ The Company	
	2018 RM	2017 RM
Interim single-tier dividend of 0.5 sen per ordinary share in respect of the financial year ended 31 December 2017, paid on 4 October 2017	-	5,239,843
First interim single-tier dividend of 0.7 sen per ordinary share in respect of the current financial year, paid on 21 December 2018	7,335,779	-

Notes To The Financial Statements
(cont'd)

26. DIVIDENDS (CONT'D)

On 12 February 2019, the Company declared and approved a second interim single-tier dividend of 0.8 sen per ordinary share on 1,047,968,530 ordinary shares, payable on 28 March 2019, in respect of the financial year ended 31 December 2018 amounting to RM8,383,748. The financial statements for the current financial year do not reflect this interim dividend. Such dividend will be accounted for in the shareholders' equity as an appropriation of retained earnings in the financial year ending 31 December 2019.

27. FINANCIAL INSTRUMENTS

The Group's activities are exposed to a variety of market risk (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.

(a) Financial Risk Management Policies

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

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, Singapore Dollar, New Taiwan Dollar and Philippine Peso. Foreign currency risk is monitored closely on an ongoing basis to ensure that the net exposure is at an acceptable level. The Group also holds cash and cash equivalents denominated in foreign currencies for working capital purposes.

Notes To The Financial Statements
(cont'd)

27. FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Risk Management Policies (Cont'd)

Market Risk (Cont'd)

(i) Foreign currency risk (Cont'd)

The Group's exposure to foreign currency is as follows:-

The Group 2018	**Singapore Dollar RM**	**Ringgit Malaysia RM**	**United States Dollar RM**	**Philippine Peso RM**	**New Taiwan Dollar RM**	**Others* RM**	**Total RM**
Financial assets							
Trade receivables	6,717,339	16,033,345	22,354,748	2,023,761	59,613,633	103,031	106,845,857
Other receivables	499,634	395,491	730,561	760,614	1,306,529	46,598	3,739,427
Short-term investments	-	13,288,430	-	-	-	-	13,288,430
Fixed deposits with licensed banks	465,880	4,337,657	-	-	-	-	4,803,537
Cash and bank balances	18,959,290	18,510,846	29,762,772	834,775	64,240,135	683,784	132,991,602
	26,642,143	52,565,769	52,848,081	3,619,150	125,160,297	833,413	261,668,853
Financial liabilities							
Trade payables	1,666,679	4,621,401	554,083	195,554	11,051,344	28,750	18,117,811
Other payables and accrued expenses	5,136,882	6,749,837	460,261	283,607	49,153,960	31,502	61,816,049
Bank borrowings	2,526,641	-	-	-	8,921,327	-	11,447,968
Hire purchase payables	-	2,203,530	-	-	-	-	2,203,530
	9,330,202	13,574,768	1,014,344	479,161	69,126,631	60,252	93,585,358
Net financial assets	17,311,941	38,991,001	51,833,737	3,139,989	56,033,666	773,161	168,083,495
Less: Net financial assets denominated in the respective entities' functional currencies	(17,651,142)	(38,991,001)	-	(3,139,989)	(56,033,666)	(761,789)	(116,577,587)
Currency exposure	(339,201)	-	51,833,737	-	-	11,372	51,505,908

* Denominated in Euro, Great Britain Pound and Indonesian Rupiah.

Notes To The Financial Statements
(cont'd)

27. FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Risk Management Policies (Cont'd)

Market Risk (Cont'd)

(i) Foreign currency risk (Cont'd)

The Group's exposure to foreign currency is as follows:- (Cont'd)

The Group 2017	**Singapore Dollar RM**	**Ringgit Malaysia RM**	**United States Dollar RM**	**Philippine Peso RM**	**New Taiwan Dollar RM**	**Others* RM**	**Total RM**
Financial assets							
Trade receivables	7,889,047	11,363,347	12,135,537	1,115,711	58,436,349	355,467	91,295,458
Other receivables	892,716	490,759	349,759	566,094	801,010	50,379	3,150,717
Amount owing by an associate	1,333,852	-	-	-	-	-	1,333,852
Short-term investments	-	3,508,429	-	-	-	-	3,508,429
Fixed deposits with licensed banks	465,785	7,283,148	-	-	-	-	7,748,933
Cash and bank balances	1,499,260	11,493,610	54,667,584	753,002	50,171,421	728,701	119,313,578
	12,080,660	34,139,293	67,152,880	2,434,807	109,408,780	1,134,547	226,350,967
Financial liabilities							
Trade payables	1,984,718	3,074,082	830,861	296,596	11,926,227	178,834	18,291,318
Other payables and accrued expenses	4,735,616	5,202,735	505,381	336,538	48,893,047	97,613	59,770,930
Bank overdrafts	5,181,941	-	-	-	-	-	5,181,941
Bank borrowings:-							
- Term loans	4,220,944	2,037,933	-	-	9,577,610	-	15,836,487
- Short-term borrowings	12,460,720	-	-	-	-	-	12,460,720
Hire purchase payables	73,728	274,483	-	-	-	-	348,211
	28,657,667	10,589,233	1,336,242	633,134	70,396,884	276,447	111,889,607
Net financial (liabilities)/assets	(16,577,007)	23,550,060	65,816,638	1,801,673	39,011,896	858,100	114,461,360
Less: Net financial liabilities/(assets) denominated in the respective entities' functional currencies	16,284,553	(23,150,402)	-	(1,801,673)	(39,011,896)	(846,424)	(48,525,842)
Currency exposure	(292,454)	399,658	65,816,638	-	-	11,676	65,935,518

* Denominated in Euro, Great Britain Pound and Indonesian Rupiah.

Notes To The Financial Statements
(cont'd)

27. FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Risk Management Policies (Cont'd)

(i) Foreign currency risk (Cont'd)

The Company 2018	Ringgit Malaysia RM	United States Dollar RM	Total RM
Financial asset			
Cash and bank balances	1,872,136	379,860	2,251,996
Financial liability			
Amount owing to subsidiaries	700,000	7,621,259	8,321,259
Net financial asset/(liability)	1,172,136	(7,241,399)	(6,069,263)
Less: Net financial asset denominated in the entity's functional currency	(1,172,136)	-	(1,172,136)
Currency exposure	-	(7,241,399)	(7,241,399)

The Company 2017	Singapore Dollar RM	Ringgit Malaysia RM	United States Dollar RM	Indonesian Rupiah RM	Total RM
Financial assets					
Amount owing by subsidiaries	-	1,641,301	-	1,237,661	2,878,962
Cash and bank balances	-	641,588	7,007,423	-	7,649,011
	-	2,282,889	7,007,423	1,237,661	10,527,973
Financial liability					
Amount owing to subsidiaries	46,773	-	7,484,249	-	7,531,022
Net financial (liability)/assets	(46,773)	2,282,889	(476,826)	1,237,661	2,996,951
Less: Net financial assets denominated in the entity's functional currency	-	(2,282,889)	-	-	(2,282,889)
Currency exposure	(46,773)	-	(476,826)	1,237,661	714,062

Notes To The Financial Statements
(cont'd)

27. FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Risk Management Policies (Cont'd)

(i) Foreign currency risk (Cont'd)

Foreign Currency Risk Sensitivity Analysis

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

	The Group		The Company	
	2018 Increase/ (Decrease) RM	**2017 Increase/ (Decrease) RM**	**2018 Increase/ (Decrease) RM**	**2017 Increase/ (Decrease) RM**
Effects on profit after taxation/equity				
Singapore Dollar:				
- strengthened by 5%	(16,960)	(14,623)	-	(2,339)
- weakened by 5%	16,960	14,623	-	2,339
United States Dollar:				
- strengthened by 5%	2,591,687	3,290,832	(362,070)	(23,841)
- weakened by 5%	(2,591,687)	(3,290,832)	362,070	23,841
Others*:				
- strengthened by 5%	569	584	-	61,883
- weakened by 5%	(569)	(584)	-	(61,883)

* Denominated in Euro, Great Britain Pound and Indonesian Rupiah.

(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 long-term borrowings with variable rates. The Group's policy is to obtain the most favourable interest rates available and by maintaining a balanced portfolio of mix of fixed and floating rate borrowings.

The Group's fixed deposits with licensed banks and hire purchase payables are carried at amortised cost. Therefore, they are not subject to interest rate risk as defined in MFRS 7 since neither 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 Notes 22 and 25 to the financial statements.

Interest Rate Risk Sensitivity Analysis

The Group and the Company do not account for any fixed rate financial assets and liabilities at fair value through profit or loss, a 100 basis points strengthening in the interest rate as at the end of the reporting period would have decreased profit after taxation by RM96,200 (2017: RM319,579) and Nil (2017: RM15,488) respectively. A 100 basis points weakening would have had an equal but opposite effect on the profit after taxation. This assumes that all other variables remain constant.

Notes To The Financial Statements
(cont'd)

27. FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Risk Management Policies (Cont'd)

(iii) Equity price risk

The Group's principal exposure to equity price risk arises mainly from changes in quoted investment prices. The Group manages its exposure to equity price risk by maintaining a portfolio of equities with different risk profiles.

Equity price risk sensitivity analysis

If prices for quoted investments at the end of the reporting period strengthened by 10% (2017: 10%) with all other variables being held constant, the Group's profit after taxation or other comprehensive income would have increase by RM1,328,843 (2017: RM350,843). A 10% (2017: 10%) weakening in the quoted prices would have had an equal but opposite effect on the Group's profit after taxation or other comprehensive income.

(iv) Credit risk

The Group's exposure to credit risk, or the risk of counterparties defaulting, arises mainly from receivables. The Group manages its exposure to credit risk by the application of credit approvals, credit limits and monitoring procedures on an ongoing basis.

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 certain subsidiaries. The Company monitors the results of these subsidiaries regularly and repayments made by the subsidiaries.

Credit risk concentration profile

The Group's major concentration of credit risk relates to the amounts owing by 2 (2017: 2) customers which constituted approximately 41% (2017: 43%) of its total trade receivables as at the end of the reporting period.

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 guarantees provided to its subsidiaries as disclosed under the 'Maturity Analysis' of item (v) below, representing the outstanding banking facilities of the subsidiaries 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.

Assessment of impairment losses

At each reporting date, the Company 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.

Notes To The Financial Statements
(cont'd)

27. FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Risk Management Policies (Cont'd)

(iv) Credit risk (Cont'd)

Assessment of impairment losses (Cont'd)

- Trade receivables

The Group applies the simplified approach to measuring expected credit losses which uses a lifetime expected loss allowances 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 difficulty or with significant balances outstanding for more than 365 days are deemed credit impaired.

The expected loss rates are based on the payment profiles of sales over a period of one month 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 trade receivables are summarised below:-

The Group	**Gross Amount RM**	**Lifetime Loss Allowance RM**	**Carrying Value RM**
2018			
Not past due	89,476,978	-	89,476,978
Past due:-			
- Less than 1 month	`10,103,676	-	10,103,676
- 1 to 9 months	8,273,172	-	8,273,172
- over 9 months	1,123,429	-	1,123,429
	108,977,255	-	108,977,255
Credit impaired:			
- more than 1 month past due	(174,195)	-	(174,195)
- individually impaired	(1,957,203)	-	(1,957,203)
	106,845,857	-	106,845,857

Notes To The Financial Statements
(cont'd)

27. FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Risk Management Policies (Cont'd)

(iv) Credit risk (Cont'd)

Assessment of impairment losses (Cont'd)

- Trade receivables (Cont'd)

In the last financial year, the loss allowance on trade receivables was calculated under MFRS 139. The ageing analysis of trade receivables is as follows:-

The Group	Gross Amount RM	Individual Impairment RM	Collective Impairment RM	Carrying Value RM
2017				
Not past due	78,685,551	-	-	78,685,551
Past due:-				
- Less than 1 month	7,618,770	-	-	7,618,770
- 1 to 9 months	5,057,355	-	(80,269)	4,977,086
- over 9 months	1,717,020	(1,110,776)	(592,193)	14,051
	93,078,696	(1,110,776)	(672,462)	91,295,458

The movement in the allowance for impairment losses is disclosed in Note 17 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.

- Fixed deposits with licensed banks, 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.

Notes To The Financial Statements
(cont'd)

27. FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Risk Management Policies (Cont'd)

(iv) Credit risk (Cont'd)

Assessment of impairment losses (Cont'd)

- Amount owing by subsidiaries and related parties

  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 inter-company have low credit risks. The Company assumes that there is a significant increase in credit risk when an inter-company's financial position deteriorates significantly. As the Company is able to determine the timing of payments of the inter-company's loans and advances when they are payable, the Company considers the loans and advances to be in default when the inter-companies are not able to pay when demanded. The Company considers an inter-company's loan or advance to be credit impaired when the inter-company is unlikely to repay its loan or advance in full or the inter-company is continuously loss making or the inter-company 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.

  In the last financial year, the loss allowance on amount owing by intercompany was calculated under MFRS 139.

  The movements in the loss allowance are disclosed in Note 17 to the financial statements.

- 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.

(v) 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.

Notes To The Financial Statements
(cont'd)

27. FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Risk Management Policies (Cont'd)

(v) Liquidity risk (Cont'd)

Maturity analysis

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

The Group	Weighted Average Effective Interest Rate %	Carrying Amount RM	Contractual Undiscounted Cash Flows RM	Within 1 year RM	1 – 5 years RM	Over 5 years RM
2018						
Non-derivative financial liabilities						
Hire purchase payables	2.80 - 4.54	2,203,530	2,356,236	958,129	1,398,107	-
Term loans	1.40 - 3.40	11,447,968	11,760,403	4,082,473	7,677,930	-
Trade payables	-	18,117,811	18,117,811	18,117,811	-	-
Other payables and accrued expenses	-	61,816,049	61,816,049	61,816,049	-	-
		93,585,358	94,050,499	84,974,462	9,076,037	-
2017						
Non-derivative financial liabilities						
Hire purchase payables	1.70 – 5.28	348,211	374,634	199,373	175,261	-
Term loans	1.40 – 6.57	15,836,487	16,373,878	4,522,210	11,851,668	-
Short-term borrowings	2.44 – 2.96	12,460,720	12,460,720	12,460,720	-	-
Bank overdrafts	5.00	5,181,941	5,181,941	5,181,941	-	-
Trade payables	-	18,291,318	18,291,318	18,291,318	-	-
Other payables and accrued expenses	-	59,770,930	59,770,930	59,770,930	-	-
		111,889,607	112,453,421	100,426,492	12,026,929	-

Notes To The Financial Statements
(cont'd)

27. FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Risk Management Policies (Cont'd)

(v) Liquidity risk (Cont'd)

Maturity analysis (Cont'd)

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

The Company	Weighted Average Effective Interest Rate %	Carrying Amount RM	Contractual Undiscounted Cash Flows RM	Within 1 year RM	1 – 5 years RM
2018					
Non-derivative financial liabilities					
Other payables and accrued expenses	-	3,385,377	3,385,377	3,385,377	-
Amount owing to subsidiaries - interest-free	-	8,321,259	8,321,259	8,321,259	-
Financial guarantee contracts in relation to corporate guarantee given to subsidiaries	-	-	4,775,458	4,775,458	-
		11,706,636	16,482,094	16,482,094	-
2017					
Non-derivative financial liabilities					
Term loan	6.57	2,037,933	2,037,933	2,037,933	-
Other payables and accrued expenses	-	2,194,444	2,194,444	2,194,444	-
Amount owing to subsidiaries - interest-free	-	7,531,022	7,531,022	7,531,022	-
Financial guarantee contracts in relation to corporate guarantee given to a subsidiary	-	-	22,101,098	22,101,098	-
		11,763,399	33,864,497	33,864,497	-

Notes To The Financial Statements
(cont'd)

27. FINANCIAL INSTRUMENTS (CONT'D)

(b) 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. The Group's strategies were unchanged from the previous financial year. The debt-to-equity ratio is calculated as net debt divided by total equity. Net debt is calculated as external borrowings less cash and bank balances and fixed deposits with licensed banks.

There was no change in the Group's approach to capital management during the financial year.

The debt-to-equity ratio of the Company is not disclosed in the financial statements as the cash and bank balances and fixed deposits with licensed banks are in surplus position after net off with external borrowings.

The Group is also required to comply with certain loan covenants, failing which, the banks may call an event of default. The Group has complied with requirement.

(c) Classification of Financial Instruments

	The Group 2018 RM	The Company 2018 RM
Financial Assets		
Mandatorily Fair Value through Profit or Loss		
Short-term investments	13,288,430	11,858,212
Amortised Cost		
Trade receivables	106,845,857	-
Other receivables	3,739,427	46,439
Amount owing by subsidiaries	-	172,800
Fixed deposits with licensed banks	4,803,537	-
Cash and bank balances	132,991,602	2,251,996
	248,380,423	2,471,235
Financial Liability		
Amortised Cost		
Trade payables	18,117,811	-
Other payables and accrued expenses	61,816,049	3,385,377
Amount owing to subsidiaries	-	8,321,259
Term loans	11,447,968	-
Hire purchase payables	2,203,530	-
	93,585,358	11,706,636

Notes To The Financial Statements
(cont'd)

27. FINANCIAL INSTRUMENTS (CONT'D)

(c) Classification of Financial Instruments (Cont'd)

	The Group 2017 RM	The Company 2017 RM
Financial Assets		
Fair Value through Profit or Loss: Held-for-trading		
Short-term investments	3,508,429	2,108,006
Loans and Receivables Financial Assets		
Trade receivables	91,295,458	-
Other receivables	3,150,717	17,757
Amount owing by subsidiaries	-	2,878,962
Amount owing by an associate	1,333,852	-
Fixed deposits with licensed banks	7,748,933	1,104,683
Cash and bank balances	119,313,578	7,649,011
	222,842,538	11,650,413
Financial Liability		
Other Financial Liabilities		
Trade payables	18,291,318	-
Other payables and accrued expenses	59,770,930	2,194,444
Amount owing to subsidiaries	-	7,531,022
Bank overdrafts	5,181,941	-
Term loans	15,836,487	2,037,933
Bank borrowings	12,460,720	-
Hire purchase payables	348,211	-
	111,889,607	11,763,399

Notes To The Financial Statements
(cont'd)

27. FINANCIAL INSTRUMENTS (CONT'D)

(d) Gains or Losses Arising from Financial Instruments

	The Group 2018 RM	The Company 2018 RM
Financial Assets		
Fair Value Through Profit or Loss		
Net gains recognised in profit or loss	286,796	242,993
Amortised Cost		
Net losses recognised in profit or loss	(292,414)	(936,005)
Financial Liability		
Amortised Cost		
Net losses recognised in profit or loss	(568,006)	(56,109)

	2017 RM	2017 RM
Financial Assets		
Fair Value Through Profit or Loss: Held-for-trading		
Net gains recognised in profit or loss	191,159	141,129
Loans and Receivables Financial Assets		
Net gains recognised in profit or loss	642,607	103,624
Financial Liability		
Financial Liability Measured at Amortised Cost		
Net losses recognised in profit or loss	(931,264)	(194,461)

Notes To The Financial Statements
(cont'd)

27. FINANCIAL INSTRUMENTS (CONT'D)

(e) 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 financial instruments that are carried at fair value and those not carried at 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		
The Group	RM	RM	RM	RM	RM	RM	RM	RM
2018								
Financial Asset								
Short-term investments	13,288,430	-	-	-	-	-	13,288,430	13,288,430
Financial Liabilities								
Hire purchase payables	-	-	-	-	2,204,118	-	2,204,118	2,203,530
Term loans	-	-	-	-	11,447,968	-	11,447,968	11,447,968

	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		
The Group	RM	RM	RM	RM	RM	RM	RM	RM
2017								
Financial Asset								
Short-term investments	3,508,429	-	-	-	-	-	3,508,429	3,508,429
Financial Liabilities								
Hire purchase payables	-	-	-	-	346,797	-	346,797	348,211
Short-term borrowings	-	-	-	-	12,460,720	-	12,460,720	12,460,720
Term loans	-	-	-	-	15,836,487	-	15,836,487	15,836,487

Notes To The Financial Statements
(cont'd)

27. FINANCIAL INSTRUMENTS (CONT'D)

(e) Fair Value Information (Cont'd)

The following table sets out the fair value profile of financial instruments that are carried at fair value and those not carried at fair value at the end of the reporting period:- (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		
The Company	RM	RM	RM	RM	RM	RM	RM	RM
2018								
Financial Asset								
Short-term investments	11,858,212	-	-	-	-	-	11,858,212	11,858,212
2017								
Financial Asset								
Short-term investments	2,108,006	-	-	-	-	-	2,108,006	2,108,006
Financial Liability								
Term loans	-	-	-	-	2,037,933	-	2,037,933	2,037,933

Notes To The Financial Statements
(cont'd)

27. FINANCIAL INSTRUMENTS (CONT'D)

(e) Fair Value Information (Cont'd)

(i) Fair Value of Financial Instruments Carried at Fair Value

- The fair value of short-term investments is determined at their quoted closing bid prices at the end of the reporting period.
- There were no transfer between level 1 and level 2 during the financial year.

(ii) Fair Value of Financial Instruments Not Carried at Fair Value

The fair values, which are for disclosure purpose, have been determined using the following basis:-

The fair value of hire purchase payables, short-term borrowing and term loans determined by discounting the relevant 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		The Company	
	2018 %	2017 %	2018 %	2017 %
Hire purchase payables	2.80 - 4.54	1.70 - 5.28	-	-
Short-term borrowings	-	2.44 - 2.96	-	-
Term loans	1.40 - 3.40	1.40 - 6.57	-	6.57

28. COMMITMENTS

(i) Operating lease commitments

	The Group	
	2018 RM	2017 RM
Non-cancellable future minimum lease payments		
- Not later than one year	2,031,100	2,083,092
- Between one year and five years	4,116,424	4,426,849
- Later than five years	9,439,879	10,610,926
	15,587,403	17,120,867

The Group has various operating lease agreements for equipment, offices and other facilities. Most leases contain renewable options. Lease terms do not contain restrictions on the Group's activities concerning dividends, additional debt or further leasing.

Notes To The Financial Statements
(cont'd)

28. COMMITMENTS (CONT'D)

(ii) Capital commitments

As of 31 December 2018, the Group has the following capital commitments:-

	The Group	
	2018 RM	2017 RM
Purchase of property, plant and equipment	740,275	693,898

29. CASH FLOW INFORMATION

(a) The reconciliations of liabilities arising from financing activities are as follows:-

The Group	Bank Borrowings* RM	Hire Purchase Payables RM	Total RM
2018			
At 1 January	28,297,207	348,211	28,645,418
<u>Changes in Financing Cash Flows</u>			
Proceeds from drawdown	-	2,400,000	2,400,000
Repayment of borrowing principal	(16,712,117)	(544,511)	(17,256,628)
Repayment of borrowing interests	(437,162)	(76,454)	(513,616)
Non-cash changes	300,040	76,284	376,324
At 31 December	11,447,968	2,203,530	13,651,498
2017			
At 1 January	28,726,655	603,493	29,330,148
<u>Changes in Financing Cash Flows</u>			
Proceeds from drawdown	7,901,920	-	7,901,920
Repayment of borrowing principal	(7,883,738)	(251,063)	(8,134,801)
Repayment of borrowing interests	(821,642)	(25,343)	(846,985)
Non-cash changes	374,012	21,124	395,136
At 31 December	28,297,207	348,211	28,645,418

* It includes term loans and money market security.

Notes To The Financial Statements
(cont'd)

29. CASH FLOW INFORMATION

(a) The reconciliations of liabilities arising from financing activities are as follows:- (Cont'd)

The Company	Amount Owing to Subsidiaries RM	Term Loans RM	Total RM
2018			
At 1 January	7,531,022	2,037,933	9,568,955
<u>Changes in Financing Cash Flows</u>			
Advances	700,000	-	700,000
Repayment to subsidiaries	(108,255)	-	(108,255)
Repayment of borrowing principal	-	(2,037,933)	(2,037,933)
Repayment of borrowing interest	-	(56,109)	(56,109)
Non-cash changes	198,492	56,109	254,601
At 31 December	8,321,259	-	8,321,259
2017			
At 1 January	13,564,695	4,128,510	17,693,205
<u>Changes in Financing Cash Flows</u>			
Repayment to subsidiaries	(5,754,789)	-	(5,754,789)
Repayment of borrowing principal	-	(2,090,577)	(2,090,577)
Repayment of borrowing interest	-	(194,461)	(194,461)
Non-cash changes	(278,884)	194,461	(84,423)
At 31 December	7,531,022	2,037,933	9,568,955

(b) The cash and cash equivalents comprise the following:-

	The Group		The Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Cash and bank balances	132,991,602	119,313,578	2,251,996	7,649,011
Fixed deposits with licensed banks	4,803,537	7,748,933	-	1,104,683
Short-term investments-unit trust	13,288,430	3,508,429	11,858,212	2,108,006
	151,083,569	130,570,940	14,110,208	10,861,700
Less: Bank overdrafts	-	(5,181,941)	-	-
Less: Fixed deposits pledged with licensed banks	(1,961,948)	(3,136,080)	-	(1,104,683)
Less: Fixed deposits with maturity period more than 3 months	(181,554)	(2,000,000)	-	-
Cash and cash equivalents	148,940,067	120,252,919	14,110,208	9,757,017

Notes To The Financial Statements
(cont'd)

30. 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 foreign currency balances at the end of the reporting period are as follows:-

	The Group/The Company	
	2018	2017
	RM	RM
Singapore Dollar	3.03	3.04
United States Dollar	4.14	4.06
Philippine Peso	0.08	0.08
New Taiwan Dollar	0.14	0.14
Euro	4.73	4.85
Chinese Renminbi	0.60	0.62
Indonesian Rupiah	0.00030	0.00030
Thai Baht	0.13	0.12

Statement By Directors
Pursuant To Section 251(2) Of The Companies Act 2016

We, **NG WAI PIN** and **DATO' HAJI JOHAR BIN MURAT @ MURAD**, being two of the directors of **FRONTKEN CORPORATION BERHAD**, state that, in the opinion of the directors, the financial statements set out on pages 50 to 132 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 2018 and of their financial performance and the cash flows for the financial year ended on that date.

Signed on behalf of the Board in accordance
with a resolution of the directors,

NG WAI PIN

DATO' HAJI JOHAR BIN MURAT @ MURAD

26 March 2019

Declaration By The Officer Primarily Responsible For
The Financial Management Of The Company
Pursuant To Section 251(1)(B) Of The Companies Act 2016

I, **HEE KOK HIONG**, MIA Membership Number:15526, being the officer primarily responsible for the financial management of **FRONTKEN CORPORATION BERHAD**, do solemnly and sincerely declare that the financial statements of the Group and of the Company set out on pages 50 to 132 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.

HEE KOK HIONG

Subscribed and solemnly declared by
the abovementioned **HEE KOK HIONG** at
KUALA LUMPUR this 26th day of March 2019.

Before me,

List Of Properties

Details of the landed properties owned and leased by the Company and its subsidiaries are set out below:

Address	Description/ Existing use	Land area/ Built-up area	Approximate age of building	Tenure	Audited net book value as at 31.12.2018	Date of acquisition
		sq m			RM'000	
Frontken (Singapore) Pte Ltd (FS)						
Pte Lot A12843 (to be known as Pte Lot A21020) Bearing postal address: 156A Gul Circle Singapore 629614	2 factory buildings with mezzanine office and a 4-storey factory to house production facilities	11,154/ 11,213	22 years, 32 years & 8 years	Leasehold expiring on 19.07.2039	16,026	01.08.2001
FS						
Pte Lot A22490 (to be known as Pte Lot A1355601) Bearing postal address: 15 Gul Drive Singapore 629466	4-storey factory building to house production facilities and R&D activities	4,877/ 3,147	17 years	Leasehold expiring on 30.04.2026	2,171	18.03.2005
Frontken Malaysia Sdn Bhd (FM)						
177296 Lot 38206 Pekan Baru Hicom Daerah Petaling Selangor Darul Ehsan Bearing postal address: Lot 2-46, Jalan Subang Utama 7 Taman Perindustrian Subang Utama Seksyen 22 40300 Shah Alam Selangor Darul Ehsan	1½-storey detached factory building to house production facilities	2,023/ 1,006	22 years	Freehold	1,884	17.03.2003
FM						
177293 Lot 38196 Pekan Baru Hicom Daerah Petaling Selangor Darul Ehsan Bearing postal address: Lot 2-47, Jalan Subang Utama 8 Taman Perindustrian Subang Utama Seksyen 22 40300 Shah Alam Selangor Darul Ehsan	Vacant industrial land	2,177/ -	N/A	Freehold	1,500	04.07.2007

List Of Properties
(cont'd)

Address	Description/ Existing use	Land area/ Built-up area	Approximate age of building	Tenure	Audited net book value as at 31.12.2018	Date of acquisition
		sq m			RM'000	
FM GRN 150384 & 150398 Lots 12049 & 12063 Mukim 14, Daerah Seberang Perai Tengah Penang Bearing postal address: No. 18, Jalan Pala 12 Kawasan Industri Ringan Permatang Tinggi 14100 Bukit Mertajam Penang	1½-storey semi-detached factory to house production facilities and R&D activities	604/ 597	16 years	Freehold	461	07.07.2003
GRN 150385 & 150399 Lots 12050 & 12064 Mukim 14, Daerah Seberang Perai Tengah Penang Bearing postal address: No. 20, Jalan Pala 12 Kawasan Industri Ringan Permatang Tinggi 14100 Bukit Mertajam Penang	1½-storey semi-detached factory to house production facilities and R&D activities	604/ 541	16 years	Freehold		
FM GRN 210078 Lot 4494 Sekyen 39, Bandar Kulim Daerah Kulim Kedah Darul Aman Bearing postal address: PT1923, Jalan Hi Tech 2/3 Industrial Zone Phase I Kulim Hi-Tech Industrial Park 09090 Kulim Kedah Darul Aman	Single-storey detached factory building to house production facilities and R&D activities	12,141/ 3,299	13 years	Leasehold expiring on 08.05.2066	6,042	23.12.2005
FM GRN 210078 Lot 4494 Sekyen 39, Bandar Kulim Daerah Kulim Kedah Darul Aman Bearing postal address: PT 1923, Jalan Hi Tech 2/3 Industrial Zone Phase I Kulim Hi-Tech Industrial Park 09090 Kulim Kedah Darul Aman	Vacant industrial land	15,419/ -	N/A	Leasehold expiring on 08.05.2066	1,695	09.11.2007

List Of Properties
(cont'd)

Address	Description/ Existing use	Land area/ Built-up area	Approximate age of building	Tenure	Audited net book value as at 31.12.2018	Date of acquisition
		sq m			RM'000	
Ares Green Technology Corporation						
0273-0000, 0276-0000 & 0277-0000 Bearing postal address: No. 17, Bade Road Xinying Dist. Tainan City, 73054 Taiwan, R.O.C.	A single-storey factory building and a 2-storey factory building to house production facilities and R&D activities and a 2-storey office building	16,966/ 17,371	19 years	Freehold	54,440	14.06.2004
PT Frontken Indonesia						
NIB No. 28.04.02.19.00499 28.04.02.19.00497 28.04.02.19.00495 28.04.02.19.00493 28.04.02.19.00492 28.04.02.19.00490 Bearing postal address: Jl. Raya Serang KM.13 RT.003/RW.002 Kp. Cirewed, Sukadamai-Cikupa Tangerang Banten Indonesia 15710	A single-storey factory building to house production facilities and office	5,385/ 3,222	34 years	Leasehold expiring on 17.10.2039 & 19.05.2041	1,293	12.12.2011
TTES Frontken Integrated Services Sdn Bhd						
Lot 3687 & 3688, Kawasan Perindustrian Telok Kalong, 24000 Terengganu Bearing postal address: Lot 3687 & 3688, Kawasan Perindustrian Telok Kalong, 24000 Terengganu	Vacant industrial land	4,133/ -	N/A	Leasehold expiring on 22.08.2057	240	08.12.2009

Shareholding Statistics
AS AT 29 MARCH 2019

Issued and Paid-up Share Capital	:	RM118,925,352 comprising 1,053,435,130 ordinary shares
Class of shares	:	Ordinary shares
Voting rights	:	One vote per share

DISTRIBUTION OF SHAREHOLDINGS AS AT 29 MARCH 2019

Size of holdings	No. of shareholders	% of shareholders	*No. of shares	*% of issued capital
Less than 100	199	4.4	8,510	~
100 – 1,000	663	14.7	350,796	~
1,001 – 10,000	1,944	43.0	10,821,546	1.0
10,001 – 100,000	1,302	28.8	45,976,957	4.4
100,001 to less than 5% of issued shares	407	9.0	643,396,748	61.4
5% and above of issued shares	3	0.1	347,413,973	33.2
Total	4,518	100.0	1,047,968,530	100.0

Notes:
~ Negligible
* Excluding 5,466,600 shares held as treasury shares as at 29 March 2019
Distribution of shareholdings based on Record of Depositors

DIRECTORS' SHAREHOLDINGS AS AT 29 MARCH 2019

The shareholdings of the directors of the Company and the number of shares held by them as recorded in the Register of Director Shareholdings at the date of this statement are as follows:-

		Direct		Indirect	
No.	Name	No. of shares	*%	No. of shares	*%
1.	Ng Wai Pin	6,592,900	0.6	290,991,473	27.8
2.	Dr Tay Kiang Meng	9,404,808	0.9	-	-
3.	Dato' Haji Johar Bin Murat @ Murad	-	-	-	-
4.	Aaron Sim Kwee Lein	-	-	-	-
5.	Dr Jorg Helmut Hohnloser	-	-	-	-

Note:
* Excluding 5,466,600 shares held as treasury shares as at 29 March 2019

SUBSTANTIAL SHAREHOLDERS AS AT 29 MARCH 2019

		Direct		Indirect	
No.	Name	No. of shares	*%	No. of shares	%
1.	Dazzle Clean Ltd	290,991,473	27.8	-	-
2.	Ooi Keng Thye	151,759,400	14.5	-	-

Note:
*Excluding 5,466,600 shares held as treasury shares as at 29 March 2019
Substantial shareholders based on Register of Substantial Shareholders

Shareholding Statistics (Cont'd)

Thirty Largest Shareholders
AS AT 29 MARCH 2019

No.	Shareholders	No. of shares	*% of issued capital
1	RHB Capital Nominees (Asing) Sdn Bhd Dazzle Clean Ltd	174,594,884	16.66
2	Dazzle Clean Ltd	116,396,589	11.11
3	Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Ooi Keng Thye	56,422,500	5.38
4	Ooi Keng Thye	24,579,500	2.35
5	Alliancegroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Cheng Chew Giap (6000179)	22,540,600	2.15
6	CIMB Group Nominees (Tempatan) Sdn Bhd CIMB Commerce Trustee Berhad - Kenanga Growth Fund	22,229,300	2.12
7	Alliancegroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Ooi Keng Thye (6000009)	21,973,100	2.10
8	Citigroup Nominees (Tempatan) Sdn Bhd Kumpulan Wang Persaraan (Diperbadankan) (Kenanga)	21,918,000	2.10
9	Maybank Nominees (Tempatan) Sdn Bhd MTrustee Berhad For CIMB Islamic Dali Equity Growth Fund (UT-CIMB-Dali) (419455)	20,763,300	1.98
10	HSBC Nominees (Asing) Sdn Bhd JPMBL SA For Evli Emerging Frontier Fund	14,729,425	1.41
11	DB (Malaysia) Nominee (Asing) Sdn Bhd The Bank Of New York Mellon For Acadian Emerging Markets Small Cap Equity Fund, LLC	14,281,500	1.36
12	CIMB Islamic Nominees (Tempatan) Sdn Bhd CIMB Islamic Trustee Berhad - Kenanga Syariah Growth Fund	14,142,200	1.35
13	Cartaban Nominees (Tempatan) Sdn Bhd RHB Trustees Berhad For Manulife Investment Shariah Progressfund	13,165,600	1.26
14	Maybank Nominees (Tempatan) Sdn Bhd Maybank Trustees Berhad For Saham Amanah Sabah (ACC 2-940410)	13,002,000	1.24
15	Amanahraya Trustees Berhad PB Islamic Smallcap Fund	11,950,000	1.14
16	Citigroup Nominees (Tempatan) Sdn Bhd Universal Trustee (Malaysia) Berhad For CIMB Islamic Dali Equity Fund	11,903,600	1.14
17	Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Ooi Keng Thye (E-PPG)	11,081,000	1.06
18	HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd For CIMB Islamic Dali Equity Theme Fund	10,461,300	1.00
19	Citigroup Nominees (Asing) Sdn Bhd CBNY For Emerging Market Core Equity Portfolio DFA Investment Dimensions Group Inc	10,028,200	0.96
20	AMSEC Nominees (Tempatan) Sdn Bhd Pledged Securities Account - Ambank (M) Berhad For Ooi Keng Thye (Smart)	9,894,800	0.94
21	Amanahraya Trustees Berhad Public Islamic Opportunities Fund	9,464,600	0.90
22	Tay Kiang Meng	9,404,808	0.90
23	Amanahraya Trustees Berhad PMB Shariah Aggressive Fund	9,000,000	0.86
24	TA Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Tan Chai Hoon @ Chan Ah Keng	8,550,000	0.82
25	Amanahraya Trustees Berhad For CIMB Islamic Dali Asia Pacific Equity Growth Fund	8,199,300	0.78
26	Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Ooi Keng Thye (023)	7,900,100	0.75
27	Kho Chew Swan	7,800,952	0.74
28	Citigroup Nominees (Asing) Sdn Bhd Exempt An For Citibank New York (Norges Bank 14)	7,284,500	0.70
29	CIMB Group Nominees (Tempatan) Sdn Bhd CIMB Commerce Trustee Berhad - Kenanga Malaysian Inc Fund	6,743,800	0.64
30	Ng Wai Pin	6,592,900	0.63

Note:-
*Excluding 5,466,600 shares held as treasury shares as at 29 March 2019

Notice Of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Fifteenth Annual General Meeting of the Company ("15th AGM") will be held at Suite 301, 3rd Floor, Block F, Pusat Dagangan Phileo Damansara 1, No. 9, Jalan 16/11, Off Jalan Damansara, 46350 Petaling Jaya, Selangor on Thursday, 30 May 2019 at 11.00 a.m. for the transaction of the following businesses:-

AGENDA

As Ordinary Business:-

1. To receive the Audited Financial Statements for the year ended 31 December 2018 together with the Reports of the Directors and the Auditors thereon. *(Please refer to Explanatory Note 1)*

2. To re-elect the following Directors who retire pursuant Article 74 of the Company's Constitution:-

   (a) Mr Aaron Sim Kwee Lein; and *(Ordinary Resolution 1)*

   (b) Dr Jorg Helmut Hohnloser. *(Ordinary Resolution 2)*

3. To approve the payment of Directors' fees and Benefits of up to RM500,000.00 for the financial year ending 31 December 2019 up to the following next Annual General Meeting. *(Ordinary Resolution 3)*

4. To re-appoint Messrs Crowe Malaysia PLT as Auditors of the Company for the financial year ending 31 December 2019 and to authorize the Directors to fix their remuneration. *(Ordinary Resolution 4)*

As Special Business:-

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

5. **AUTHORITY TO ISSUE SHARES PURSUANT TO SECTIONS 75 AND 76 OF THE COMPANIES ACT 2016 ("ACT")** *(Ordinary Resolution 5)*

   "**THAT** subject always to the Act, the Constitution of the Company and the approvals of Bursa Malaysia Securities Berhad ("Bursa Securities") and the relevant regulatory authorities where such approval is necessary, the Directors be and are hereby empowered, pursuant to Sections 75 and 76 of the Act, to issue shares of the Company at any time until the conclusion of the next Annual General Meeting ("AGM") and upon such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit, provided that the aggregate number of shares to be issued does not exceed 10% of the total number of issued shares of the Company (excluding treasury shares) at the time of issue.

   AND THAT the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Securities and that such authority shall continue to be in force until the conclusion of the next AGM of the Company."

Notice Of Annual General Meeting
(cont'd)

6. **PROPOSED RENEWAL OF AUTHORITY FOR THE COMPANY TO PURCHASE ITS OWN SHARES ("PROPOSED RENEWAL OF SHARE BUY-BACK MANDATE")** *(Ordinary Resolution 6)*

"**THAT** subject to the provisions under the Act, the Constitution of the Company, the Listing Requirements and any other applicable laws, rules, regulations and guidelines for the time being in force, the Company be and is hereby authorised to purchase such number of ordinary shares in the Company ("Shares") as may be determined by the Directors from time to time through Bursa Securities upon such terms and conditions as the Directors may deem fit and expedient in the interest of the Company provided that the aggregate number of shares purchased pursuant to this resolution shall not exceed 10% of the total number of issued shares of the Company.

THAT the maximum amount of funds to be allocated for the purpose of purchasing the Shares shall not exceed the retained profits of the Company.

THAT authority be and is hereby given to the Directors to decide at their discretion, as may be permitted and prescribed by the Act and/or any prevailing laws, rules, regulations, orders, guidelines and requirements issued by the relevant authorities for the time being in force to deal with any of the Shares so purchased by the Company in the following manner:

(i) the Shares so purchased could be cancelled or transferred; or
(ii) the Shares so purchased could be retained as treasury shares for distribution as dividends or bonus shares to the shareholders of the Company and/or be resold through Bursa Securities in accordance with the relevant rules of Bursa Securities and/or transferred to employees under an employees' share scheme and/or as purchase consideration for any acquisition; or
(iii) combination of (i) and (ii) above.

THAT the authority conferred by this resolution will be effective immediately from the passing of this ordinary resolution and shall continue to be in force until:-

(i) the conclusion of the next AGM of the Company, at which time the said authority would lapse unless by an ordinary resolution passed at that meeting, the authority is renewed, either unconditionally or subject to conditions; or
(ii) the expiration of the period within which the next AGM is required by law to be held; or
(iii) the authority is revoked or varied by an ordinary resolution of the shareholders of the Company in a general meeting,

whichever occurs first

AND THAT the Directors be and are hereby authorised to take such steps as are necessary or expedient to implement or to effect the purchase(s) of the Shares with full power to assent to any conditions, modifications, variations and/or amendments as may be imposed by the relevant authorities and to take such steps as they may deem necessary or expedient in order to implement, finalise and give full effect in relation thereto."

7. **RETENTION OF INDEPENDENT DIRECTORS**

To consider and if thought fit, to pass the following as Ordinary Resolutions:-

(i) **"THAT** approval be and is hereby given to Dato' Haji Johar Bin Murat @ Murad, who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than twelve (12) years, to continue to act as an Independent Non-Executive Director of the Company."; and *(Ordinary Resolution 7)*

(ii) **"THAT** approval be and is hereby given to Mr Aaron Sim Kwee Lein, who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years, to continue to act as an Independent Non-Executive Director of the Company." *(Ordinary Resolution 8)*

Notice Of Annual General Meeting
(cont'd)

8. **SPECIAL RESOLUTION FOR ALTERATION OF CONSTITUTION** (Special Resolution 1)

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

   "That the New Constitution in the form and manner as set out in Appendix I be and is hereby adopted as the Constitution of the Company in substitution for and to the exclusion of the existing Constitution of the Company."

9. To transact any other business of which due notice shall be given.

BY ORDER OF THE BOARD

Mah Li Chen (MAICSA 7022751)
Chew Mei Ling (MAICSA 7019175)
Company Secretaries

Kuala Lumpur
30 April 2019

Notes:-

1. A Member entitled to attend and vote at this meeting is entitled to appoint a proxy/proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.
2. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
3. Where the appointer is a corporation, this form must be executed under its common seal, if any or under the hand of an officer or attorney duly authorised.
4. The instrument appointing a proxy or proxies must be deposited at the office of the Share Registrar of the Company situated at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur not less than forty-eight (48) hours before the time fixed for convening the Meeting or any adjournment thereof.
5. For the purpose of determining a member who shall be entitled to attend the 15th AGM, the Company shall request Bursa Malaysia Depository Sdn Bhd to issue a Record of Depositors as at **23 May 2019**. Only a depositor whose name appears on the Record of the Depositor as at **23 May 2019** shall be entitled to attend and vote at this 15th AGM or appoint proxies to attend and/or vote on his/her behalf.
6. All resolutions at the 15th AGM shall be voted by poll.

Explanatory Notes on Ordinary Business:-

1. Item 1 of the Agenda

This Agenda item is meant for discussion only as the provision of Section 340(1)(a) of the Act does not require a formal approval of the shareholders for the Audited Financial Statements. Hence, this item is not put forward to shareholders for voting.

2. Item 2 of the Agenda

Dr Jorg Helmut Hohnloser has indicated that he does not wish to seek for re-election at the 15th AGM and will retire at the conclusion of the 15th AGM.

3. Item 3 of the Agenda

Section 230(1) of the Act requires that the fees of the directors and any benefits payable to the directors be approved at a general meeting. The benefits comprised of travelling allowance.

Notice Of Annual General Meeting
(cont'd)

Explanatory Notes on Special Business:-

4. Item 5 of the Agenda

The proposed Ordinary Resolution 5, if passed, will empower the Directors from the conclusion of this AGM, to allot and issue up to a maximum of 10% of the total number of issued shares of the Company (excluding treasury shares) at the time of issue (other than bonus or rights issue) without the need to convene a general meeting and for such purposes as they consider would be in the best interest of the Company. This authority, unless revoked or varied at a general meeting, will expire at the next AGM of the Company. This mandate will provide flexibility to the Company for any possible fund raising activities, including but not limited to placing of shares, for the purpose of funding working capital, future investment project(s) and/or acquisition(s). At this juncture, there is no decision to issue new shares. If there should be a decision to issue any new share after the general mandate is sought, the Company will make an announcement in respect thereof.

The proposed Ordinary Resolution 5 is a renewal of the general mandate for issuance of shares pursuant to Sections 75 and 76 of the Act. The Company had, at the 14th AGM held on 24 May 2018, obtained its shareholders' approval for the general mandate for issuance of shares pursuant to Sections 75 and 76 of the Act. As at the date of this notice, the Company did not issue any share pursuant to the said mandate.

5. Item 6 of the Agenda

The proposed Ordinary Resolution 6, if passed, will give the Directors of the Company the authority to take all such steps as are necessary or expedient to implement, finalise, complete and/or effect the purchase(s) of Shares by the Company as the Directors may deem fit and expedient in the best interest of the Company. This authority will, unless renewed or revoked or varied by the Company at a general meeting, continue to be in force until the conclusion of the next AGM of the Company or the expiry of the period within which the next AGM of the Company following the 15th AGM is required by the law to be held. Please refer to the Share Buy-Back Statement dated 30 April 2019 which is despatched together with this Annual Report for more information.

6. Item 7 of the Agenda

The Nomination Committee has assessed the independence of both Dato' Haji Johar Bin Murat @ Murad and Mr Aaron Sim Kwee Lein, who have served as Independent Non-Executive Directors of the Company for a cumulative term of more than twelve (12) and nine (9) years respectively, and recommended both of them to continue to act as Independent Non-Executive Directors of the Company based on the following justifications:-

a) They fulfill the criteria under the definition of Independent Director as stated in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and thus, they are able to provide a check and balance by bringing an element of objectivity and independent judgement to the Board's deliberation;
b) They bring with them vast experience and expertise to complement the competencies of the other Directors to enhance boardroom discussion and decision;
c) They have been with the Company for more than twelve (12) and nine (9) years and accordingly, are familiar with the nuances and understand the Group's business operations; and
d) They have exercised due care and diligence during their tenure as Independent Non-Executive Directors of the Company and carried out their duties professionally and objectively in the interest of the Company and shareholders.
e) The Company will carry out a two-tier voting for the re-election of Dato' Haji Johar Bin Murat @ Murad in accordance with Practice 4.2 of the Malaysian Code on Corporate Governance 2017.

Notice Of Annual General Meeting
(cont'd)

7. Item 8 of the Agenda – Special Resolution 1

The proposed amendments to the existing Constitution of the Company are made mainly for the following purposes:-

a) To ensure compliance with the amended Bursa Malaysia Securities Berhad Main Market Listing Requirements which was issued on 29 November 2017;
b) To ensure that the New Constitution does not contain any provision which contravenes or is inconsistent with the Act which came into force on 31 January 2017; and
c) To enhance, prohibit, restrict and/or modify the provisions of the New Constitution to meet the needs and requirements of the Company as permitted by the Act.

We therefore wish to seek the shareholders' approval for the Company to pass a Special Resolution to alter or amend the whole of the existing Constitution by the replacement thereof with the proposed New Constitution as per Appendix I in accordance with Section 36(1) of the Act. The New Constitution of the Company as contained in the Circular to Shareholders and circulated together with the Notice of 15th AGM dated 30 April 2019, shall take effect once the proposed Special Resolution 1 is passed by a majority of not less than seventy-five per centum (75%) of such members who are entitled to vote at the 15th AGM.

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FRONTKEN

FRONTKEN CORPORATION BERHAD
(Company No.: 651020-T)
(Incorporated in Malaysia under the Companies Act 2016)

CDS Account No.

Number of shares held

PROXY FORM

I/We.. Tel. No.:..
[Full name in block and NRIC No./Company No.]

of..
[Address]

....

being a member/members of **Frontken Corporation Berhad**, hereby appoint:-

Full Name (in Block)	NRIC/Passport/Company No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

and / or (delete as appropriate)

Full Name (in Block)	NRIC/Passport/Company No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

or failing him, the Chairman of the Meeting as my/our proxy to attend and to vote for me/us and on my/our behalf at the Fifteenth Annual General Meeting of the Company to be held at Suite 301, 3rd Floor, Block F, Pusat Dagangan Phileo Damansara 1, No. 9, Jalan 16/11, Off Jalan Damansara, 46350 Petaling Jaya, Selangor on Thursday, 30 May 2019 at 11.00 a.m. or any adjournment thereof, and to vote as indicated below:-

Item	Agenda	Resolution	For	Against
1.	Re-election of Mr Aaron Sim Kwee Lein	Ordinary Resolution 1		
2.	Re-election of Dr Jorg Helmut Hohnloser	Ordinary Resolution 2		
3.	Payment of Directors' fees and Benefits	Ordinary Resolution 3		
4.	Re-appointment of auditors	Ordinary Resolution 4		
5.	Authority to issue shares	Ordinary Resolution 5		
6.	Proposed Renewal of Share Buy-Back Mandate	Ordinary Resolution 6		
7.	Retention of Independent Directors i) Dato' Haji Johar Bin Murat @ Murad	Ordinary Resolution 7		
	ii) Mr Aaron Sim Kwee Lein	Ordinary Resolution 8		
8.	Proposed Alteration of Constitution	Special Resolution 1		

Please indicate with an "X" in the space provided whether you wish your votes to be cast for or against the resolutions. In the absence of specific direction, your proxy may vote or abstain as he thinks fit.

Signed this day of , 2019.

Signature of Shareholder(s)/Common Seal

Notes:-

1. *A Member entitled to attend and vote at this meeting is entitled to appoint a proxy/proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.*
2. *Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.*
3. *Where the appointer is a corporation, this form must be executed under its common seal, if any or under the hand of an officer or attorney duly authorised.*
4. *The instrument appointing a proxy or proxies must be deposited at the office of the Share Registrar of the Company situated at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur not less than forty-eight (48) hours before the time fixed for convening the Meeting or any adjournment thereof.*
5. *For the purpose of determining a member who shall be entitled to attend the Fifteenth Annual General Meeting, the Company shall request Bursa Malaysia Depository Sdn Bhd to issue a Record of Depositors as at 23 May 2019. Only a depositor whose name appears on the Record of the Depositor as at 23 May 2019 shall be entitled to attend and vote at this Fifteenth Annual General Meeting or appoint proxies to attend and/or vote on his/her behalf.*
6. *All resolutions at the Annual General Meeting will be voted by poll.*

FOLD THIS FLAP FOR SEALING

FOLD HERE

Affix
stamp

FRONTKEN CORPORATION BERHAD (651020-T)
c/o Tricor Investor & Issuing House Services Sdn Bhd
Unit 32-01, Level 32, Tower A
Vertical Business Suite, Avenue 3
Bangsar South, No. 8, Jalan Kerinchi
59200 Kuala Lumpur
MALAYSIA

FOLD HERE

Frontken Corporation Berhad (651020-T)
Suite 301, Block F, Pusat Dagangan Phileo Damansara 1
No. 9, Jalan 16/11, Off Jalan Damansara, 46350 Petaling Jaya
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