TECHBOND®

YOUR TECHNICAL BONDING PARTNER

ANNUAL REPORT 2019

TECHBOND GROUP BERHAD

(Company No. 1190604-M)

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Dato' Hamzah Bin Mohd Salleh	Independent Non-Executive Chairman
Lee Seng Thye	Managing Director
Tan Siew Geak	Executive Director
Ooi Guan Hoe	Independent Non-Executive Director
Selma Enolil Binti Mustapha Khalil	Independent Non-Executive Director

AUDIT AND RISK MANAGEMENT COMMITTEE

Ooi Guan Hoe
Chairman

Dato' Hamzah Bin Mohd Salleh
Member

Selma Enolil Binti Mustapha Khalil
Member

REMUNERATION COMMITTEE

Dato' Hamzah Bin Mohd Salleh
Chairman

Ooi Guan Hoe
Member

Selma Enolil Binti Mustapha Khalil
Member

NOMINATION COMMITTEE

Dato' Hamzah Bin Mohd Salleh
Chairman

Ooi Guan Hoe
Member

Selma Enolil Binti Mustapha Khalil
Member

COMPANY SECRETARIES

Wong Wai Foong (MAICSA 7001358)
Lim Hooi Mooi (MAICSA 0799764)
Ong Wai Leng (MAICSA 7065544)

REGISTERED OFFICE

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

HEAD OFFICE

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

AUDITORS

Grant Thornton Malaysia (AF 0737)
Chartered Accountants
Level 11, Sheraton Imperial Court
Jalan Sultan Ismail
50250 Kuala Lumpur
Tel: 03-2692 4022
Fax: 03-2732 5119

PRINCIPAL BANKER

Public Bank Berhad

SHARE REGISTRAR

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

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia Securities Berhad

CORPORATE WEBSITE

www.techbond.com.my

INVESTOR RELATIONS

Email: ir@techbond.com.my

CORPORATE STRUCTURE

TECHBOND GROUP BERHAD

- 100% Techbond International Sdn Bhd
  - 100% Techbond MFG (Vietnam) Co., Ltd
- 100% Techbond Manufacturing Sdn Bhd
- 100% Techbond (Sabah) Sdn Bhd
- 100% Techbond (Vietnam) Co., Ltd

DIRECTORS' **PROFILES**

DATO' HAMZAH BIN MOHD SALLEH

Dato' Hamzah Bin Mohd Salleh, a Malaysian, male, aged 71, is our Independent Non-Executive Chairman. He was appointed to our Board on 2 January 2018.

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

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

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

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

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

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

He has no family relationship with any Director and/or major shareholder of the Group and has no conflict of interest with the Group. He has not been convicted of any offences within the past 5 years other than traffic offences, there have not been any public sanctions nor penalties imposed upon him by relevant regulatory bodies for the financial year ended 30 June 2019.

In the financial year ended 30 June 2019, he attended all four meetings of the Board.

LEE SENG THYE

Lee Seng Thye, a Malaysian, male, aged 59, is our Managing Director. He was appointed to our Board on 8 November 2017.

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

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

Lee Seng Thye is the spouse of Tan Siew Geak and father of both Lee Seh Meng and Lee Yuen Shiuan. Save as disclosed, he has no family relationship with any Director and/or major shareholder of the Group and has no conflict of interest with the Group. He has not been convicted of any offences within the past 5 years other than traffic offences, there have not been any public sanctions nor penalties imposed upon him by relevant regulatory bodies for the financial year ended 30 June 2019.

In the financial year ended 30 June 2019, he attended all four meetings of the Board.

** *On 25 April 2019, Lee Seh Meng was appointed as Alternate Director to Lee Seng Thye. Profile of Lee Seh Meng can be found on page 7.*

TAN SIEW GEAK

Tan Siew Geak, a Malaysian, female, aged 59, is our Executive Director. She was appointed to our Board on 8 November 2017.

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

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

Tan Siew Geak is the spouse of Lee Seng Thye and mother of both Lee Seh Meng and Lee Yuen Shiuan. Save as disclosed, she has no family relationship with any Director and/or major shareholder of the Group and has no conflict of interest with the Group. She has not been convicted of any offences within the past 5 years other than traffic offences, there have not been any public sanctions nor penalties imposed upon her by relevant regulatory bodies for the financial year ended 30 June 2019.

In the financial year ended 30 June 2019, she attended all four meetings of the Board.

** *On 15 May 2019, Lee Yuen Shiuan was appointed as Alternate Director to Tan Siew Geak. Profile of Lee Yuen Shiuan can be found on page 7.*

OOI GUAN HOE

Ooi Guan Hoe, a Malaysian, male, age 44, is our Independent Non-Executive Director and was appointed to our Board on 2 January 2018.

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

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

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

From 2010 to July 2017, he was Director and Management Board member of various listed companies in Malaysia and Germany. He was appointed to the board of directors of Only World Group Holdings Berhad on 14 June 2013 as an Independent Non-Executive Director, Chairman of the Audit Committee and member of the Nominating Committee. He also sits on the board of directors of Revenue Group Berhad as an Independent Non-Executive Director, Chairman of the Audit and Risk Management Committee, member of the Remuneration Committee and Nomination Committee. Both Only World Group Holdings Berhad and Revenue Group Berhad are companies listed on Bursa Securities. On 30 May 2019, he was appointed as a Director of a non-listed public company, namely TCS Group Holdings Berhad. In January 2019, he was appointed as the Chief Financial Officer of Metro Eyewear Holdings Sdn Bhd.

He has no family relationship with any Director and/or major shareholder of the Group and has no conflict of interest with the Group. He has not been convicted of any offences within the past 5 years other than traffic offences, there have not been any public sanctions nor penalties imposed upon him by relevant regulatory bodies for the financial year ended 30 June 2019.

In the financial year ended 30 June 2019, he attended all four meetings of the Board.

SELMA ENOLIL BINTI MUSTAPHA KHALIL

Selma Enolil Binti Mustapha Khalil, a Malaysian, female, aged 48, is our Independent Non-Executive Director. She was appointed to our Board on 2 January 2018.

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

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

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

She presently sits on the board of directors of LKL International Berhad as an Independent Non-Executive Director, Chairman of the Remuneration Committee, a Member of the Audit and Risk Management Committee and Nomination Committee and Selangor Dredging Berhad as an Independent Non-Executive Director, a Member of the Audit Committee, Nomination Committee, and Remuneration Committee. both of which are public companies listed on Bursa Malaysia Securities Berhad. She is also a director and trustee of Ericsen Foundation. On 7 January 2019, she was appointed as a director of a non-listed public company, namely Powerwell Holdings Berhad.

She has no family relationship with any Director and/or major shareholder of the Group and has no conflict of interest with the Group. She has not been convicted of any offences within the past 5 years other than traffic offences, there have not been any public sanctions nor penalties imposed upon her by relevant regulatory bodies for the financial year ended 30 June 2019.

In the financial year ended 30 June 2019, she attended all four meetings of the Board.

PROFILES OF
KEY SENIOR MANAGEMENT

LEE SEH MENG
Head of Business Development

Lee Seh Meng, a Malaysian, male, aged 30, is our Head of Business Development and Alternate Director to Lee Seng Thye. He graduated from Monash University with Bachelor of Commerce (Accounting and Finance) in 2010 and Master of Business (International Business) from University of Queensland in 2012.

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

Lee Seh Meng is the son of Lee Seng Thye and Tan Siew Geak and brother of Lee Yuen Shiuan. Save as disclosed, he has no family relationship with any Director and/or major shareholder of the Group and has no conflict of interest with the Group. He has not been convicted of any offences within the past 5 years other than traffic offences, there have not been any public sanctions nor penalties imposed upon him by relevant regulatory bodies for the financial year ended 30 June 2019.

LEE YUEN SHIUAN
Operation Manager

Lee Yuen Shiuan, a Malaysian, male, aged 24 years old, is our Operation Manager and Alternate Director to Tan Siew Geak. He graduated from University of Melbourne with Bachelor of Commerce, major in Marketing and Management.

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

Lee Yuen Shiuan is the son of Lee Seng Thye and Tan Siew Geak and brother of Lee Seh Meng. Save as disclosed, he has no family relationship with any Director and/or major shareholder of the Group and has no conflict of interest with the Group. He has not been convicted of any offences within the past 5 years other than traffic offences, there have not been any public sanctions nor penalties imposed upon him by relevant regulatory bodies for the financial year ended 30 June 2019.

CHEONG TUCK KONG
Group General Manger

Cheong Tuck Kong, a Malaysian, male, aged 46, joined our group as the Group General Manger on 14 February 2019. Mr. Cheong is a member of the Malaysian Institute of Accountants and obtained his qualification from CPA Australia. He holds a Bachelor's Degree in Accounting and Finance from University of Southern Queensland, Australia and attended the International Institute for Management Development (IMD) Executive Management Program in Lausanne, Switzerland. He has 23 years of experience leading the accounting, finance and corporate planning function of foreign multi-nationals and has extensive experience in management consulting, auditing and corporate finance.

He has no family relationship with any Director and/or major shareholder of the Group and has no conflict of interest with the Group. He has not been convicted of any offences within the past 5 years other than traffic offences, there have not been any public sanctions nor penalties imposed upon him by relevant regulatory bodies for the financial year ended 30 June 2019.

NG YEOW SIANG
Group Finance Director

Ng Yeow Siang, a Malaysian, male, aged 43, is our Group Finance Director. He graduated from Curtin University of Technology, Australia with Bachelor of Commerce Accounting in 1999. He is a member of the Malaysia Institute of Accountants since 2004.

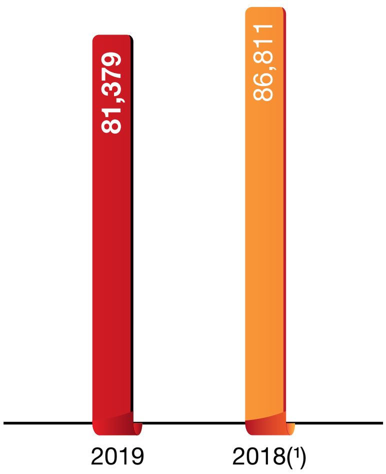
He began his career in 1999 as an Assurance Associate where he was involved in providing audit services to various sizes of companies across different industries in Malaysia. In 2004, he joined our Group as Accountant. He was promoted to Group Finance Manager in 2008 and subsequently promoted to Group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

He has no family relationship with any Director and/or major shareholder of the Group and has no conflict of interest with the Group. He has not been convicted of any offences within the past 5 years other than traffic offences, there have not been any public sanctions nor penalties imposed upon him by relevant regulatory bodies for the financial year ended 30 June 2019.

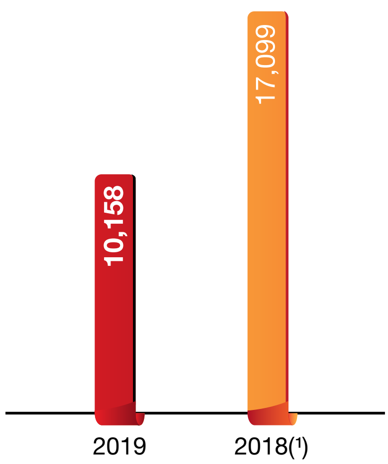
FINANCIAL
HIGHLIGHTS

	2019	2018[1]
Revenue (RM'000)	81,379	86,811
Profit before taxation (RM'000)	10,158	17,099
Total Assets (RM'000)	138,773	95,995
Shareholders' Equity (RM'000)	130,596	84,778

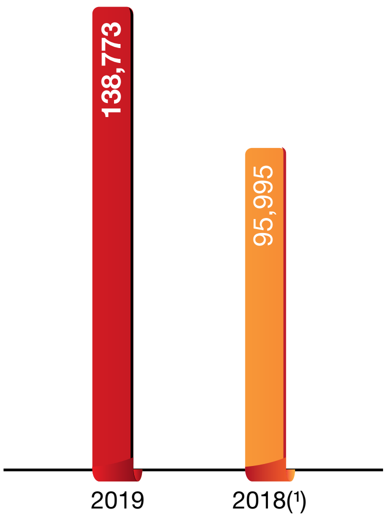
REVENUE
(RM'000)



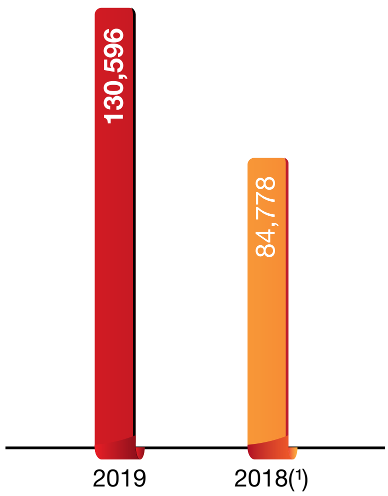
PROFIT BEFORE TAXATION
(RM'000)



TOTAL ASSETS
(RM'000)



SHAREHOLDERS' EQUITY
(RM'000)



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

We are pleased to present the maiden Management Discussion and Analysis Report of Techbond Group Berhad ("Company" or "the Group") for the financial year ended 30 June 2019 ("FY2019"). The Group had completed its Initial Public Offering ("IPO") exercise and became a public listed company on the main market of Bursa Malaysia Securities Berhad ("Bursa") on 5 December 2018.

OVERVIEW OF OUR BUSINESS ACTIVITIES

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

1 Developing and Manufacturing Industrial Adhesives

1.1 Water-based Adhesives

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

- woodworking;
- paper and packaging;
- cigarettes and cigarette packs;
- building and construction; and
- automotive applications.

1.2 Hot Melt Adhesives

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

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

1.3 Developing and Manufacturing Sealant

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

2 Related Products and Services

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

CORPORATE DEVELOPMENT

Listing and Utilisation of IPO Proceeds

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

The IPO exercise of the Company comprising public issue of 60,105,000 new ordinary shares representing 26.13% of our enlarged share capital at an issue price of RM0.66 per share ("IPO price"). The enlarged number of shares upon listing is 230,000,000 shares which gives an initial market capitalisation of about RM151.8 million based on IPO price of RM0.66 per share.

As at 30 June 2019, we have utilised approximately RM11.474 million of the total IPO gross proceeds of approximately RM39.669 million, details of which are as described in the following table:-

Details of the Utilisation of Proceeds	Original Utilisation of Proceeds as stated in the Prospectus (RM'000)	Revised Utilisation of Proceeds[1] (RM'000)	Proceeds Utilised as at 30 June 2019 (RM'000)	Percentage Utilised(%)
Expansion of Vietnam Operations				
(a) Construction of the Vietnam-Singapore II-A Industrial Park ("VSIP2") Factory Complex	10,000	10,000	1,259	12.59%
(b) Purchase of machineries and equipment for the VSIP2 Factory Complex	12,740	12,740	2,573	20.20%
(c) Working Capital	6,036	6,036	–	0.00
Expansion of Malaysia Operations				
(d) Purchase of machineries and equipment for the Shah Alam Factory Complex	4,500	4,500	3,242	72.04%
(e) Working Capital	1,393	1,993	–	0.00
(f) Estimated listing expenses[1]	5,000	4,400	4,400	100.00%
Total	**39,669**	**39,669**	**11,474**	**28.92%**

Note:

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

FINANCIAL REVIEW

Financial Performance

For illustrative purpose, we are comparing our Group's audited condensed consolidated statement of comprehensive income for FY2019 against the historical combined financial statements of the subsidiaries for the financial year ended 30 June 2018 ("FY2018") as disclosed in the Prospectus of the Company dated 13 November 2018.

Our Group's financial performance in FY2019 as compared to FY2018 is summarised below:-

(RM'000)	FY2019	FY2018[(1)]	Change	(%)
Revenue	81,379	86,811	(5,432)	(6.26)
Gross Profit	21,048	25,409	(4,361)	(17.16)
Other Income	2,357	715	1,642	229.65
Administration expenses	(9,941)	(6,399)	(3,542)	55.35
Selling and distribution expenses	(2,000)	(1,859)	(141)	7.58
Other expenses	(1,306)	(758)	(548)	72.30
Finance costs	-	(9)	9	(100.00)
Profit before taxation	10,158	17,099	(6,941)	(40.59)
Profit after taxation	7,073	13,420	(6,347)	(47.30)
GP margin	25.86%	29.27%	(3.41)	(11.65)
PBT margin	12.48%	19.70%	(7.22)	(36.65)
PAT margin	8.69%	15.46%	(6.77)	(43.79)

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

Our Group achieved a slight lower revenue of RM81.379 million in FY2019 compared to RM86.811 million recorded in FY2018, a decrease of RM5.432 million or 6.26% year-on-year ("y-o-y"). The decrease in revenue for the current financial year under review was mainly due to the weaker demand towards all key business segments of the Group since the trade war between United States of America and China began in July 2018.

Gross profit declined by 17.16% from RM25.409 million in FY2018 to RM21.048 million in FY2019 on the back of declined gross profit margin and lower revenue recognised in FY2019. Gross profit margin declined from 29.27% in FY2018 to 25.86% in FY2019 was mainly due to higher raw material cost, keen market competition driving down average selling prices, higher depreciation charges on new equipment and lower revenue from higher margin foreign markets.

Other income increased by RM1.642 million or 229.65%, from RM0.715 million in FY2018 to RM2.357 million in FY2019 was mainly due to higher interest income earned in FY2019 compared to FY2018.

Administrative expenses increased substantially from RM6.399 million in FY2018 to RM9.941 million in FY2019, by RM3.542 million or 55.35% y-o-y. The increase was mainly due to the one-off non-recurring listing expenses of RM2.601 million. Due to this, the Group's normalised profit before tax after adjusting for the one-off non-recurring listing expenses is RM12.759 million.

While selling and distribution expenses remained almost the same for both financial years at RM1.859 million and RM2.000 million for FY2018 and FY2019 respectively, other operating expenses increased substantially from RM0.758 million in FY2018 to RM1.306 million in FY2019, by RM0.548 million or 72.30% y-o-y. The increase of other operating expenses was mainly attributed to impairment loss of RM0.513 million on trade receivables.

The Group's overall corporate taxation decreased from RM3.679 million in FY2018 to RM3.085 million in FY2019. However, the Group's effective tax rate was higher at 30.37% in FY2019 as compared to 21.52% in FY2018, mainly due to the non-allowable listing expenses of RM2.601 million for tax deduction purposes.

Financial Position

For illustrative purpose, we are comparing audited condensed consolidated statement of financial position as at 30 June 2019 of the Group against the historical combined financial statements of the subsidiaries for the financial year ended 30 June 2018 as disclosed in the Prospectus of the Company dated 13 November 2018.

(RM'000)	**FY2019**	**FY2018**[(1)]	**Change**
Assets			
Non-Current Assets	28,680	23,703	4,977
Current Assets	110,093	72,292	37,801
Total Assets	138,773	95,995	42,778
Liabilities			
Non-Current Liabilities	909	765	144
Current Liabilities	7,268	10,452	(3,184)
Total Liabilities	8,177	11,217	(3,040)
Net Assets ("NA")	130,596	84,778	45,818

(RM'000)	**FY2019**	**FY2018**[(1)]	**Change**
Equity			
Share Capital	139,807	101,937	37,870
Merger Deficits	(78,938)	(78,938)	-
Exchange Translation Reserve	6,021	4,799	1,222
Retained Earnings	63,706	56,980	6,726
Total Equity	130,596	84,778	45,818
Current Ratio (times)	15.15	6.92	8.23
Net Assets per share	56.78sen	- [(2)]	

Note:
[(1)] *The Group was only formed on 7 September 2018. FYE 2018 was presented based on the historical combined financial statements of the subsidiaries as disclosed in the Prospectus of the Company dated 13 November 2018.*
[(2)] *Net Assets per share for FY2018 is not presented as it is not comparable.*

Equity attributable to owners of our Company or total equity increased from RM84.778 million as at 30 June 2018 to RM130.596 million as at 30 June 2019, as a result of the retained earnings generated and the increase of share capital during FY2019.

Non-current assets increased from RM23.703 million as at 30 June 2018 to RM28.680 million as at 30 June 2019, mainly due to the increase of property, plant and equipment of RM4.957 million during the year.

Current assets also increased from RM72.292 million as at 30 June 2018 to RM110.093 million as at 30 June 2019, mainly attributable to the increase of cash and cash equivalents by RM38.459 million, from the net proceeds raised pursuant to the IPO exercise during the year.

Non-current liabilities increased slightly from RM0.765 million as at 30 June 2018 to RM0.909 million as at 30 June 2019, which was mainly attributable to increase of deferred tax liabilities.

Current liabilities decreased from RM10.452 million as at 30 June 2018 to RM7.268 million as at 30 June 2019, was mainly due to the decrease of trade payables by RM3.571 million but was partially offset by the increase of tax payables.

The current ratio of our Group improved from 6.92 times as at 30 June 2018 to 15.15 times as at 30 June 2019. Our Group remained in zero gearing position at the end of both financial years. In fact, the net cash position of the Group increased from RM27.676 million as at 30 June 2018 to RM66.135 million as at 30 June 2019, mainly attributable to the RM37.870 million net proceeds raised pursuant to IPO exercise.

Net assets per share of our Group stood at 56.78 sen and it is calculated based on total equity as at 30 June 2019 divided by the Company's issued share capital of 230,000,000 ordinary shares after the completion of the IPO exercise.

Cash Flow

For illustrative purpose, we are comparing our Group's audited condensed consolidated statement of cash flows for 12 months period ended 30 June 2019 against the historical combined financial statements of the subsidiaries for the financial year ended 30 June 2018 as disclosed in the Prospectus of the Company dated 13 November 2018.

(RM'000)	**FY2019**	**FY2018**	**Change**
Assets			
Net Cash From Operating Activities	6,485	16,123	(9,638)
Net Cash Used in Investing Activities	(6,203)	(2,126)	(4,077)
Net Cash From/ (Used In) Financing Activities	37,870	(3,783)	41,653
Net Change in Cash & Cash Equivalent (CCE)	38,152	10,214	27,938
CCE at the Beginning of the Financial Year	27,676	18,624	9,052
Forex Effects	307	(1,162)	1,469
CCE at the End of the Financial Year	66,135	27,676	38,459

For 12 months period ended 30 June 2019, our Group registered net cash inflow from operating activities of RM6.485 million compared to RM16.123 million for 12 months period ended 30 June 2018. The reduction was mainly due to increase in repayment of payables at working capital level coupled with our Group achieving lower profit before tax in FY2019 compared to FY2018.

Net cash used in investing activities of RM6.203 million in FY2019 and of RM2.126 million in FY2018 respectively was mainly for the purchase of property, plant and equipment as part of the new factory expansion plans.

In FY2019, net cash inflow in financing activities of RM37.870 million was mainly due to proceeds from the issuance of new ordinary shares pursuant to the Company's IPO exercise. This is in contrast to net cash used in financing activities in FY2018 of RM3.783 million due to repayment of term loans of RM0.682 million and dividend payment of RM3.101 million.

BUSINESS REVIEW

Segmental Revenue Breakdown Analysis – By Product Category

(RM'000)	FY2019		FY2018		Change	(%)
Revenue	**81,379**	**100.0%**	**86,811**	**100.0%**	**(5,432)**	**(6.26)**
Industrial adhesives	**76,130**	**93.5%**	**79,588**	**91.7%**	**(3,458)**	**(4.34)**
Water-based adhesives	54,872	67.4%	57,155	65.9%	(2,283)	(3.99)
Hot melt adhesives	21,258	26.1%	22,433	25.8%	(1,175)	(5.24)
Sealants	**1,195**	**1.5%**	**1,929**	**2.2%**	**(734)**	**(38.05)**
Supporting products and services	**4,054**	**5.0%**	**5,294**	**6.1%**	**(1,240)**	**(23.42)**

For illustrative purpose, we are comparing audited condensed consolidated statement of comprehensive income for FY2019 against the historical combined financial statements of the subsidiaries FY2018 as disclosed in the Prospectus of the Company dated 13 November 2018.

The Group's revenue of RM81.379 million in FY2019 was lower by 6.26% as compared to RM86.811 million recorded in FY2018. Our main revenue segment in FY2019, i.e. industrial adhesives, decreased by 4.34% to RM76.130 million from RM79.588 million from the previous financial year. The industrial adhesive segment which covers both water-based adhesives and hot melt adhesives represented 93.5% (FY2018: 91.7%) of the Group's revenue in FY2019. The overall weaker demand from amongst our customers and keen market competition in marketplace has driven down average selling prices of our industrial adhesive products and has led to marginally lower revenue recognised by the Group during current financial year.

The sealants segment which contributed 1.5% (FY2018: 2.2%) of our Group's revenue registered a lower revenue of RM1.195 million in FY2019 as compared to RM1.929 million registered in the previous year, a decrease of 38.05%. The sealants are mainly manufactured for local and oversea customers and the decline was mainly due to a business slowdown by one of the major customers.

The revenue from the supporting products and provision of supporting services was closely correlated to the sales of our industrial adhesive products to our wide range of clients. With lower sales of our industrial adhesive products, the revenue earned from the supporting products and services segment was also reduced by RM1.240 million to RM4.054 million or a decrease of 23.42% as compared to the previous financial year.

Segmental Revenue Breakdown Analysis – By Geographical Region

(RM'000)	FY2019		FY2018		Change	(%)
Malaysia	**17,411**	**21.4%**	**17,683**	**20.4%**	**(272)**	**(1.54)**
Foreign Markets	**63,968**	**78.6%**	**69,128**	**79.6%**	**(5,160)**	**(7.46)**
Vietnam	46,100	56.7%	46,812	53.9%	(712)	(1.52)
Indonesia	9,777	12.0%	10,127	11.7%	(350)	(3.46)
China	2,808	3.5%	5,990	6.9%	(3,182)	(53.12)
Others	5,283	6.4%	6,199	7.1%	(916)	(14.78)
Total Revenue	**81,379**	**100.0%**	**86,811**	**100.0%**	**(5,432)**	**(6.26)**

For the current financial year under review, domestic market contributed 21.40% of FY2019 Group's revenue (FY2018: 20.40%), with the remaining 78.60% of the Group's revenue derived from the foreign markets (FY2018: 79.60%).

Overall, the domestic revenue contribution was relatively stable and consistent throughout the whole financial year under review. With presence of weaker consumer and business sentiments since mid-2018, the Group experienced a slight slowdown in term of sales due to overall weaker demand from local manufacturers. The Group still managed to register a domestic revenue of RM17.411 million in FY2019 against RM17.683 million in FY2018, a marginal decrease of 1.54% y-o-y, for the Malaysia market.

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

As a result, China being the country in the centre of heated trade war with United States of America took the hardest hit, which saw our Group' revenue to China dropped from RM5.990 million in FY2018 to RM2.808 million in FY2019, a sharp decrease of 53.12% y-o-y or reduction of sales by RM3.182 million as compared with the previous year.

Vietnam being a key foreign markets for our Group, continue to show a relatively stable revenue contribution to our Group and recorded a revenue of RM46.812 million and RM46.100 million for FY2018 and FY2019 respectively, an insignificant decrease of 1.52% over the year. In view of overall lower revenue registered by our Group in FY2019, Vietnam market has contributed 56.7% (FY2018: 53.9%) of the Group's revenue in FY2019.

Indonesia as our second largest foreign market was able to show a relatively stable revenue contribution to our Group, recorded a revenue of RM10.127 million and RM 9.777 million for FY2018 and FY2019 respectively, a marginal decrease of 3.46% over the year. Against the backdrop of lower revenue registered by our Group in FY2019, Indonesia's contribution to the Group's revenue was marginal increased to 12.0% for FY2019 as compared to 11.7% in FY2018.

The contribution from other countries to the Group's revenue was decreased from RM6.199 million in FY2018 to RM5.283 million in FY2019, a decrease of 14.78% y-o-y or a drop of RM0.916 million over the year. In short, the overall foreign market's sentiment was sluggish due to uncertainties from the protracted trade negotiations between the United States of America and China.

OUR STRATEGIES MOVING FORWARD

Malaysia Operations – Existing Manufacturing Facilities

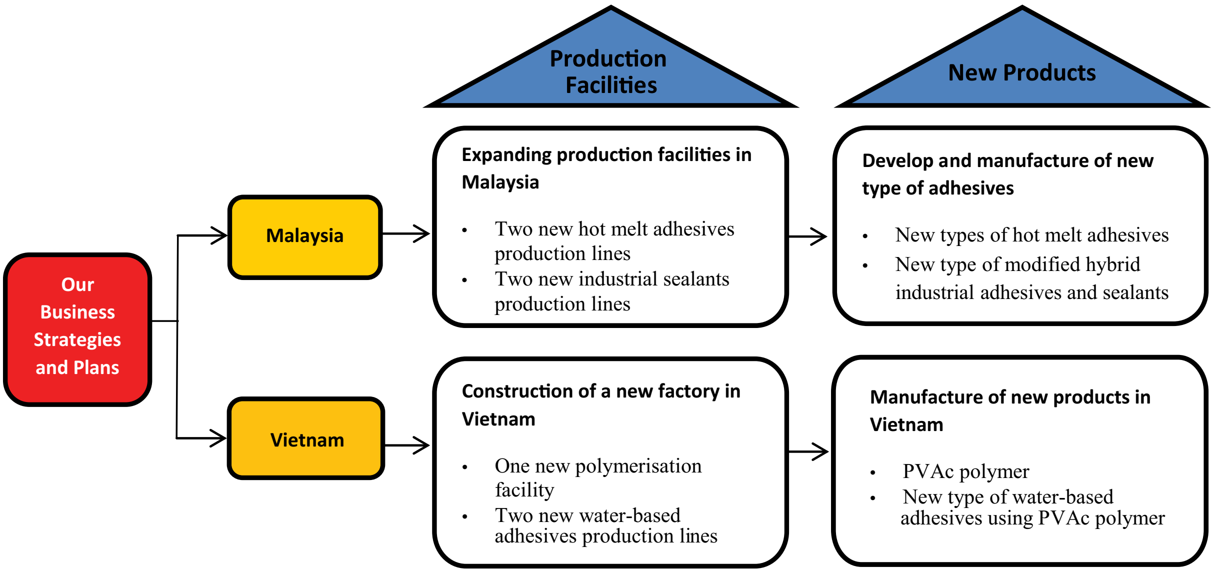
As at 30 June 2019, our Shah Alam factory complex located at Kota Kemuning, Shah Alam, Selangor has 6 water-based adhesives production lines, 4 hot melt adhesives production lines and 2 sealants production lines, all housed within our integrated manufacturing facilities.

Vietnam Operations – Existing Manufacturing Facilities

As at 30 June 2019, our factory complex located at Binh Duong, Vietnam has 4 water-based adhesives production lines in our manufacturing plant.

Expansion of Our Manufacturing Facilities

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



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

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

For Shah Alam Phase 2 Expansion Plan, we have started to install new production lines since March 2019 and we target to commerce manufacturing operations by December 2019 to produce a new range of low viscosity hot melt adhesives to provide a wider range of products to our customers.

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

We have commenced the construction of a new factory complex on a piece of vacant leased land measuring 30,000 square meters located at Vietnam Singapore Industrial Park II-A (VSIP2) since May 2019. The construction of the new Vietnam factory complex is expected to complete by the first quarter of 2020.

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

DIVIDEND POLICY

Our Group presently does not have any formal dividend policy. It is our intention to pay dividends to shareholders in the future, however, such payments will depend upon a number of factors, including our Group's financial performance, capital expenditure requirements, general financial condition and any other factors considered relevant by the Board.

The Board did not recommend or paid any dividend in respect of FY2019.

However, on 3 September 2019, the Directors declared a first single tier interim dividend of 2 sen per ordinary share, totalling RM4,600,000 in respect of financial year ending 30 June 2020.

SUSTAINABILITY **STATEMENT**

Introduction

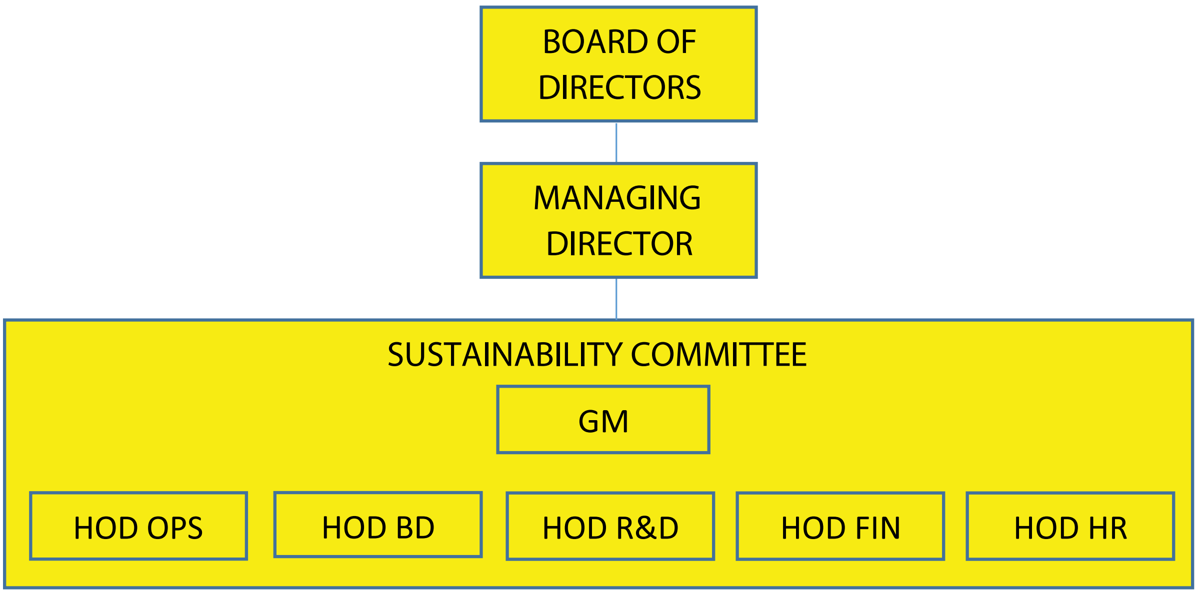
The Board of Directors ("the Board") is committed to continuously promote good sustainability practices and engage openly with Techbond Group Berhad ("the Company") and its subsidiaries' ("the Group") stakeholders through transparent and responsible sustainability reporting.

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

The Board is please to present its inaugural Sustainability Statement for the financial year ended 30 June 2019 pursuant to Part III of Practice Note 9 of Main Market Listing Requirements ("MMLR") and Sustainability Reporting Guide issued by Bursa Malaysia Securities Berhad.

Governance Framework

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



Principles and Policies

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

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

Scope and Materiality

This Sustainability Statement covers all the sustainability activities and initiatives carried out during the financial year ended 30 June 2019. The Statement will also discuss and disclose how the Group manages its economic, environmental and social matters for its Malaysia and Vietnam operations. Being the first year the Group is preparing its Sustainability Statement, comparatives from prior years are obtained from the subsidiaries of the Group.

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

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

Stakeholders' Engagement

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

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

Sustainability Management Activity

	ECONOMIC	ENVIRONMENTAL	SOCIAL
Sustainability Matters	• Practice fair trade engagement to ensure quality (ISO certified), stability and supply consistency. • Human capital investment to build technical skills and raise productivity.	• Prevent the contamination of air and water. • Proper management of industrial effluent and scheduled waste.	• Enhance workplace health and safety to promote conducive working environment. • Strengthening employees' welfare. • Drive employment diversity for fair and equitable work environment.
Why these sustainability matters are important to Techbond	• Ensures sustainable growth for the Company.	• Reduce environmental impact for the Company.	• Drive social well-being for its employees and community.
SUSTAINABLE DEVELOPMENT GOALS	8 DECENT WORK AND ECONOMIC GROWTH 12 RESPONSIBLE CONSUMPTION AND PRODUCTION • Decent Work and Econimic Growth • Responsible Consumption and Production	6 CLEAN WATER AND SANITATION • Clean Water and Sanitation • Clean Environment	3 GOOD HEALTH AND WELL-BEING 5 GENDER EQUALITY • Good Health and Well-Being • Gender Equality
Initiatives' Owners	• Procurement Practitioner • Human Resource Pratitioner	• Group Operations Manager • Factory Manager	• Group Operations Manager • Factory Manager • Human Resources Practitioner
Key Indicators	• Employees training needs. • Approved suppliers register for Local and Overseas suppliers.	• Scheduled waste disposed. • Volume of treated water.	• Staff diversity register on gender equality, age and social background. • Work place accidents register. • Safety awareness training register.

ECONOMIC

Fair Trade Practice

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

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

	As at 31.12.17	As at 31.12.18
No. of Approved Local Suppliers	139	144
No. of Approved Overseas Suppliers	30	32
Total Approved Suppliers	169	176

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

Human Capital Investment

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

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

Talent Development

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

Job Rotation With Group Department		
2018	2019	No of Employee
QC Chemist	Production Planner	1
Sale-Coordinator	Store-Coordinator	1
General Clerk (store)	General Clerk (production)	1

ENVIRONMENTAL

Environmental Policy

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

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

2) Prevention of pollution and continuous improvement of the environmental preservation in the Group's operation wherever technically and economically viable through the 4R Guide (REUSE, REDUCE, RECYCLE, RECOVERY);

3) To be conscious of global environmental movements and to comply with all applicable environmental, legal and other requirements;

4) Promote and communicate the environment policy to all employees and persons working for or on behalf, and make it available to the public to provide a safe and healthful working place for future generations; and

5) The environmental policy will be used as a framework for setting and reviewing environmental objectives and targets.

Industrial Effluent Treatment System (IETS)

The Group has developed its own IETS to ensure all its waste water is properly treated through an environment friendly bio-treatment facility. The IETS is continuously monitored to ensure it is operating in an optimum performance condition and no untreated water is being discharged from the Plant to avoid potential water pollution. Our Environmental Management System (EMS) committee will review and ensure all applicable compliance obligations are being complied by the Group.

IETS Process Flow:

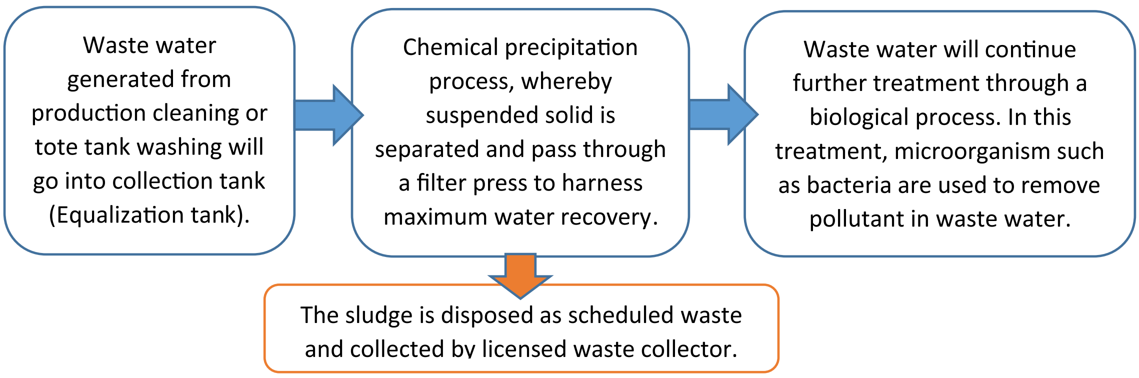
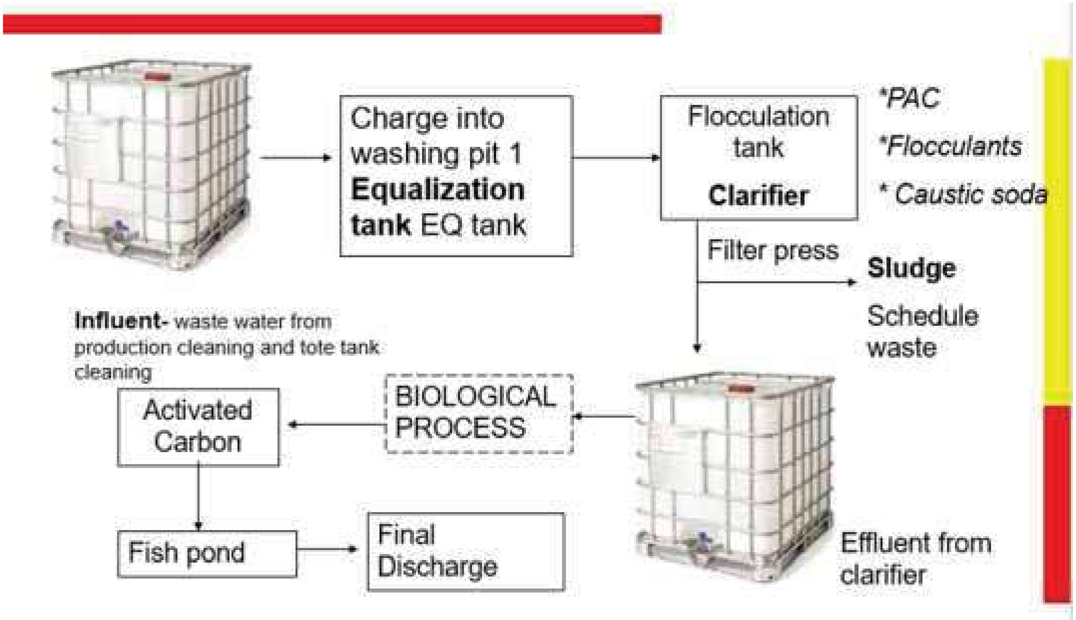


Diagram Flow:



Monitoring Process:

* Competent person who in-charge of IETS, will monitor all components, unit processes/operations of the IETS.
* The samples of treated water will send to both internal & external laboratories, to ensure it meets the final discharge standard.
* IETS performance monitoring will report to management during periodic meetings and monthly online submissions to DOE.

SOCIAL

Safety and Health Awareness

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

The Group has provided the following safety and health awareness:

1) The Spillage Control Procedures. In the event of a chemical spillage, proper cleaning procedures and storage containers are provided to reduce environment contamination. Appropriate personal protective gears are provided to all employees to prevent personal injury and minimize accidents at the workplace.

2) ISO Safety Awareness is conducted once a year to inform and educate the staffs on procedures in handling accidents, illness and hazardous in the workplace. Safety assembly and fire drills are conducted on planned and unplanned intervals to ensure awareness and personal safety.

3) Emergency Response Team (ERT) has been formed to handle any workplace emergency and administer first-aid procedures before the arrival of medical rescue personnel. The ERT is equipped with first-aid kit in the manufacturing, research and development and office area.

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

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

Training Program	Numbers Of employees	
	FY2018	FY2019
Essential First Aid Training	41	30
Fire Safety Awareness	53	50

Essential First Aid Training

The essential first aid training which was conducted on 1st December 2018, was organised by the Academy of Safety and Emergency Care (ASEC) at Techbond Manufacturing premises.

Fire Safety Awareness

The Fire Safety Awareness training was conducted in both Malaysia and Vietnam plant in 2018. We invited fire marshalls from the Fire Safety Department to train our employees on fire handling procedures and emergency evacuation procedures.

Staff Diversity

The Group implements diversity in its workplace as to bring balance in the working environment without discrimination in gender equality, age and ethnicity at all levels of management. The Group also has two (2) women directors representing 40% of the Board. All employees are being treated equally and fairly in which everyone has equal career progression and receives benefits without gender discrimination.

Ratio of women employed in different group levels:

Ratio of Women Employed	FY2018	FY2019
At Board Level	40%	40%
Manager and Above	33%	38%
Overall Organization	25%	26%

Employee Engagement

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

Employee Welfare

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

<u>Techbond Annual Dinner on 18 January 2019</u>

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

Buka Puasa Event at Shah Alam Convention Center on 24 May 2019.

During the month of Ramadhan, we celebrated the "BUKA PUASA" event with our Muslim employees.

Techbond Badminton Match at Oncidium Community Hall

To promote a healthy lifestyle, our Sports Club committee organised friendly matches to foster better interaction and rapport among the employees.

Employee Personal Insurance

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

CORPORATE GOVERNANCE
OVERVIEW STATEMENT

The Board of Techbond Group Berhad is of the belief that compliance to the principles and practices as set out in the Malaysian Code of Corporate Governance ("MCCG") is important to the sustainable growth of the Group. The Board strives to ensure the Group adopts the best practices of corporate governance in an effort to protect the interest of the stakeholders and to enhance shareholders' value.

As the Company was only listed on 5 December 2018, the Company was not able to apply all the principles and practices as set out in the MCCG pursuant to Paragraph 15.25 (1) of the Main Market Listing Requirements ("Main LR") of Bursa Securities. However, the Board would make continuous effort to comply with the principles and best practices as soon as practicable.

This statement in an overview of the corporate governance practices of the Company and should be read together with the Corporate Governance Report 2019 which is available on the Company's website, www.techbond.com.my.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

- ***BOARD RESPONSIBILITIES***

The Board is responsible for the long-term success for the Group and the value and wealth of its stakeholders. Other than setting the strategic direction and overseeing the management, they shall also ensure the implementation and monitoring of the strategic plans of the Company.

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

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

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

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

- ***BOARD RESPONSIBILITIES (Cont'd)***

The following codes and policies have been adopted by the Board to ensure proper governance is practiced by the Company and across the Group. However, as the Company was only listed on 5 December 2018, the Company still in the midst of formulating its board remuneration policy and gender diversity policy:-

(i) Board Diversity Policy;
(ii) Corporate Disclosure Policies and Procedures
(iii) External Auditors' Policy
(iv) Fraud and Whistleblowing Policy
(v) Related Party Transactions Policy
(vi) Code of Conduct and Ethics

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

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

Each of the board committees is govern by its own terms of reference. The chairman of each committee will report to the Board the findings of their meetings. The Board Charter and the respective terms of reference of the board committee will be reviewed periodically and is available on the Company's website, www.techbond.com.my.

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

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

The Board will convene meeting every quarter while Board Committee will meet at least once every financial year or whenever the need arises. In order for the Board to have sufficient time to study the materials, meeting materials are circulated at least five (5) business days prior to the meetings. Full board minutes are circulated to the Board as soon as practicable for review and comment. The following are the Board and Board's Committees meetings held during the financial year ended 30 June 2019 and the directors' attendance:-

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

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

- ***BOARD RESPONSIBILITIES (Cont'd)***

All the directors have attended the Mandatory Accreditation Programme as prescribed in the Listing Requirements. Below are the list of training attended by the respective directors:-

Name	Title
Lee Seng Thye	• Mandatory Accreditation Programme for Directors of Public Listed Companies • Sustainability Workshop • Risk Awareness • Corporate Risk Management System
Tan Siew Geak	• Essential First Aid Training • Mandatory Accreditation Programme for Directors of Public Listed Companies • Sustainability Workshop • Risk Awareness • Corporate Risk Management System
Selma Enolil Binti Mustapha Khalil	• Sustainability Workshop • Key Amendments to Listing Requirements
Dato' Hamzah Bin Mohd Salleh	• Becoming Organisational Savvy • Towards High Impact Leadership • Sustainability Workshop
Ooi Guan Hoe	• Case Study Workshop for Independent Directors: Rethinking – Independent Directors; Board Best Practices • Using Artificial Intelligence (AI) to Analyse Financial and Business Trends • MIA's Engagement Session with Audit Committee members on Integrated Reporting

The Board is currently supported by three (3) qualified company secretaries, namely Wong Wai Foong, Lim Hooi Mooi and Ong Wai Leng and all are professionally qualified members of Malaysian Institute of Chartered Secretaries and Administrators (MAICSA) and have full access to them. The Company Secretaries' roles and responsible are also stated in the Board Charter of the Company.

- ***BOARD COMPOSITION***

The Board currently consist of five (5) directors with three (3) Independent Non-Executive Directors and two (2) Executive Directors. Two alternate directors were appointed on 25 April 2019 and 15 May 2019. No independent directors have serve on the Board for more than nine (9) consecutive years as the Company was only listed on 5 December 2018. However, a policy on the tenure of independent directors was adopted and forms part of the Board Charter. The profile of all members of the board can be found on pages 4 to 7 in the Directors Profile section of the Annual Report 2019.

The Board is chaired by Dato' Hamzah Bin Mohd Salleh and the Managing Director is Mr Lee Seng Thye. Their roles and responsibilities are clearly stated in the Board Charter as well as the roles and responsibilities of the Individual Directors, Executive and Non-Executive Directors, Senior Independent Directors and Independent Directors.

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

- ***BOARD COMPOSITION (Cont'd)***

The importance of the diversity on the Board and the senior management in relation to skills, experience, age, cultural background and gender have always been emphasize by the Board to ensure there is variety of professional opinion and where there is value that can contributed to the growth of the Company. Hence, duties have been delegated to the Nomination Committee to identify and recommend suitable candidates for appointment as directors,or management. Recommendations of candidates can be obtained from directors, management or major shareholders or through independent sources. The Committee will conduct assessment on the effectiveness of the Board as a whole, the Committees of the Board and the contribution of each Director annually. The results of the assessment will be tabled to the Board.

- ***REMUNERATION***

The Remuneration Committee is responsible for assisting the Board to develop fair and transparent policies and procedure for determining the remuneration for directors and key senior management of the Group. They shall ensure that the remuneration is competitive and in line with current market practice to attract, retain and reward talented directors and key senior management staff and is aligned with the Group's strategy taking into account the short-term and long-term value creation strategic plans of the Group. Currently there is no formal process for approving the remuneration of the Board and Board Committees, the Managing Director and key senior management as the Company was only listed on 5 December 2018.

The details of the remuneration of the directors of the Company and the Group on a named basis for the financial year ended 30 June 2019 are as below:-

Executive Directors (inclusive of Company and Group)	Fees (RM'000)	Salaries (RM'000)	Bonus (RM'000)	Allowance (RM'000)	Benefits (RM'000)
Lee Seng Thye	72	1,342	205	–	–
Tan Siew Geak	72	360	60	–	–
Non-Executive Directors (Company)					
Dato' Hamzah bin Mohd Salleh	84	–	–	6	–
Ooi Guan Hoe	72	–	–	6	–
Selma Enolil Binti Mustapha Khalil	72	–	–	6	–

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

With regard to the disclosure of remuneration of Group's Key Senior Management, the Company is of the view that the interest of the shareholders will not be prejudiced as a result of the non-disclosure of the Company's Key Senior Management Personnel who are not directors of the Company.

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

- ***AUDIT COMMITTEE***

The Audit and Risk Management Committee, formed in 2 January 2018, currently comprises three (3) Independent Non-Executive Directors and it is chaired by Mr Ooi Guan Hoe. The members of the Committee have a wide range of skills and knowledge from business administration, accounts, finance, law and others. In order to perform their duties professionally, the members participate in and attend different training, seminar, conference and any other relevant programme to ensure that they are up-to-date on the accounting and auditing standards, corporate governance practices and listing rules.

The Committee currently do not have member who was a former key audit partner of the Company. However, there is a policy that for any key audit partners who intend to join the Committee he/she shall observe a cooling off period of at least two (2) years before being appointed.

The Terms of Reference of the Committee is available on the Company's corporate website on www.techbond.com.my.

- ***RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK***

As the Company was only listed on 5 December 2018, a Risk Management and Internal Control Framework has yet to be adopted as at year end on 30 June 2019 as it was approved by the Board of Directors on 9 October 2019.

The Company have engaged Axcelasia Columbus Sdn Bhd, an independent internal control consultants to assist in internal control and NGL Tricor Sdn Bhd as the independent risk management consultant to assist in the formulation of the risk management and internal control framework. They will report to the Audit and Risk Management Committee and table their reports for them to review.

The Committee will review and access the risk management and internal control frameworks and align them to the business objectives of the Group. They will take up the roles to identify and communicate with the Board on the present critical risks, potential risks, profile changes and the management action plans to manage the identified risks. Annual assessment and periodic testing on the effectiveness of the risk management framework will be conducted. The results and recommendations will be reported to the Board.

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

- ***COMMUNICATION WITH STAKEHOLDERS***

The Company recognise the importance of continuous communication with the stakeholders and also the importance of transparency. Hence, the Board has established an effective and transparent way to communicate with stakeholders on Company's business decisions, policies on governance, the environment and social responsibility.

The Company have the following posted on their company website, www.techbond.com.my, building a communication channel between the Company with the stakeholders:-

(i) Announcement submitted to Bursa Malaysia Securities Berhad

The Company have all their announcements submitted to Bursa Malaysia Securities Berhad to be posted on their Company website.

(ii) Corporate information

Information like share price, general corporate information, directors' profile, corporate structure and policies was posted on the Company's website for the stakeholders' easy access.

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

- ***COMMUNICATION WITH STAKEHOLDERS (Cont'd)***

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

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

- ***CONDUCT OF ANNUAL GENERAL MEETING ("AGM")***

  Annual General Meetings serves as the primary event for the Company and the shareholders to meet face-to-face and to have a dialogue sessions on matters related to the Company's growth and to seek for shareholders' approval on resolutions.

  As the Company was only listed on 5 December 2018, the upcoming AGM will be the Company's first AGM as a public listed company. The notice and agenda of the AGM together with the proxy form are given to the shareholders at least 28 days prior to the date of the AGM. The Company believe that shareholders will have sufficient time to make the necessary arrangement to submit the proxy forms or to attend the AGM.

  All the Directors and senior management are expected to be present at the AGM and shall provide meaningful response to the questions addressed to them.

STATEMENT OF COMPLIANCE

This statement was approved by the Board on 9 October 2019.

AUDIT AND RISK MANAGEMENT
COMMITTEE REPORT

The Board of Directors of Techbond Group Berhad is pleased to present the Audit and Risk Management Report for the financial year ended 30 June 2019.

1. **Introduction**

   The Audit and Risk Management Committee ("ARMC") which was set up on 2 January 2018 is pleased to present its maiden ARMC Report for the financial year ended 30 June 2019 ("FY2019") in compliance with Paragraph 15.15 of the Main Market Listing Requirement ("MMLR").

2. **Composition**

   The ARMC was formed by the Board of Directors ("Board") and comprises the following members:-

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

The ARMC assists the Board in fulfilling its statutory duties and responsibilities as set out in the Terms of Reference by ensuring:-

- Financial Statements of the Group present a true and fair view and comply with applicable approved accounting standards;
- Related party transactions are carried out in the best interest of the Group and not detrimental to the minority shareholders in order to prevent conflict of interest;
- An effective risk management framework is established to mitigate risks impacting the Group;
- An effective Internal Audit functions and External Auditors are objective and independent in discharging their duties; and
- Policies and internal procedures on whistleblowing policy for the Group are implemented.

The ARMC comprises of three members, all of whom are Independent Non-Executive Directors. The ARMC Chairman, Mr Ooi Guan Hoe, is a member of the Malaysian Institute of Accountants. Hence, the above composition complies with Paragraphs 15.09 and 15.10 of the MMLR as well as the Malaysian Code on Corporate Governance ("MCCG") 2017.

The Board, via the Nomination & Remuneration Committee, assesses the composition and performance of the ARMC and its members through an annual Board Assessment evaluation. Based on the assessment conducted for FY2019, the Board was of the view that the present composition in the ARMC was appropriate. The Board was satisfied that the ARMC has effectively discharged its duties and responsibilities in accordance with its Terms of Reference and the ARMC has also provided constructive feedback to the Board in making informed decisions and enabling the effective functioning of the Board.

The Terms of Reference of the ARMC is available at the Company's website at http://www.techbond.com.my/investors/.

3. **Meetings**

During FY2019, the ARMC convened three (3) meetings on a quarterly basis. The attendance records of the ARMC members are as follow:-

Name	Number of meetings attended/held during the members' term in office
Ooi Guan Hoe *Chairman (Independent Non-Executive Director)*	3/3
Dato' Hamzah Bin Mohd Salleh *Member (Independent Non-Executive Director)*	3/3
Selma Enolil Binti Mustapha Khalil *Member (Independent Non-Executive Director)*	3/3

The Managing Director, Group General Manager, and Group Finance Director ("GFD") attended the meetings as and when invited as invitees to provide clarifications and information on audit issues and relevant issues pertaining to the Groups' operations.

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

The ARMC meetings were also attended by other Board members and Key Senior Management members as and when deemed necessary as invitees upon invitation by the ARMC. The Company Secretary attended all the meetings.

4. **Summary of Activities during the Financial Year Under Review**

The ARMC have carried out its duties in accordance to its Terms of Reference.

The summary of works and activities performed by the ARMC during FY2019 are described as follows:-

4.1. Financial Reporting

On 27 November 2018, the ARMC reviewed the financial results for the first quarter ended 30 September 2018 for inclusion in the Prospectus in relation to the Initial Public Offering exercise dated 3 November 2018.

In 2019, the ARMC reviewed the second and third quarterly financial results on 21 February 2019 and 15 May 2019 respectively. Subsequently, the fourth quarterly financial results were reviewed on 14 August 2019, and with the External Auditors, reviewed Annual Financial Statements for FY2019 on 9 October 2019 before recommending the Financial Statements to the Board for its approval.

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

In reviewing the financial results and audited financial statements, the ARMC had discussed with the External Auditors and the Management in relation to the following matters:-

i) Changes in or implementation of MFRS 9 Financial Instruments and MFRS 15 Revenue from Contracts with Customers and judgements made by Management with regards to the application of the accounting standards;

ii) Significant events arose that may potentially influence the impact on the revenue of the Group; and

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

The summary of works and activities performed by the ARMC during FY2019 are described as follows (Cont'd):-

4.1. Financial Reporting (Cont'd)

In reviewing the financial results and audited financial statements, the ARMC had discussed with the External Auditors and the Management in relation to the following matters:- (Cont'd)

iii) Compliance with approved accounting standards issued by the Malaysian Accounting Standards Board and any other relevant legal and regulatory requirements.

The ARMC discussed in detail with the Management and External Auditors on the Group's compliance with MFRS 9 and MFRS 15 and was assured that the accounting standards have been applied consistently, and the Annual Financial Statements and disclosures were in compliance with Malaysian Financial Reporting Standards ("MFRS") and International Financial Reporting Standards.

4.2. Re-appointment of External Auditors

The ARMC recommended to the Board for the re-appointment of Messrs Grant Thornton Malaysia as the Company's EA, after the ARMC has assessed and satisfied with the EA's suitability, objectivity, dependence as well as the quality of the services provided, sufficiency of audit resources and interactions with the Management based on the performance of Messrs Grant Thornton Malaysia in auditing the Company's financial statements for FY2019.

On 1 October 2018, the shareholders of the Company approved the re-appointment of Messrs Grant Thornton Malaysia as the EA of the Company for FY2019.

On 15 May 2019, the ARMC reviewed and approved the Audit Approach Memorandum which include the scope of work, audit process, key audit matters, audit concepts, engagement team, regulatory compliance and the disclosure requirements of the relevant accounting standards.

4.3. Review of Related Party Transactions

The ARMC reviewed quarterly reports on related party transactions and possible conflict of interest situations that may arise within the Group including any transactions, procedure or course of conduct that may give rise to questions on management integrity in every quarterly meeting. The ARMC did not detect any issue that warrants specific disclosure.

4.4. External Audit

The EA, Messrs Grant Thornton Malaysia, presented their Audit Planning Memorandum in relation to the audit of the Audited Financial Statements for the FY2019 on 15 May 2019.

Mr Kho Kim Eng, the engaging audit partner from Messrs Grant Thornton Malaysia, highlighted their audit approach, audit process, key audit areas, audit concepts, and the effect of MFRS 9 and MFRS 15 on the financial reporting of the Group in regards to the audit of the Audited Financial Statements for the FY2019. He also enquired the ARMC on any frauds affecting the Group that were not reported and the ARMC had confirmed they were not aware of such frauds.

4.5. Internal Audit

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

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

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

The summary of works and activities performed by the ARMC during FY2019 are described as follows (Cont'd):-

4.5. Internal Audit (Cont'd)

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

The total fees incurred for the Group's Internal Audit Function for FY2019 was RM20,000.

4.6. Internal Audit Function

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

4.6.1. Internal Audit Reports

The Internal Auditor presented the Internal Audit Plan on 21 February 2019. The first Internal Audit Report was presented to the ARMC on 15 May 2019. The above internal audit report reviewed the following three (3) key business processes:-

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

Prior to the review, recommendations and management action plans for the key business processes were presented to the Management for appropriate corrective actions to be taken within the implementation timeframe. A follow-up report will be presented at subsequent ARMC meetings to report on preceding outstanding issues.

4.6.2. Enterprise Risk Management ("ERM") framework

For FY2019, the Company has yet to establish an ERM framework. However, the Company has appointed a Risk Management Consultant to establish an ERM framework based on ISO 31000 standard. The Company is expected to adopt the ERM framework in the second half of 2019.

The risk register was presented to the ARMC on 14 August 2019 and it was approved by the ARMC.

4.7. Other Activities

4.7.1. Established Policies and Procedures

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

4.7.1.1. Fraud and Whistleblowing Policy

The Fraud and Whistleblowing Policy was established to promote reporting by internal and external parties on any misconducts or wrong doings. A Whistleblowing Committee was formed to report any whistleblowing matters reported to the ARMC. This policy was presented to the ARMC on 21 February 2019 for further deliberation and review, and was subsequently approved by the Board.

4. <u>Summary of Activities during the Financial Year Under Review (Cont'd)</u>

The summary of works and activities performed by the ARMC during FY2019 are described as follows (Cont'd):-

4.7. Other Activities (Cont'd)

4.7.1. Established Policies and Procedures (Cont'd)

As we are in the era of evidence-based practice, it is crucial for the Company to establish policies to safeguard the interest of the Company, and at the same time, adopt best practices of corporate governance in relation to the MMLR and Malaysian Code on Corporate Governance (Cont'd):-

4.7.1.2. Corporate Disclosure Policies and Procedures

The Corporate Disclosure Policies and Procedures was established to provide guidance with regards to the standard operating procedures on how the disclosures of information for announcements are handled. This policy was presented to the ARMC on 21 February 2019 for deliberation and review and was subsequently approved by the Board.

4.7.1.3. Related Party Transactions ("RPT") Policy

The RPT Policy was presented to the ARMC for review and deliberation and subsequently approved by the Board on 21 February 2019. The RPT Policy provides adequate procedures to monitor, track and identify all RPT in a timely and orderly manner. Furthermore, the procedures also are sufficient to ensure that all RPT are conducted on an arm's length basis, and on transaction price and terms not more favourable to the related parties that generally available to third parties.

4.7.1.4. External Auditors' Policy

The Company has adopted an External Auditors' Policy which provides guidelines and procedures for the ARMC in the assessment of external auditors. The ARMC shall have full authority for deciding the appointment, remuneration and removal of external auditors. This policy was presented to the ARMC on 21 February 2019 for further deliberation and review and was subsequently approved by the Board.

4.7.1.5. Code of Conduct and Ethics

A Code of Conduct and Ethics will be established to promote professionalism and proper conduct of employees on the day-to-day business operations which will reflect the underlying values and commitment towards social and environmental growth of the surroundings in which the Company operates. This policy will be presented to the ARMC in first half of FY2020 for further deliberation and review before recommending it to the Board for approval.

4.7.2. Review of the reports for the inclusion in this Annual Report

The ARMC has reviewed and recommended the Corporate Governance Statements, ARMC Report, Statement on Risk Management and Internal Control, Management Discussion and Analysis Statement, and the Sustainability Report to the Board for approval, for inclusion in the 2019 Annual Report.

This report was reviewed by the ARMC and approved by the Board on 9 October 2019.

The Board of Directors ("the Board") is pleased to provide the Statement on Risk Management and Internal Control pursuant to paragraph 15.26(b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and after taking into consideration of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers.

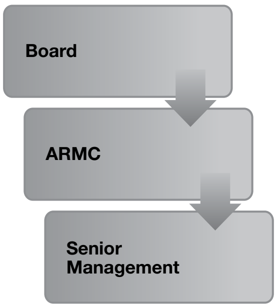
The following statement outlines the nature and scope of risk management and internal controls of Techbond Group Berhad ("Techbond" or the "Company") and its subsidiaries (the "Group") for the financial year ended 30 June 2019.

RESPONSIBILITY

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

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

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



Position	Responsibility
Board/ARMC	Oversight of risk management matters including identifying, assessing and monitoring key business risks.
Senior Management/ Company Departmental Heads	Support the Group's risk management philosophy, promote compliance and manage risks within their spheres of responsibilities.

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

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

1. Risk Management System

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

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

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

2. INTERNAL CONTROL

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

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

(a) <u>Control Environment</u>

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

Structure

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

Audit and Risk Management Committee

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

Policies and Procedures

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

Fraud & Whistleblowing Policy

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

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

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

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

2. INTERNAL CONTROL (Cont'd)

(b) Risk Assessment

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

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

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

Significant Risks

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

- Strategic risk

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

- Operational risk

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

- Credit risk

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

- Financial risk

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

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

2. INTERNAL CONTROL (Cont'd)

(c) <u>Control Activities</u>

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

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

(d) <u>Monitoring</u>

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

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

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

Internal Audit

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

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

As required by paragraph 15.23 of the Listing Requirements of Bursa Malaysia Securities Berhad, the External Auditors have reviewed this Statement on Risk Management and Internal Control accordance with the Audit and Assurance Practice Guide 3 ("AAPG") – Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report for the financial year ended 30 June 2019, and reported to the Board that nothing has come to their attention that causes them to believe that the this Statement is not prepared, in all material aspects, in accordance with the disclosures required by paragraph 41 and paragraph 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers, nor is the Statement factually inaccurate. AAPG3 does not require the External Auditors to form an opinion on the adequacy on risk management and effectiveness of the risk management and internal control system of the Group.

CONCLUSION

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

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

This Statement was approved by the Board on 9 October 2019.

1. Utilisation of Proceeds

The Company carried out its Initial Public Offering ("IPO") exercise in 2018 and was listed on the Main Market of Bursa Malaysia Securities Berhad on 5 December 2018. Pursuant to the said listing, the Company had successfully raised gross proceeds of RM39,669,300 from the issuance of 60,105,000 new ordinary shares in the Company at a issue price of RM0.66 per share on 3 December 2018. As at 30 June 2019, we have utilised approximately RM11.474 million of the total IPO gross proceeds of approximately RM39.669 million, details of which are as described in the following table:-

Details of the Utilisation of Proceeds		Original Utilisation of Proceeds as stated in the Prospectus (RM'000)	Revised Utilisation of Proceeds[1] (RM'000)	Proceeds Utilised as at 30 June 2019 (RM'000)	Percentage Utilised (%)
Expansion of Vietnam Operations					
(a)	Construction of the Vietnam-Singapore Industrial Park II-A ("VSIP2") Factory Complex	10,000	10,000	1,259	12.59
(b)	Purchase of machineries and equipment for the VSIP2 Factory Complex	12,740	12,740	2,573	20.20
(c)	Working Capital	6,036	6,036	–	–
Expansion of Malaysia Operations					
(d)	Purchase of machineries and equipment for the Shah Alam Factory Complex	4,500	4,500	3,242	72.04
(e)	Working Capital	1,393	1,993	-	0.00
(f)	Estimated listing expenses[1]	5,000	4,400	4,400	100.00
Total		**39,669**	**39,669**	**11,474**	**28.92**

Note:

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

2. Audit and Non-Audit Fees

During the year under review, the amount of audit and non-audit fees payable by the Group were RM143,000 and RM6,000 respectively. The amount of audit and non-audit fees incurred by the Company was RM46,000 and RM6,000 respectively.

3. Material Contracts

During the FY2019, there was no material contract entered into by the Company or its subsidiaries involving Directors, and major shareholders.

4. Material Contracts Relating to Loans

During the FY2019, there was no material contract relating to loans entered into by the Company or its subsidiaries involving Directors' and major shareholders.

5. Recurrent Related Party Transactions

The Company will not be seeking any new or renewal of shareholders' mandate for recurrent related party transactions at the coming annual general meeting to be convened on 28 November 2019 as there is no requirement for it.

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

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

Throughout the preparation of the financial statements for the financial year ended 30 June 2019 the Board have:-

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

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

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

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

FINANCIAL STATEMENTS

The Directors have pleasure in submitting their report together with the audited financial statements of the Group and of the Company for the financial year ended 30 June 2019.

PRINCIPAL ACTIVITIES

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

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

FINANCIAL RESULTS

	Group RM'000	Company RM'000
Net profit/(loss) for the financial year	7,073	(2,455)

RESERVES AND PROVISIONS

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

DIVIDENDS

On 3 September 2019, the Directors declared a first single tier interim dividend of 2 sen per ordinary share, totalling RM4,600,000 in respect of financial year ending 30 June 2020.

There were no other dividends proposed, declared or paid by the Company since the end of the previous financial year.

HOLDING COMPANY

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

DIRECTORS OF THE COMPANY

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

Dato' Hamzah Bin Mohd Salleh
Lee Seng Thye
Tan Siew Geak
Ooi Guan Hoe
Selma Enolil Binti Mustapha Khalil
Lee Seh Meng *(Alternate Director to Lee Seng Thye, appointed on 25.4.2019)*
Lee Yuen Shiuan *(Alternate Director to Tan Siew Geak, appointed on 15.5.2019)*

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

DIRECTORS' INTERESTS

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

	Number of ordinary shares			
	At 1.7.2018	Bought	Sold	At 30.6.2019
Interests in the Company				
Direct interests				
Dato' Hamzah Bin Mohd Salleh	–	100,000	–	100,000
Ooi Guan Hoe	–	100,000	–	100,000
Selma Enolil Binti Mustapha Khalil	–	100,000	–	100,000
Lee Seh Meng	–	232,000	–	232,000
Lee Yuen Shiuan	–	232,000	–	232,000
Lee Seng Thye	–	163,909,325	163,909,325	–
Tan Siew Geak	–	5,489,095	5,489,095	–
Indirect interests				
Lee Seng Thye #	–	169,862,420	–	169,862,420
Tan Siew Geak *	–	464,000	–	464,000

Deemed interest by virtue of his direct interest in Sonicbond Sdn. Bhd. pursuant to Section 8(4) of the Act and shares held by his children, pursuant to Section 59(11)(c) of the Act.

* *Deemed interest by virtue of shares held by her children pursuant to Section 59(11)(c) of the Act.*

	Number of ordinary shares			
	At 1.7.2018	Bought	Sold	At 30.6.2019
Sonicbond Sdn. Bhd. (holding company)				
Direct interests				
Lee Seng Thye	1	96,799	–	96,800 (a)
Tan Siew Geak	1	3,199	–	3,200 (b)

(a) Deemed interested by virtue of Lee Seng Thye's direct interest in Sonicbond Sdn. Bhd. pursuant to Section 8(4) of the Act.

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

DIRECTORS' BENEFITS

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

Since the end of the previous financial year, no Director has received or become entitled to receive any benefits (other than those disclosed in Notes 20 and 22 to the Financial Statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company of which the Director has a substantial financial interest.

ISSUE OF SHARES AND DEBENTURES

During the financial year, the Company issued ordinary shares pursuant to the following:-

(a) 169,894,998 new ordinary shares at an issue price of RM0.60 per ordinary share for a total of RM101,936,999 as the purchase consideration for the acquisitions of four subsidiary companies during the financial year; and

(b) 60,105,000 new ordinary shares at an issue price of RM0.66 per ordinary share for a total cash consideration of RM39,669,300 for working capital purposes.

There were no debentures issued by the Company during the financial year.

INDEMNITY AND INSURANCE FOR DIRECTORS AND OFFICERS

There was no indemnity coverage and insurance premium paid for Directors and Officers of the Company during the financial year.

OTHER STATUTORY INFORMATION

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

(a) to ascertain that action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and

(b) to ensure that any current assets which were unlikely to be realised in the ordinary course of business including their value as shown in the accounting records of the Group and of the Company have been written down to an amount which they might be expected so to realise.

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

(a) which would render the amounts written off for bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or

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

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

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

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

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

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

OTHER STATUTORY INFORMATION (CONT'D)

In the opinion of the Directors:-

(a) no contingent liability or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group and of the Company to meet their obligations as and when they fall due;

(b) the results of operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and

(c) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and of the Company for the current financial year in which this report is made.

SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

The significant event during the financial year is disclosed in Note 28 to the Financial Statements.

AUDITORS

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

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

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

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

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

Kuala Lumpur
9 October 2019

STATEMENT BY **DIRECTORS**

In the opinion of the Directors, the financial statements set out on pages 56 to 93 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 30 June 2019 and of its financial performance and cash flows of the Group and of the Company for the financial year then ended.

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

………………………………………………	………………………………………………
LEE SENG THYE	**TAN SIEW GEAK**

Kuala Lumpur
9 October 2019

STATUTORY **DECLARATION**

I, Ng Yeow Siang, being the Officer primarily responsible for the financial management of Techbond Group Berhad, do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on pages 56 to 93 are correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by)
the abovenamed at Kuala Lumpur in)
the Federal Territory this day of)
9 October 2019)

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

Before me:

Commissioner for Oaths
VALLIAMAH A/P PERIAN (W594)

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Techbond Group Berhad which comprise the statements of financial position as at 30 June 2019 of the Group and of the Company, statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 56 to 93.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 30 June 2019, and their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis of Opinion

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

Independence and Other Ethical Responsibilities

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

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.

Inventories' valuation and existence

The risk –

As at 30 June 2019, the inventories balances as disclosed in Note 8 to the Financial Statements is significant to the total assets of the Group. The inventories are measured at the lower of cost and net realisable value ("NRV"). The Group estimates the NRV of inventories based on an assessment of expected sales prices. Changes in these assumptions could result in a material change in the carrying value of inventories and the financial performance of the Group.

Our responses –

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

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

Key Audit Matters (Cont'd)

Impairment loss on trade receivables

The risk –

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

Our responses –

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

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

Information other than the Financial Statements and Auditors' Report Thereon

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

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

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

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

Responsibilities of the Directors for the Financial Statements

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group and the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

OTHER 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.

GRANT THORNTON MALAYSIA
(NO. AF: 0737)
CHARTERED ACCOUNTANTS

KHO KIM ENG
(NO: 03137/10/2020 J)
CHARTERED ACCOUNTANT

Kuala Lumpur
9 October 2019

STATEMENTS OF
FINANCIAL POSITION
AS AT 30 JUNE 2019

	Note	Group 2019 RM'000	Company 2019 RM'000	Company 2018 RM'000
ASSETS				
Non-current assets				
Property, plant and equipment	4	21,822	–	–
Land use rights	5	6,667	–	–
Investment in subsidiary companies	6	–	101,337	–
Other receivables	7	191	–	–
Total non-current assets		28,680	101,337	–
Current assets				
Inventories	8	25,363	–	–
Trade receivables	9	14,204	–	–
Other receivables	7	4,050	125	203
Amount due from a subsidiary company	10	–	8,355	–
Tax recoverable		341	–	–
Cash and cash equivalents	11	66,135	27,369	–
Total current assets		110,093	35,849	203
Total assets		138,773	137,186	203
EQUITY AND LIABILITIES				
EQUITY				
Equity attributable to the owners of the Company				
Share capital	12	139,807	139,807	–
Merger deficit		(78,938)	–	–
Exchange translation reserve		6,021	–	–
Retained earnings/(accumulated losses)		63,706	(2,686)	(231)
Total equity		130,596	137,121	(231)
LIABILITIES				
Non-current liabilities				
Deferred income	13	30	–	–
Deferred tax liabilities	14	879	–	–
Total non-current liabilities		909	–	–
Current liabilities				
Trade payables	15	4,850	–	–
Other payables	16	1,341	61	211
Amount due to a subsidiary company	10	–	–	223
Deferred income	13	45	–	–
Tax payable		1,032	4	–
Total current liabilities		7,268	65	434
Total liabilities		8,177	65	434
Total equity and liabilities		138,773	137,186	203

The accompanying notes form an integral part of the financial statements

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

	Note	Group 2019 RM'000	Company 2019 RM'000	Company 2018 RM'000
Revenue	17	81,379	650	–
Cost of sales		(60,331)	–	–
Gross Profit		21,048	650	–
Other income		678	–	–
Finance income		1,679	737	–
Selling and distribution expenses		(2,000)	–	–
Administration expenses		(9,941)	(3,232)	(221)
Other expenses		(1,306)	(600)	–
Profit/(loss) before taxation	18	10,158	(2,445)	(221)
Tax expenses	19	(3,085)	(10)	–
Net profit/(loss) for the financial year		7,073	(2,455)	(221)
Other comprehensive income:-				
Item that will be subsequently reclassified to profit or loss				
Exchange translation differences		875	–	–
Total comprehensive income/(loss) for the financial year		7,948	(2,455)	(221)
Earnings per share attributable to owners of the Company (sen):				
- Basic	21	4.07		
- Diluted	21	*		

* *There are no potential dilutive equity instruments that would give a diluted effect to the basic earnings per share*

The accompanying notes form an integral part of the financial statements

STATEMENTS OF
CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

	Share capital RM'000	Merger deficit RM'000	Exchange translation reserve RM'000	Retained earnings/ (Accumulated losses) RM'000	Total RM'000
Group					
Balance as at 1 July 2018	–	–	–	(231)	(231)
Transactions with owners:					
Issuance of ordinary shares	39,669	–	–	–	39,669
Acquisition of subsidiary companies in business combination under common control	101,937	(78,938)	5,146	56,864	85,009
Share issuance expenses	(1,799)	–	–	–	(1,799)
Total transactions with owners	139,807	(78,938)	5,146	56,864	122,879
Net profit for the financial year	–	–	–	7,073	7,073
Exchange translation differences	–	–	875	–	875
Total comprehensive income for the financial year	–	–	875	7,073	7,948
Balance as at 30 June 2019	139,807	(78,938)	6,021	63,706	130,596
Company					
Balance as at 1 July 2017	–	–	–	(10)	(10)
Total comprehensive loss for the financial year	–	–	–	(221)	(221)
Balance as at 30 June 2018	–	–	–	(231)	(231)
Transaction with owners:					
Issuance of ordinary shares	39,669	–	–	–	39,669
Acquisition of subsidiary companies in business combination under common control	101,937	–	–	–	101,937
Share issuance expenses	(1,799)	–	–	–	(1,799)
Total transaction with owners	139,807	–	–	–	139,807
Total comprehensive loss for the financial year	–	–	–	(2,455)	(2,455)
Balance as at 30 June 2019	139,807	–	–	(2,686)	137,121

The accompanying notes form an integral part of the financial statements

	Note	Group 2019 RM'000	Company 2019 RM'000	Company 2018 RM'000
OPERATING ACTIVITIES				
Profit/(loss) before taxation		10,158	(2,445)	(221)
Adjustments for:				
Depreciation of property, plant and equipment		1,298	–	–
Amortisation of land use rights		96	–	–
Inventories written off		1	–	–
Impairment loss on trade receivables		513	–	–
Written off of trade receivables		70	–	–
Impairment loss on investment in a subsidiary company		–	600	–
Amortisation of deferred income		(45)	–	–
Finance income		(1,679)	(737)	–
Unrealised gain on foreign exchange		(2)	–	–
Operating profit/(loss) before working capital changes		10,410	(2,582)	(221)
Changes in working capital:-				
Inventories		(316)	–	–
Receivables		1,243	78	(203)
Payables		(3,648)	(150)	424
Cash generated from/(used in) operations		7,689	(2,654)	–
Tax refunded		23	–	–
Tax paid		(2,906)	(6)	–
Finance income received		1,679	737	–
Net cash from/(used in) operating activities		6,485	(1,923)	–
INVESTING ACTIVITIES				
Purchase of property, plant and equipment		(6,203)	–	–
Advances to a subsidiary company		–	(8,355)	–
Net cash used in investing activities		(6,203)	(8,355)	–
FINANCING ACTIVITIES				
Proceeds from issuance of shares		37,870	37,870	–
Repayment to a subsidiary company		–	(223)	–
Net cash from financing activities		37,870	37,647	–
CASH AND CASH EQUIVALENTS				
Net changes		38,152	27,369	–
Effect on foreign currency translation differences on cash and cash equivalents		307	–	–
At beginning of financial year		27,676	–	–
At end of financial year	**A**	66,135	27,369	–

NOTE TO THE STATEMENTS OF CASH FLOWS

A. CASH AND CASH EQUIVALENTS

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

	Group	Company	
	2019	2019	2018
	RM'000	RM'000	RM'000
Cash and bank balances	13,687	669	–
Fixed deposits with licensed banks	17,746	–	–
Short-term demand deposits	34,702	26,700	–
	66,135	27,369	–

The accompanying notes form an integral part of 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 registered office of the Company is located at Unit 30-01, Level 30, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur. The principal place of business of the Company is located at No. 36, Jalan Anggerik Mokara 31/59, Seksyen 31, Kota Kemuning, 40460 Shah Alam, Selangor Darul Ehsan.

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

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

The financial statements were authorised for issue by the Directors in accordance with a resolution of the Directors passed on 9 October 2019.

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

2.2 Basis of measurement

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

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

2.3 Functional and presentation currency

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

2.4 Adoption of new standards/amendments/improvements to MFRSs

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

At the beginning of the current financial year, the Group and the Company adopted new standards/ amendments/improvements to MFRSs which are mandatory for the financial periods beginning on or after 1 January 2018.

2. BASIS OF PREPARATION (CONT'D)

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

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

<u>MFRS 9 Financial Instruments</u>

MFRS 9 Financial Instruments replaces MFRS 139 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting.

MFRS 9 contains a new impairment model based on expected losses (as opposed to 'incurred loss' model under MFRS 9), i.e. a loss event need not occur before an impairment loss is recognised, which will result in earlier recognition of losses.

The Group and the Company applied MFRS 9 prospectively, with an initial application date of 1 July 2018. The Group and the Company had not restated the comparative information, which continues to be reported under MFRS 139. There were no material differences arising from the adoption of MFRS 9 other than all of the Group's and the Company's financial assets previously classified and measured as loans and receivables under MFRS 139 are classified and measured as amortised cost under MFRS 9 as at 1 July 2018 based on the business model assessment done.

2.5 Standards issued but not yet effective

The following are standards and amendments which are not yet effective and have not been early adopted by the Group and the Company:-

<u>*MFRS, Amendments to MFRSs and IC Interpretation effective 1 January 2019:-*</u>

MFRS 16 *	Leases
Amendments to MFRS 9*#	Prepayment Features with Negative Compensation
Amendments to MFRS 119*#	Post-employment Benefits: Defined Benefit Plans
IC Interpretation 23*#	Uncertainty Over Income Tax Treatments

Annual Improvements to MFRS Standards 2015-2017 Cycle*#

<u>*Amendments to MFRSs and Amendments to the Conceptual Framework in MFRS Standards effective 1 January 2020:-*</u>

Amendments to MFRS 3	Business Combinations
Amendments to MFRS 101	Presentation of Financial Statements
Amendments to MFRS 108	Accounting Policies, Changes in Accounting Estimates and Errors

Amendments to Reference to the Conceptual Framework in MFRS Standards (MFRS 2*#, 3, 6*#, 14*#, 101, 108, 134*#, 137, 138*# and IC Interpretation 12*#, 19*#, 20*#, 22*#, 132*#)

<u>*MFRS effective 1 January 2021:-*</u>

MFRS 17*#	Insurance Contracts

<u>*Amendments to MFRS – effective date deferred indefinitely:-*</u>

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

* Not applicable to the Company's operation
\# Not applicable to the Group's operation

2. BASIS OF PREPARATION (CONT'D)

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

The initial application of the above standards, amendments and interpretation are not expected to have any significant financial impacts to the financial statements, except for:-

MFRS 16 Leases

MFRS 16 was issued in January 2016 and it replaces MFRS 117 Leases, IC Interpretation 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under MFRS 17.

The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of remeasurement of the lease liability as an adjustment to the right-to-use assets.

Lessor accounting under MFRS 16 is substantially unchanged from today's accounting under MFRS 117. Lessors will continue to classify all leases using the same classification principle as in MFRS 117 and distinguish between two types of leases: operating and finance leases.

MFRS 16 which is effective for annual periods beginning on or after 1 January 2019, requires lessees and lessors to make more extensive disclosures than under MFRS 117.

Transition to MFRS 16

The Group plans to adopt the MFRS 16 retrospectively to each prior reporting period presented with the cumulative effect of initially applying MFRS 16 as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the date of initial application. The Group will elect to apply the standard to contracts that were previously identified as leases applying MFRS 117 and IC Interpretation 4. The Group will therefore not apply the standard to contracts that were not previously identified as containing a lease applying MFRS 117 and IC Interpretation 4.

The Group will elect to use the exemptions proposed by the standard on lease contracts for which the lease terms ends within 12 months as of the date of initial application and lease contracts for which the underlying asset is of low value.

Due to the adoption of MFRS 16, the Group's operating profit will improve, while its interest expense will increase. This is due to the changes in the accounting for expenses of leases that were classified as operating leases under MFRS 117.

In summary, the Group expects no significant impact in MFRS 16 adoption.

2. BASIS OF PREPARATION (CONT'D)

2.6 Significant accounting estimates and judgements

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

2.6.1 Estimation uncertainty

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

Useful lives of depreciable assets

Management estimates the useful lives of the property, plant and equipment to be within 5 to 50 years and reviews the useful lives of depreciable assets at each reporting date. At 30 June 2019, the management assesses that the useful lives represent the expected utility of the assets to the Group. Actual results, however, may vary due to change in the expected level of usage and technological developments, which resulting the adjustment to the Group's assets.

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

Impairment of non-financial assets

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

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

Inventories

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

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

2. BASIS OF PREPARATION (CONT'D)

2.6 Significant accounting estimates and judgements (Cont'd)

2.6.1 Estimation uncertainty (Cont'd)

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

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

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

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

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

Income taxes and deferred tax liabilities

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

2.6.2 Significant management judgement

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Consolidation

3.1.1 Subsidiary companies

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

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

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

3.1.2 Basis of consolidation

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

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

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

3.1.3 Common control business combination

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 Consolidation (Cont'd)

3.1.3 Common control business combination (Cont'd)

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

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

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

3.1.4 Loss of control

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

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

3.2 Foreign currency translations

3.2.1 Foreign currency transactions and balances

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.2 Foreign currency translations (Cont'd)

3.2.2 Foreign operations

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

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

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

3.3 Property, plant and equipment

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

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.4 Inventories

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

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

3.5 Financial instruments

3.5.1 Initial recognition and measurement

Financial assets and financial liabilities are recognised when the Group or the Company becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expired.

3.5.2 Financial assets - classification and initial measurement of financial assets

<u>Accounting policies applied from 1 July 2018</u>

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with MFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs.

Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:-

- amortised cost;
- fair value through profit or loss ("FVTPL"); and
- fair value through other comprehensive income ("FVOCI").

The classification is determined by both:-

- the Group's business model for managing the financial asset; and
- the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

At the reporting date, the Group and the Company carry only financial assets measured at amortised cost on its statement of financial position.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.5 Financial instruments (Cont'd)

3.5.2 Financial assets - classification and initial measurement of financial assets (Cont'd)

Accounting policies applied until 30 June 2018

Financial assets other than those designated and effective as hedging instruments are classified into the following categories upon initial recognition:-

(a) financial assets at fair value through profit or loss;
(b) held to maturity investments;
(c) loans and receivables; and
(d) available-for-sale financial assets.

The category determines subsequent measurement and whether any resulting income and expense is recognised in profit or loss or in other comprehensive income.

All financial assets except for those at fair value through profit or loss are subject to review for impairment at least once at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets.

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expired or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in the profit or loss.

At the reporting date, the Group and the Company carry only loans and receivables on its statement of financial position.

3.5.3 Financial assets - subsequent measurement

Accounting policies applied from 1 July 2018

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):-

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows; and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Group's and the Company's trade and other receivables, amount due from a subsidiary company, fixed deposits with licensed banks and cash and bank balances fall into this category of financial instruments.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.5 Financial instruments (Cont'd)

3.5.3 Financial assets - subsequent measurement (Cont'd)

Accounting policies applied until 30 June 2018

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest method, less allowance for impairment. Discounting is omitted where the effect of discounting is immaterial. Gains or losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process. The Group's and the Company's trade and other receivables, amount due from a subsidiary company, fixed deposits with licensed banks and cash and bank balances fall into this category of financial instruments.

Loans and receivables are classified as current assets, except for those having maturity dates later than 12 months after the end of the reporting year which are classified as non-current assets.

3.5.4 Financial assets - impairment

Accounting policies applied from 1 July 2018

MFRS 9's impairment requirements use more forward-looking information to recognise expected credit losses – the 'expected credit loss model'. This replaces MFRS 139's 'incurred loss model'. Instruments within the scope of the new requirements included loans and other debt-type financial assets measured at amortised cost, trade receivables which measured under MFRS 15.

Recognition of credit losses is no longer dependent on the Group or the Company first identifying a credit loss event. Instead, the Group or the Company consider a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:-

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1'); and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.

'12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.5 Financial instruments (Cont'd)

3.5.4 Financial assets - impairment (Cont'd)

Accounting policies applied from 1 July 2018 (Cont'd)

Trade receivables

The Group makes use of a simplified approach in accounting for trade receivables and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the Company uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

The Group assesses impairment of trade receivables on a collective basis as they possess shared credit risk characteristics they have been grouped based on the days past due. A detailed analysis of how the impairment requirements of MFRS 9 are applied is in Note 25.1 (a) to the Financial Statements.

Accounting policies applied until 30 June 2018

The Group and the Company assess at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable date indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group and the Company first assess whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group and the Company determine that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continue to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.5 Financial instruments (Cont'd)

3.5.4 Financial assets – impairment (Cont'd)

Accounting policies applied until 30 June 2018 (Cont'd)

Financial assets carried at amortised cost (Cont'd)

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income in the profit or loss. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group and the Company. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the profit or loss.

3.5.5 Financial liabilities - classification and measurement

As the accounting for financial liabilities remains largely the same under MFRS 9 compared to MFRS 139, the Group's and the Company's financial liabilities were not impacted by the adoption of MFRS 9. However, for completeness, the accounting policy is disclosed below.

The Group's and the Company's financial liabilities are only measured at amortised cost which include trade and other payables and amount due to a subsidiary company.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group and the Company designated a financial liability at fair value through profit or loss. Subsequently, financial liabilities are measured at amortised cost using the effective interest method.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

3.5.6 Offsetting of financial instruments

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

3.6 Cash and cash equivalents

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.7 Impairment of non-financial assets

At each reporting date, the Group and Company review the carrying amounts of its non-financial assets to determine whether there is any indication of impairment by comparing its carrying amount with its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount. Impairment losses recognised in respect of a cash-generating unit or groups of cash generating units are allocated first to reduce the carrying amount of any goodwill allocated to those units or group of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

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

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

3.8 Land use rights

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

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

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

3.9 Equity instruments and reserves

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

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

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

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

3.10 Employees benefits

3.10.1 Short term employees benefits

Wages, salaries, bonuses and social security contributions are recognised as expenses in the financial year in which the associated services are rendered by the employees of the Group and the Company. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short term non-accumulating compensated absences such as sick leave are recognised when the absences occurred.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.10 Employees benefits (Cont'd)

3.10.2 Defined contribution plans

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

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

3.11 Revenue

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

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

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

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

3.11.1 Sales of goods

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

3.11.2 Finance income

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

3.11.3 Dividend income

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.12 Tax expenses

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

3.12.1 Current tax

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

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

3.12.2 Deferred tax

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

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

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

3.13 Provisions

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

Any reimbursement that the Group and the Company can be virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision.

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.14 Government grants

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

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

3.15 Leases

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

3.15.1 Operating leases

Leases, where the Group does not assume substantially all the risks and rewards of ownership are classified as operating leases.

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

3.16 Operating segments

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

4. PROPERTY, PLANT AND EQUIPMENT

	Freehold land RM'000	Buildings RM'000	Renovation RM'000	Plant and machinery RM'000	Office furniture and equipment RM'000	Motor vehicles RM'000	Capital work-in-progress RM'000	Total RM'000
Group								
Cost								
At 1 July 2018	4,560	11,762	669	15,239	1,535	2,740	1,201	37,706
Additions	–	–	–	459	127	170	5,447	6,203
Reclassification	–	–	–	2,378	–	–	(2,378)	–
Disposal	–	–	–	–	(1)	–	–	(1)
Foreign currency translation differences	–	66	–	81	9	27	(1)	182
At 30 June 2019	4,560	11,828	669	18,157	1,670	2,937	4,269	44,090
Accumulated depreciation								
At 1 July 2018	–	3,454	58	14,475	1,156	1,698	–	20,841
Charge for the financial year	–	318	14	583	105	278	–	1,298
Disposal	–	–	–	–	(1)	–	–	(1)
Foreign currency translation differences	–	26	–	80	6	18	–	130
At 30 June 2019	–	3,798	72	15,138	1,266	1,994	–	22,268
Net carrying amount								
At 30 June 2019	4,560	8,030	597	3,019	404	943	4,269	21,822

Included in property, plant and equipment are laboratory equipment used for the research and development of the Group's products. The net carrying amount of these assets are RM243,784 and depreciation charged during the year amounting to RM134,226.

5. LAND USE RIGHTS

Group	Group 2019 RM'000
Cost	
At 1 July 2018	6,960
Foreign currency translation differences	166
At 30 June 2019	7,126
Accumulated depreciation	
At 1 July 2018	354
Charge for the financial year	96
Foreign currency translation differences	9
At 30 June 2019	459
Net carrying amount	
At 30 June 2019	6,667

6. SUBSIDIARY COMPANIES

Investment in subsidiary companies

	Company 2019 RM'000	Company 2018 RM'000
At cost		
Unquoted shares		
At beginning of the financial year	–	–
Additions	101,937	–
Less: Accumulated impairment loss		
At beginning of financial year	–	–
Impairment loss during the financial year	600	–
At end of financial year	600	–
At end of the financial year	101,337	–

During the financial year, the Company received a single tier interim dividend amounting to RM650,000 from its subsidiary company, Techbond (Sabah) Sdn. Bhd. ("Techbond Sabah"). Such dividend was declared and paid by the subsidiary company, as a way of return of capital on investment from its retained earnings. The Group is in the midst of transferring the business activity of Techbond Sabah to another subsidiary company, Techbond Manufacturing Sdn. Bhd.

At the reporting date, due to the dividend as declared above, the net assets of Techbond Sabah were lower than the Company's cost of investment in Techbond Sabah which resulted an impairment loss recognised accordingly.

6. SUBSIDIARY COMPANIES (CONT'D)

Investment in subsidiary companies (Cont'd)

The details of the subsidiary companies are as follows:-

Name of company	Country of incorporation	Effective interest 2019 %	Principal activities
Techbond Manufacturing Sdn. Bhd. ("Techbond Manufacturing")	Malaysia	100	Developing, manufacturing and trading of industrial adhesives and sealants and providing supporting products and services.
Techbond (Vietnam) Co. Ltd. * ("Techbond Vietnam")	Vietnam	100	Manufacturing and trading of industrial adhesives and providing supporting products and services.
Techbond (Sabah) Sdn. Bhd. ("Techbond Sabah")	Malaysia	100	Selling and marketing of industrial adhesive and sealants.
Techbond International Sdn. Bhd. ("Techbond International")	Malaysia	100	Investment holding.
Held under Techbond International Sdn. Bhd.			
Techbond MFG (Vietnam) Co. Ltd. * ("Techbond MFG")	Vietnam	100	Currently dormant. Proposed principal activities are to manufacture industrial adhesives, base adhesives, sealants and provide supporting products and services.

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

The Company entered into Shares Sale Agreement ("SSA") with Techbond Manufacturing, Techbond Sabah and Techbond International and Capital Transfer Agreement ("CTA") with Techbond Vietnam on 20 December 2017.

(a) Acquisition of Techbond Manufacturing
The acquisition of 100% equity interest in Techbond Manufacturing for a purchase consideration of RM70,245,320 which was satisfied by the issuance of 117,075,530 new ordinary shares.

The acquisition of Techbond Manufacturing was completed on 3 September 2018.

(b) Acquisition of Techbond Vietnam
The acquisition of 100% equity interest in Techbond Vietnam for a purchase consideration of RM28,573,365 which was satisfied by the issuance of 47,622,274 new ordinary shares.

The acquisition of Techbond Vietnam was completed on 7 September 2018.

(c) Acquisition of Techbond Sabah
The acquisition of 100% equity interest in Techbond Sabah for a purchase consideration of RM993,144 which was satisfied by the issuance of 1,655,242 new ordinary shares.

The acquisition of Techbond Sabah was completed on 3 September 2018.

(d) Acquisition of Techbond International and its subsidiary ("Techbond International Group")
The acquisition of 100% equity interest in Techbond International Group for a purchase consideration of RM2,125,170 which was satisfied by the issuance of 3,541,952 new ordinary shares.

The acquisition of Techbond International Group was completed on 3 September 2018.

7. OTHER RECEIVABLES

	Group	Company	
	2019	2019	2018
	RM'000	RM'000	RM'000
Non-current			
Non-trade receivables	191	–	–
Current			
Non-trade receivables	1,055	96	203
Deposits	161	–	–
Prepayments	2,834	29	–
	4,050	125	203

8. INVENTORIES

	Group
	2019
	RM'000
At cost:-	
Raw materials	17,529
Packing materials	365
Work-in-progress	1,526
Finished goods	5,943
	25,363
Recognised in profit or loss:-	
Inventories recognised in cost of sales	53,714
Inventories written off	1

9. TRADE RECEIVABLES

	Group
	2019
	RM'000
Trade receivables	14,745
Less: Allowance of expected credit losses	
At beginning of financial year	26
Allowance recognised	513
Foreign currency translation differences	2
At end of financial year	541
	14,204

The Group's normal trade credit terms range from 1 to 120 days.

10. AMOUNTS DUE FROM/TO SUBSIDIARY COMPANIES

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

11. CASH AND CASH EQUIVALENTS

	Group	Company	
	2019	2019	2018
	RM'000	RM'000	RM'000
Cash and bank balances	13,687	669	–
Fixed deposits with licensed banks	17,746	–	–
Short-term demand deposits	34,702	26,700	–
	66,135	27,369	–

Fixed deposits with licensed banks bear interest rates ranging from 4.5% to 5.5% per annum.

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

12. SHARE CAPITAL

	Company			
	Number of ordinary shares		Amount	
	2019	2018	2019	2018
	Unit	Unit	RM'000	RM'000
Issued and fully paid:-				
At beginning of financial year	2	2	–#	–#
Issued during the financial year	229,999,998	–	141,606	–
Share issuance expenses	–	–	(1,799)	–
At end of financial year	230,000,000	2	139,807	–#

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

Represents an amount of RM2

13. DEFERRED INCOME

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

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

14. DEFERRED TAX LIABILITIES

	Group 2019 RM'000
At beginning of financial year	690
Recognised in profit or loss	213
Overprovision in prior year	(24)
At end of financial year	879

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

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

15. TRADE PAYABLES

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

16. OTHER PAYABLES

	Group	Company	
	2019 RM'000	2019 RM'000	2018 RM'000
Non-trade payables	709	14	–
Accruals	599	47	211
Sales tax	33	–	–
	1,341	61	211

17. REVENUE

17.1 Disaggregated revenue information

	Group	Company	
	2019 RM'000	2019 RM'000	2018 RM'000
Type of revenue			
Sale of goods	81,379	–	–
Dividend income from a subsidiary company	–	650	–
	81,379	650	–

17. REVENUE (CONT'D)

17.1 Disaggregated revenue information (Cont'd)

	Group 2019 RM'000
Segments	
Type of goods	
Industrial adhesives	76,130
Sealants	1,195
Supporting products and services	4,054
	81,379
Geographical markets	
Malaysia	17,411
Vietnam	46,100
Indonesia	9,777
China	2,808
Others	5,283
	81,379

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

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

17.2 Performance obligation

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

18. PROFIT/(LOSS) BEFORE TAXATION

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

	Group	Company	
	2019 RM'000	2019 RM'000	2018 RM'000
Statutory audit			
- Group auditors	99	46	3
- Other auditors	44	–	–
Rental of premises	103	–	–
Realised loss on foreign exchange	160	–	–
Rental income	(2)	–	–

19. TAX EXPENSES

	Group	Company	
	2019	2019	2018
	RM'000	RM'000	RM'000
Current year income tax:-			
- Current year provision	2,745	10	–
- Under provision in prior year	151	–	–
Deferred tax:-			
- Current year provision	213	–	–
- Overprovision in prior year	(24)	–	–
Total tax expenses	3,085	10	–

Malaysian income tax is calculated at the statutory rate of 24% (2018: 24%) of the estimated assessable profit for the financial year.

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

	Group	Company	
	2019	2019	2018
	RM'000	RM'000	RM'000
Profit/(loss) before taxation	10,158	(2,445)	(221)
Income tax at Malaysian tax rate of 24% (2018: 24%)	2,438	(587)	(53)
Tax effects in respect of :-			
Expenses not allowable for tax purposes	1,174	915	53
Income not subject to tax	(355)	(318)	–
Under provision in prior year	127	–	–
Effect of tax rate difference in foreign jurisdiction	(299)	–	–
Total tax expenses	3,085	10	–

20. EMPLOYEE BENEFITS

	Group	Company	
	2019	2019	2018
	RM'000	RM'000	RM'000
Salaries, bonus and other emoluments	6,369	–	–
Directors' remuneration	2,496	390	210
Social security contributions	36	–	–
Defined contribution plan	687	–	–
Other benefits	76	–	–
	9,664	390	210

20. EMPLOYEE BENEFITS (CONT'D)

The details of Directors' remuneration are as follows:-

	Group	Company	
	2019	2019	2018
	RM'000	RM'000	RM'000
Executive Directors:-			
Directors of the Company			
Directors' fees	144	144	96
Salaries, bonus and other emoluments	1,967	–	–
Defined contribution plan	128	–	–
	2,239	144	96
Directors of the subsidiary companies			
Directors' fees	10	–	–
Defined contribution plan	1	–	–
	11	–	–
Non-executive Directors:-			
Directors' fees	228	228	114
Other benefits	18	18	–
	246	246	114
	2,496	390	210

21. EARNINGS PER SHARE

21.1 Basic

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

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

21.2 Diluted

Diluted earnings per share is not applicable as the Group does not have any potential dilutive equity instruments that would give a diluted effect to the basis earnings per share.

22. RELATED PARTY DISCLOSURES

Related party transactions

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

	Group	Company	
	2019	2019	2018
	RM'000	RM'000	RM'000
Rental expenses charged by a company in which the Directors have interests	84	–	–
Rental income charged to a company in which the Directors have interests	(2)	–	–
Dividend income received from a subsidiary company	–	650	–

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

Compensation of key management personnel

The Group and the Company have no other key management personnel apart from the Directors. The Directors' remuneration is disclosed in Note 20 to the Financial Statements.

23. COMMITMENTS

23.1 Operating lease commitments

The future minimum lease payments under non-cancellable operating lease commitments as at the reporting date are as follows:-

	Group
	2019
	RM'000
Not later than one year	60

Operating lease commitments represent rental payable for the factory buildings. The lease has an average tenure between 1 to 2 years with renewal option.

23.2 Capital commitments

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

24. OPERATING SEGMENTS

(a) Business segments

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

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

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

(b) Geographical information

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

	Group 2019 RM'000
Malaysia	16,035
Vietnam	12,645
Total non-current assets	28,680

(c) Major customers

There is only one major customer with revenue equal or more than 10% of the Group's revenue.

25. FINANCIAL INSTRUMENTS

25.1 Financial risk management

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

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

(a) Credit risk

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

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

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

25. FINANCIAL INSTRUMENTS (CONT'D)

25.1 Financial risk management (Cont'd)

(a) Credit risk (Cont'd)

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

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

Trade receivables

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

From 1 July 2018, a credit rating assessment and impairment analysis are performed at each reporting date to measure expected credit losses ("ECL"). Generally, trade receivables are written-off if the Directors deem them uncollectable. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets. Collateral is considered integral part of trade receivables and considered in the calculation of impairment. At the reporting date, none of the Group's trade receivables is covered by collateral.

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

Set out below is the information about the credit risk exposure and ECL for the Group's trade receivables as at 30 June 2019:-

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

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

25. FINANCIAL INSTRUMENTS (CONT'D)

25.1 Financial risk management (Cont'd)

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

(a) Credit risk (Cont'd)

Trade receivables (Cont'd)

In respect of trade receivables, the Group is not exposed to any significant credit risk exposure to any single counterparty or any company of counterparties having similar characteristics other than 14% of the trade receivables are due from 1 customer. Trade receivables consist of a large number of customers in various backgrounds. Based on historical information about customer's default rates, the management considers the credit quality of trade receivables that are not past due or impaired to be good.

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

Cash and cash equivalents

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

Intercompany loans and receivables

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

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

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

(b) Liquidity risk

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

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

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

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

25. FINANCIAL INSTRUMENTS (CONT'D)

25.1 Financial risk management (Cont'd)

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

(c) Interest rate risk

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

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

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

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

	Group 2019 RM'000	Company 2019 RM'000
Financial assets		
Fixed rate instrument		
Fixed deposits with licensed banks	17,746	–
Floating rate instrument		
Short-term demand deposits	34,702	26,700

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

A change in 0.5% in interest rate at the end of the reporting year would have increased/(decreased) the net profit for the financial year by the amount shown below. This analysis assumes that other variables remain constant.

	Impact on net profit for the financial year			
	Group		Company	
	RM'000 +0.5%	RM'000 -0.5%	RM'000 +0.5%	RM'000 -0.5%
Floating rate instrument				
2019	174	(174)	134	(134)

25. FINANCIAL INSTRUMENTS (CONT'D)

25.1 Financial risk management (Cont'd)

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

(d) Foreign currency risk

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

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

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

	2019 RM'000
Denominated in USD	
Cash and bank balances	6,060
Trade receivables	2,407
Other receivables	1,207
Trade payables	(1,812)
Other payables	(61)
	7,801

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

Foreign currency sensitivity analysis:

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

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

25.2 Fair value of financial instruments

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

25. FINANCIAL INSTRUMENTS (CONT'D)

25.3 Fair value hierarchy

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

26. CAPITAL MANAGEMENT

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

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

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

27. COMPARATIVE INFORMATION

No comparative information has been presented for the Group as this is the Group's first set of financial statements.

28. SIGNIFICANT EVENT DURING THE YEAR

On 5 July 2018, Securities Commission of Malaysia approved the admission of the Company to the Official List and the listing of and quotation for its entire enlarged issued share capital of the Company on the Main Market of Bursa Malaysia Securities Berhad. The ordinary shares of the Company were listed on the Main Market of Bursa Malaysia Securities Berhad on 5 December 2018.

LIST OF **PROPERTIES**

30 JUNE 2019

Postal Address	Description of Property/ Existing Use	Registered Owner	Land Area (Sq.mt)	Tenure	Date of Purchase	Approximate age of building (Years)	Net Book Values as at 30 June 2019 (RM'000)
No.34 & 36, Jalan Anggerik Mokara 31/59, Kota Kemuning, Seksyen 31, 40460 Shah Alam, Selangor Darul Ehsan.	Industrial/ Factory, Warehouse and Office Premise	Techbond Manufacturing Sdn Bhd	10,468	Freehold	Lot 36 - 22/6/1998 Lot 34 - 24/6/1999	19 11	7,176
No.32, Jalan Anggerik Mokara 31/59, Kota Kemuning, Seksyen 31, 40460 Shah Alam, Selangor Darul Ehsan.	Industrial/ Factory, Warehouse and Office Premise	Techbond Manufacturing Sdn Bhd	4,714	Freehold	Lot 32 - 28/4/2004	9	3,833
Quarter 4, An Phu Ward, Thuan An Town, Binh Duong Province, Vietnam.	Industrial/ Factory, Warehouse and Office Premise	Techbond (Vietnam) Company Limited	9,037	Leasehold expiring 22 May 2032	20/12/2002	11	1,813
No.18, Road No.23, Vietnam-Singapore II-A Industrial Park, Vinh Tan Commune, Tan Uyen Town, Binh Duong Province, Vietnam ("VSIP2 Land")	For the development of Factory Premise	Techbond MFG (Vietnam) Company Limited	30,000	Leasehold expiring 19 March 2058	30/12/2016	–	6,435

SHARE CAPITAL

Total Number of Issued Shares	:	230,000,000
Class of Shares	:	Ordinary shares
Voting rights	:	One vote per ordinary share

DISTRIBUTION OF SHAREHOLDINGS AT AS 23 SEPTEMBER 2019

Size of Holdings	No. of Shareholders	% of Shareholders	No. of Shares Held	% of Shares Held
1 - 99	–	–	–	–
100 - 1,000	245	21.797	179,200	0.077
1,001 - 10,000	508	45.195	2,866,600	1.246
10,001 - 100,000	295	26.245	10,137,506	4.407
100,001 to 11,499,999 (*)	75	6.672	47,418,274	20.616
11,500,000 AND ABOVE (**)	1	0.088	169,398,420	73.651
	1,124	100.000	230,000,000	100.000

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

DIRECTORS' SHAREHOLDINGS

		No. Shares Held			
No.	Directors	Direct	%	Indirect	%
1.	DATO' HAMZAH BIN MOHD SALLEH	100,000	0.043	–	–
2.	LEE SENG THYE	–	–	169,862,420*	73.853
3.	OOI GUAN HOE	100,000	0.043	–	–
4.	SELMA ENOLIL BINTI MUSTAPHA KHALIL	100,000	0.043	–	–
5.	TAN SIEW GEAK	–	–	464,000**	0.202
6.	LEE SEH MENG	232,000	0.101	–	–
7.	LEE YUEN SHIUAN	232,000	0.101	–	–
		764,000	0.331	–	–

* Deemed interested by virtue of his interest in Sonicbond Sdn. Bhd. pursuant to Section 8(4) of the Companies Act 2016 and shares held by his children, pursuant to Section 59(11)(c) of the Act.
** Deemed interested by virtue of shares held by her children pursuant to Section 59(11)(c) of the Act.

SUBSTANTIAL SHAREHOLDERS

		No. Shares Held			
No.	Directors	Direct	%	Indirect	%
1	SONICBOND SDN BHD	169,398,420	73.651	–	–
2.	LEE SENG THYE	–	–	169,862,420*	73.853

* Deemed interested by virtue of his interest in Sonicbond Sdn. Bhd. pursuant to Section 8(4) of the Companies Act 2016 and shares held by his children, pursuant to Section 59(11)(c) of the Act.

THIRTY (30) LARGEST SHAREHOLDERS

No.	Name of Shareholders	No. of Shares	%
1.	SONICBOND SDN BHD	169,398,420	73.651
2	MERCSEC NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR AVENUE PORTAL SDN BHD*	5,891,600	2.561
3	TAN SIEW CHING	5,000,000	2.173
4	CHING HEAN CHONG	4,050,000	1.760
5	ACE PRIVATE EQUITY SDN BHD	3,150,000	1.369
6	ONG SAY KIAT	2,453,000	1.066
7	JAG CAPITAL EQUITY SDN BHD	2,330,000	1.013
8	TEW AH KENG	2,200,000	0.956
9	CGS-CIMB NOMINEES (ASING) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR NOBLE PLAN SDN BHD*	1,500,000	0.652
10	DATO' NG AIK KEE	1,163,900	0.506
11	CHEAH SOH WIN	1,100,000	0.478
12	MAYBANK NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR YOONG FUI KIEN*	927,000	0.403
13	CHIANG WEI CHIA	900,000	0.391
14	LEONG WAI KWIN	874,700	0.380
15	ONG CHI KIONG	848,287	0.368
16	LEE MEE YOKE	800,600	0.348
17	PUBLIC NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR KOONG KEK YOONG (E-BCG/SPL)*	653,800	0.284
18	PUA EU KOK	600,000	0.260
19	WONG MUN FUI	570,000	0.247
20	AFFIN HWANG NOMINEES (TEMPATAN) SDN. BHD. *PLEDGED SECURITIES ACCOUNT FOR YAP TAI CHON*	538,000	0.233
21	LEE BEE TIEN	514,500	0.223
22	KENANGA NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR TAN BOON WOOI*	500,000	0.217

THIRTY (30) LARGEST SHAREHOLDERS (CONT'D)

No.	Name of Shareholders	No. of Shares	%
23	LEE BAN TONG	406,300	0.176
24	BIMSEC NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR* *SENTOSA JAYA CAPITAL SDN BHD (MGNM83401)*	400,000	0.173
25	DAUD BIN AHMAD	400,000	0.173
26	LIM BAN KEONG	400,000	0.173
27	JF APEX NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITES ACCOUNT FOR LUM YET CHONG (MARGIN)*	390,300	0.169
28	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR LEE YOKE LIN (7003477)*	334,000	0.145
29	NG YEOW SIANG	300,000	0.130
30	TAN SOY MOK	300,000	0.130
	Total	**208,894,407**	**90.823**

NOTICE OF THE
ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Third Annual General Meeting of the Company will be held at **Danau 3, Level 2, Kota Permai Golf & Country Club, 1, Jalan 31/100A, Kota Kemuning, 40460 Shah Alam, Selangor Darul Ehsan** on **Thursday, 28 November 2019** at **10.00 a.m.** for the following purposes:

AGENDA

1. To receive the Audited Financial Statements for the financial year ended 30 June 2019 together with the Directors' and Auditors' Reports.
   [Please refer to Note (a)]

2. To re-elect the following Directors retiring in accordance with the Clause 127 of the Constitution of the Company and being eligible, have offered themselves for re-election:

   i. Tan Siew Geak **(Ordinary Resolution 1)**
   ii. Dato' Hamzah Bin Mohd Salleh **(Ordinary Resolution 2)**

3. To approve the payment of Directors' fees of up to RM372,000 for the financial year ending 30 June 2020. **(Ordinary Resolution 3)**

4. To approve the payment of Directors' benefits of up to RM18,000 for the financial period from 1 January 2020 until the next Annual General Meeting of the Company. **(Ordinary Resolution 4)**
   [Please refer to Note (b)]

5. To re-appoint Messrs Grant Thornton Malaysia as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration. **(Ordinary Resolution 5)**

SPECIAL BUSINESS

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

6. **Authority to Allot and Issue Shares Pursuant to Sections 75 and 76 of the Companies Act, 2016 ("the Act").** **(Ordinary Resolution 6)**

   "THAT pursuant to Sections 75 and 76 of the Act and approvals from Bursa Malaysia Securities Berhad for the listing of and quotation for the additional shares so issued and other relevant authorities, where approval is necessary, authority be and is hereby given to the Directors to allot and issue shares in the Company at any time upon such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit provided always that the aggregate number of shares to be issued shall not exceed 10% of the issued share capital of the Company at any point of time AND THAT such authority shall continue to be in force until the conclusion of the next Annual General Meeting ("AGM") of the Company."
   [Please refer to Note (c)]

7. To transact any other business of which due notice shall have been given in accordance with the Act.

BY ORDER OF THE BOARD

Wong Wai Foong (MAICSA No. 7001358)
Lim Hooi Mooi (MAICSA No. 0799764)
Ong Wai Leng (MAICSA No.7065544)
Company Secretaries

Kuala Lumpur
30 October 2019

NOTES:-

i. A member of a Company shall be entitled to appoint another person as his proxy to exercise all or any of his rights to attend, participate, speak and vote at meeting of members of the Company. A member may appoint not more than two (2) proxy in relation to a meeting, provided that the member specifies the proportion of the member's shareholdings to be represented by each proxy. A proxy may but need not be a member of the Company.

ii. Where a Member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991 ("SICDA"), it may appoint not more than two (2) proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.

iii. For a member of the Company who is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. An exempt authorised nominee refers to an authorised nominee defined under SICDA which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.

iv. Where a member or the authorized nominee appoints more than two (2) proxies, or where an exempt authorized nominee appoints more than one (1) proxy in respect of each omnibus account to attend and vote at the same meeting, the appointments shall be invalid unless the proportion of shareholdings to be represented by each proxy is specified in the instrument appointing the proxies.

v. The appointment of a proxy may be made in a hard copy form or by electronic means in the following manner and must be received by the Company not less than forty-eight (48) hours before the time appointed for holding the General Meeting at which the person named in the appointment proposes to vote:

   i. In hard copy form
   In the case of an appointment made in hard copy form, the proxy form must be deposited at the office of the Share Registrar, Tricor Investor & Issuing House Services Sdn. Bhd. at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or its Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur.

   ii. By electronic means via facsimile
   In the case of an appointment made by facsimile transmission, this proxy form must be received via facsimile at 03-2783 9222.

   iii. By electronic means via email
   In the case of an appointment made via email transmission, this proxy form must be received via email at is.enquiry@my.tricorglobal.com

   For options (ii) and (iii), the Company will require the member to deposit the original executed proxy form as in (i) above no later than Tuesday, 26 November 2019 at 10.00 a.m. for verification purpose.

   iv. Online
   In the case of an appointment made via online lodgement facility, please login to the link website at https://tiih.online and select "e-Services" to login. Please refer to the Annexure to Proxy Form on how to register to TIIH Online and submit your proxy form electronically.

vi. For the purpose of determining a member who shall be entitled to attend and vote at the meeting, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to make available to the Company a Record of Depositors as at 21 November 2019 and only a depositor whose name appears on the Record of Depositors shall be entitled to attend the meeting or appoint proxies to attend and vote in his stead.

Explanatory Notes:

a. Agenda No. 1

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

b. Ordinary Resolution No. 4

This resolution is to facilitate payment of Directors' benefits for the period from 1 January 2020 until the next AGM of the Company. In the event the Directors' benefits proposed are insufficient (e.g. due to more meetings or enlarged Board size), approval will be sought at the next AGM for additional fees to meet the shortfall.

Directors' benefits include allowances for travel and training programmes for directors and other emoluments payable to Directors and in determining the estimated total the Board had considered various factors including the number of scheduled meetings for the Board and Board Committees, and covers the period from 1 January 2020 until the next AGM of the Company (the due date for which the next AGM should be held).

c. Ordinary Resolution No. 6

The proposed Resolution No. 6 is to provide flexibility to the Company to issue new securities without the need to convene separate general meeting to obtain its shareholders' approval so as to avoid incurring additional cost and time. The purpose of this general mandate is for possible fund raising exercise including but not limited to further placement of shares for purpose of funding current and/ or future investment projects, working capital, repayment of bank borrowings, acquisitions and/or for issuance of shares as settlement of purchase consideration. Should the mandate be exercised, the Directors will utilize the proceeds raised for working capital or such other applications they may in their absolute discretion deem fit.

TECHBOND®
YOUR TECHNICAL BONDING PARTNER

PROXY FORM

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

Number of Shares held	
CDS Account	

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

NRIC No./Company No. ____________________________ (New) ________________________________(Old)

of ____

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

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

NRIC No./Company No. ____________________________ (New) ________________________________(Old)

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

NRIC No. _______________________________________ (New)________________________________(Old)

____or failing him/her the Chairman of the Meeting as my/our proxy to vote for me/us on my/our behalf at the 3rd Annual General Meeting of the Company to be held at **Danau 3, Level 2, Kota Permai Golf & Country Club, 1, Jalan 31/100A, Kota Kemuning, 40460 Shah Alam, Selangor Darul Ehsan on Thursday, 28 November 2019 at 10.00 a.m.** and any adjournment thereof.

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

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

Dated this___________day of___________2019

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

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

....
Signature(s)/ Seal of Shareholder(s)

Contact:

Notes:-

i. A member of a Company shall be entitled to appoint another person as his proxy to exercise all or any of his rights to attend, participate, speak and vote at meeting of members of the Company. A member may appoint not more than two (2) proxy in relation to a meeting, provided that the member specifies the proportion of the member's shareholdings to be represented by each proxy. A proxy may but need not be a member of the Company.

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Notes:- (Cont'd)

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AFFIX
STAMP

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

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YOUR TECHNICAL BONDING PARTNER

TECHBOND GROUP BERHAD

(Company No. 1190604-M)

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