SANICHI TECHNOLOGY BERHAD

Registration No.: 200401023320 (661826-K)
(Incorporated in Malaysia)

Mould Manufacturer for European Automotive Segment and Property Developer in Malaysia

ANNUAL REPORT 2019

CONTENTS

NOTICE OF
FIFTEENTH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Fifteenth Annual General Meeting of Sanichi Technology Berhad ("Sanichi" or the "Company") will be held at Sanichi Tower, Level 9, Tower 11, Avenue 5, Bangsar South, 8, Jalan Kerinchi, 59200 Kuala Lumpur on Tuesday, 28 July 2020 at 11.00 a.m. for the following purposes:-

AGENDA

AS ORDINARY BUSINESS:

1. To receive the Audited Financial Statements for the financial year ended 31 December 2019 together with the Reports of the Directors and Auditors thereon. ***Please refer to Explanatory Note 1 on Ordinary Business***

2. To approve the payment of Directors' fees and benefits payable to the Directors of the Company of RM192,000 for the financial year ended 31 December 2019 (2018: RM209,500). ***Ordinary Resolution 1***

3. To approve the payment of Directors' fees and benefits payable to the Directors of the Company of up to RM220,000 from 29 July 2020 until the next Annual General Meeting of the Company. ***Ordinary Resolution 2***

4. To re-elect Ong Tee Kein who retires in accordance with Article 85 of the Company's Constitution. ***Ordinary Resolution 3***

5. To re-elect Datin Erdawaty Binti Mohamed who retires in accordance with Article 91 of the Company's Constitution. ***Ordinary Resolution 4***

6. To re-appoint Messrs Al Jafree Salihin Kuzaimi PLT as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration. ***Ordinary Resolution 5***

AS SPECIAL BUSINESS:

To consider and if thought fit, to pass the following Ordinary Resolutions with or without modifications:

7. **ORDINARY RESOLUTION**
AUTHORITY FOR DIRECTORS TO ALLOT AND ISSUE SHARES PURSUANT TO SECTIONS 75 AND 76 OF THE COMPANIES ACT 2016 ("THE ACT")

"THAT subject always to the Constitution of the Company, the Act, the ACE Market Listing Requirements ("AMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities") and the approvals of the relevant governmental/regulatory authorities, where required, the Directors of the Company, be and are hereby authorised and empowered pursuant to Sections 75 and 76 of the Act, to issue and allot shares in the Company to such persons, at any time, and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares to be issued does not exceed twenty per centum (20%) of the total number of issued shares of the Company (excluding treasury shares) at any point in time AND THAT the Directors be also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Securities AND THAT such authority shall continue in force until the conclusion of the next Annual General Meeting ("AGM")." ***Ordinary Resolution 6***

Notice of Fifteenth Annual General Meeting (Cont'd)

8. **ORDINARY RESOLUTION**
   APPROVAL TO CONTINUE IN OFFICE AS INDEPENDENT DIRECTOR

   Dato' Abd Halim Bin Abd Hamid

   "THAT pursuant to Practice 4.2 of the Malaysian Code on Corporate Governance ("MCCG"), Dato' Abd Halim Bin Abd Hamid who has served the Board as an Independent Director of the Company for a cumulative term of more than twelve (12) years since 28 May 2008, be and is hereby retained as the Independent Non-Executive Director of the Company until the conclusion of the next annual general meeting." ***Ordinary Resolution 7***

9. **SPECIAL RESOLUTION**
   PROPOSED AMENDMENTS TO THE COMPANY'S CONSTITUTION

   "THAT the proposed amendments to the Company's Constitution as set out in "Appendix A" annexed to the Company's Annual Report for the financial year ended 31 December 2019, be and are hereby approved for adoption with immediate effect AND THAT the Directors and/or Secretary of the Company, be hereby authorised to take all steps as are necessary and expedient in order to implement, finalise and give full effect to the said proposed amendments for and on behalf of the Company." ***Special Resolution***

10. To transact any other business of which due notice shall have been given.

By Order of the Board

Foo Siew Loon
(MAICSA 7006874) (SSM PC No.: 202008002104)
Company Secretary

Kuala Lumpur

30 June 2020

Notes:-

1. A member of the Company who is entitled to attend, participate, speak and vote at the Fifteenth Annual General Meeting ("Meeting" or "15th AGM") shall be entitled to appoint more than one (1) proxy to attend, participate, speak and vote at the Meeting in his/her stead. Where a member appoints more than one (1) proxy, he/she shall specify the proportion of his/her shareholdings to be represented by each proxy.

2. A proxy may but need not be a member of the Company. A member may appoint any person to be his proxy. A proxy appointed to attend and vote at the Meeting shall have the same rights as the member to speak and vote at the Meeting.

3. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.

4. Where a member of the Company 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. The appointment of multiple proxies shall not be valid unless the proportion of its shareholdings represented by each proxy is specified.

Notice of Fifteenth Annual General Meeting (Cont'd)

5. The instrument appointing a proxy shall be in writing signed by the appointor or his attorney duly authorised in writing. If the appointor is a corporation, either under the seal or signed by an officer or attorney duly authorised.

6. To be valid, the instrument appointing a proxy must be deposited at the Registered Office of the Company at Unit 27.2, Menara 1MK, Kompleks 1 Mont Kiara, No. 1, Jalan Kiara, Mont Kiara, 50480 Kuala Lumpur not less than forty-eight (48) hours before the time appointed for holding the meeting or adjourned meeting as the case may be, or in the case of a poll, not less than twenty-four (24) hours before the time appointed for taking the poll, which the person named in the instrument proposes to vote and in default, the instrument of proxy shall not be treated as valid.

7. For the purpose of determining a member who shall be entitled to attend the Meeting, the Company will be requesting Bursa Malaysia Depository Sdn. Bhd. in accordance with Clause 63(b) of the Company's Constitution to issue a General Meeting Record of Depositors as at 22 July 2020. Only members whose names appear in the General Meeting Record of Depositors as at 22 July 2020 shall be regarded as members and entitled to attend, speak and vote at the Meeting.

8. All the resolutions set out in this Notice of Meeting will be put to vote by poll.

Explanatory Notes on Ordinary Business:-

1. Agenda 1

Agenda 1 is meant for discussion only as the provision of Section 340(1)(a) of the Act, the Audited Financial Statements do not require a formal approval of the members and hence, will not be put forward for voting.

2. Ordinary Resolutions 1 and 2

Section 230(1) of the Act provides amongst others, that the fees of the Directors and any benefits payable to the Directors of a listed company shall be approved at a general meeting. In this respect, the Board wishes to seek shareholders' approval for the following payments to the Directors at the AGM in two (2) separate resolutions below mentioned:-

- Resolution 1 on payment of Directors' Fees and benefits payable to the Directors of the Company of RM192,000 for the financial year ended 31 December 2019; and

- Resolution 2 on payment of Directors' Fees and benefits payable to the Directors of the Company of up to RM220,000 from 29 July 2020 until the next AGM.

For Resolution 2, the estimated Directors' Fees and benefits proposed for the financial year ending 31 December 2020 are calculated based on the current Board size and number of schedule Board and Committee meetings to be held. This resolution is to facilitate the payment of Directors' fee and benefit on current financial year basis. In the event of the proposed amount is insufficient due to more meetings or enlarged Board size, approval will be sought at the next AGM for the shortfall.

3. Ordinary Resolution 3

Ong Tee Kein is subject to retirement by rotation in accordance with Article 85 of the Company's Constitution and being eligible, had offered himself for re-election at the 15th AGM.

4. Ordinary Resolution 4

Datin Erdawaty Binti Mohamed is subject to retirement by rotation in accordance with Article 91 of the Company's Constitution and being eligible, had offered herself for re-election at the 15th AGM.

Notice of Fifteenth Annual General Meeting (Cont'd)

5. **Ordinary Resolution 5**

The Board and the Audit Committee have assessed the performance of Messrs Al Jafree Salihin Kuzaimi PLT and are satisfied with the quality of services rendered and the competency and sufficiency of resources provided to the Company. The Board at its meeting held on 19 June 2020 agreed to recommend to the shareholders of the Company for approval on the re-appointment of Messrs Al Jafree Salihin Kuzaimi PLT as the Company's external auditors for the financial year 2020.

Explanatory Notes to Special Business:-

6. **Ordinary Resolution 6 - Authority for Directors to Allot and Issue Shares Pursuant to Sections 75 and 76 of the Act**

The Company had at its Fourteenth AGM held on 29 May 2019 ("14th AGM"), obtained a general mandate pursuant to Sections 75 and 76 of the Act from its shareholders, to empower the Directors to issue and allot shares in the Company from time to time, at such price, upon such terms and conditions and for such purpose as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares to be issued does not exceed 10% of the total number of issued shares of the Company (excluding treasury shares) at any point in time ("10% General Mandate"). This 10% General Mandate will expire at the conclusion of this AGM.

As at the date of this Notice, no new shares in the Company were issued pursuant to the mandate granted to the Directors at the last AGM held on 29 May 2019 which will lapse at the conclusion of the 15th AGM.

The Ordinary Resolution 6 proposed under item 7 of the Agenda, is to seek a general mandate to empower the Directors of the Company pursuant to Sections 75 and 76 of the Act, to issue and allot ordinary shares at any time to such persons in their absolute discretion without convening a general meeting provided that the aggregate number of the shares issued does not exceed 20% of the total number of issued shares of the Company at any point in time ("20% General Mandate"). This 20% General Mandate, unless revoked or varied at general meeting, will expire at the next AGM.

As part of the initiative from Bursa Securities to aid and facilitate listed issuers in sustaining their businesses in view of the extraordinary challenges caused by the COVID-19 pandemic, Bursa Securities had vide its letter dated 16 April 2020 allowed a listed issuer to seek a higher general mandate under Rule 6.04 of the Listing Requirements of Bursa Securities of not more than twenty per centum (20%) of the total number of issued shares (excluding treasury shares) for issue of new securities.

In view of the challenges caused by the COVID-19, this 20% General Mandate is the most appropriate avenue of fund raising at this juncture. This 20% General Mandate will provide flexibility to the Company to undertake any possible fund raising activities, including but not limited to further placing of shares, for purpose of funding on-going projects and/or future investment projects, financing the day-to-day operational expenses and working capital and/or acquisitions without convening a general meeting.

The Board, having considered the current and prospective financial position, needs and capacity of the Company, is of the opinion that the 20% General Mandate is in the best interest of the Company and its shareholders.

7. **Ordinary Resolution 7 – Approval to Continue in office as Independent Director, Dato' Abd Halim Bin Abd Hamid**

The proposed Resolution 7, if passed, will enable Dato' Abd Halim Bin Abd Hamid to continue in office as Independent Director of the Company, until the conclusion of the next AGM of the Company.

The full details of the Board's justification and recommendations for the retention of Dato' Abd Halim Bin Abd Hamid as Independent Director are set out on pages 24 and 25 of the Corporate Governance Overview Statement in the Annual Report 2019.

Notice of Fifteenth Annual General Meeting (Cont'd)

8. Special Resolution – Proposed Amendments to the Company's Constitution

The Special Resolution proposed under item 9 of the Agenda, if approved, will streamline the Company's Constitution and enhance administrative efficiency. The proposed amendments to the Constitution of the Company shall take effect once the special resolution has been passed by a majority of not less than seventy-five per centum (75%) of such members who are entitled to vote and do vote in person or by proxy at the Meeting.

Members Entitled to Attend 15th AGM

For the purpose of determining a member who shall be entitled to attend this 15th AGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd in accordance with the Company's Constitution and Section 34(1) of the Securities Industry (Central Depositories) Act, 1991, to issue a General Meeting Record of Depositors as at 22 July 2020. Only a depositor whose name appears in the Record of Depositors as at 22 July 2020 shall be entitled to attend, speak and vote at the said meeting or appoint proxies to attend, speak and/or vote on his/her behalf.

Personal Data Privacy

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

(pursuant to Paragraph 8.29(2) of the AMLR of Bursa Securities)

1. No individual is standing for election as director at the forthcoming 15th AGM of the Company.

2. Statement relating to general mandate for issue of securities in accordance with Rule 6.04 of the AMLR of Bursa Securities.

   Details of the general mandate to issue securities in the Company pursuant to Sections 75 and 76 of the Act are set out in Explanatory Note 6 to Special Business of the Notice of 15th AGM.

CORPORATE STRUCTURE

SANICHI TECHNOLOGY BERHAD

Registration No.: 200401023320 (661826-K)
(Incorporated in Malaysia)

- 100% Sanichi Precision Mould Sdn Bhd — Design and fabrication of precision moulds and tooling
- 100% Asia Pinnacle Sdn Bhd — Design and fabrication of precision moulds and tooling
- 100% Sanichi Mould (Thailand) Co. Ltd — Design and fabrication of precision moulds and tooling
- 100% Sanichi Property Sdn Bhd — Property investment and development
- 51% Sanichi Protev Sdn Bhd — Manufacturer and exporter of all kinds of precision parts and too
- 70% Persada Ternama Sdn Bhd — Investment holding
- 100% Selama Ehsan Sdn Bhd — Investment holding
- 100% Sanichi Capital Sdn Bhd — Property development and Investment holding
  - Subsidiary: 100% Air King Inc — Investment holding
- 50% Bina Bicara Sdn Bhd — Property development
- 100% Sanichi Picture Sdn Bhd — Movie production
- 100% Asia Glove Pte Ltd (Singapore) — Investment holding

CORPORATE INFORMATION

BOARD OF DIRECTORS

Dato' Abd Halim Bin Abd Hamid
Chairman/Independent Non-Executive Director

Dato' Sri Dr Pang Chow Huat
Group Managing Director

Mr Ong Tee Kein
Independent Non-Executive Director

Datin Erdawaty Binti Mohamed
Independent Non-Executive Director (appointed on 8 July 2019)

AUDIT COMMITTEE

Mr Ong Tee Kein
Chairman/ Independent Non-Executive Director

Dato' Abd Halim bin Abd Hamid
Member/Independent Non-Executive Director

Datin Erdawaty Binti Mohamed
Member/Independent Non-Executive Director (appointed on 16 December 2019)

NOMINATION COMMITTEE

Dato' Abd Halim bin Abd Hamid
Chairman/Independent Non-Executive Director

Mr Ong Tee Kein
Member/Independent Non-Executive Director

REMUNERATION COMMITTEE

Mr Ong Tee Kein
Chairman/Independent Non-Executive Director

Dato' Abd Halim bin Abd Hamid
Member/Independent Non-Executive Director

Dato' Sri Dr Pang Chow Huat
Member/Executive Director

COMPANY SECRETARY

Ms Foo Siew Loon
(MAICSA 7006874)
(SSM PC No.: 202008002104)

AUDITORS

Messrs Al Jafree
Salihin Kuzaimi PLT
555, Jalan Samudra Utara 1
Taman Samudra
68100 Batu Caves
Selangor
Tel : 603 6185 9970
Fax : 603 6184 2524

STOCK EXCHANGE LISTING

ACE Market of Bursa Malaysia Securities Berhad

SHARE REGISTRAR

ShareWorks Sdn Bhd
2-1, Jalan Sri Hartamas 8
Sri Hartamas
50480 Kuala Lumpur
Tel : 603 6201 1120
Fax : 603 6201 3121

PRINCIPAL BANKER

Malayan Banking Berhad
136 & 137
Jalan Senai Utama, 5/17
81400 Senai, Johor Darul Takzim
Tel : 607 598 6233

WEBSITE

www.sanichimould.com

REGISTERED OFFICE

Unit 27.2, Menara 1MK
Kompleks 1 Mont Kiara
No.1 Jalan Kiara, Mont Kiara
50480 Kuala Lumpur
Tel : 603 6203 5828
Fax : 603 6203 2788

DIRECTORS' PROFILE

Dato' Abd Halim bin Abd Hamid

Chairman/Independent Non-Executive Director

Malaysian, aged 70 , Male

Dato' Abd Halim bin Abd Hamid was appointed to the Board on 28 May 2008. He was re-designated as Chairman of the Nomination Committee on 14 October 2016 and Chairman of the Board on 24 October 2016. He is also a member of the Audit Committee and Remuneration Committee of the Company.

He was formerly a senior police officer who had served over a span of 36 years in various parts of Malaysia since 1969. Throughout the period of service, he had served at various levels of commanding positions and gained wide range of experiences in management, criminal investigation, as well as administration in the police force.
He is a Diploma holder from the Malaysian Armed Forces Staff College and later obtained a Bachelor of Laws (Hons.) from the International Islamic University of Malaysia (IIUM). Besides the academic qualifications, he had also attended various training courses organized by the police force and Institut Tadbiran Awam Negara. He retired as the Deputy Commissioner of Police (DCP) in Bukit Aman in September 2005.

Dato' Abd Halim attended all six (6) Board Meetings held during the financial year ended 31 December 2019.

Dato' Sri Dr Pang Chow Huat

Group Managing Director

Malaysian, aged 46, Male

Dato' Sri Dr Pang Chow Huat is the founder and Managing Director of Sanichi and was appointed to the Board on 20 June 2006. He is also a member of the Remuneration Committee of the Company. Equipped with more than twenty (20) years of experience in precision engineering in the plastic mould and tool industry, he is currently responsible for the overall strategy and direction of the Group as well as client relationship management.

He was conferred a Doctor of Philosophy in Design Technology from the InterAmerican University, Washington D.C. in December 2005. He began his career in 1991 as an apprentice with a local company specializing in the fabrication of plastic moulds and dies as well as plastic injection moulding.

In 1996, with his in-depth knowledge in plastic moulding and fabrication, he founded Sanichi Precision Mould Industries, specialised in servicing and repairing of moulds and tools. He has extensive experience and exposure in advanced design and technology of high-quality precision moulds and parts.

In February 2000, he established Sanichi Precision Mould Sdn Bhd ("SPMSB") and ventured into the design, engineering and fabrication of plastic mould products through Research and Development ("R&D"). He is also the initiator for many of the in-house developed solutions in SPMSB, which is attributed to his hands-on technical know- how garnered in his years of working in the industry.

Since 2015, Dato Sri Dr Pang established a property development division and had undertaken its maiden project in building high-end condominiums and a shopping mall in Klebang, Melaka.

Dato' Sri Dr Pang attended six (6) Board Meetings held during the financial year ended 31 December 2019.

Directors' Profile (Cont'd)

Ong Tee Kein

Independent Non-Executive Director

Malaysian, aged 63, Male

Mr Ong Tee Kein was appointed to the Board on 3 November 2011. He was re-designated as Chairman of the Audit Committee on 14 October 2016. He was also appointed as Chairman of the Remuneration Committee and member of the Nomination Committee of the Company on 14 October 2016.

He holds a MBA degree from the University of Miami and is an Associate of the Institute of Chartered Secretaries & Administrators (ICSA). He is also an Associate of the Institute of Chartered Accountants in England and Wales (ICAEW) and a Fellow of the Chartered Institute of Management Accountants, United Kingdom (CIMA) as well as a member of the Malaysian Institute of Accountants (MIA).

He has several years of experience in industry and consultancy practice. After qualifying as an accountant in the United Kingdom, he joined a management consultancy practice specializing in providing advisory services to governments and international funding agencies. From 1994 until 2011, he was a principal consultant in the corporate advisory division of an international accounting firm.

Besides Sanichi, he also holds directorships in DGB Asia Berhad, MLabs Systems Berhad and Fintec Global Berhad (formerly known as Asia Bioenergy Technologies Berhad) and Metronic Global Berhad. He also sits on the Board of several private limited companies.

He attended all six (6) Board Meetings held during the financial year ended 31 December 2019.

Datin Erdawaty Binti Mohamed

Independent Non-Executive Director

Malaysian, aged 36, Female

Datin Erdawaty Binti Mohamed was appointed to the Board on 8 July 2019. She was appointed as a member of the Audit Committee on 16 December 2019.

Datin Erdawaty has exposure and experience in the accounting field. Datin Erdawaty was actively involved with women associations for community activities and she was often engaged with NGOs for charitable works, Corporate Social Responsibilities for orphanage homes and welfare programmes around the areas of Semporna and Kota Kinabalu, Sabah. Datin Erdawaty was appointed to the Board of Advisors for Teratak Che Da Orphanage Home in Rawang, Selangor since 2015 and was a Committee Member of Yayasan (Foundation) Yasmin Malaysia since 2017.

She attended two (2) Board Meetings held during the financial year ended 31 December 2019.

FURTHER INFORMATION ON THE BOARD OF DIRECTORS

SHAREHOLDINGS

Details of Directors' Shareholdings in the Company are disclosed in page 136 of this Annual Report.

CONVICTION OF OFFENCES

None of the Directors have been convicted for any offences in the past 5 years, or have been imposed on any public sanction or penalty by relevant regulatory bodies during the financial year ended 31 December 2019, other than traffic offecens, if any.

CONFLICT OF INTEREST

None of the Directors have conflict of interest with the Company.

None of the Directors have any relationship with any director and/or major shareholder of the Company save and except for Datin Sri Chen Choon Lee who is the spouse of Dato' Sri Dr Pang Chow Huat.

PROFILE OF KEY SENIOR MANAGEMENT

Dato' Sri Dr Pang Chow Huat

Group Managing Director

Malaysian, aged 46, Male

Dato' Sri Dr Pang Chow Huat is the founder and Managing Director of Sanichi and was appointed to the Board on 20 June 2006. He is also a member of the Remuneration Committee of the Company. Equipped with more than twenty (20) years of experience in precision engineering in the plastic mould and tool industry, he is currently responsible for the overall strategy and direction of the Group as well as client relationship management.

He was conferred a Doctor of Philosophy in Design Technology from the InterAmerican University, Washington D.C. in December 2005. He began his career in 1991 as an apprentice with a local company specializing in the fabrication of plastic moulds and dies as well as plastic injection moulding.

In 1996, with his in-depth knowledge in plastic moulding and fabrication, he founded Sanichi Precision Mould Industries, specialised in servicing and repairing of moulds and tools. He has extensive experience and exposure in advanced design and technology of high-quality precision moulds and parts.

In February 2000, he established Sanichi Precision Mould Sdn Bhd ("SPMSB") and ventured into the design, engineering and fabrication of plastic mould products through Research and Development ("R&D"). He is also the initiator for many of the in-house developed solutions in SPMSB, which is attributed to his hands-on technical know- how garnered in his years of working in the industry.

Since 2015, Dato Sri Dr Pang established a property development division and had undertaken its maiden project in building high-end condominiums and a shopping mall in Klebang, Melaka.

Kua Khai Loon

General Manager

Malaysian, aged 41, Male

Mr Kua Khai Loon was appointed as the General Manager on 23 November 2011. He is also the Independent Non-Executive Director of PNE PCB Berhad

He holds a Degree in Marketing from La'Trobe University, Australia. He started his career in the banking industry in the sales department. He was formerly the Head of Sales & Marketing division of a Japanese based company in the plastics manufacturing industry.

Notes:

None of the Key Senior Management has any family relationship with any Director and/or Major Shareholder of the Company.

None of the Key Senior Management has any conflict of interest with the Company.

None of the Key Senior Management has been convicted for any offences in the past 5 years or have been imposed on any public sanction or penalty by relevant regulatory bodies during the financial year ended 31 December 2019, other than traffic offecens, if any.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW OF THE GROUP'S BUSINESS

The principal activities of our Group include investment holding, design and fabrication of precision moulds and tooling for the automotive sector, property investment and development. Our manufacturing facilities are located in Senai, Johor while our property development project under construction is located in Klebang, Malacca.

In December 2019, we have also announced that we will be developing a halal gelatin plant certifed by Malaysian Islamic Development Department (JAKIM) and the first halal gelatin industrial park, to be known as Melaka Halal Gelatin Industrial Park. The plant is intended to produce applications across various industries including food, pharmaceutical, cosmetics, industrial and films such as roll films and x-ray films. This project has yet to commence construction at this juncture.

In May 2020, we announced that we will be developing air ventilators in collaboration with AT Systematization Bhd, PNE PCB Berhad and Arzon Solar LLC ("**ARZ**") through a joint venture with the aforementioned parties. ARZ will own 10% equity interest in the jointly-controlled entity while the remaining 90% equity interest will be split equally between Sanichi, AT Systematization Bhd and PNE PCB Berhad. The development of the air ventilators is expected to generate a new revenue stream for our Group following the surge in demand for air ventilators due to the Covid-19 pandemic.

In the past years, we have derived most of our revenue from the design and fabrication of precision moulds and tooling. However, property development became our major revenue contributor in financial year ended 31 December 2019 ("**FYE 2019**"), with more than 80% contribution to our total revenue.

In terms of geographical segment, our revenue was generated from a combination of local sales and foreign sales to countries such as Germany and Singapore. For FYE 2019, revenue contribution from Malaysia was the highest at 85.6%, followed by Germany at 11.0% and Singapore at 2.6%.

In FYE 2019 and up to the date of this report, our Group's business has met with challenges as further discussed in the ensuing sections. Nonetheless, we will continue to monitor closely the market conditions and consumer sentiment, and will make prompt adjustments to our business strategies / range of products offered, where necessary. Internally, we will continue to strive for better cost management by constantly reviewing our operations and adopting more efficient processes.

FINANCIAL PERFORMANCE

In FYE 2019, we recorded revenue of RM21.5 million as compared to RM31.1 million in financial year ended 31 December 2018 ("**FYE 2018**").

The decrease in revenue was mainly due to lower sales generated for design and fabrication of precision moulds and tooling from overseas, which include Germany, Mexico, Russia and the United States of America ("**US**"). The decrease was partially offset by higher sales generated from the property development (RM18.2 million in FYE 2019 as compared RM7.9 million in FYE 2018).

In line with the lower revenue, we recorded lower gross profit ("**GP**") of RM0.7 million. This led to higher loss after tax ("**LAT**") of RM20.7 million in FYE 2019 as compared to LAT of RM15.2 million in FYE 2018. The higher LAT was also due to higher general and administration expenses of RM31.1 million, as compared to RM26.8 million in FYE 2018, as we incurred higher expenses for our property development business in the form of marketing expenses.

Management Discussion And Analysis (Cont'd)

FINANCIAL PERFORMANCE (CONT'D)

Certain financial and non-financial indicators pertaining to our financial performance and financial position for the FYE 2019 vis-à-vis the FYE 2018 are as follows:-

	Audited FYE 2019 RM'000	Audited FYE 2018 RM'000
Our financial performance		
Revenue	21,488	31,068
GP	652	8,059
Loss before tax ("LBT")	(20,755)	(16,121)
Income tax expense	25	964
LAT	**(20,729)**	**(15,157)**
GP margin (%)	3.0	25.9
LBT margin (%)	(96.6)	(51.9)
LAT margin (%)	(96.5)	(48.8)
Our financial position		
Non-current asset	90,031	41,884
Current assets	226,270	236,823
Non-current liability	36,368	826
Current liabilities	39,964	17,195
Shareholders' equity	238,704	259,223

Non-current assets comprise property, plant and equipment of RM84.7 million in FYE 2019 (FYE 2018: RM41.3 million), rights of use assets of RM33,568 in FYE 2019 (FYE 2018: nil) and other investments of RM5.3 million in FYE 2019 (FYE 2018: RM0.5 million). The increase in property, plant and equipment was mainly due to the purchase of building located in Bangsar South, Kuala Lumpur. The rights of use assets of RM33,568 in FYE 2019 was due to the effect of adoption of MFRS 16. The increase in other investments was mainly due to the purchase of quoted shares in Malaysia.

Current assets decreased from RM236.8 million in FYE 2018 to RM226.3 million in FYE 2019 following the decrease in cash and cash equivalents. The increase in inventories was mainly due to the completion of unsold property units as at FYE 2019. The increase in trade and other receivables was mainly due to advances to our contractor for our property development project. Nonetheless, cash and cash equivalents decreased from RM132.6 million in FYE 2018 to RM99.6 million in FYE 2019 mainly due to the purchase of property, plant and equipment. Current tax assets increased from RM10,106 in FYE 2018 to RM110,090 in FYE 2019.

Non-current liability comprised borrowings and deferred tax liabilities. Current liabilities mainly comprise trade and other payables. Trade payables decreased from RM7.3 million in FYE 2018 to RM5.1 million in FYE 2019, as the Group cleared certain trade payables by financial year end. Other payables increased from RM8.4 million in FYE 2018 to RM33.2 million in FYE 2019, mainly due to advances received from our customers in relation to our precision moulding business.

Our business operations were financed by a combination of internal and external sources of funds. Internal sources of funds comprise mainly shareholders' equity, while external source of funds comprises credit terms granted by our suppliers as well as borrowings. Credit terms granted to us by our suppliers range from 30 to 60 days for the design and fabrication of precision moulds and tooling and 14 days for the property development.

Save as aforementioned, we are not aware of any other known trends and events that are reasonably likely to have a material effect on our operations, performance, financial condition and liquidity.

ANTICIPATED OR KNOWN RISKS

In line with Bursa Securities' regulatory framework on the new disclosure requirements, we highlight below the key anticipated or known risks that our Group is exposed to that may have a material effect on our operations, performance, financial condition and liquidity. Our plans and strategies to mitigate these risks have also been disclosed below.

(i) Prolonged trade dispute between the People's Republic of China ("China") and the US

The ongoing trade war between China and the US has had a dampening effect on car sales worldwide with many motorcar manufacturers deferring the launch of new models and this has resulted in surplus capacity in the motor vehicle mould manufacturing industry worldwide.

Competitors for new tenders have reduced margins to compete for new projects and our Group has to follow suit to remain competitive and to ensure our manufacturing plant continues at economic level of operations. Should the dispute become prolonged, it is envisaged that the motor car mould industry will be adversely affected.

(ii) Coronavirus (Covid-19) pandemic ("Covid-19") and movement control order ("MCO")

As a result of Covid-19 and the MCO imposed by the Government of Malaysia, most businesses were temporarily shut down for a period of approximately 2 months. During this period, our Group has had to change the way we conduct our businesses, including changing operation procedures to comply with the control in physical movements and adherence to social distancing requirements, and has taken the necessary steps to ensure the stability of our operations.

On 29 April 2020, the Ministry of International Trade and Industry allowed certain economic sectors to operate without restrictions to their operating hours with full capacity workforce. As such, we resumed most of our operations in early May.

The eventual impact to our Group's operations will largely be dependent on the scale and length of Covid-19. As such, we will remain vigilant and take a prudent approach in monitoring the operations of our Group.

(iii) Recruitment of skilled personnel

The fabrication and tooling business requires a large pool of skilled personnel across the entire manufacturing process from designers at the mould design stage to skilled machine operators at the manufacturing stage.

Recruitment of such skilled personnel continues to be a challenge for our Group. The proximity of our manufacturing plant in Johor to Singapore is one of the reasons many skilled technicians leaving to take up employment in Singapore due to higher remuneration and to take advantage of the favourable currency exchange rate. As such, staff turnover continues to be a risk to our operations.

(iv) Contraction in the property sector

The Malaysian property sector remains lukewarm due to slowing global growth, the recent Covid-19 pandemic and domestic economic uncertainties. Property purchasers generally find it more challenging to secure end financing and developers have difficulty securing financing for their projects. Against this backdrop, our Marina Point property project in Malacca is expected to face challenges in terms of sales off-take given the restricted access to end financing facilities in this sector. This in turn will exert financial strain on our Group as a significant percentage of the project ongoing development cost will need to be funded by internal funds.

In response to the above challenges, our Group has increased our marketing efforts to increase our local customer base and taking on projects from local car manufacturers and related industries. Further, we have also recruited foreign contract skilled personnel and provided attractive remuneration and a conducive working environment to attract and retain employees. As for our property project, our Group will set aside adequate funds to see the property project to completion.

Management Discussion And Analysis (Cont'd)

TREND AND OUTLOOK

The completion of our rights issue exercise in end 2018 has strengthen our Company's liquidity. This enabled our Group to fund our manufacturing operations and further expand our property development business. Our reputation and track record have helped to open up opportunities in both the precision moulds and property development sector and we will take advantage of these opportunities to gain a strong foothold in the domestic market.

In FYE 31 December 2019, we have intensified marketing efforts to promote our Marina Point property project in Malacca and engaged with financial institutions to better understand our project and to ease end-financing approvals for our property purchasers. Our Group will continue to focus on our mould manufacturing business but within this sector, we have started to develop the local market with the view of becoming a major mould supplier for the domestic car market.

Our Group notes the various measures under Budget 2020 that was announced by the Government to stimulate the economy and in particular, measures to address the issues affecting the lukewarm property market. This include, amongst others, lower threshold on high-rise property prices, easier financing and base year revision for asset acquisition which will result in lower real property gain tax.

The recent Covid-19 pandemic has created many uncertainties and challenges to the global market economy. The pandemic has reduced the average sales of businesses across multiple industries and will have a negative impact on the local property market. As a result of the Covid-19 pandemic and the movement control order imposed by the Government, most of our business operations were temporarily shut down for a period of approximately 2 months. Considering the uncertainties surrounding our domestic current economic and the length and prevalence of the Covid-19 pandemic, the outlook of our Group's business activities for the rest of the year 2020 remains uncertain.

However, the recent unveiling of the Short-Term Economic Recovery Plan in June 2020 is expected to augur well for our property development business. As part of this plan, the Home Ownership Campaign was re-introduced with stamp duty exemption given on the instruments of transfer and loan agreement for the purchase of residential homes priced between RM300,000 to RM2.5 million, subject to at least 10% discounts provided by the developer. This proposed measure would help to stimulate the property market and provide financial relief to home buyers.

Premised on the above, the Board is cautiously optimistic of the future prospects of our Group. Our Group will continue to manage our cash flow prudently and monitor closely the impact of Covid-19 pandemic to our business operations.

DIVIDEND POLICY

The declaration of interim dividends and the recommendation of final dividends are subject to the discretion of our Board and any final dividend for the year is subject to shareholders' approval. Although we have not formulated a dividend policy or payout ratio, we recognise that it is important to reward our investors with dividends. Therefore, it is our intention to pay dividends to shareholders in the future to allow our shareholders to participate in our profits subject to various factors including, amongst others, our financial performance, cash flow requirement, availability of distributable reserves and capital expenditure plans.

As our Company is an investment holding company, our income, and therefore our ability to pay dividends, is dependent upon the dividends and other distributions that we receive from our subsidiaries. The payment of dividends or other distributions by our subsidiaries will depend on distributable profits, operating results, financial condition, capital expenditure plans and other factors that the Board of Directors deems relevant.

AUDIT COMMITTEE REPORT

The principal objective of the Audit Committee of Sanichi Technology Berhad ("Sanichi" or "the Company") is to assist the Board in discharging certain of its statutory duties and responsibilities in relation to financial, accounting and reporting practices and to ensure proper disclosure to the shareholders of the Company.

COMPOSITION

The Audit Committee comprises the following members:-

Chairman

Ong Tee Kein	- Independent Non-Executive Director

Members

Dato' Abd Halim Bin Abd Hamid	- Independent Non-Executive Director
Datin Erdawaty Binti Mohamed *(appointed on 16 December 2019)*	- Independent Non-Executive Director
The late Dato' Sri Ahmad Said Bin Hamdan *(demised on 22 September 2019)*	- Non-Independent Non-Executive Director

TERMS OF REFERENCE

The terms of reference of the Audit Committee is available at the Group's website at www.sanichimould.com

MEETINGS AND ATTENDANCE

There were six (6) Audit Committee meetings held during the financial year ended 31 December 2019.

The details of the attendance is as follows:-

Members	Meeting Attendance
Ong Tee Kein (Chairman)	6
Dato' Abd Halim Bin Abd Hamid	6
Datin Erdawaty Binti Mohamed *(appointed on 16 December 2019)*	2
The late Dato' Sri Ahmad Said Bin Hamdan *(demised on the 22 September 2019)*	2

In carrying out its duties, the Audit Committee reported to and updated the Board on any significant issues of concerns and where appropriate, made necessary recommendations to the Board. The Company Secretary was responsible to record all proceedings and minutes of all meetings of the Audit Committee.

SUMMARY OF WORK OF THE AUDIT COMMITTEE

The following activities were carried out by the Audit Committee during the financial year ended 31 December 2019:-

- reviewed the unaudited quarterly results and annual audited financial statements of the Company and the Group for recommendation to the Board;

- reviewed the Audit Planning Memorandum, the audit plan and scope of the statutory audit of the Company's Financial Statements;

- reviewed reports of the external auditors;

- assessed the integrity, capability and professionalism of the external auditors and reviewed the scope of audit service and their proposed fee;

Audit Committee Report
(Cont'd)

SUMMARY OF WORK OF THE AUDIT COMMITTEE (CONT'D)

The following activities were carried out by the Audit Committee during the financial year ended 31 December 2019 (cont'd):-

- reviewed the internal auditors' scope of work;
- reviewed reports of the internal auditors and followed up on any irregularity and findings;
- reviewed the statement on risk management and internal control and audit findings of the Group's audited financial statements;
- discussed and reviewed with the external auditors, the applicability and impact of the new accounting standards and new financial reporting regime;
- had private dialogues with the External Auditors without the presence of the Executive Directors and the management to enquire on any significant findings and concerns arising from the audit, fraud consideration, if any and/or management cooperation level;
- reviewed any related party transactions, if any;
- reviewed the internal control policy and internal control system;

To ensure that the external auditors' independence is not impaired, the Audit Engagement Partner in charge of the Company is rotated every 5 years. Internally, the external auditors conduct an Independent Partner Engagement quality control review in order to preserve their independence and integrity. The external auditors had also provided written assurance to the Audit Committee they had been independent throughout the audit engagement in accordance with the terms of all relevant professional and regulatory requirements.

The Audit Committee conducted an annual assessment of the performance of the external auditors based on the following criteria:-

- quality of engagement team;
- quality of interaction and communication;
- independence, objectivity and professionalism;
- quality of services; and
- adequacy of resources;

Based on the review, the Audit Committee found that the external auditors have performed professionally and are independent. The Audit Committee recommended the external auditors' re-appointment to the Board to be proposed for shareholders' approval at the forthcoming Annual General Meeting.

Audit Committee Report
(Cont'd)

INTERNAL AUDIT FUNCTION

The Company outsourced its internal audit division to a third party professional firm to assist the Audit Committee in discharging its responsibilities and duties. The role of the internal audit functions is to undertake independent regular and systematic reviews of the system of internal controls so as to provide reasonable assurance that such systems continue to operate satisfactorily and effectively.

The fee (inclusive of government tax) paid to the professional firm in respect of the internal audit functions for the financial year ended 31 December 2019 was RM15,115.

The internal audits cover the review of the adequacy of risk management, operational controls, and compliance with established procedures, guidelines and statutory requirements.

During the financial year under review, the internal auditors had reviewed and performed a Risk Review exercise for Sanichi and selected subsidiaries in the following areas:-

(i) Execution of the approved internal audit plan;

(ii) Presentation of the internal audit findings and recommendations at the Committee meetings; and

(iii) Conducted follow up reviews to ensure action plans are properly and appropriately implemented by the Management.

There were no significant issues in the internal control system during the year under review.

CORPORATE GOVERNANCE
OVERVIEW STATEMENT

The Board of Directors ("Board") of Sanichi Technology Berhad ("Company" or "Sanichi") acknowledges the importance of the principles and recommendations as set out in the Malaysian Code on Corporate Governance ("MCCG"). The Board is fully committed to applying high standards of corporate governance practices throughout the Company and its subsidiaries ("Group") to protect and enhance long-term shareholders' value and all stakeholders' interests.

The Board is pleased to present the Corporate Governance Overview Statement to provide shareholders and investors with an overview of the corporate governance practices of the Company under the leadership of the Board during the financial year ended 31 December 2019 ("FY2019").

This Statement also serves as a compliance with Rule 15.25 of Bursa Malaysia Securities Berhad ("Bursa Securities") ACE Market Listing Requirements ("AMLR") and shall be read together with the Corporate Governance Report ("CG Report") of the Company that provides detailed application for each practice as set out in the MCCG. The CG Report is available on the Company's website and Bursa Securities' website.

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS

1. Board Roles and Responsibilities

The Board leads and manages the Group in an effective and responsible manner as it recognises that it must set the Company's values and standards to ensure that its obligations to its shareholders and other stakeholders are understood and met. The following are the key responsibilities of the Board in discharging its fiduciary duty and leadership functions in the best interest of the Group:

i) Oversee the conduct of the Group's business including evaluating whether the business is being properly managed.

ii) Review and adopt a strategic business plan for the Group and address the sustainability of the Group's business.

iii) Identify principal risks and ensure implementation of an appropriate system to manage these risks.

iv) Ensure that the candidates who are appointed to senior management positions have the necessary qualifications, experience and skills, and that there is an orderly succession of senior management positions.

v) Review the adequacy and integrity of the management information and internal control systems of the Group.

vi) Oversee the development and implementation of shareholder communication policy including an investor relations programme for the Group.

The Board shall at all times reserve full decision-making powers on the following matters:-

i) Approval of corporate, strategic direction or plans, programs and budgets;

ii) Approval of investments in capital projects, new ventures, material acquisition and disposal of undertakings and properties;

iii) Approval of annual budgets, including major capital commitments;

iv) Changes to the Management and control structure within the Group, including key policies;

v) Approval of authority levels and any matters in excess of any authority that it has delegated from time to time to the Managing Director and/or other Management personnel;

Corporate Governance Overview Statement (Cont'd)

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

1. Board Roles and Responsibilities (Cont'd)

The Board shall at all times reserve full decision-making powers on the following matters (Cont'd):-

vi) Review and update of Board Charter and Whistleblowing Policy;

vii) Appointment of all other Board members, Board Committee members, Managing Director, Chief Executive Officer, the Company Secretary and calling of meetings of shareholders;

viii) Announcements including approvals and releases of financial results and annual reports.

2. Separation of Roles of Chairman and Managing Director

The position of Chairman is held by Dato' Abd Halim bin Abd Hamid. The Company does not have a Chief Executive Officer and the position is assumed by the Group Managing Director, Dato' Sri Dr Pang Chow Huat. There is a clear division of responsibilities between the Chairman and the Group Managing Director to ensure that there is a balance in the power and authority in the Board.

The Chairman is responsible for leading the Board, instilling good corporate governance and ensuring its effectiveness. The Chairman also sets the board agenda, ensure the Board members receive complete and accurate information in a timely manner, acts as a facilitator at Board meetings to encourage active participation and ensure that contributions from the directors are forthcoming on matters being deliberated and that no Board member dominates discussions, promote constructive and respectful relations between all Board members and the Management, chairs shareholders meetings and ensure there is an effective communication between the Board and its shareholders and stakeholders. The Managing Director is responsible for implementing the Group's strategies, policies and decisions adopted by the Board and overseeing the operations and business development of the Group.

3. Qualified and Competent Company Secretary

The Board is assisted by a qualified and competent Company Secretary who possesses a vaild Practising Cetificate issued by the Companies Commission of Malaysia and is also a member of professional body, the Malaysian Institute of Chartered Secretaries and Administrators ("MAICSA"). The Board has access to the advice and services of the Company Secretary, the Senior Management staff, the External Auditors and other independent professional at all times in discharging its duties and responsibilities. The Company Secretary is responsible for ensuring that all Board and Board Committees meetings are properly convened in accordance with the Board procedures and terms of reference of the respective Board Committees.

The Company Secretary organises and attends the Board and Board Committees meetings. The records of the Board and Board Committees' deliberations of the issues discussed and conclusions reached are recorded in the minutes of each meeting and kept in the statutory register maintained at the registered office of the Company.

4. Board Meetings and Access to Information

The Board meets at least four (4) times a year to facilitate the discharge of its responsibilities. Additional meetings are convened when urgent and important decisions need to be made between scheduled meetings. The meeting agendas together with the relevant reports and Board and Board Committees papers are furnished to the Directors and Board Committee members well in advance to allow them sufficient time to peruse for effective discussion and decision making during meetings. At the quarterly meetings of the Board, the Board reviews the business performance of the Group and also discusses issues covering financial, operational and regulatory compliance matters. Members of the Management are invited to attend and speak at meetings on matters relating to their sphere of responsibility as and when required.

Corporate Governance Overview Statement (Cont'd)

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

4. Board Meetings and Access to Information (Cont'd)

The Directors, whether as a full Board or in their individual capacities, have full and timely access to all relevant information on the Group's businesses and affairs to discharge their duties effectively. The Directors also have direct access to the advice and services of the Company Secretary and to obtain independent professional advice, whenever necessary, at the expense of the Company.

The Chairman of the Audit Committee informs the Directors at each Board meeting of any salient matters noted by the Audit Committee and which requires the Board's attention or direction. All pertinent issues discussed at Board meetings in arriving at the decisions and conclusions are properly recorded by the Company Secretary by way of minutes of meetings.

There were six (6) Board meetings held during the financial year ended 31 December 2019, with details of Directors' attendance set out below:-

Board Of Directors	Attendance
Dato' Abd Halim Bin Abd Hamid *(Chairman)*	6/6
Dato' Sri Dr Pang Chow Huat	6/6
Ong Tee Kein	6/6
Datin Erdawaty Binti Mohamed *(appointed on 8 July 2019)*	2/6
The late Dato' Sri Ahmad Said Bin Hamdan *(demised on the 22 September 2019)*	2/6

The Directors noted from the recommendations of the MCCG that they must notify the Chairman before accepting any new directorship and to indicate the time expected to be spent on the new appointment. To ensure that the Directors have the time to focus and fulfil their roles and responsibilities effectively, they must not hold directorships at more than five (5) public listed companies and must be able to commit sufficient time to the Company.

The Board is satisfied with the level of time commitment given by the Directors towards fulfilling their roles and responsibilities as Directors of the Company. This is evidenced by the attendance record of the Directors at Board meetings.

The Board is mindful of the importance for its members to undergo continuous training to be apprised on changes to regulatory requirements and the impact that such regulatory requirements have on the Group.

All the Directors of the Company have attended the Mandatory Accreditation Programme within the stipulated timeframe required in AMLR.

5. Board Charter

The Board has in place a Board Charter where the respective roles and responsibilities of the Board, Board Committees, individual Directors and Management as well as the issues and decisions reserved for the Board are clearly stated. The Board Charter is available on the Group's website at www.sanichimould.com.

Corporate Governance Overview Statement (Cont'd)

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

6. Code Of Ethics And Conduct

The Board acknowledges the importance of establishing a corporate culture which govern the standards of business conduct and ethical behaviour expected from the Directors in the performance and exercise of their duties and responsibilities.

The Board observes the Director's Code of Ethics issued by the Companies Commission of Malaysia ("CCM") which includes but is not limited to the following:

i) to act honestly and with integrity;
ii) accountability and responsibility;
iii) compliance with legislation, regulatory and Listing Requirements;
iv) to act in the best interest of the Group;
v) handle actual or potential conflict of interest;
vi) encourage the reporting of unlawful or unethical behaviour;
vii) protect and ensure the proper use of the Company's assets;
viii) recognise importance of corporate social responsibility.

7. Whistleblowing Policy

The Group's Whistleblowing Policy was established with the intention of promoting the highest standards of corporate governance and business integrity. This Policy aims to provide an avenue for employees of the Group and members of the public to raise concerns or make good-faith disclosures and report on any improper conduct within the Group and to take appropriate action to resolve them effectively. The Whistleblowing Policy is available at the Group's website at www.sanichimould.com.

8. Board Composition

The Board has four (4) members, comprising one (1) Executive Director and three (3) Independent Non-Executive Directors. The profile of each Director is set out in this Annual Report.

The Independent Non-Executive Directors make up more than half of the membership of the Board. This composition fulfils the requirements as set out in the AMLR which stipulates that at least two (2) Directors or one-third (1/3) of the Board, whichever is higher, are independent directors and Practice 4.1 of MCCG which recommends that at least half of the Board comprises independent directors.

The Board deems that its composition is appropriate in terms of its membership and size as there is a good mix of skills and experience in the Board membership and no imbalance in power and authority. The Directors, with their differing backgrounds and specialisations, collectively bring with them a wide range of business, commercial and financial knowledge, expertise and skills essential in the management and direction of a corporation with regional presence.

9. Independent Directors

The Board views that the number of its independent directors is adequate to provide the necessary check and balance to the decision-making process. The Independent Directors have fulfilled their role as Independent Directors through participation in the Board's deliberations and the exercise of unbiased and independent judgement.

The Company does not impose a limit on the length of service for both Executive Directors and Non-Executive Directors as the Board believes that continued contribution by Directors provides benefits to the Board and the Group as a whole. The Board believes that the integrity of its Independent Director is not compromised by the long period of serving.

Corporate Governance Overview Statement (Cont'd)

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

9. Independent Directors (Cont'd)

The Board recognises the importance of establishing the criteria on independence to be used in the annual assessment of its Independent Directors. In accordance with the MCCG, the Board must justify and seek shareholders' approval in the event it retains an Independent Director who has served in that capacity for more than twelve (12) years.

During the financial year, the Board has through the Nomination Committee, assessed the independence of its Independent Non-Executive Directors. Dato' Abd Halim Bin Abd Hamid who was appointed on 28 May 2008 had served as Independent Non-Executive Director of the Company for a cumulative term of more than twelve (12) years. The Nomination Committee has recommended to the Board to seek shareholders' approval for him to continue as the Independent Non-Executive Director of the Company based on the following justifications:-

i) He fulfilled the criteria under the definition of Independent Director as stated in the AMLR and, therefore is able to bring independence and objective judgement to the Board;
ii) He understands the business nature and office culture;
iii) He provides the Board with valuable advice and insight, diverse set of skills, experience and expertise;
iv) He actively participates in Board deliberation and decision making in an objective manner; and
v) He does not hold any shares in the Company and does not have any business dealings with the Company, save and except as a Chairman and a member of the Board of Directors and Board Committees of the Company.

Further, the Independent Director can still continue to remain objective and independent in expressing his views and participating in deliberation and decision making of the Board and the Board Committees. The Board is of further view that the length of service of the Independent Director on the Board does not interfere with his independent judgment and ability to act in the best interest of the Group. Practice 4.2 of the MCCG provides that approval of shareholders be sought in the event that the Company would like an independent director who has served in that capacity for more than twelve (12) years to continue in office as an independent director. Hence, the Board will seek shareholders' approval at the forthcoming Annual General Meeting ("AGM") for Dato' Abd Halim Bin Abd Hamid to continue in office as an Independent Director of the Company. Pursuant to the MCCG, the Company would apply the two-tier voting process in seeking shareholders' approval to retain Independent Director beyond twelve (12) years of tenure.

Dato' Abd Halim Bin Abd Hamid had abstained from deliberation in regards to his continuation of office as an Independent Director.

10. Appointment of Board and Senior Management

The Board recognises the importance of having the right mix and skills, different background and experience among its Directors and Senior Management. Appointment of new Board members as well as the re-election of Directors are approved by the Board upon the recommendation of the Nomination Committee. Appointment of the Board and Senior Management are based on objective criteria, merit and due regard for diversity in skills, experience, age and cultural background.

The Nomination Committee will first evaluate the potential candidates and subsequently put up to the Board after assessing their profiles as well as character, skills, experience and their ability to commit sufficient time to the Company's matters.

Pursuant to the Company's Constitution, one-third (1/3) of the Directors including the Managing Director, shall retire from office, at least once every three (3) years. Retiring directors can offer themselves for re-election. Directors who are appointed by the Board during the financial year are subject to re-election by shareholders at the next AGM held following their appointment. Newly appointed Directors shall hold office until the AGM following their appointment and shall then be eligible for re-election by shareholders. During the year, Datin Erdawaty Binti Mohamed was appointed to the Board.

Corporate Governance Overview Statement (Cont'd)

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

11. Gender Diversity Policy

In connection with the gender diversity policy, the Group had met the target by having Datin Erdawaty Binti Mohamed, Independent Non-Executive Director, in the Board. It constitutes 25% women diversity in the Board.

The Board will continue to identify suitable female candidates for appointment to the Board as well as the Senior Management in the event that vacancies for Directors and Senior Management arise or when a decision is made to increase the size of the Board.

12. Board Committees

In discharging its duties, the Board is assisted by the Board Committees namely the Audit Committee, Nomination Committee and Remuneration Committee. Each Committee operates within its respective defined terms of reference which have been approved by the Board and report to the Board with their recommendations. The ultimate responsibility for decision making, however, lies with the Board.

a) Audit Committee ("AC")

The composition, attendance at meeting, summary of work of the AC and summary of work of the internal audit functions are set out in the Audit Committee Report on pages 17 to 19 of this Annual Report.

b) Nomination Committee ("NC")

A NC has been established, with specific terms of reference and comprise exclusively of Independent Non-Executive Directors as follows:-

Chairman
Dato' Abd Halim Bin Abd Hamid - Independent Non-Executive Director

Member
Ong Tee Kein - Independent Non-Executive Director

The Terms of Reference of the NC is made available on the Group's website at www.sanichimould.com.

The NC is primarily responsible for identifying, selecting and recommending the right candidate to the Board, taking into consideration the Board structure, size, composition and the required mix of expertise and experience which the Directors should bring to the Board. It uses various approaches and sources to identify the most suitable candidate. It assesses the effectiveness of the Board as a whole, the Board Committees and the contribution of each Director, including Non-Executive Directors. However, the final decision on the appointment of a candidate recommended by the NC rests with the Board.

At the forthcoming AGM, Mr Ong Tee Kein and Datin Erdawaty Binti Mohamed will retire by rotation pursuant to Articles 85 and 91 of the Company's Constitution and being eligible, have offered themselves for re-election at the forthcoming AGM. Dato' Abd Halim Bin Abd Hamid has served as an Independent Director for a cumulative term of more than twelve (12) years. The Company will apply the two-tier voting process in seeking shareholders' approval at the forthcoming AGM for him to be retained and continue to act as an Independent Director.

Corporate Governance Overview Statement (Cont'd)

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

12. Board Committees (Cont'd)

b) Nomination Committee ("NC") (Cont'd)

A summary of activities undertaken by the NC in the discharge of its duties during the financial year were as follows:-

i) Assessed and evaluated the level of independence of the Independent Director and his tenure of service as Independent Director of the Company;
ii) Evaluated the Board and Board Committees to assess their structure, composition, size, mix of skills, experience, roles and responsibilities;
iii) Reviewed the effectiveness of the Board as a whole;
iv) Reviewed the performance and effectiveness of the AC and each member of the AC;
v) Assessed and recommended to the Board for consideration, the appointment of Datin Erdawaty Binti Mohamed as Director of the Company; and
vi) Reviewed and recommended to the Board those Directors who are eligible to stand for re-election pursuant to Articles 85 and 91 of the Company's Constitution.

All assessments and evaluations carried out by the NC were properly documented.

c) Remuneration Committee ("RC")

A RC has been established by the Board, comprising a majority of Independent Non-Executive Directors as follows:

Chairman

Ong Tee Kein	-	Independent Non-Executive Director

Member

Dato' Abd Halim Bin Abd Hamid	-	Independent Non-Executive Director
Dato' Sri Dr Pang Chow Huat	-	Executive Director and Group Managing Director

The Group aims to provide fair and competitive remuneration to its Board and Senior Management which are sufficient to attract and retain the Directors and Senior Management team needed to run the Group successfully.

The RC is entrusted under its terms of reference to assist the Board, amongst others, to recommend to the Board the remuneration of Executive Directors. The remuneration packages for the Executive Directors and Senior Management comprise a fixed and variable components together with benefits-in-kind, if any, taking into consideration the Company/Group's performance, the individual performance as well as the required qualification, skills, experience and comparable market statistics.

Corporate Governance Overview Statement (Cont'd)

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

12. Board Committees (Cont'd)

c) Remuneration Committee ("RC") (Cont'd)

When reviewing the structure and level of Directors' fees, the RC takes into consideration the Directors' roles and level of responsibilities undertaken by the Non-Executive Directors concerned. The Non-Executive Directors received a fixed fee and meeting allowance for each Board and Board Committee meetings that they attended. The fees for Directors are determined by the Board with the approval from the shareholders at the AGM.

In all instances, deliberations were conducted with the Directors concerned abstaining from discussions on their individual remuneration. The Board through the RC has recognized that a formal remuneration framework or policy for Directors and Senior Management will continue to be one of the area for further deliberation in the financial year ending 31 December 2020.

Details of Directors' remuneration for the financial year ended 31 December 2019 are as follows:-

	GROUP			COMPANY		
	Salaries & Bonus* (RM)	Benefits-in-kind (RM)	Total (RM)	Directors Fees (RM)	Meeting Allowances (RM)	Total (RM)
Executive Director						
Dato' Sri Dr Pang Chow Huat	407,810	–	**407,810**	–	–	–
Non-Executive Director						
Dato' Abd Halim Bin Abd Hamid	66,000	–	**66,000**	66,000	–	**66,000**
Ong Tee Kein	60,000	–	**60,000**	60,000	–	**60,000**
Datin Erdawaty Binti Mohamed	30,000	–	**30,000**	30,000	–	**30,000**
The late Dato' Sri Ahmad Said Bin Hamdan (demised on 22.09.2019)	36,000	–	**36,000**	36,000	–	**36,000**
Total	**599,810**	**–**	**599,810**	**192,000**	**–**	**192,000**

* The Salaries and Bonus includes employer's contribution to the Employees Provident Fund (EPF).

Senior Management Remuneration

The range of remuneration of the top two (2) senior management for the year ended 31 December 2019 which includes salary and other emoluments are as follows:-

Range of remuneration during the year	Number of senior management
RM200,000 - RM450,000	2

The Board is of the opinion that disclosure on named basis is not required due to security and privacy reasons and the disclosures presented above is sufficient to allow shareholders to make an informed decision.

Corporate Governance Overview Statement (Cont'd)

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

13. Directors' Training

All the Directors have attended and successfully completed the Mandatory Accreditation Programme ("MAP") required by Bursa Securities.

The following were training programmes attended by the Directors in 2019:-

	Directors	Training/Seminar
1.	Dato' Abd Halim Bin Abd Hamid	• Financing the SDGs: Private Sector Role
2.	Dato' Sri Dr Pang Chow Huat	• Corporate Liability on Corruption under Malaysian Anti-Corruption Act 2009
3.	Ong Tee Kein	• MIA Public Practice Programme 2019 • Financial Reporting & Disclosure Obligations – What Directors & Management Need to Know
4.	Datin Erdawaty Binti Mohamed	• Mandatory Accreditation Programme

The Board recognises the importance of continuous training for Directors to enable them to discharge their duties effectively. The Directors undergo training programme and seminars from time to time and as when necessary to constantly update themselves and keep abreast with industrial sector issues, the current and future developments of the Group's business and industry that may affect their roles and responsibilities.

The Board is also updated by the Company Secretary on the latest update/amendments on AMLR, MCCG and other regulatory requirements relating to the discharge of the Directors' duties and responsibilities periodically

PRINCIPLE B - EFFECTIVE AUDIT AND RISK MANAGEMENT

1. Effective and Independent Audit Committee

In assisting the Board to discharge its duties on financial reporting, the Board has established an Audit Committee, comprising Non-Executive Directors, with Mr Ong Tee Kein as its Chairman. The composition of the Audit Committee, including its roles and responsibilities, are set out in the Audit Committee Report of this Annual Report. One of the key responsibilities of the Audit Committee in its terms of reference is to ensure that the financial statements of the Group and Company comply with applicable financial reporting standards in Malaysia. Such financial statements comprise the quarterly results and annual financial statements which is reviewed by the Audit Committee and recommended to the Board for approval prior to public release vide Bursa Securities.

2. Former Key Audit Partner Cooling-Off Period

Currently, there are no members of the Audit Committee who are former key audit partner of the Company.

3. Relationship with External Auditors

The Board has a formal and transparent relationship with the External Auditors through the Audit Committee. The Audit Committee meets with the External Auditors to discuss and review the audit plan, external audit fieldwork, statement on risk management and internal control, audit findings and the Group's audited financial statements. The Audit Committee also had private dialogues with the External Auditors without the presence of the Executive Directors and the Management.

The Audit Committee conducted an annual assessment of the independence and effectiveness of the external auditors and the areas of assessment included the objectivity and independence, calibre, size, audit fees and competency of the audit team.

In assessing the independence of External Auditors, the Audit Committee requires written assurance by the External Auditors, confirming that they are, and have been, independent throughout the conduct of the audit engagement with the Company in accordance with the independence criteria set out by the International Federation of Accountants and the Malaysian Institute of Accountants.

Corporate Governance Overview Statement (Cont'd)

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

4. Effective Risk Management and Internal Control Framework

The Board is updated through the Audit Committee on the Group's internal control system which encompasses risk management practices as well as financial, operational and compliance controls / system of internal controls and risk management process, as well as appropriateness and effectiveness of the corporate governance practices. Ongoing reviews are performed throughout the year to identify, evaluate, monitor and manage significant risks affecting the business and ensure that adequate and effect controls are in place. The issues on risks were also discussed by the Management with the Managing Director who would articulate risks associated with projects and investment, including any risk exposure that the Group faced in its operations. It is a continuous review process and hence, was reviewed and conducted by the Group's outsourced Internal Auditors who reports directly to the Audit Committee. The Internal Auditors will report the findings to the Audit Committee. The key features of the Risk Management and Internal Control Framework are set out in the Statement on Risk Management and Internal Controls on pages 33 to 35 of this Annual Report.

5. Internal Audit Functions

The internal audit functions is set out on pages 34 and 35 of the Annual Report.

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

1. Communication with Stakeholders

The Company recognises the importance of effective communication with its shareholders and does this through the Annual Report, AGM, various disclosures, press releases and announcements made to Bursa Securities and the Company's corporate website.

2. Notice of AGM and Conduct of General Meeting

The AGM, which is the principal forum for shareholder dialogue, allows shareholders to review the Group's financial performance and business strategies via the Company's Annual Report. The Notice of AGM is sent to shareholders at least 28 days prior to the date of the meeting to give sufficient time to the shareholders and to enable them to go through the Annual Report and papers supporting the resolutions proposed. The Notice of AGM which sets out the businesses to be transacted at the AGM is also published in major local newspaper. Shareholders are invited to ask questions on the resolutions being proposed before putting a resolution to vote as well as matters relating to the Group's operations in general. The Board, Board Committees and the External Auditors were present to provide their clarification on the queries raised by the shareholders. All the resolutions set out in the Notice of the last AGM were put to vote by poll and the outcome of AGM was announced to Bursa Securities on the same meeting day.

The Board recognises the importance of being transparent and accountable to the Company's investors and, as such, has various channels to maintain communication with them. The various channels of communications are through the quarterly announcements of financial results to Bursa Securities, relevant announcements and circulars, when necessary, the Annual and Extraordinary General Meetings and through the Group's website, where shareholders can access pertinent information concerning the Group.

The Board recognises that there are always opportunities for improvement in its corporate governance activities in order for the Group to continue to create trust and confidence amongst stakeholders.

The Board is satisfied that this Corporate Governance Overview Statement provides the information necessary to enable shareholders to evaluate how the MCCG has been applied and obligation are fulfilled under the Code and AMLR throughout 2019.

Corporate Governance Overview Statement (Cont'd)

STATEMENT BY THE BOARD ON CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Company shall continue to refine and seek to build upon the enhanced corporate governance practices and procedures in the best interest of all our stakeholders.

The Company has in all material aspects satisfactorily complied with the principles and practices set out in the MCCG, except for the departures set out in the CG Report.

This Corporate Governance Overview Statement is made in accordance with the resolution of the Board dated 19 June 2020.

ADDITIONAL COMPLIANCE INFORMATION

STATUS OF UTILISATION OF PROCEEDS

(i) The Company had raised RM73.86 million from the issuance of 738,658,516 new ordinary shares at an issue price of RM0.10 per share and issuance of 369,329,241 Warrants E in the Company. The status of the utilisation of proceeds as at 31 December 2019 are as follows:-

Purpose	Proposed Utilisation RM'000	Actual Utilisation as at 31/12/2019 RM'000	Balance Unutilised RM'000	Intended Timeframe for Utilisation
Property development activities	60,000	26,278	33,722	Within thirty-six (36) months
Working capital	12,946	12,946	–	Up to twelve (12) months
Estimated expenses for the corporate exercise	920	920	–	Immediate
Total	**73,866**	**40,144**	**33,722**	

AUDIT AND NON-AUDIT FEES

The amount of audit fees and non-audit fees paid or payable to the Company's external auditors, Messrs Al Jafree Salihin Kuzaimi PLT and Messrs ChengCo PLT by the Group and the Company for the financial year ended 31 December 2019 are as follows:-

	Group RM'000	Company RM'000
Audit fees	221	100
Non-audit fees	–	–
Total	221	100

MATERIAL CONTRACTS INVOLVING DIRECTORS' AND MAJOR SHAREHOLDERS' INTEREST

There were no material contracts entered into by the Company and its subsidiaries involving Directors' and major shareholders' interests.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

The Board of Directors ("the Board") of Sanichi Technology Berhad ("Company" or "Sanichi") is committed to maintain a sound risk management and internal control system. The Group will continue to take appropriate steps to strengthen the risk management and internal control system.

The Board of Sanichi is pleased to provide the following Statement on Risk Management and Internal Control, which outlines the nature and scope of risk management and internal control of the Group for the financial year ended 31 December 2019.

BOARD'S RESPONSIBILITY

The Board acknowledges its overall responsibility for the Group's system of risk management and internal controls and the need to review its adequacy and effectiveness so as to safeguard all its stakeholders' interests. The system of risk management and internal controls include operational, financial and compliance controls.

However, the limitation that are inherent in any system of internal control system is designed to manage rather than eliminate the risk of failure to achieve the Group's objectives and the system by its nature can only provide reasonable but not absolute assurance against material misstatement, fraud or loss.

RISK MANAGEMENT

The Board maintains an on-going commitment for identifying, evaluating and managing significant risks for the Group during the financial year under review and up to the date of approval of this Statement.

The Board intends to form a risk management committee to oversee the risk management process of the Group in due course. Key Management staff and Head of Departments will be delegated the responsibility to manage identified risks within defined parameters and standards. In addition, key risk profiles will be put in place in order to identify, evaluate and manage key risks faced by the Group.

During the financial year under review, Management with the assistance of the external consultants, Messrs Kloo Point Risk Management Services Sdn Bhd has performed a risk management review which includes the following:

- Defining a yearly understanding of risk classification tolerance
- Identifying key risk affecting business objectives and strategic plans
- Identifying changes to risks or emerging risks and promptly bringing these to the attention of the Board where appropriate
- Identifying and evaluating existing controls
- Update the Group Key Risk Profile

The Risk management process will be managed and modelled largely on the ISO 31000:2018 Risk Management – Principles and Guidelines, which will be implemented across the Group.

Internal controls and risk-related matters which warrant the attention of the Board will be recommended by the Audit Committee to the Board for its review and approval, and decisions made by the Audit Committee will be escalated to the Board for its notation.

Statement on Risk Management and Internal Control (Cont'd)

RISK MANAGEMENT (CONT'D)

The Group's activities expose it to a variety of risks, including strategic risk, foreign exchange risk, customer risk, credit risk and market risk. The Board regularly reviews these risks as summarised below:

(i) Strategic risk

Strategic risks are external events that has the potential to materially affect the achievement of Board's strategic objectives which is beyond the Board's control. The Board monitors the risk regularly.

(ii) Foreign exchange risk

The Group is exposed to foreign currency risk on sales that are denominated in a currency other than Ringgit Malaysia. The currency giving rise to this risk are primarily in USD and EURO. The Board and the Management review and monitor the exchange rate quarterly to mitigate the risk.

(iii) Customer risk

The Group is exposed to customer risk as dependent on certain specific customer base which implications for business' viability. Management maintains good relationship with existing customers and expand to new market through agency or local consultants.

(iv) Credit risk

Credit risk is the risk of financial loss if a customer or counterparty to a financial instrument fails to meet its contractual. Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis.

(v) Market risk

Market risk refers to decline in market demand due to unstable economic conditions. Management has implemented promotional and incentive rebate plan to attract the buyers for property division.

INTERNAL AUDIT FUNCTION

The Board acknowledges the importance of the Internal Audit function and has in place such a function which reports directly to the Audit Committee ("AC"). The principal objective of the Internal Audit function is to assess the adequacy, integrity and effectiveness of the Group's internal control system.

The Group's internal audit function is outsourced to an independent professional firm. The independent professional firm supports the AC, and by extension, the Board, by providing an independent assurance on the effectiveness of the Group's systems of internal control.

The internal audit plan entails the audit scope and coverage based on a risk-based approach and is approved by the Audit Committee. For the financial year, the outsourced internal audit function has carried out the audit on the Property Division: Billing and Collection Process based on the internal audit plan approved by the Audit Committee.

The internal audit report is presented to the AC who in turn reports to the Board on its activities, significant audit results or findings and the necessary recommendations or actions needed to be taken by the management to rectify highlighted issues. The cost incurred by the Group for the internal audit function during the financial year was RM15,115.

Statement on Risk Management and Internal Control (Cont'd)

INTERNAL AUDIT FUNCTION (CONT'D)

In order to achieve a sound control environment, the key elements in the framework of the Group's internal control systems are described as follows:

- The Group has a well-defined organisation structure with clear lines of reporting responsibility which is aligned to the Group's business and operational requirements. The proper segregation of duties and responsibilities to eliminate the incidence of an employee having a total control of a business process.
- Senior Management, comprising the Group Managing Director, Group General Manager and Operations Managers, assumed an active management and decision making role in the day-to-day operations of the Group.
- The Group maintained documented policies and rules in terms of hiring and termination of employees, performance appraisal and staff complaints to ensure satisfaction and efficiency on the workplaces of the Group.
- Other than Board meetings, monthly management and operational meetings are held to ensure activities and risk mitigation actions are executed as proposed and to keep the Board updated on the Group's activities.
- The Group maintained sufficient insurance coverage for the Group's major assets against theft, disaster and loss of income that may result in material losses. It is to safeguard the best interest of its stakeholders.
- The Group maintained an open communication channel between the Board, Senior Management, accountants and the auditors (both internal and external) to ensure timely conveyance of information for internal control disclosures and financial reporting.
- The Group actively review next year's internal audit plan.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

The External Auditors, Messrs Al Jafree Salihin Kuzaimi PLT, have performed limited assurance procedures on the Statement in accordance with Audit and Assurance Practice Guide ("AAPG") 3, Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report.

Messrs Al Jafree Salihin Kuzaimi PLT have reported to the Board that nothing has come to their attention that caused them to believe that the Statement included in the Annual Report is not prepared, in all material respects, in accordance with the disclosures required by Paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers, nor is the Statement factually inaccurate.

CONCLUSION

Several internal control improvements and risk areas were identified by the internal auditors during the financial year ended 31 December 2019. These were reviewed by the AC and the Board and then were closely monitored by the Management to ensure the integrity of internal controls and minimisation of risks. The Board and the Management will continue to take adequate measures to strengthen the control environment in which the Group operates and review next year's audit plan.

This Statement is made in accordance with the resolution of the Board dated 19 June 2020.

SUSTAINABILITY STATEMENT

INTRODUCTION

Our Group strives to sustain economic and social growth while ensuring minimal impact on the environment in a responsible and ethical manner. We aim to inculcate the ethos of conducting business in a socially responsible and ethical manner, create a conducive working environment for our employees and to incorporate, wherever possible, the expectations of our stakeholders in our business activities.

Our Group emphasises on the following core areas of sustainability:-

1. **Economic sustainability matters**

   As a manufacturing company, we operate in complex, fast changing and disruptive environment. Against this backdrop, we strive to maintain a sustainable business that benefits all our stakeholders by focusing on the following:

   (i) Leveraging on technical competence

   We are accredited as a preferred contractor by several motor vehicle companies that manufacture premium brands. This status gives us a strong competitive edge in bidding for new contracts. We strive actively to maintain this accreditation by practicing stringent quality control in our manufacturing processes to meet customers' expectations.

   (ii) Operations infrastructure

   We apply advanced technologies in our design and manufacturing processes, which allows us to take on complex assignments. This differentiates us from other mould manufacturing companies in the country. Our operations are ISO-certified and are periodically audited by our customers. We invite external consultants to review our production processes from time to time to ensure our operations are up to mark. All these contribute towards ensuring that our operations meet the standards required of our customers and ensure that we continue to secure projects from them in the long term.

   (iii) New markets

   Historically, we have been dependent on our overseas markets as the main source of revenue. To reduce our dependence on overseas markets which can be volatile, we have been developing our domestic market and are making good headway with local motor vehicle manufactures and related companies. We strive to achieve a more diversified market to ensure long term revenue sustainability for the Group.

   (iv) New business

   We have also invested into a property development project in Malacca and this is expected to complete by 2021. It is intended that our Group will retain part of the developed project for rental and lease income. This will ensure a continuing stream of income for our Group in the long term.

   In December 2019, we have also announced that we will be developing a halal gelatin plant certifed by Malaysian Islamic Development Department (JAKIM) and the first halal gelatin industrial park, to be known as Melaka Halal Gelatin Industrial Park. The plant is intended to produce applications across various industries including food, pharmaceutical, cosmetics, industrial and films such as roll films and x-ray films. This project has yet to commence construction at this juncture.

   In May 2020, we announced that we will be developing air ventilators in collaboration with AT Systematization Bhd, PNE PCB Berhad and Arzon Solar LLC ("ARZ") through a joint venture with the aforementioned parties. ARZ will own 10% equity interest in the jointly-controlled entity while the remaining 90% equity interest will be split equally between Sanichi, AT Systematization Bhd and PNE PCB Berhad. The development of the air ventilators is expected to generate a new revenue stream for our Group following the surge in demand for air ventilators due to the Covid-19 pandemic.

   The above new projects by our Group are expected to contribute new income sources and allow us to have less reliance on our mould manufacturing business.

Sustainability Statement
(Cont'd)

2. Environmental sustainability matters

The Group is cognisant of the need for environmental protection and has inculcated this aspect into our operations and corporate culture. The initiatives taken by our Group in this regard include introducing environmental awareness program and constant reminders to our employees to reduce wasteful consumption of electricity in all of our offices and manufacturing plant. This is supported by the use of energy saving LED lightings to replace traditional lightings, investment into better waste handling equipment on our factory floor and use of recycled paper, wherever possible.

To reduce the use of paper, we encourage our employees to use digital storage and filing. We adopted a stringent water management initiative to reduce wasteful consumption of water in our Group. The measures taken in this respect include regular maintenance of water taps and piping to prevent water leakage and creating awareness for the need to converse water among employees.

3. Social sustainability matters

(i) Workplace

The safety and wellbeing of our employees are an important priority to our Group as we recognise their role in creating value to our Group and shareholders. In this regard, we have policies and practices to cater for the best interests of our employees. One such example is that we do not impose excessive working hours on our employees and we practice equal opportunity for male and female employees.

On our production floor and our property construction sites, we have stringent safety rules and procedures to prevent accidents and we regularly conduct fire safety drills. Further, our technicians and production team as well as employees for our property development business are given training that are specific to their roles for them to remain competent in their job functions.

Our Group also organises in-house seminars for employees and reimburse employees for the cost of external courses and seminars attended by them to improve their skills and employability. The company also organizes social events for employees during major festivals.

(ii) Community

We recognise the need to engage with the wider community, including our shareholders, customers and suppliers. Through our website, we disseminate information on our Group to investors and members of the public. For shareholders, there are also opportunities for engagement with management at annual general meetings.

We have a fair-trade policy where our suppliers are assured of a reasonable margin and prompt payment when dealing with us. We also visit our customers regularly to get feedback on the quality of our service and products and invite major customers to visit our production facilities to review our production processes and to build rapport with them. During the period under review, we have also sponsored a local community event i.e. local basketball competition.

STATEMENT OF DIRECTORS' RESPONSIBILITY

The Directors are required to prepare the financial statements for each financial year which gives a true and fair view of the state of affairs of the Group and the Company at the end of the financial year and the results and cash flow of the Group and of the Company for the financial year. As required by the Companies Act 2016 and the ACE Market Listing Requirements of the Bursa Malaysia Securities Berhad, the financial statements have been prepared in accordance with the applicable approved accounting standards in Malaysia.

In preparing the financial statements, the Board had ensured the following:-

- Applied the appropriate and relevant accounting policies on a consistent basis;
- Made reasonable and prudent judgments and estimates; and
- Applicable approved accounting standards in Malaysia have been followed.

The Directors are responsible for ensuring that proper accounting records are kept which disclose with reasonable accuracy the financial position of the Group and comply with the Companies Act 2016.

The Directors are also overall responsible for taking reasonable steps to safeguard the assets of the Group, to prevent and detect fraud and other irregularities.

This statement is made in accordance with the resolution of the Board dated 19 June 2020.

FINANCIAL **STATEMENTS**

DIRECTORS' REPORT

For the Financial Year Ended 31 December 2019

The directors hereby submit their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2019.

Principal Activities

The principal activities of the Company are investment holding and the provision of management services. The principal activities of the subsidiaries are set out in Note 5 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

Results

	Group RM	Company RM
Net loss for the financial year from continuing operations	(20,720,961)	(2,327,213)
Net loss for the financial year from discontinued operations	-	-
	(20,720,961)	(2,327,213)
Loss attributable to:		
Owners of the Company	(20,531,476)	(2,327,213)
Non-controlling interests	(197,997)	-
	(20,729,473)	(2,327,213)

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

Dividends

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

Reserves and Provisions

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

Directors' Report
(Cont'd)

Issue of Shares and Debentures

There were no changes in the issued and paid-up capital of the Company during the financial year.

There were no debentures issued during the financial year.

Directors

The directors in office during the financial year and during the period from the end of the financial year to the date of report are:

Dato' Sri Dr. Pang Chow Huat
Dato' Abd Halim Bin Abd Hamid
Ong Tee Kein
Datin Erdawaty Binti Mohamed

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

Datin Sri Chen Choon Lee
Robert Garretson
Hafizah Binti Hussein
Hashim Bin Yusoff
Shahrol Azizie Bin Azmi
Ho Jien Shiung
Emeir Abi Aufa (Resigned on 8 January 2020)
Saifulrizam Bin Zainal (Resigned on 8 January 2020)
Datuk Ahmad Hizzad Bin Baharuddin (Resigned on 8 January 2020)

Directors' Interests

According to the register of directors' shareholdings required to be kept under Section 59 of the Companies Act 2016, the directors who held office at the end of the financial year and their interest in the Company during the financial year were as follows:

	Number of ordinary shares			
	At 1.1.2019	**Bought**	**Sold**	**At 31.12.2019**
Dato' Sri Dr. Pang Chow Huat				
- direct interest	110,346,167	-	-	110,346,167
- deemed interest	3,867,718	-	-	3,867,718

Directors' Report
(Cont'd)

Directors' Interests(Cont'd)

By virtue of his interests in shares of the Company, Dato' Sri Dr. Pang Chow Huat is also deemed interested in shares of all the Company's subsidiaries to the extent the Company has an interest.

None of the other directors in office at the end of the financial year had any interest in the ordinary shares and options over shares of the Company during the financial year.

Directors' Benefits

Since the end of the previous financial period, no director of the Company has received or become entitled to receive any benefit (other than the benefits shown under Directors' remuneration) by reason of a contract made by the Company with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

Neither during, nor at the end of the financial year, did there subsist any arrangement to which the Company was a party whereby the directors might acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Directors' Remuneration

The details of the directors' remuneration are disclosed in Note 31(a) to the financial statements.

Other Statutory Information

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

(a) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts, and had satisfied themselves that all known bad debts have been written off and that adequate allowance has been made for doubtful debts in the financial statements of the Group and of the Company; and

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

Directors' Report
(Cont'd)

Other Statutory Information (Cont'd)

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

(a) which would render the amount written off for doubtful debts inadequate to any substantial extent or require the making of allowance for doubtful debts in the financial statements of the Group and of the Company; 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 and render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or

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

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

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

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

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

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

Indemnities to Directors, Officers or Auditors

There was no indemnity given to or insurance effected for any director, officer or auditors of the Group and of the Company during the financial year.

Directors' Report
(Cont'd)

Auditors' Remuneration

The details of the auditors' remuneration are disclosed in Note 27 to the financial statements.

Auditors

The auditors, Al Jafree Salihin Kuzaimi, have expressed their willingness to continue in office.

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

…………………………………………………..
Dato' Sri Dr. Pang Chow Huat
Director

…………………………………………………..
Ong Tee Kein
Director

Date: 28 May 2020

STATEMENT BY **DIRECTORS**

(Pursuat to Section 251(2) of the Companies Act 2016)

We, Dato' Sri Dr. Pang Chow Huat and Ong Tee Kein, being two of the directors of Sanichi Technology Berhad, do hereby state on behalf of the directors that in our opinion, the financial statements as set out on pages 51 to 134, 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 31 December 2019 and of their financial performance and their cash flows of the Group and of the Company for the financial year ended on that date.

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

……………………………………………………….	………………………………………………
Dato' Sri Dr. Pang Chow Huat	**Ong Tee Kein**
Director	Director

Date: 28 May 2020

STATUTORY **DECLARATION**

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

I, Dato' Sri Dr. Pang Chow Huat, being the director primarily responsible for the financial management of Sanichi Technology Berhad, do solemnly and sincerely declare that the financial statements as set out on pages 51 to 134, are to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared at)
Puchong in the State of Selangor Darul)
Ehsan)
on this 28 May 2020

………………………………………………
Dato' Sri Dr. Pang Chow Huat
Director

Before me,

Noor Hanani Binti Musa
COMMISSIONER OF OATHS

INDEPENDENT AUDITORS' REPORT
to the Members of Sanichi Technology Berhad

Opinion

We have audited the financial statements of SANICHI TECHNOLOGY BERHAD, which comprise the statements of financial position as at 31 December 2019, and the statements of comprehensive income, statements of changes in equity and statements of cash flows the Group and the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 51 to 134.

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

Basis for Opinion

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

Independence and Other Ethical Responsibilities

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

Key Audit Matters

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

Independent Auditors' Report
(Cont'd)

Key Audit Matters (Continued)

Key audit matters	**How our audit addressed the key audit matters**
Revenue recognition In accordance with MFRS 15 Revenue from Contracts with Customers, the analysis of whether the contracts comprise one or more performance obligations, allocation of transaction prices to one or more performance obligations and the determination whether the performance obligations are satisfied over time or at a point in time are areas requiring significant management judgement. There is a risk of error in the measurement and timing of revenue recognition due to either inappropriate assessment of the performance obligations and/or inaccurate allocation of transaction price to various performance obligations. Furthermore, significant judgement is required in estimating the cost to complete the performance obligation satisfied over time using the input method. The Group's accounting policies and disclosures on revenue recognition based on percentage of completion method are disclosed in respectively to the financial statements.	Our procedures included, amongst others: • We have agreed the contract price in the output method calculation to the latest contract and variation orders; • We evaluated the appropriateness of the basis of the approved budget with the management and discussed and challenged the significant basis applied in their budget; • We have selected samples based on materiality to vouch for the actual cost incurred during the year to ensure existence and completeness actual cost incurred; • We have agreed the revenue recognised during the year by recompute the percentage of completion certified by professional valuer to ensure the accuracy of the revenue recognised during the year.

Information Other than the Financial Statements and Auditors' Report Thereon

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

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

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

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

Responsibilities of the Directors for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

Independent Auditors' Report
(Cont'd)

Auditors' Responsibilities for the Audit of the Financial Statements (Continued)

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

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

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

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

- 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 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.

Independent Auditors' Report (Cont'd)

Auditors' Responsibilities for the Audit of the Financial Statements (Continued)

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

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

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law and 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 also report that:

(a) in our opinion, the accounting and other records and the registers required by the Act to be kept by the Group and the Company have been properly kept in accordance with the provisions of the Act.

(b) We are satisfied that the accounts of the subsidiary company that have been consolidated with the financial statements of the Group, and we have received satisfactory information and explanations as required by us for those purpose; and

(c) The auditors' report on the account of the subsidiary company were not subject to any qualification and did not include any adverse commend made under Sub-section (3) of Section 266 of the Act.

Independent Auditors' Report
(Cont'd)

Other matters

The financial statements of the Group and the Company for the year ended 31 December 2018 were audited by another auditors whom have expressed an unmodified opinion on these statements on 25 April 2019.

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.

AL JAFREE SALIHIN KUZAIMI PLT
(AF 1522)
CHARTERED ACCOUNTANTS

AHMAD ALJAFREE BIN MOHD RAZALLI
NO. 01768/05/2021 J
CHARTERED ACCOUNTANT

Dated:

Selangor, Malaysia

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2019

		Group		Company	
	Notes	2019 RM	2018 RM	2019 RM	2018 RM
ASSETS					
Non-current assets					
Property, plant and equipment	4	84,694,289	41,329,391	-	-
Investment in subsidiaries	5	-	-	1,512,559	1,512,211
Right of use	6	33,568	-	-	-
Other investments	7	5,303,250	555,000	3,855,000	555,000
		90,031,107	41,884,391	5,367,559	2,067,211
Current assets					
Inventories	8	63,113,016	58,509,852	-	-
Trade and other receivables	9	63,469,356	44,743,532	133,989,607	112,109,341
Contract assets	10	-	921,101	-	-
Current tax assets		110,090	10,106	-	-
Cash and cash equivalents	11	99,577,476	132,620,857	97,725,920	125,515,308
		226,269,938	236,805,448	231,715,527	237,624,649
Assets classified as held for sale	12	-	17,910	-	-
		226,269,938	236,823,358	231,715,527	237,624,649
TOTAL ASSETS		316,301,045	278,707,749	237,083,086	239,691,860
EQUITY AND LIABILITIES					
EQUITY					
Share capital	13	169,346,690	169,343,161	169,346,690	169,343,161
Retained profits		61,002,462	65,522,352	48,921,596	35,237,223
Other reserves	14	8,354,809	24,357,883	9,233,231	25,244,817
Shareholders' equity		238,703,961	259,223,396	227,501,517	229,825,201
Non-controlling interests		1,265,503	1,463,500	-	-
TOTAL EQUITY		239,969,464	260,686,896	227,501,517	229,825,201
Non-current liabilities					
Borrowings	18	36,175,651	1,889	-	-
Deferred tax liabilities	23	192,031	823,641	-	-
		36,367,682	825,530	-	-

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

Statements of Financial Position (Cont'd)

	Notes	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
EQUITY AND LIABILITIES (CONT'D)					
Current liabilities					
Trade and other payables	21	37,472,699	15,707,766	9,581,569	9,745,777
Borrowings	18	1,722,916	730,940	-	-
Provision	22	768,284	117,971	-	-
Current tax liabilities		-	628,027	-	120,882
		39,963,899	17,184,704	9,581,569	9,866,659
Liabilities classified as held for sale	12	-	10,619	-	-
		39,963,899	17,195,323	9,581,569	9,866,659
TOTAL LIABILITIES		76,331,581	18,020,853	9,581,569	9,866,659
TOTAL EQUITY AND LIABILITIES		316,301,045	278,707,749	237,083,086	239,691,860

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

STATEMENTS OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
For the Financial Year Ended 31 December 2019

		Group		Company	
		2019	2018	2019	2018
	Notes	RM	RM	RM	RM
Continuing Operations					
Revenue	24	21,487,655	31,067,566	-	-
Cost of sales		(20,835,415)	(23,008,498)	-	-
Gross profit		652,240	8,059,068	-	-
Other operating income	25	9,752,080	2,835,131	4,128,020	2,147,442
General and administration expenses		(31,126,663)	(26,828,477)	(5,877,260)	(39,985,766)
Finance costs	26	(32,377)	(186,912)	-	-
Loss before tax from continuing operations	27	(20,754,720)	(16,121,190)	(1,749,240)	(37,838,324)
Taxation	28	25,247	963,896	(577,973)	(401,686)
Net loss after tax from continuing operations		(20,729,473)	(15,157,294)	(2,327,213)	(38,240,010)
Discontinued Operations					
Loss from discontinued operations, net of tax	29	-	(839,861)	-	-
Net loss for the financial year		(20,729,473)	(15,997,155)	(2,327,213)	(38,240,010)

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

Statements of Profit or Loss and Other Comprehensive Income (Cont'd)

		Group		Company	
		2019	2018	2019	2018
	Notes	RM	RM	RM	RM
Items that may be reclassified subsequently to profit or loss					
Foreign currency translation from					
continuing operations		8,512	(51)	-	-
discontinued operations		-	1,054,330	-	-
Other comprehensive income/ (loss) for the financial year/period, net of tax		8,512	1,054,279	-	-
Total comprehensive loss for the financial year		(20,720,961)	(14,942,876)	(2,327,213)	(38,240,010)
Loss attributable to:					
Owners of the Company		(20,531,476)	(15,939,459)	(2,327,213)	(38,240,010)
Non-controlling interests		(197,997)	(57,696)	-	-
		(20,729,473)	(15,997,155)	(2,327,213)	(38,240,010)
Total comprehensive loss attributable to:					
Owners of the Company		(20,522,964)	(14,885,180)	(2,327,213)	(38,240,010)
Non-controlling interests		(197,997)	(57,696)	-	-
		(20,720,961)	(14,942,876)	(2,327,213)	(38,240,010)

	2019	2018
	Sen	Sen
Loss per share (sen)		
Basic:		
- Continuing operations	(1.87)	(3.54)
- Discontinued operations	-	(0.20)
Diluted:		
- Continuing operations	(1.35)	(3,54)
- Discontinued operations	-	(0.20)

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

STATEMENTS OF CHANGES IN EQUITY

For the Financial Year Ended 31 December 2019

Group	Attributable to owners of the Company					
	Non-distributable			Distributable		
	Share capital RM	Foreign currency translation reserve RM	Warrant reserve RM	Retained profits RM	Non-controlling interest RM	Total RM
2019						
At 1 January 2019	169,343,161	(886,934)	25,244,817	65,522,352	1,463,500	260,686,896
Comprehensive loss						
Net loss for the financial year	-	-	-	(20,531,476)	(197,997)	(20,729,473)
Other comprehensive profit						
- Foreign currency translation	-	8,512	-	-	-	8,512
Total comprehensive loss for the financial year	-	8,512	-	(20,531,476)	1,265,503	(20,720,961)
Transactions with owners						
Expiry of warrants C and D	-	-	(16,011,586)	16,011,586	-	-
Exercised of warrants	3,529	-	-	-	-	3,529
Total transactions with owners	3,529	-	(16,011,586)	16,011,586		3,529
At 31 December 2019	169,346,690	(878,422)	9,233,231	61,002,462	1,265,503	239,969,464

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

Statements of Changes in Equity (Cont'd)

	Attributable to owners of the Company							
	Non-distributable					Distributable		
Group	**Share capital RM**	**Employee share option reserve RM**	**Foreign currency translation reserve RM**	**Warrant reserve RM**	**Equity component of ICULS RM**	**Retained profits RM**	**Non-controlling interest RM**	**Total RM**
2018								
At 1 January 2018	88,727,301	1,320,000	(1,941,213)	18,795,507	579,303	81,461,811	(4,462)	188,938,247
Comprehensive loss								
Net loss for the financial year	-	-	-	-	-	(15,939,459)	(57,696)	(15,997,155)
Other comprehensive profit								
- Foreign currency translation	-	-	1,054,279	-	-	-	-	1,054,279
Total comprehensive loss for the financial year	-	-	1,054,279	-	-	(15,939,459)	(57,696)	(14,942,876)

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

Statements of Changes in Equity
(Cont'd)

	Attributable to owners of the Company							
	Non-distributable					Distributable		
Group	**Share capital RM**	**Employee share option reserve RM**	**Foreign currency translation reserve RM**	**Warrant reserve RM**	**Equity component of ICULS RM**	**Retained profits RM**	**Non-controlling interest RM**	**Total RM**
Transactions with owners								
Issuance of shares pursuant to:								
- Non-controlling interests	-	-	-	-	-	-	1,525,658	1,525,658
- Conversion of ICULS	579,303	-	-	-	(579,303)	-	-	-
- Right issue	66,479,267	-	-	7,386,585	-	-	-	73,865,852
- Expiry of Warrant B	937,275	-	-	(937,275)	-	-	-	-
- Recognition of share option expense	-	5,287,835	-	-	-	-	-	5,287,835
- Issuance of share upon employees' share option exercised	6,012,180	-	-	-	-	-	-	6,012,180
- Transfer to share capital for employees' share option exercised	6,607,835	(6,607,835)	-	-	-	-	-	-
Total transactions with owners	80,615,860	(1,320,000)	-	6,449,310	(579,303)	-	1,525,658	86,691,525
At 31 December 2018	169,343,161	-	(886,934)	25,244,817	-	65,522,352	1,463,500	260,686,896

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

Statements of Changes in Equity (Cont'd)

Company	Attributable to owners of the Company			
	Non-distributable		Distributable	
	Share capital RM	Warrant reserve RM	Retained profits RM	Total RM
2019				
At 1 January 2019	169,343,161	25,244,817	35,237,223	229,825,201
Comprehensive loss				
Loss for the financial year	-	-	(2,327,213)	-
Total comprehensive loss for the financial year	-	-	(2,327,213)	(2,327,213)
Transactions with owners				
Expiry of warrants C and D	-	(16,011,586)	16,011,586	-
Exercised of warrants	3,529	-	-	3,529
Total transactions with owners	3,529	(16,011,586)	16,011,586	3,529
At 31 December 2019	169,346,690	9,233,231	48,921,596	227,501,517

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

Statements of Changes in Equity (Cont'd)

Company	Attributable to owners of the Company					
	Non-distributable				Distributable	
	Share capital RM	Employee share option reserve RM	Warrant reserve RM	Equity component of ICULS RM	Retained profits RM	Total RM
2018						
At 1 January 2018	88,727,301	1,320,000	18,795,507	579,303	73,477,233	188,938,247
Comprehensive loss						
Net loss for the financial year	-	-	-	-	(38,240,010)	(38,240,010)
Total comprehensive loss for the financial year	-	-	-	-	(38,240,010)	(38,240,010)
Transactions with owners						
- Conversion of ICULS	579,303	-	-	(579,303)	-	-
- Right issue	66,479,267	-	7,386,585	-	-	73,865,852
- Expiry of Warrant B	937,275	-	(937,275)	-	-	-
- Recognition of share option expense	-	5,287,835	-	-	-	5,287,835
- Issuance of share upon employees' share option exercised	6,012,180	-	-	-	-	6,012,180
- Transfer to share capital for employees' share option exercised	6,607,835	(6,607,835)	-	-	-	-
Total transactions with owners	80,615,860	(1,320,000)	6,449,310	(579,303)	-	85,165,867
At 31 December 2018	169,343,161	-	25,244,817	-	35,237,223	229,825,201

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

STATEMENTS OF CASH FLOWS

For the Financial Year Ended 31 December 2019

		Group		Company	
	Notes	2019 RM	2018 RM	2019 RM	2018 RM
Cash flows from operating activities					
Loss before tax		(20,754,720)	(16,961,051)	(1,749,240)	(37,838,324)
Adjustments for:					
Amortisation of deposits	10(b)	-	3,392,781	-	-
Bad debts written off		-	251,372	-	1,126,622
Depreciation of property, plant and equipment	4	4,086,242	4,460,977	-	63
Impairment loss of investment in subsidiaries		-	-	-	35,627,837
Fair value changes in other investments		-	1,045,000	-	1,045,000
Impairment loss of goodwill	5(c)	-	940,130	-	-
Impairment loss of property, plant and equipment		-	584,667	-	-
Impairment loss of trade and other receivables		-	1,289,898	-	-
Interest expense		32,377	186,912	-	-
Interest income		(4,128,020)	(2,270,280)	(4,128,020)	(2,147,442)
Loss on disposal of property, plant and equipment		-	596,068	-	-
Property, plant and equipment written off		-	565,625	-	-
Provision		-	117,971	-	-
Reversal of impairment loss of trade receivables		(2,740,935)	(560,291)	-	-
Share-based payments		-	5,287,835	-	-
Unrealised loss on foreign exchange		350,309	737,143	-	-
Operating loss before working capital changes		(23,154,747)	(335,243)	(5,877,260)	(2,186,244)

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

Statements of Cash Flows
(Cont'd)

	Notes	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
Changes in:					
Inventories		(4,603,164)	(10,891,892)	-	-
Trade and other receivables		(16,821,012)	(7,380,199)	(25,026,725)	(328,658)
Contract assets		921,101	(82,143)	-	-
Trade and other payables		22,415,246	7,273,583	(164,208)	(125,518)
Cash used in operations		(21,242,576)	(11,415,894)	(31,068,193)	(2,640,420)
Interest received		4,128,020	2,200,140	4,128,020	2,147,442
Tax refund		5,848	-	-	-
Tax paid		(887,687)	(1,093,091)	(849,215)	(760,363)
Net cash used in operating activities		(17,996,395)	(10,308,845)	(27,789,388)	(1,253,341)

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

Statements of Cash Flows (Cont'd)

		Group		Company	
	Notes	2019 RM	2018 RM	2019 RM	2018 RM
Cash flows from investing activities					
Investment in subsidiaries		-	-	-	(4,500,000)
Interest received		-	70,140	-	-
Placement of fixed deposits with cooperative		-	(52,888,338)	-	(52,888,338)
Placement of fixed deposits with maturity more than 3 months		-	(5,102,904)	-	(3,078,282)
Proceeds from disposal of property, plant and equipment		-	5,044,999	-	-
Net cash outflows arising from acquisition of subsidiaries	5(a)	-	(451,533)	-	-
Purchase of property, plant and equipment	4(d)	(47,451,140)	(11,809,490)	-	-
Purchase of other investments		(4,748,250)	(1,600,000)	-	(1,600,000)
Uplift of fixed deposits with maturity more than 3 months		20,535,842	5,557,704	20,535,842	-
Net cash used in investing activities		(31,663,548)	(61,179,422)	20,535,842	(62,066,620)

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

Statements of Cash Flows (Cont'd)

For the financial year ended 31 December 2019

	Notes	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
Cash flows from financing activities					
Advance to subsidiaries		-	-	-	(10,833,921)
Interest paid		-	(186,912)	-	-
Proceeds from issuance of shares of Sanichi Technology Berhad		-	79,878,032	-	79,878,032
Proceeds from issuance of shares of subsidiary		-	1,000,001	-	-
Repayment of borrowing		-	(256,446)	-	(5,015)
Directors' financing		-	1,479,124	-	1,289,829
Proceeds from term loans		37,898,567	-		
Advance to a shareholder		-	(19,407)	-	-
Repayment of finance lease payables		(730,940)	(876,874)	-	-
Net cash from financing activities		37,167,627	81,017,518	-	70,328,925
Net (decrease)/increase in cash and cash equivalents		(12,492,316)	9,529,251	(7,253,546)	7,008,964
Effect of exchange rate changes		(33,133)	304,926	-	-
Cash and cash equivalents at beginning of the financial year		15,029,361	5,195,184	7,905,902	896,938
Cash and cash equivalents at end of the financial year	12	2,503,912	15,029,361	652,356	7,905,902

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

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2019

1. GENERAL INFORMATION

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

The registered office of the Company is located at Unit 27.2, Menara 1MK, Kompleks 1 Mont Kiara, No. 1, Jalan Kiara, Mont Kiara, 50480 Kuala Lumpur and the principal place of business of the Company is located at PLO 135, Jalan Cyber 5, Kawasan Perindustrian Senai Fasa 3, 81400 Senai, Johor Darul Takzim.

The principal activities of the Company are investment holding and the provision of management services. The principal activities of the subsidiaries are set out in Note 5. There have been no significant changes in the nature of these activities during the financial year.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 28 May 2020.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation

The financial statements of Group and the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act 2016 in Malaysia. The financial statements have been prepared under the historical cost convention except otherwise stated in Note 2 to the financial statements.

The preparation of financial statements in conformity with MFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported period. It also requires Directors to exercise their judgment in the process of applying the Group and Company's accounting policies. Although these estimates and judgment are based on the Directors' best knowledge of current events and actions, actual results may differ. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

The Group has adopted MFRS 16 for the first time in the 2019 financial statements, which resulted in changes in accounting policies. The Group has applied MFRS 16 with the date of initial application of 1 January 2019 by applying the simplified retrospective transition method. Under the simplified retrospective transition method, the 2018 comparative information was not restated and the cumulative effects of initial application of MFRS 16 where the Group is a lessee were recognised as an adjustment to the opening balance of retained earnings as at 1 January 2019. The comparative information continued to be reported under the previous accounting policies governed under MFRS 117 'Leases' and IC Interpretation 4 'Determining whether an Arrangement Contains a Lease'.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Other than that, the adoption of other amendments listed above did not have any impact on the current period or any prior period and is not likely to affect future periods.

(a) Standards, amendments that have been issued but not yet effective

Effective for financial year beginning on or after 1 January 2020

- The Conceptual Framework for the Financial Reporting (Revised 2018)
- Amendments to MFRS 3, 'Definition of a Business'
- Amendments to MFRS 10, 'Consolidated Financial Statements' and MFRS 128, 'Investments in Associates and Joint Ventures' - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

(b) Standards, amendments that have been issued but not yet effective(cont'd)

Effective for financial year beginning on or after 1 January 2021

- MFRS 17, 'Insurance Contracts'

Deferred and effective date yet to be announced
- Amendments to MFRS 10, 'Consolidated Financial Statements' and MFRS 128, 'Investments in Associates and Joint Ventures' - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The above procurements are either not relevant or do not have any impact on the financial statements of the Company adjusted for any remeasurement of the lease liability. The lease liability is initially measured at present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications.

2.3 Basic of Consolidation and Subsidiaries

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at reporting date. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

Subsidiaries and Business Combination

Subsidiaries are entities (including structured entities) over which the Group is exposed, or has rights, to variable returns from its involvement with the acquirees and has the ability to affect those returns through its power over the acquirees.

The financial statements of subsidiaries are included in the consolidated financial statements from the date the Group obtains control of the acquirees until the date the Group loses control of the acquirees. The Group applies the acquisition method to account for business combinations from the acquisition date.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 Basic of Consolidation and Subsidiaries (Cont'd)

Subsidiaries and Business Combination (Cont'd)

For a new acquisition, goodwill is initially measured at cost, being the excess of the following:

- the fair value of the consideration transferred, calculated as the sum of the acquisition-date fair value of assets transferred (including contingent consideration), the liabilities incurred to former owners of the acquiree and the equity instruments issued by the Group. Any amounts that relate to pre-existing relationships or other arrangements before or during the negotiations for the business combination, that are not part of the exchange for the acquiree, will be excluded from the business combination accounting and be accounted for separately; plus
- the recognised amount of any non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date (the choice of measurement basis is made on an acquisition-by-acquisition basis); plus
- if the business combination is achieved in stages, the acquisition-date fair value of the previously held equity interest in the acquiree; less
- the net fair value of the identifiable assets acquired and the liabilities (including contingent liabilities) assumed at the acquisition date.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

If the business combination is achieved in stages, the Group remeasures the previously held equity interest in the acquiree to its acquisition-date fair value, and recognises the resulting gain or loss, if any, in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss on the same basis as would be required if the acquirer had disposed directly of the previously held equity interest.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurs, the Group uses provisional fair value amounts for the items for which the accounting is incomplete. The provisional amounts are adjusted to reflect new information obtained about facts and circumstances that existed as of the acquisition date, including additional assets or liabilities identified in the measurement period. The measurement period for completion of the initial accounting ends as soon as the group receives the information it was seeking about facts and circumstances or learns that more information is not obtainable, subject to the measurement period not exceeding one year from the acquisition date.

Notes to the Financial Statements (Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 Basic of Consolidation and Subsidiaries (Cont'd)

Subsidiaries and Business Combination (Cont'd)

Upon the loss of control of subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statement of financial position. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an associate, joint venture or an available-for-sale financial asset.

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The difference between the Group's share of net assets before and after the change, and the fair value of the consideration received or paid, is recognised directly in equity.

2.4 Functional and Foreign Currencies

(a) *Functional and Presentation Currency*

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

(b) *Foreign Currency Transactions*

Transactions in foreign currencies are measured in the respective functional currencies of the Group and of the Company are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items denominated in foreign currencies measured at fair value are translated using the exchange rates at the date when the fair value was determined.

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

Notes to the Financial Statements
(Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Functional and Foreign Currencies (Cont'd)

(b) *Foreign Currency Transaction (Cont'd)*

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

2.5 Current versus Non-Current Classification

Assets and liabilities in the statement of financial position are presented based on current/non-current classification.

An asset is current when it is:

(i) Expected to be realised or intended to be sold or consumed in the normal operating cycle;
(ii) Held primarily for the purpose of trading;
(iii) Expected to be realised within twelve months after the reporting period; or
(iv) Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

A liability is current when:

(i) It is expected to be settled in the normal operating cycle;
(ii) It is held primarily for the purpose of trading;
(iii) It is due to be settled within twelve months after the reporting period; or
(iv) There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

All other assets and liabilities are classified as non-current.

2.6 Property, Plant and Equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of plant and equipment are required to be replaced at intervals, the Group and Company depreciate them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred. The present value of the expected cost for the dismantling of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met

Notes to the Financial Statements (Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.6 Property, Plant and Equipment (Cont'd)

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

	Useful life (years)
Aircraft	10
Building	50
Furniture and fittings and office equipment	5 to 7
Leasehold land	60
Motor vehicles	5
Plant and machinery	5 to 20

Construction in-progress included in property, plant and equipment are not depreciated as these assets are not yet available for use.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss when the asset is derecognised.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

2.7 Inventories

Inventories are valued at the lower of cost and net realisable value. Cost incurred in bringing the inventories to their present location and condition are accounted for as follows:

(a) Raw materials comprise purchase costs accounted for on a first in first out basis.

(b) Work in progress comprise cost of direct materials, direct labour and an attributable proportion of manufacturing overheads based on normal operating capacity. These costs are assigned on weighted average on cost.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.7 Inventories (Cont'd)

Properties development cost

Land held for development is carried at cost less any accumulated impairment losses and is classified as a non-current asset where no development activities are carried out or where development activities are not expected to be completed within the normal operating cycle.

The Group's and the Company's property development segment undertakes development of housing and commercial units for sales to customers "build and sell" model. Costs of property development which include land cost and development cost are accumulated in a work in progress account on a project-by-project basis. When the revenue of units sold is recognised in profit or loss, a rateable portion of the accumulated cost is recognised as cost as sales in profit or loss. Completed property units not sold at the end of the reporting period are transferred to inventories

Management uses its judgement to decide on when control and significant risks and rewards of the units are transferred to a customer. Control is transferred over time when the customer can obtain benefits from the sold units in progress or when the Group and the Company has no a substantive alternative use to the unit sold other than to complete the development and the Group and the Company has enforceable right to payment. If control is transferred over time to customers, revenue and costs of development units sold are recognised in profit or loss over time using output method, which is based on the stage of completion of the physical proportion of contract work to-date, certified by professional consultant.

When the outcome of a property development activity cannot be estimated reliably, property development revenue is recognised only to the extent of property development costs incurred that it is probable will be recoverable, and the associated property development costs on the development units sold are recognised as expense in the period in which they are incurred.

Any expected loss on a specific property development activity is recognised as an expense immediately (including any further costs expected to be incurred over the defects liability period).

Property development revenue and expenses recognised are immediately written back as soon as a rescission or revocation of sale occurs.

Notes to the Financial Statements (Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.8 Contract Asset/Contract Liability

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

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

2.9 Contract Cost

(a) *Incremental Cost of Obtaining Contract*

The Group recognises incremental costs of obtaining contract when the Group expects to recover these costs.

(b) *Cost to Fulfil a Contract*

The Group recognises a contract costs that relate directly to a contract or to an anticipated contract as an asset when the costs generates or enhances resources of the Group, will be used in satisfying performance obligations in the future and it is expected to be recovered.

These contract costs are initially measured at cost and amortised on a systematic basis that is consistent with the pattern of revenue recognition to which the assets relates. An impairment loss is recognised in the profit and loss when the carrying amount of the contract cost exceeds the expected revenue less expected costs that will be incurred. Where the impairment condition no longer exists or has improved, the impairment loss is reversed to the extent that carrying amount of the contract costs does not exceed the amount that would have been recognised had there been no impairment loss recognised previously.

2.10 Financial Instruments

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

(a) *Initial Recognition and Measurement*

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.10 Financial Instruments (Cont'd)

(a) *Initial Recognition and Measurement (Cont'd)*

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

An embedded derivative is recognised separately from the host contract where the host contract is not a financial asset, and accounted for separately if, and only if the derivative is not closely related to the economic characteristics and risks of the host contract and the host contract is not measured at fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

(b) *Financial Instrument Categories and Subsequent Measurement*

Financial Assets

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

For purposes of subsequent measurement financial assets are classified in following categories:

- Amortised cost
- Fair value through other comprehensive income – debt investments
- Fair value through other comprehensive income – equity investments
- Fair value through profit or loss

The Group and the Company do not have any financial assets classified other than amortised cost and fair value through profit or loss.

Notes to the Financial Statements (Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.10 Financial Instruments (Cont'd)

(i) *Amortised Cost*

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

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

(ii) *Fair Value through Profit or Loss*

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

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

All financial assets, except for those measured at fair value through profit or loss, are subject to impairment assessment in Note 2.11 to the financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.10 Financial Instruments (Cont'd)

(a) *Financial Assets*

The Group and the Company recognise loss allowances for expected credit losses on financial assets measured at amortised cost. Expected credit losses are a probability-weighted estimate of credit losses.

The Group and the Company measure loss allowances at an amount equal to lifetime expected credit losses, except for cash and bank balance. Loss allowances for trade receivables is always measured at an amount equal to lifetime expected credit loss.

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

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

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

Notes to the Financial Statements
(Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.10 Financial Instruments (Cont'd)

(b) *Financial Instrument Categories and Subsequent Measurement*

Financial Liabilities

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

- Fair value through profit or loss
- Amortised cost

The Group and the Company do not have any financial liabilities classified other than amortised cost.

(i) *Amortised Cost*

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

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

(c) *Regular Way Purchase or Sale of Financial Asset*

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

Trade date accounting refer to:

(i) the derecognition of an asset to be received and the liability to pay for it on the trade date, and
(ii) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date

Settlement date accounting refer to:

(i) the recognition on an asset on the day it is received by the Group and the Company, and
(ii) derecognition of an asset and recognition of any gain or loss on disposal on the day that is delivered by the Group and the Company.

Any change in the fair value of an asset to be received during the period between the trade date and the settlement date is accounted in the same way as it accounts for the acquired asset. Generally, the Group and the Company apply settlement date accounting unless otherwise stated for the specific class of asset.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.10 Financial Instruments (Cont'd)

(d) *Derecognition*

A financial asset or part of it is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire or transferred, or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount of the financial asset and the sum of consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expires. A financial liability is also derecognised when its terms are modified and the cash flows of the modified liability are substantially different, in which case, a new financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(e) *Offsetting*

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

2.11 Impairment

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.12 Impairment of Non-Financial Assets

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.13 Cash and Cash Equivalents

Cash and cash equivalents comprise cash in hand, cash at bank, fixed deposits with licensed bank and deposits placement with cooperative which have an insignificant risk of changes in value. For the purpose of presenting statement of cash flows, cash and cash equivalents net of fixed deposits with maturity more than three months from date of placement and fixed deposits with cooperative.

2.14 Share Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against the share capital.

2.15 Share-Based Payments

The cost of equity-settled share-based payment is determined by the fair value at the date when the grant is made using an appropriate valuation model. Details regarding the determination of the fair value of equity-settled share-based payments are set out in Note 40 to the financial statements.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Company's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the Group and the Company revise its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share option reserve.

Equity-settled share-based payments with parties other than employees are measured at the fair value of the goods and services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the Company obtains the goods or the counterparty renders the service.

2.16 Compound Financial Instruments

The liability component of a compound financial instrument is recognised initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognised initially as the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any transaction costs that are directly attributable are allocated to the liability and equity components in proportion to the allocated proceeds.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not remeasured subsequent to initial recognition except on conversion or expiry.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.16 Compound Financial Instruments (Cont'd)

Irredeemable Convertible Unsecured Loan Stocks ("ICULS") are recognised as compound financial instruments. Compound financial instruments issued by the Company comprise convertible notes that can be converted to share capital at the option of the holder, and the number of shares to be issued does not vary with changes in their fair value.

2.17 Leases

leases are recognised as right-of-use ('ROU') asset and a corresponding liability at the date on which the leased asset is available for use by the Group (i.e. the commencement date).Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of properties for which the Group is a lessee, it has elected the practical expedient provided in MFRS 16 not to separate lease and non-lease components. Both components are accounted for as a single lease component and payments for both components are included in the measurement of lease liability.

ROU assets are initially measured at cost comprising the following:
- The amount of the initial measurement of lease liability;
- Any lease payments made at or before the commencement date less any lease incentive received;
- Any initial direct costs; and
- Decommissioning or restoration costs.

ROU assets that are not investment properties are subsequently measured at cost, less accumulated depreciation and impairment loss (if any). The ROU assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the ROU asset is depreciated over the underlying asset's useful life. In addition, the ROU assets are adjusted for certain remeasurement of the lease liabilities.

<u>Lease term</u>

In determining the lease term, the Group considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not to be terminated).

The Group reassess the lease term upon the occurrence of a significant event or change in circumstances that is within the control of the Group and affects whether the Group is reasonably certain to exercise an option not previously included in the determination of lease term, or not to exercise an option previously included in the determination of lease term. A revision in lease term results in remeasurement of the lease liabilities. See accounting policy below on reassessment of lease liabilities.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.17 Leases (Cont'd)

Lease term (Cont'd)

While the Group revalues land and building (presented as part of property, plant and equipment) that it owns, it has chosen not to revalue the ROU building held by the Group.

The Group presents ROU assets that meet the definition of investment property in the statement of financial position as investment property. ROU assets that are not investment properties are presented as a separate line item in the statement of financial position.

Lease liabilities

Lease liabilities are initially measured at the present value of the lease payments that are not paid at that date. The lease payments include the following:

• Fixed payments (including in-substance fixed payments), less any lease incentive receivable;
• Variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
• Amounts expected to be payable by the Group under residual value guarantees;
• The exercise price of a purchase and extension options if the group is reasonably certain to exercise that option; and
• Payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing is used. This is the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the ROU in a similar economic environment with similar term, security and conditions.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Variable lease payments that depend on sales are recognised in profit or loss in the period in which the condition that triggers those payments occurs.

Notes to the Financial Statements
(Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.17 **Leases** (Cont'd)

Lease liabilities(cont'd)

Reassessment of lease liabilities

The Group is also exposed to potential future increases in variable lease payments that depend on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is remeasured and adjusted against the ROU assets.

Short term leases and leases of low value assets

Short-term leases are leases with a lease term of 12 months or less. Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss.

2.18 **Borrowing Costs**

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale.

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

2.19 **Segment Reporting**

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by their respective segment managers responsible for the performance of the respective segments under their charge. The segment manager report directly to the management of the Group and the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are disclosed in Note 33, including the factors used to identify the reportable segments and the measurement basis of segment information.

Notes to the Financial Statements (Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.20 Discontinued Operations

Discontinued operations is a component of the Group's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale, or is a subsidiary acquired exclusively with a view to resale. Classification of a discontinued operations occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as discontinued operations, the comparative income is restated as if the operation had been discontinued from the start of the comparative period.

2.21 Contingencies

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future event(s) not wholly within the control of the Group and the Company.

Contingent liabilities and assets are not recognised in the statements of financial position.

2.22 Provision

Provisions are recognised when the Group and the Company have a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at the 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 provision is reversed. If the effect of the time value 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 provision due to the passage of time is recognised as a finance cost.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.23 Taxes

(a) *Current Income Tax*

Current income tax assets and liabilities for the current and prior financial periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date, in the countries where the Company operates and generates taxable income.

Current income taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

(b) *Deferred Tax*

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

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

(i) Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

(ii) In respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

(i) Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.23 Taxes (Cont'd)

(b) *Deferred Tax (Cont'd)*

(ii) In respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2.24 Revenue

(a) *Sale of Goods*

Revenue from contracts with customers is recognised by reference to each distinct performance obligation in the contract with customer. Revenue from contracts with customers is measured at its transaction price, being the amount of consideration which the Group and the Company expect to be entitled in exchange for transferring promised goods or services to a customer, net of goods and service tax, return, rebates and discounts. Transaction price is allocated to each performance obligation on the basis of the relative standalone selling prices of each distinct good or services promised in the contract. Depending on the substance of the contract, revenue is recognised when the performance obligation is satisfied, which may be at a point in time or over time.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.24 Revenue (Cont'd)

(b) *Revenue from Property Development*

Revenue is measured based on the consideration specified in a contract with a customer in exchange for transferring goods or services to a customer, excluding amounts collected on behalf of third parties. The Company recognises revenue when (or as) it transfers control over a product or service to customer. An asset is transferred when (or as) the customer obtains control of asset.

Revenue of property development is recognised over time using output method, which is based on the stage of completion of the physical proportion of contract work to-date, certified by professional consultant.

The Group and the Company transfer control of a good or service at a point in time unless one of the following over time criteria is met:

(i) the customers simultaneously receives and consumes the benefits provided as the Group and the Company perform;
(ii) the Group's and the Company's performance create or enhance an asset that the customer controls as the asset is created or enhanced; or
(iii) the Group's and the Company's performance do not create an asset with an alternative use and the Group and the Company have an enforceable right to payment for performance completed to date.

2.25 Employee Benefits

(a) *Short Term Employee Benefits*

Wages, salaries, bonuses and social security contributions are recognised as an expense in the financial year in which the associated services are rendered by employees. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

Employee entitlement to annual leave is recognised when it accrues to employees. The estimated liability for leave is recognised for services rendered by employees up to the reporting date.

(b) *Post-Employment Benefits - Defined Contribution Plan*

The Group and the Company participate in the national pension schemes as defined by the laws of the countries in which it has operations. The Group and the Company make contributions to the Employee Provident Fund in Malaysia, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.26 Related Party

A related party is defined as follows:

(a) A person or a close member of that person's family is related to the Group and to the Company if that person:
- (i) has control or joint control over the Company; or
- (ii) has significant influence over the Company; or
- (iii) is a member of the key management personnel of the Company or of a parent of the Company.

(b) An entity is related to the Group and the Company if any of the following conditions applies:
- (i) the entity and the Company are members of the same group.
- (ii) one entity is an associate or joint venture of the other entity.
- (iii) both entities are joint ventures of the same third party.
- (iv) one entity is a joint venture of the same entity and the other entity is an associate of the third entity.
- (v) the entity is a post-employment benefit plan for the benefits of employees of either the Company or an entity related to the Company.
- (vi) the entity is controlled or joint-controlled by a person identified in (a) above.
- (vii) a person identified in (a)(i) above has significant influence over the Company or is a member of the key management personnel of the Company (or a parent of the Company).
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Company or to the parent of the Company.

2.27 Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:
- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Group and the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.27 Fair Value Measurement (Cont'd)

Valuation techniques that are appropriate in the circumstances and for which sufficient data are available, are used to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

For assets and liabilities that are recognised in the financial statements on a recurring basis, theGroup and the Company determines whether transfers have occurred between levels in the hierarchy by re-accessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Policies and procedures are determined by directors for both recurring fair value measurement and for non-recurring measurement.

External valuers are involved for valuation of significant assets and significant liabilities. Involvement of external valuers is decided by directors. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The directors decide, after discussions with the external valuers, which valuation techniques and inputs to use for each case.

At each reporting date, the senior management analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed according to the accounting policies of the Group and the Company. For this analysis, the senior management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

The senior management, in conjunction with the external valuers, also compares the changes in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

For the purpose of fair value disclosures, classes of assets and liabilities are determined based on the nature, characteristic and risks of the asset or liability and the level of the fair value hierarchy as explained above.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the financial statements requires the directors to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in the future.

3.1 Judgements Made in Applying Accounting Policies

In the selection of accounting policies for the Group and of the Company, the areas that require significant judgements and assumptions are (a) in the identification of related party and (b) measurement of property development revenue and costs.

(a) *Identification of Related Party*

The Group and the Company had placed significant deposits in a cooperative which the chief executive officer is a director of the Company's subsidiary. In the opinion of the directors and management, there is non-existence of related party relationship in these transactions as the decision to place deposits in a cooperative, a non-bank institution is based by commercial decision as the cooperative offers better interest rate. No control and significant influence over the Group and the cooperative over the decision to place deposits in the cooperative although there is common key management personnel.

The Group has also cooperated with a third party, one of the investing agent of the cooperative in developing financial solution and report platform to support the remittance platform. In the opinion of the directors and management, there is non-existence of related party relationship in these transactions as the decision to cooperate with the third party are commercial decision. The third party has the approval from Bank Negara to operate and offer financial related products and services under few segments. No control and influence over the Group to cooperate with the third party.

Four of the Group's employees are part of the top 30 shareholders of the Group. In the opinion of the directors and management, there is non-existence of related party relationship in these transactions as the employees do not hold position of directors and they do not involve in strategic or key decision process.

(b) *Measurement of Property Development Revenue and Costs*

Revenue of property development is recognised over time using output method, which is based on the stage of completion of the physical proportion of contract work to-date, certified by professional consultant.

Significant judgement is required in determining the stage of completion, the extent of the property development costs incurred, the estimated total property development revenue and costs (including allocated common cost), as well as the recoverability of the property development costs. In making these judgements, the Group evaluates based on past experience of management team and by relying on the work of main contractors and consultants.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONT'D)

3.2 Key Sources of Estimation of Uncertainty

The measurement of some assets and liabilities requires directors to use estimates

on various observable inputs and other assumptions. The areas or items that are subject to significant estimation uncertainties of the Group and of the Company are in measuring: (a) depreciation of property, plant and equipment, (b) measurement of income taxes, (c) measurement of expected credit loss and (d) measurement of provision of late delivery.

(a) *Depreciation of Property, Plant and Equipment*

The cost of property, plant and equipment is depreciated on a straight line method over the assets' useful lives. Management estimates the useful lives of these property, plant and equipment to be within 5 to 60 years. These are common life expectancies applied generally. Changes in the expected level of usage could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

(b) *Measurement of Income Taxes*

Significant judgement is required in determining the Group's and the Company's provision for current and deferred taxes because the ultimate tax liability for the Group and the Company are uncertain. When the final outcome of the taxes payable is determined with the tax authorities, the amount might be different from the initial estimates of the taxes payable. Such differences may impact the current and deferred taxes in the financial period when such determination is made. The Group and the Company will adjust for the differences as over- or under- provision of current or deferred taxes in the current financial period in which those differences arise.

(c) *Measurement of Expected Credit Loss ("ECL")*

Significant judgement is required in determining ECL. Directors need to identified and categorised financial assets into relevant segment by similar characteristic and credit risk. The directors need to apply suitable measurement method to measure ECL on the relevant segments.

(d) *Measurement of Provision of Late Delivery*

The Group has estimated that the handover of procession of the property is at the end of first quarter 2020. The Group has estimated the amount for late delivery. Any delay on the construction will directly affect the provision.

4. **PROPERTY, PLANT AND EQUIPMENT**

Group	Aircraft RM	Buildings under construction RM	Building RM	Furniture and fittings and office equipment RM	Leasehold land RM	Motor vehicles RM	Plant and machinery RM	Total RM
Cost								
At 1 January 2019	9,830,000	8,753,817	3,521,939	6,203,781	2,616,917	4,584,155	22,497,114	58,007,723
Additions	-	-	47,374,030	70,560	-	-	6,550	47,451,140
At 31 December 2019	9,830,000	8,753,817	50,895,969	6,274,341	2,616,917	4,584,155	22,503,664	105,458,863
Accumulated depreciation								
At 1 January 2019	768,960	-	508,142	3,728,956	354,499	2,225,756	9,092,019	16,678,332
Charge for the financial year	983,000	-	230,908	395,684	49,376	668,640	1,758,634	4,086,242
At 31 December 2019	1,751,960	-	739,050	4,124,640	403,875	2,894,396	10,850,653	20,764,574
Net book value	8,078,040	8,753,817	50,156,919	2,149,701	2,213,042	1,689,759	11,653,011	84,694,289

Notes to the Financial Statements
(Cont'd)

4. **PROPERTY, PLANT AND EQUIPMENT (CONT'D)**

Group	Aircraft RM	Buildings under construction RM	Building RM	Furniture and fittings and office equipment RM	Leasehold land RM	Motor vehicles RM	Plant and machinery RM	Total RM
Cost								
At 1 January 2018	-	8,299,136	3,521,939	5,993,172	2,616,917	3,282,355	34,860,719	58,574,238
Additions	9,830,000	454,681	-	223,009	-	1,301,800	-	11,809,490
Disposal	-	-	-	-	-	-	(9,541,877)	(9,541,877)
Impairment	-	-	-	-	-	-	(1,253,633)	(1,253,633)
Write-off	-	-	-	(12,400)	-	-	(1,568,095)	(1,580,495)
At 31 December 2018	9,830,000	8,753,817	3,521,939	6,203,781	2,616,917	4,584,155	22,497,114	58,007,723
Accumulated depreciation								
At 1 January 2018	-	-	437,703	3,177,181	305,123	1,454,646	12,427,348	17,802,001
Charge for the financial year	768,960	-	70,439	564,175	49,376	771,110	2,236,917	4,460,977
Disposal	-	-	-	-	-	-	(3,900,810)	(3,900,810)
Impairment	-	-	-	-	-	-	(668,966)	(668,966)
Write-off	-	-	-	(12,400)	-	-	(1,002,470)	(1,014,870)
At 31 December 2018	768,960	-	508,142	3,728,956	354,499	2,225,756	9,092,019	16,678,332
Net book value	9,061,040	8,753,817	3,013,797	2,474,825	2,262,418	2,358,399	13,405,095	41,329,391

Notes to the Financial Statements (Cont'd)

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

Company	Office equipment RM
Cost	
At 1 January 2019 and 31 December 2019	1,325
Less : Accumulated depreciation	
At 1 January 2019 and 31 December 2019	1,325
Net book value	-
Cost	
At 1 January 2018 and 31 December 2018	1,325
Less : Accumulated depreciation	
At 1 January 2018 and 31 December 2018	1,325
Net book value -	-

(a) The net carrying amount of the property, plant and equipment acquired under finance lease are as follows:

	Group 2019 RM	Group 2018 RM
Furniture and fittings and office equipment	1,344,827	1,455,051
Motor vehicles	25,670	48,154
	1,370,497	1,503,205

(b) The net carrying amount of the property, plant and equipment registered under the name of a director and third parties and hold in trust on behalf of the Group are as follows:

	Group 2019 RM	Group 2018 RM
Motor vehicles	889,544	1,241,538

(c) The net carrying amount of the plant and machinery of the Group amounting to RM1,592,000 (2018: RM1,724,667) are located in a factory of the Group's key customer in Germany due to operation purpose.

Notes to the Financial Statements
(Cont'd)

4. **PROPERTY, PLANT AND EQUIPMENT (CONT'D)**

(d) The management has identified net carrying amount of property, plant and equipment amounting to RM174,772 (2018: RM584,667) out of function and unable to bring economic benefits to the Group.

5. **INVESTMENT IN SUBSIDIARIES**

	Company	
	2019	**2018**
	RM	**RM**
Unquoted shares, at cost		
At beginning of financial year	32,009,813	32,009,813
Additions	16,787,835	16,787,835
	48,797,648	48,797,648
Less: Impairment loss	(47,285,437)	(47,285,437)
At end of financial year	1,512,211	1,512,211

Name of companies	**Principal activities**	**Principal place of Business/country of incorporation**	**Equity Holding 2019**	**Equity Holding 2018**
			%	%
Sanichi Precision Mould Sdn. Bhd. *	Design and fabrication of precision moulds and tooling.	Malaysia	100	100
Asia Pinnacle Sdn. Bhd. *	Design and fabrication of precision moulds and tooling.	Malaysia	100	100
Sanichi Mould (Thailand) Co., Ltd. *	Design and fabrication of precision moulds and tooling.	Thailand	100	100
Sanichi Property Sdn. Bhd. *	Property investment and development.	Malaysia	100	100

Notes to the Financial Statements (Cont'd)

5. INVESTMENT IN SUBSIDIARIES (CONT'D)

Name of companies	Principal activities	Principal place of Business/country of incorporation	Equity Holding 2019 %	2018 %
Sanichi Protev Sdn. Bhd.*	Dormant	Malaysia	51	51
Sanichi Capital Sdn. Bhd.*	Investment holding company	Malaysia	100	100
Asia Glare Pte. Ltd.*	Dormant	Singapore	100	100
Majestic International Limited **	Dormant	United Arab Emirates	100	100
Persada Ternama Sdn. Bhd. *	Property development company	Malaysia	70	-
Bina Bicara Sdn. Bhd. *	Remittance services	Malaysia	50.0001	-
Selama Ehsan Sdn Bhd *	Investment holding company	Malaysia	100	-
Subsidiary of Sanichi Capital Sdn. Bhd.				
Air King Inc.**	Dormant	State of Wyoming, United States of America	100	-

* *Subsidiaries not audited by Al Jafree Salihin Kuzaimi*

** *These companies are not audited by Al Jafree Salihin Kuzaimi. For consolidation purposes, these companies are consolidated based on management financial statements as at 31 December 2019 which is reviewed by Al Jafree Salihin Kuzaimi.*

Notes to the Financial Statements (Cont'd)

6. RIGHT OF USE

	Group	
	Building RM	Total RM
Cost		
At 1 January 2018, 31 December 2018 and 1 January 2019		
Effect of adoption	69,627	69,627
At 31 December 2019	69,627	69,627
Accumulated ammortisation		
At 1 January 2018, 31 December 2018 and 1 January 2019	-	-
Charge for the financial year	36,059	36,059
At 31 December 2019	36,059	36,059
Net book value		
At 31 December 2018	-	-
At 31 December 2019	33,568	33,568

7. OTHER INVESTMENTS

	Group and Company	
	2019 RM	2018 RM
Fair value through profit or loss:		
Quoted shares in Malaysia	5,303,250	555,000

Notes to the Financial Statements
(Cont'd)

8. **INVENTORIES**

	Group 2019 RM	Group 2018 RM
Inventories, at cost, comprise the following:		
Property development cost	60,274,302	56,769,541
Raw materials	-	93,541
Work-in-progress	2,838,714	1,646,770
	63,113,016	58,509,852

Property development cost consist of:

	2019 RM	2018 RM
At beginning of financial year/period		
- Freehold land	7,934,027	7,934,027
- Development cost	56,052,026	38,570,912
	63,986,053	46,504,939
Add: Development costs during the financial year/period	14,055,029	17,481,114
At end of financial year/period	78,041,082	63,986,053
Less: Cost recognised to profit or loss		
Recognised in previous financial period	(7,216,512)	(2,277,785)
Recognised during the financial year/period	(10,550,268)	(4,938,727)
Total property development cost	60,274,302	56,769,541
Summarised as:		
Freehold land	7,131,754	7,612,974
Development costs	53,142,548	49,156,567
	60,274,302	56,769,541

Notes to the Financial Statements (Cont'd)

9. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2019	2018	2019	2018
	RM	RM	RM	RM
Trade receivables				
Third parties	6,613,941	24,330,807	-	-
Less: Allowance for impairment loss [Note 37(d)]	(1,771,089)	(12,829,933)	-	-
Trade receivables, net	4,842,852	11,500,874	-	-
Other receivables [Note 10(b)]				
Other receivables	52,750,166	21,798,342	6,889,002	1,001,000
Deposits	5,821,637	11,404,279	-	8,950
Prepayment	54,701	40,037	-	-
Amount due from Subsidiaries [Note 37(d)]	-	-	127,100,605	111,099,391
	58,626,504	33,242,658	133,989,607	112,109,341
	63,469,356	44,743,532	133,989,607	112,109,341

(a) *Trade Receivables*

The Group's normal trade credit term ranges from 14 to 60 days (2018: 14 to 60 days). Other credit terms are assessed and approved on a case-by-case basis. They are recognised at their original invoiced amounts which represent their fair values on initial recognition.

Currency Exposure

The trade receivables are denominated in the following currencies:

	Group	
	2019	2018
	RM	RM
Ringgit Malaysia	4,391,964	3,536,636
United States Dollar	443,104	6,553,268
Euro	7,784	1,410,970
	4,842,852	11,500,874

9. TRADE AND OTHER RECEIVABLES (CONT'D)

(b) *Other Receivables*

Other receivables are unsecured and interest-free.

(i) The details of other receivables are as follows:

	Group	
	2019	2018
	RM	RM
Cost	53,318,491	21,804,536
Less: Accumulated impairment [Note 37(d)]	(568,325)	(6,194)
Net carrying amount	52,750,166	21,798,342

(c) *Amount Due from Subsidiaries*

These amounts are non-trade in nature, unsecured, interest free and recoverable on demand.

10. CONTRACT ASSETS

	Group	
	2019	2018
	RM	RM
Construction contract cost incurred to date	17,766,779	7,216,511
Attributable profit	12,216,202	4,548,718
	29,982,981	11,765,229
Less: Progress billings to date	(29,982,981)	(10,844,128)
Contract assets	-	921,101

The contract assets primarily relate to the Group's right to consideration for work completed on construction contracts but not yet billed at the reporting date. Typically, the amount will be billed within 30 days and payment is expected within 14 days.

There are no significant changes to contract assets balances during the financial year.

Notes to the Financial Statements
(Cont'd)

11. CASH AND CASH EQUIVALENTS

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Cash and bank balances	2,201,490	12,011,451	349,934	4,905,902
Fixed deposits with licensed banks	302,422	8,102,904	302,422	8,102,904
Fixed deposits with cooperative	97,073,564	112,506,502	97,073,564	112,506,502
Total cash and cash equivalents	99,577,476	132,620,857	97,725,920	125,515,308
Add: Cash under held for sale (Note 13)	-	17,910	-	-
Less: Fixed deposits held more than 3 months	(97,073,564)	(117,609,406)	(97,073,564)	(117,609,406)
Cash and cash equivalents as presented in statements of cash flows	2,503,912	15,029,361	652,356	7,905,902

The cash and bank balances amounting to RM 2,630,728 (2018: 2,939,641) is held under Housing Development Account. Withdrawal from Housing Development Accounts are restricted in accordance with Housing Development Regulations 1991.

Fixed deposits with licensed banks earn interest at rates ranging from 3.10% to 4.00% (2018: 3.10% to 3.30%) per annum and have maturity period of 3 to 12 months (2018: 3 to 12 months). Fixed deposits with cooperative earns interest at rates ranging from 3.30% to 4.10% and have maturity period of 3 to 12 months (2018: 3 to 12 months).

11. CASH AND CASH EQUIVALENTS (CONT'D)

Currency Exposure

The cash and cash equivalents are denominated in the following currencies:

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Ringgit Malaysia	99,067,165	132,557,758	97,725,920	125,515,308
Arab Emirate Dirham	3,588	-	-	-
United States Dollar	443,104	8,145	-	-
Singapore Dollar	-	47,897	-	-
Euro	7,784	3,962	-	-
Mexican Peso	1,073	1,073	-	-
Chinese Renminbi	1,015	1,015	-	-
Pound Sterling	1,007	1,007	-	-
Australian Dollar	51,601			
	99,577,476	132,620,857	97,725,920	125,515,308

12. ASSETS/LIABILITIES CLASSIFIED AS HELD FOR SALE

The Group has wound up a subsidiary, Majestic International Limited in the financial year ending 31 December 2019. At the end of the reporting year, the assets and liabilities of these companies have been presented in the consolidated statement of financial position as "Assets classified as held for sale" and "Liabilities classified as held for sale", and its results are presented separately on the consolidated statement of profit or loss as "Loss from discontinued operations, net of tax".

The assets and liabilities classified as held for sale are as follows:

	Group	
	2019 RM	2018 RM
Cash and cash equivalents	-	17,910
Assets classified as held for sale	-	17,910
Trade and other payables	-	10,619
Liabilities classified as held for sale	-	10,619

Notes to the Financial Statements (Cont'd)

13. SHARE CAPITAL

	Group and Company			
	Number of shares			
	2019	2018	2019 RM	2018 RM
Issued and fully paid				
At beginning of financial year	1,108,794,841	312,117,552	169,343161	88,727,301
Issued during the financial year:				
- conversion of ICULS	-	919,473	-	579,303
- ESOS exercised	-	57,099,300	-	6,012,180
- rights issue		738,658,516	-	66,479,267
Warrant exercised	622	-	3,529	-
Employee share option reserves transfer to share capital upon ESOS exercised	-	-	-	6,607,835
Expiry of Warrant B, transfer from warrant reserve	-	-	-	937,275
At end of financial year	1,108,795,463	1,108,794,841	169,346,690	169,343,161

In 2018 the following shares were issued:

(a) the issuance of 738,658,516 new ordinary shares pursuant to rights issue with Warrant E.
(b) the issuance of 919,473 new ordinary shares from the conversion of the ICULS.
(c) the issuance of 57,099,300 new ordinary shares from the exercise of options under the Company's Employee Share Option Scheme at an exercise price ranging from RM0.10 to RM0.112 per option.

The new ordinary shares issued during prior financial year ranked pari passu in all respect with the existing ordinary shares of the Company.

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.

14. OTHER RESERVES

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Non-distributable				
Other reserves:				
Foreign currency translation reserve	(878,422)	(886,934)	-	-
Warrant reserve (Note 15)	9,233,231	25,244,817	9,233,231	25,244,817
	8,354,809	24,357,883	9,233,231	25,244,817

(a) *Foreign Currency Translation Reserve*

The translation reserve is used to record foreign currency exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

(b) *Warrant Reserve*

The warrant reserve is transferred to the share capital account upon the exercise of warrants and the warrant reserve in relation to the unexercised warrants at the expiry of the warrants will be transferred to share capital. The salient features of the warrants are disclosed in Note 16 to the financial statements.

Notes to the Financial Statements (Cont'd)

15. WARRANTS

Warrant B, C, D and E were constituted under the Deed Poll dated 21 November 2012, 14 August 2014, 30 May 2016 and 2 November 2018 respectively.

Salient features of the above warrants are as follows:

(a) Each of the warrant entitles the holder to the right of exercise of one ordinary share in the Company. The number of warrants are subject to adjustments under certain circumstances in accordance with the provisions of the Deed Poll.

(b) The close of business on the warrants is three (3) to five (5) years from the date of issuance of the warrants; thereafter the outstanding warrants will cease to be valid for any purpose.

(c) The new ordinary shares allotted and issued upon exercise of the warrants shall be fully paid and rank pari passu with the then existing ordinary shares of the Company. The warrant holders will not have any voting rights in any general meeting of the Company unless the warrants are exercised into new ordinary shares and registered prior to the date of the general meeting of the Company.

(d) Warrant C expired on 24 September 2019.

(e) Warrant D expired on 19 July 2019.

(f) Warrant E are quoted on the ACE Market of Bursa Malaysia Securities Berhad on 20 December 2018. Each warrant entitles its holder the right to subscribe for one ordinary share each in the Company at any time up to the expiry date of 13 December 2021 at an exercise price of RM0.10 payable in cash.

The number of unexercised Warrants as at the end of the reporting period are as follows:

	Group	
	2019	2018
	RM	RM
Warrant E	369,329,241	369,329,241

The fair value of warrant E is measured using the market price of the listing date which is RM0.02.

16. IRREDEEMABLE CONVERTIBLE UNSECURED LOAN STOCKS ("ICULS")

On 20 March 2013, the Company issued 46,236,560 five (5)-years 4.0%, irredeemable convertible unsecured loan stocks ("ICULS") per ICULS pursuant to debt restructuring scheme.

The salient terms of the ICULS are as follows:

(a) The ICULS shall bear a coupon rate of 4.0% per annum from date of issue ("Issued Date") up to the maturity date. The interest is payable semi-annually in arrears;

(b) The ICULS are convertible at any time on or after its issuance date into new ordinary shares of the Company at the conversion price, which is fixed at RM0.63 each;

(c) Any remaining ICULS not converted at the end of the Conversion Period shall be mandatorily converted into new ordinary shares at the Conversion Price on the maturity date; and

(d) The new ordinary shares issued from the conversion of ICULS will be deemed fully paid-up and rank pari passu in all respects with all existing ordinary shares of the Company.

The ICULS has expired on 20 March 2018.

The liability component and the equity component of the ICULS are as follows:

	Group and Company	
	2019	2018
	RM	RM
Liability component of ICULS		
At beginning of financial year	-	5,015
Net interest recognised in profit or loss	-	(5,015)
At end of financial year	-	-
Equity component of ICULS		
At beginning of financial year	-	579,303
Conversion of ICULS to ordinary shares	-	(579,303)
At end of financial year	-	-

17. EMPLOYEE SHARE OPTION RESERVE

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

The main features of the ESOS are as follows:

(a) Eligible persons are employees and/or directors of the Group who have been confirmed in the employment of the Group and have served for at least 1 year before the date of the offer.

(b) The maximum number of new ordinary shares of the Company, which may be available under the scheme, shall not exceed in aggregate 30% of the total number of issued share capital of the Company at any point in time when an offer is made throughout the duration of the scheme.

(c) The option price shall be determined by the ESOS Committee based on the 5-day volume weighted average market price of each ordinary share as quoted on Bursa Securities, immediately preceding the date of offer of the ESOS option, with a discount of not more than 10%.

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

(d) The option may be exercised by the option holders by notice in writing to the Company in the prescribed form during the option period in respect of all or any part of the new ordinary shares of the Company comprised in the ESOS.

(e) All new ordinary shares issued upon exercise of the options granted under the ESOS will rank pari passu in all respects with the existing ordinary shares of the Company, provided always that new ordinary shares so allotted and issued, will not be entitled to any dividends, rights, allotments and/or other distributions declared, where the entitlement date of which is prior to date of allotment and issuance of the new ordinary shares.

18. BORROWINGS

	Group 2019 RM	Group 2018 RM
Current liabilities		
Finance lease payables (Note 19)	1,889	730,940
Term loan (Note 20)	1,721,027	-
	1,722,916	730,940
Non-current liabilities		
Finance lease payables (Note 19)	-	1,889
Term loan (Note 20)	36,175,651	-
	36,175,651	1,889

	Group 2019 RM	Group 2018 RM
Total borrowings		
Finance lease payables (Note 19)	1,889	732,829
Term loan (Note 20)	37,896,678	-
	37,898,567	732,829

Notes to the Financial Statements
(Cont'd)

19. FINANCE LEASE PAYABLES

	Group	
	2019	2018
	RM	RM
Future minimum lease payments		
Not later than 1 year	2,196	763,316
Later than 1 year but not later than 5 years	-	1,896
	2,196	765,212
Less: Future finance charges	(307)	(32,383)
	1,889	732,829
Present value of liabilities		
Not later than 1 year	1,889	730,940
Later than 1 year but not later than 5 years	-	1,889
	1,889	732,829
Analysed as:		
Due within 12 months	1,889	730,940
Due after 12 months	-	1,889
	1,889	732,829

The finance lease payables bear effective interest at rate ranging from 4.84% to 6.00% (2018: 4.84% to 6.00%) per annum.

20. TERM LOAN

	Group	
	2019	2018
	RM	RM
Current liabilities		
Not later than 1 year	1,721,027	-
Non-current liabilities		
later than 1 year and not later than 5 years	36,175,651	-

Notes to the Financial Statements (Cont'd)

20. TERM LOAN (CONT'D)

Details of security and rates of interest :
(a) On the office building in Tower, 11, Avenue 5, Bangsar South, 59200 Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur.
(b) Joint and several guarantee by all the Company's directors.
(c) The effective interest is charged at 7.20%

Term loan 1
(a) Refinance free from encumbrances for working capital.
(b) Joint and several guarantee by all the Company's directors.
(c) The effective interest is charged at 2.10% below the bank's base lending rate.
(d) Repayable by 240 monthly instalments of RM15,952 each.

Term loan 2
(a) Refinance free from encumbrances for working capital.
(b) Joint and several guarantee by all the Company's directors.
(c) The effective interest is charged at 2.10% below the bank's base lending rate.
(d) Repayable by 240 monthly instalments of RM28,713 each.

21. TRADE AND OTHER PAYABLES

	Group		Company	
	2019	2018	2019	2018
	RM	RM	RM	RM
Trade payables				
- Third parties	5,096,380	7,287,819	-	-
Other payables				
Other payables	29,261,630	5,905,258	7,216,778	7,380,986
Deposit receives	600,000	-	-	-
Amount due to a director	2,514,689	2,514,689	2,364,791	2,364,791
	32,376,319	8,419,947	9,581,569	9,745,777
	37,472,699	15,707,766	9,581,569	9,745,777

(a) *Trade Payables*

Trade payables are unsecured and interest free. The Group's normal trade credit term ranges from 30 to 60 days (2018: 30 to 60 days).

Notes to the Financial Statements
(Cont'd)

21. **TRADE AND OTHER PAYABLES (CONT'D)**

Currency Exposure

The trade payables are denominated in the following currencies:

	Group 2019 RM	Group 2018 RM
Ringgit Malaysia	4,179,910	6,474,263
United States Dollar	729,046	711,275
Singapore Dollar	10,709	18,727
Euro	176,715	83,554
	5,096,380	7,287,819

(b) *Other Payables*

Other payables are unsecured and interest free.

(c) *Amount Due to a Director*

This amount is non-trade in nature, unsecured, interest free and repayable on demand.

22. **PROVISION**

	Group 2019 RM	Group 2018 RM
At beginning of the financial year	117,971	-
Additions	650,313	117,971
At end of financial year	768,284	117,971

The provision is in respect of penalty for late delivery of vacant possession to the buyers.

23. DEFERRED TAX LIABILITIES

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
At beginning of financial year	(823,641)	(2,119,198)	-	-
Recognised in profit or loss (Note 28)	631,610	1,295,557	-	-
At end of financial year	(192,031)	(823,641)	-	-

Presented after appropriate off-setting as follows:

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Deferred tax liabilities	(192,031)	(823,641)	-	-

The deferred tax liabilities are in respect of:

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Property, plant and equipment	(538,749)	(1,049,867)	-	-
Unabsorbed tax losses	346,718	226,226	-	-
	(192,031)	(823,641)	-	-

Deferred tax assets have not been recognised in respect of these items as it is not probable that the future taxable profit of the Group will be available against which the deferred tax assets can be utilised are as follows:

	Group	
	2019 RM	2018 RM
Unutilised tax losses	6,103,563	7,835,229

Notes to the Financial Statements (Cont'd)

24. REVENUE

Group

	Property Development		Plastic Mould		Total	
	2019 RM	**2018 RM**	**2019 RM**	**2018 RM**	**2019 RM**	**2018 RM**
Revenue from contracts with customer in primary geographical markets						
Germany	-	-	2,343,648	17,660,394	2,343,648	17,660,394
Malaysia	18,217,752	7,923,839	202,591	30,220	18,420,343	7,954,059
Mexico	-	-	143,180	1,078,923	143,180	1,078,923
Poland	-	-	-	-	-	-
Russia	-	-	33,459	252,126	33,459	252,126
Singapore	-	-	547,025	-	547,025	-
United States of America	-	-	-	4,122,064	-	4,122,064
	18,217,752	7,923,839	3,269,903	23,143,727	21,487,655	31,067,566
Timing of recognition						
At a point in time	-	-	3,269,903	23,143,727	3,269,903	23,143,727
Over time	18,217,752	7,923,839	-	-	18,217,752	7,923,839
	18,217,752	7,923,839	3,269,903	23,143,727	21,487,655	31,067,566

24. **REVENUE (CONT'D)**

There is no revenue generated for the Company throughout the financial year

The following information reflects the typical transaction of the Group are:

Nature of goods or services	Timing of recognition or method used to recognise revenue	Significant payment terms	Variable element in consideration	Obligation for returns or refund	Warranty
Plastic mould	Revenue is recognised when the goods are delivered and accepted by the customers.	Credit period of 30 to 60 days from invoice date	Not applicable	Not applicable	Not applicable
Property development	Recognise the revenue over time using output method, which is based on the stage of completion of the physical proportion of contract work to-date, certified by professional consultant.	Credit period of 14 days from the invoice date	Not applicable	Not applicable	Defect liability of 24 months is given to customer upon date of delivery of vacant procession.

The following table shows revenue from performance obligations that are unsatisfied (or partially unsatisfied) at the reporting date:

	Group	
	2019 **RM**	**2020** **RM**
Property development	33,095,388	20,699,366

Notes to the Financial Statements
(Cont'd)

25. OTHER OPERATING INCOME

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Interest income	3,894,543	2,270,280	4,128,020	2,147,442
Other income	-	4,560	-	-
Reversal of impairment loss of trade receivable	2,740,935	560,291	-	-
Unrealised gain on foreign exchange	42,034	-	-	-
Rental income	15,000	-	-	-
Sundry income	59,568	-	-	-
Reversal of amortisation of deposit	3,000,000	-	-	-
	9,752,080	2,835,131	4,128,020	2,147,442

26. FINANCE COSTS

	Group	
	2019 RM	2019 RM
Interest expenses of financial liabilities that are not at fair value through profit or loss:		
- Finance lease interest	31,747	133,363
- Term loan interest	630	53,549
At end of financial year/period	32,377	186,912

27. LOSS BEFORE TAX FROM CONTINUING OPERATIONS

	Group		Company	
	2019	**2018**	**2019**	**2018**
	RM	**RM**	**RM**	**RM**
Los before tax is arrived at after charging:				
Amortisation of deposits	-	3,392,781	-	-
Auditors' remuneration:				
- Audit fee				
: Al Jafree Salihin Kuzaimi	100,000	-	100,000	-
: Other auditors	70,000	149,000	-	40,000
Bad debts written off		251,372		1,126,622
Depreciation of property, plant and equipment (Note 4)	4,086,242	4,460,977	-	63
Fair value changes in other investments	-	1,045,000	-	1,045,000
Impairment loss on property, plant and equipment (Note 4)	-	584,667	-	-
Impairment loss of goodwill	-	940,130	-	-
Impairment loss on investment in subsidiaries (Note 5)	-	-	-	35,627,837
Impairment loss on trade receivables	1,401,049	1,030,868	-	-
Impairment loss on other receivables	-	6,194	-	-
Loss on disposal of property, plant and equipment	-	596,068	-	-
Property, plant and equipment written off	-	565,625	-	-
Realised (gain)/loss on foreign exchange	(33,133)	508,575	-	-
Unrealised loss on foreign exchange	350,309	737,143	-	-

Notes to the Financial Statements (Cont'd)

28. TAXATION

(a) *Major Components of Tax Expense*

	Group		Company	
	2019	2018	2019	2018
	RM	RM	RM	RM
Current income tax				
Current financial year	593,887	532,000	577,973	515,000
Under/(Over) provision in prior financial year	12,476	(200,339)	-	(113,314)
	606,363	331,661	577,973	401,686
Deferred tax	(631,610)	(1,295,557)	-	-
	(25,247)	(963,896)	577,973	401,686

Reconciliation between tax expense and the product of accounting (loss)/profit multiplied by the applicable tax rate is as follows:

	Group		Company	
	2019	2018	2019	2018
	RM	RM	RM	RM
Loss before tax	(20,754,720)	(16,121,190)	(1,749,240)	(37,838,324)
Income tax calculated at tax rate 24%	(4,981,133)	(3,869,096)	(419,818)	(9,081,198)
Tax effects of expenses not deductible	5,575,020	3,102,211	158,155	9,596,198
Overprovision of deferred tax in prior year	(631,610)	(1,295,557)	-	-
Under/(Over)provision of income tax in prior financial year	12,476	(200,339)	-	(113,314)
	(25,247)	(963,896)	577,973	401,686

29. LOSS FROM DISCONTINUED OPERATIONS, NET OF TAX

As disclosed in Note 12 to the financial statements, the Group has ceased Majestic International Limited's operation in 2019. An analysis of the results of the discontinued operations is as follows:

	Group	
	2019	**2018**
	RM	**RM**
Revenue	-	15,727
Cost of sales	-	(161,254)
Gross (loss)/profit	-	(145,527)
Other operating income	-	32,219
General and administration expenses	-	(726,553)
Loss before tax	-	(839,861)
Tax expense	-	-
Loss after tax from discontinued operations	-	(839,861)

(a) Included in loss before tax from the discontinued operations are as follows:

	Group	
	2019	**2018**
	RM	**RM**
Impairment loss on trade receivables	-	252,837
Unclaimed tax expense off	-	460,330

(b) The cash flows attributable to the discontinued operations are as follows:

	Group	
	2019	**2018**
	RM	**RM**
Net operating cash flows	-	(241,631)
Net cash used in discontinued operations	-	(241,631)

Notes to the Financial Statements (Cont'd)

30. LOSS PER SHARE

	Group 2019 RM	Group 2018 RM
Loss after tax attributable to owners of the Company		
- from continuing operations	(20,729,473)	(15,157,294)
- from discontinued operations	-	(839,861)
	(20,729,473)	(15,997,155)
Weighted average number of ordinary shares during the financial year	1,108,794,841	428,089,493
Basic loss per share (sen)		
- from continuing operations	(1.87)	(3.54)
- from discontinued operations	-	(0.20)

The basic earnings per share of the Group is calculated by dividing the Group's loss after tax attributable to the owners of the Company by the weighted average number of ordinary shares in issue during the financial year/period.

	Group 2019 RM	Group 2018 RM
Loss after tax attributable to owners of the Company		
- from continuing operations	(20,729,473)	(15,157,294)
- from discontinued operations	-	(839,861)
	(20,729,473)	(15,997,155)
Diluted loss per share (sen)		
- from continuing operations	(1.35)	(3.54)
- from discontinued operations	-	(0.20)

Notes to the Financial Statements (Cont'd)

30. LOSS PER SHARE(CONT'D)

The diluted earnings per share of the Group is calculated by dividing the Group's loss after tax attributable to the owners of the Company by the weighted average number of ordinary shares in issue during the financial year adjusted for the effects of the dilutive potential ordinary shares.

There is no dilution effect to the earnings per share in the previous financial period as the exercise prices of warrants and ICULS were higher than the average market price of the ordinary shares during the previous financial year.

31. EMPLOYEE BENEFITS EXPENSE

	Group		Company	
	2019	2018	2019	2018
	RM	RM	RM	RM
Short term employee benefits	820,122	4,884,617	-	-
Directors' remuneration [Note 31(a)]	806,310	766,102	192,000	209,500
Post-employment benefits	-	479,815	-	-
Others benefits	-	11,500	-	-
Share-based payments	-	5,287,835	-	-
	1,626,432	11,429,869	192,000	209,500

(a) *Directors' Remuneration*

	Group		Company	
	2019	2018	2019	2018
	RM	RM	RM	RM
Directors in the Group/Company:				
Post-employment benefits	-	49,680	-	-
Fee - current financial year	398,500	241,000	192,000	198,000
Others benefits	-	11,500		
Remuneration	599,810	463,922	12,500	11,500
	806,310	766,102	204,500	209,500

32. RELATED PARTIES DISCLOSURES

(a) *Key Management Personnel Compensation*

The remuneration of key management personnel comprising solely executive directors is disclosed in Note 31(a) to the financial statements.

(b) *Related Party Transactions*

	Company	
	2019	**2018**
	RM	**RM**
Advances to inter-company		
Subsidiary – Sanichi Property Sdn Bhd	20,307,477	-
Bad debts written off on:		
Subsidiary - Sanichi Mould (Thailand) Co., Ltd.	-	874,866
Subsidiary - Majestic International Limited	-	1,120
	-	875,986

33. SEGMENT INFORMATION

The Group is organised into business units based on its products and services, and has three reportable operating segments as follow:

Manufacturing	Designing and fabrication of precision moulds and tooling for use in automobile.
Property development	Property development.
Others	Investment holding and provision for management services.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which, in certain respects as explained in the table below, is measured differently from operating profit or loss in the consolidated statement of profit or loss and other comprehensive income. Group financing (including finance costs) and income taxes are managed on a group basis and are not allocated to operating segments.

33. SEGMENT INFORMATION (CONT'D)

2019	Notes	Continuing Operations: Manufacturing RM	Continuing Operations: Property Development RM	Continuing Operations: Others RM	Adjustment RM	Consolidated RM
Revenue						
External revenue		3,071,322	18,217,752	198,581	-	21,487,655
Result						
Depreciation		(1,969,744)	(373,013)	(1,743,485)	-	(4,086,242)
Interest income		-	-	3,894,543	-	3,894,543
Other non-cash expenses	a	(6,935,888)	(14,819,956)	(20,494,062)	-	(42,258,906)
Segment profit/(loss)		(5,834,310)	3,024,783	(17,919,946)	-	(20,729,473)
Segment Assets						
Additional to non-current asset (excluding deferred tax assets)		146,737	-	49,660,075	(1,513,359)	48,146,716
Segment assets	b	51,237,274	98,809,053	271,452,891	(105,198,173)	316,301,045
Segment liabilities	c	36,107,627	100,742,904	49,062,250	(109,581,200)	76,331,581

Notes to the Financial Statements
(Cont'd)

33. **SEGMENT INFORMATION (CONT'D)**

2018	**Continuing Operations**			**Discontinued Operation**		
	Manufacturing RM	**Property Development RM**	**Others RM**	**Manufacturing and others RM**	**Adjustment RM**	**Consolidated RM**
Revenue						
External revenue	23,143,727	7,923,839	-	15,727	-	31,083,293
Result						
Amortisation	165,451	3,227,330	-	-	-	3,392,781
Depreciation	3,105,101	371,286	984,590	-	-	4,460,977
Interest income	70,993	51,845	2,145,442	-	-	2,270,280
Other non-cash expenses	10,887,142	1,812,010	37,799,459	713,167	(40,393,840)	11,758,068
Segment loss	6,410,103	(5,079,264)	(39,863,219)	(839,861)	22,411,190	(16,961,051)
Segment Assets						
Additional to non-current asset(excluding deferred tax assets)	162,459	462,731	29,572,135	-	(16,787,835)	13,409,490
Segment assets	72,411,707	84,818,673	256,516,981	17,910	(135,057,522)	278,707,749
Segment liabilities	45,115,266	89,776,257	23,664,022	10,619	(140,545,311)	18,020,853

34. CATEGORIES OF FINANCIAL INSTRUMENTS

The table below provides an analysis of financial instruments as at 31 December 2019 categorised as follows:

- Amortised cost
- Fair value through profit or loss
- Financial liabilities measured at amortised cost

	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
Financial assets				
Amortised cost				
Trade and other receivables	63,469,356	44,743,532	133,989,607	112,109,341
Cash and cash equivalents	99,577,476	132,620,857	97,725,920	125,515,308
	163,046,832	177,364,389	231,715,5272	237,624,649
Fair value through profit or loss				
Other investments	5,303,250	555,000	3,855,000	555,000
Financial liabilities				
Amortised cost				
Trade and other payables	37,472,699	15,707,766	9,581,569	9,745,777
Borrowings	37,898,567	732,829	-	-
	75,371,266	16,440,595	9,581,569	9,745,777

Notes to the Financial Statements (Cont'd)

35. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES

The Group and the Company are exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include foreign currency risks, price risk, credit risk and liquidity risk.

The Board of Directors reviews and agrees policies and procedures for management of these risks, which are executed by the management.

It is, and has been throughout the current and previous financial year, the Group's and the Company's policy that no derivative shall be undertaken for hedging and speculative purposes. The Group and the Company do not apply hedge accounting.

The following sections provide the details regarding the Group's and the Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for management of these risks.

(a) *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 transactional currency exposure primarily through sales that are denominated in a currency other than the functional currency of the operations to which they relate. The significant foreign currencies in which these transactions are denominated are United States Dollar ("USD"), Euro ("EUR") and Singapore Dollar ("SGD"). There is no formal hedging policy with respect to foreign exchange exposure. Exposure to foreign currency is monitored on an on-going basis and the Group endeavours to keep the net exposures to an acceptable level. The Group and the Company does not exposed to transactional currency exposure.

The Group's an exposure to significant foreign currency risk, based on the carrying amounts as at the end of the reporting period was:

	Group	
	2019	**2018**
	RM	**RM**
Denominated in USD		
Trade and other receivables (Note 9)	443,104	6,553,268
Cash and cash equivalents (Note 12)	4,099	8,145
Trade and other payables (Note 22)	(729,046)	(711,275)
	(281,843)	5,850,138

35. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (CONT'D)

(a) *Foreign Currency Risk (Cont'd)*

	GROUP	
	2019	**2018**
	RM	**RM**
Denominated in EUR		
Trade and other receivables (Note 9)	7,784	1,410,970
Cash and cash equivalents (Note 12)	3,959	3,962
Trade and other payables (Note 22)	(176,715)	(83,554)
	(164,972)	1,331,378
Denominated in SGD		
Cash and cash equivalents (Note 12)	-	47,897
Trade and other payables (Note 22)	(10,709)	(18,727)
	(10,709)	29,170

Sensitivity Analysis of Foreign Currency Risk

The following table demonstrates the sensitivity of the Group's loss net of tax to a reasonably possible change in the USD/RM, EUR/RM and SGD/RM exchange rates against the respective functional currencies, with all other variables held constant.

	Group Increase/(Decrease)	
	2019	**2018**
	RM	**RM**
USD/RM		
- strengthening of USD by 5% (2018: 5%)	22,152	222,305
- weakening of USD by 5% (2018: 5%)	(22,152)	(222,305)
EUR/RM		
- strengthening of EUR by 5% (2018: 5%)	389	50,592
- weakening of EUR by 5% (2018: 5%)	(389)	(50,592)
SGD/RM		
- strengthening of SGD by 5% (2018: 5%)	-	712
- weakening of SGD by 5% (2018: 5%)	-	(712)

Notes to the Financial Statements
(Cont'd)

35. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (CONT'D)

(b) *Price Risk*

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

The analysis assumes that all variables remain constant and the Group's and the Company equity investments moved in correlation with the FTSE Bursa Malaysia KLCI ("FBMKLCI").

A 10% (2018: 10%) strengthening in FBMKLCI at the end of the reporting period would have increased post-tax profit of loss by RM55,000 (2018: NIL) for investments classified as fair value through profit or loss. A 10% (2018: 10%) weakening in FBMKLCI would have had equal but opposite effect of profit or loss.

(c) *Interest Rate Risk*

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

The Group and the Company are not exposed to significant interest rate as the interest rate of borrowing structure is fixed.

(d) *Credit Risk*

Credit risk is the risk of financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligation. The Group's and the Company's exposure to credit risk arises primarily from trade receivables and other receivables. For other financial assets (including cash and bank balances), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties. There are no significant changes as compared to prior financial periods.

The Group's and the Company's objective is to seek continual revenue growth while minimising losses incurred due to increase in credit risk exposure. The Group and the Company trades with all third parties but will only provide credit terms upon approval of the management.

At each reporting date, the Group assesses whether any of the trade receivables are credit impaired.

The gross carrying amounts of credit impaired trade receivables are written off (either partially or full) when there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. Nevertheless, trade receivables that are written off could still be subject to enforcement activities.

There are no significant changes as compared to previous financial period.

35. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (CONT'D)

(d) *Credit Risk (Cont'd)*

Exposure to Credit Risk

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

Credit Risk Concentration Profile

The exposure of credit risk for trade receivables as at the end of the reporting period by geographic region was:

	Group	
	2018 RM	**2018 RM**
Malaysia	4,391,964	3,520,551
United States of America	443,104	904,118
Germany	7,784	6,659,327
Mexico	-	255,155
Others	-	161,723
	4,842,852	11,500,874

Recognition and Measurement of Impairment Loss

In managing credit risk of trade receivables, the Group manages its debtors and takes appropriate (actions including but not limited to legal actions) to recover long overdue balances. Generally, trade receivables will pay within 365 days. The Group's debt recovery is as follows:

(a) Above 90 days past due after credit term, the Group will start to initiate a debt recovery process which is monitored by the sales management team; and

(b) Above 365 days past due, the management will take necessary action including collection arrangement.

The Group uses an allowance matrix to measure ECLs of trade receivables for all segments except for property development segment. Consistent with the debt recovery process, invoice which are past due 365 days will be considered as credit impaired.

Loss rates are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive states of delinquency to 365 days past due.

Notes to the Financial Statements (Cont'd)

35. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (CONT'D)

(d) *Credit Risk (Cont'd)*

Loss rates are based on actual credit loss experience over the past two years. The Group also considers differences between (a) economic conditions during the period over which the historic data has been collected, (b) current conditions and (c) the Group's view of economic conditions over the expected lives of the trade receivable.

For property development, the Group assessed the risk of loss of each customer individually based on their financial information, past trend of payments and external credit ratings, where applicable. All of these customers have low risk of default.

The following table provides information about the exposure to credit risk and ECLs for trade receivables as at 31 December 2019 and as at 31 December 2018 which are grouped together as they are expected to have similar risk nature.

2019

	Gross carrying amount RM	Loss allowance RM	Net balance RM
Current (not past due)			
1 - 30 days past due	4,310,579	-	4,310,579
31 - 60 days past due	493,870	-	493,870
61 - 90 days past due	38,403	-	38,403
	4,842,852	-	4,842,852
Credit impaired			
More than 90 days past due			
Individually impaired	1,771,089	(1,771,089)	-
	1,771,089	(1,771,089)	-
Net trade receivables	6,613,941	(1,771,089)	4,842,852

35. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (CONT'D)

(d) *Credit Risk (Cont'd)*

2018

	Gross carrying amount RM	Loss allowance RM	Net balance RM
Current (not past due)	4,917,784	(255,091)	4,662,693
1 - 30 days past due	1,721,436	(51,762)	1,669,674
31 - 60 days past due	940,693	(96,000)	844,693
61 - 90 days past due	2,169,963	(292,630)	1,877,333
	9,749,876	(695,483)	9,054,393
Credit impaired			
More than 90 days past due	4,693,989	(2,247,508)	2,446,481
Individually impaired	9,886,942	(9,886,942)	-
	14,580,931	(12,134,450)	2,446,481
Net trade receivables	24,330,807	(12,829,933)	11,500,874
Contract assets	921,101	-	921,101
	25,251,908	(12,829,933)	12,421,975

Cash and Cash Equivalents

The cash and cash equivalents are held with banks and cooperative. As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

These banks have low credit risks. In addition, some of the bank balances and fixed deposits with licensed bank are insured by Perbadanan Insurans Deposit Malaysia ("PIDM"). Consequenlty, the Group and the Company are of the view that the loss allowance is not material and hence, it is not provided for.

The Group and the Company placed RM112,506,502 (2018: RM59,618,164) as fixed deposits in a cooperative. The directors and the management consider such placement has low credit risk and able to recover due to there is no history of default and no obstacles placed by the cooperative during uplift of deposits. The decision to place the deposit in the cooperative is the cooperative offers better interest rate. Consequenlty, the Group and the Company are of the view that the loss allowance is not material and hence, it is not provided for.

35. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (CONT'D)

(d) *Credit Risk (Cont'd)*

Other Receivables

Credit risks on other receivables are mainly arising from amount owing by other receivable arise from disposal of property, plant and equipment and development or collaboration deposits paid. The Group has placed a RM Nil (2018: 3,000,000) as collaboration deposit to a third party that act as investment agent of the cooperative stated in Note 3(a). In the opinion of the directors and management, there is non-existence of related party relationship in these transactions as no control and influence over the Group and the particular third party. Besides that, the Group has placed a refundable deposits amounting to RM Nil (2018: RM500,000) to a director of a subsidiary to obtain outbound money remittance services. The Group and the Company manages the credit risk by follow up the collection and project status.

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

The movement of the allowance for impairment losses of other receivables are as follows [Note 10(b)]:

	Group	
	2019	**2018**
	RM	**RM**
At beginning of financial year/period	6,194	-
Impairment loss	-	6,194
At end of financial year/period	6,194	6,194

Inter-Company Loans and Advances

Risk Management Objectives, Policies and Processes for Managing the Risk

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

Exposure to Credit Risk, Credit Quality and Collateral

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

Loans and advances provided are not secured by any collateral or supported by any other credit enhancements.

35. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (CONT'D)

(d) *Credit Risk (Cont'd)*

Other Receivables (Cont'd)

Recognition and Measurement of Impairment Loss

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

- The subsidiary is unlikely to repay its loan or advance to the Company in full;
- The subsidiary is continuously loss making and is having a deficit shareholders' fund.

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

Recognition and Measurement of Impairment Loss (Cont'd)

The following table provides information about the exposure to credit risk and ECLs for related companies' loans and advances as at 31 December 2019.

	Gross carrying amount RM	Loss allowance RM	Net balance RM
Low credit risk	127,100,606	-	127,100,606

(e) *Liquidity Risk*

Liquidity risk is the risk that the Group and the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities.

The Group and the Company maintains a level of cash and cash equivalents deemed adequate by the management to ensure, as far as possible, that will have sufficient liquidity to meet its liabilities when they fall due.

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

Notes to the Financial Statements (Cont'd)

35. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (CONT'D)

(e) *Liquidity Risk (Cont'd)*

Analysis of Financial Liabilities by Remaining Contractual Mutuality Obligations

The table below summarises the mutuality profile of the Group's and the Company's liabilities at the statement of financial position based on contractual undiscounted repayment obligations.

	Within 1 year or less RM	After 1 year but not more than 5 years RM	Total RM
Group			
2019			
Trade and other payables	37,472,699	-	37,472,699
Borrowings	1,722,916	36,175,651	37,898,567
	39,195,615	36,175,651	74,074,218
2018			
Trade and other payables	15,707,766	-	15,707,766
Borrowings	730,940	1,889	732,829
	16,438,706	1,889	16,440,595
Company			
2019			
Trade and other payables	9,581,569	-	9,581,569
2018			
	9,745,777	-	9,745,777

Notes to the Financial Statements (Cont'd)

36. CAPITAL MANAGEMENT

The Group's and the Company's objectives when managing capital are to safeguard the Group's and the Company's ability to continue as a going concern and to maintain a capital structure so as to maximise shareholder value. In order to maintain or achieve an optimal capital structure, the Group and the Company may adjust the amount of dividend payment, return capital to shareholder, issue new shares, obtain new borrowings or sell assets to reduce borrowings.

Management monitors capital based on gearing ratio. The ratio is calculated as net debt divided by total capital. Net debt is calculated as borrowings plus trade and other payables less cash and cash equivalents. Total capital is calculated as the equity attributable to equity holders of the Company plus net debt.

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Trade and other payables	37,472,699	15,707,766	9,581,569	9,745,777
Borrowings	37,898,567	732,829	-	-
	74,074,218	16,440,595	9,581,569	9,745,777
Less: Cash and cash equivalents	(2,503,912)	(15,029,361)	(652,356)	(7,905,902)
Net debt	71,570,306	1,411,234	9,093,421	1,839,875
Shareholders' equity	238,703,961	259,223,396	227,501,517	229,825,201
Total capital	167,133,655	257,812,162	218,408,096	227,985,326
Gearing ratio	30%	1%	4%	1%

37. FAIR VALUE OF ASSETS AND LIABILITIES

(a) *Fair value of financial instruments that are carried at fair value (level 1).*

The Group and the Company have other investments of RM5,303,250 (2018: RM555,000) and RM3,855,000 (2018 : RM555,000) at Level 1 of fair value measurement.

Notes to the Financial Statements (Cont'd)

37. FAIR VALUE OF ASSETS AND LIABILITIES (CONT'D)

(b) *Fair value of financial instruments by classes that are not carried at fair values and whose carrying amounts are not reasonable approximation of fair values (level 3).*

The fair value of the financial assets and financial liabilities by classes that are not carried at fair values and whose carrying amounts are not reasonable approximation of fair values are as follows:

	2019		2018	
	Carrying amount RM	Fair values RM	Carrying amount RM	Fair values RM
Group				
Finance lease payables	1,889	2,196	732,829	691,597
Term loan	37,896,678	45,476,014	-	-
	37,898,567	45,478,210	732,829	691,597

(c) *Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value.*

The carrying amount of these financial assets and liabilities (trade and other receivables, cash and bank balances, trade and other payables) are reasonable approximation of fair value, either due to their short term nature or that they are floating rate instruments that are re-priced at market interest.

38. EQUITY-SETTLED SHARED-BASED PAYMENTS

The fair value services received in return for share options granted is based on the market price of the grant date with value of RM0.10, RM0.105 and RM0.13. Grant date is the date that the Company and its employees agree to a shared-based payment arrangement, being when the entity and the Company and its employees have a shared understanding of the terms and conditions of the agreement.

The share options expense recognised in profit and loss of the Group during the financial year were RM Nil (2018: RM5,287,835).

39. SUBSEQUENT EVENTS

Events to the reporting date are as follows:

The Coronavirus disease 2019 "COVID-19" pandemic has interrupted the movement of people and goods throughout the world, and many levels of government are instituting restrictions on individuals and business, including Malaysia, where majority of the Group's are located. In relation to this, the Government of Malaysia issued a Federal Government Gazette on 18 March 2020 imposing a Movement Control Order ('MCO') effective from 18 March 2020 to 31 March 2020 arising from the COVID-19 pandemic. The MCO was extended for two (2) weeks consecutively on 23 March and 10 April 2020 until 14 April 2020 and 28 April 2020 respectively, followed by another announcement on 23 April 2020 on further extension of the MCO for another two (2) weeks until 12 May 2020.

Since these developments occurred subsequent to the end of the reporting period, the COVID-19 pandemic is treated as a non-adjusting event in accordance with MFRS 110 Events after the Reporting Period and therefore, judgements and assumptions used in the preparation of the financial statements of the Group for the financial year ended 31 December 2019 do not reflect the effects arising from this non-adjusting event.

Not with standing that, the Group anticipates that the effects of COVID-19 would be recognised in the financial statements for the financial year ending 31 December 2020. The effects of COVID-19 would potentially impact the judgements and assumptions used in the preparation of the financial statements for the financial year ending 31 December 2020, such as expected credit losses of financial assets, fair value measurements of financial instruments, impairment assessments of assets (property, plant and equipment and goodwill).

As at the date of the authorisation of the financial statements, the COVID-19 pandemic and the MCO since 18 March 2020 have significant financial impact to the Group. In view of the lack of visibility on the end date of the COVID-19 pandemic and the MCO, the Group is not able to estimate the full potential financial impact as at the date of the authorisation of the financial statements. The Group will only recognise the financial impact in the financial statements for the financial year ending 31 December 2020.

LIST OF PROPERTIES
as at 16 June 2020

Registered Owner	Title/Location Address	Description/ Existing Use	Tenure	Age of Building (Years)	Total Land Area (Square feet)	Total Built Up Area (Square feet)	Carrying Amount 31.12.2018 (RM)	Year of Acquisition
Sanichi Precision Mould Sdn Bhd	HS(D) 370623 PTD 88552 Mukim of Senai-Kulai PLO 135 Kawasan Perindustrian Fasa 3 81400 Senai Johor	Warehouse & Factory	Leasehold 15.06.2064	11	65,340	43,924	4,188,378	2004
Sanichi Precision Mould Sdn Bhd	HS(D) 290337 PTD 65201 Mukim of Senai-Kulai PLO 136 Kawasan Perindustrian Fasa 3 81400 Senai Johor	Building completed	Leasehold 15.06.2064	–	65,340	–	9,396,423	2007
Sanichi Property Sdn Bhd	Geran 14939, Lot 129, Pekan Klebang Sek. 1 Daerah Melaka Tengah, Negeri Melaka	Development in progress	Freehold	–	93,344	–	56,769,541	2014
Sanichi Capital Sdn Bhd	Pajakan Negeri 46338, Lot 58190, Ikhlas Point, Tower 11, Avenue 5, The Horizon, Bangsar South, No. 8 Jalan Kerinchi, 59200 Kuala Lumpur	Office building	Leasehold	–	–	54,046	47,213,561	2019

ANALYSIS OF SHAREHOLDINGS
as at 16 June 2020

SHARE CAPITAL

Total Number of Issued Shares	:	1,108,795,463
Class of Share	:	Ordinary Shares
Voting Rights	:	One vote for each ordinary share held

DISTRIBUTION OF SHAREHOLDINGS

Size of Holding	No. of Shareholders	No of Shares	%
Less than 100	1,332	54,617	0.00
100 - 1,000	758	372,528	0.03
1,001 to 10,000	1,604	8,484,046	0.77
10,001 to 100,000	2,370	105,447,233	9.51
600,001 to less than 5% of issued shares	755	772,505,439	69.67
5% and above of issued shares	3	221,931,600	20.02
Total	6,822	1,108,795,463	100.00

DIRECTORS' SHAREHOLDINGS
(as per Register of Directors' Shareholdings)

No.	Name of Directors	No. of Shares Held Direct	%	No. of Shares Held Indirect	%
1.	Dato' Sri Dr Pang Chow Huat	127,446,167	11.494	3,867,718	0.349
2.	Dato' Abd Halim Bin Abd Hamid	–	–	–	–
3.	Ong Tee Kein	–	–	–	–
4.	Datin Erdawaty Binti Mohamed	–	–	–	–
5.	The late Dato' Sri Ahmad Said Bin Hamdan *(demised on 22 September 2019)*	–	–	–	–

SUBSTANTIAL SHAREHOLDERS' SHAREHOLDINGS
(as per Register of Substantial Shareholders' Shareholdings)

No.	Name of Substantial Shareholder	No. of Shares Held Direct	%	No. of Shares Held Indirect	%
1.	Cita Realiti Sdn Bhd	232,077,100	23.275	–	–
2.	Dato' Sri Dr Pang Chow Huat	127,446,167	11.494	3,867,718	0.349

LIST OF THIRTY (30) LARGEST SHAREHOLDERS
(as per Record of Depositors)

No.	Name of Shareholders	No. of Shares	%
1.	KENANGA NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR CITA REALITI SDN BHD*	87,000,000	7.8464
2.	SJ SEC NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR DATO' PANG CHOW HUAT*	74,079,500	6.6811
3.	CITA REALITI SDN BHD	60,852,100	5.4881

Analysis of Shareholdings (Cont'd)

LIST OF THIRTY (30) LARGEST SHAREHOLDERS (CONT'D)
(as per Record of Depositors)

No.	Name of Shareholders	No. of Shares	%
4.	TA NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR METRONIC GLOBAL BERHAD*	54,200,000	4.8882
5.	TA NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR CITA REALITI SDN BHD*	50,000,000	4.5094
6.	TA NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR PANG CHOW HUAT*	47,100,000	4.2479
7.	SJ SEC NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR CITA REALITI SDN BHD*	29,225,000	2.6357
8.	M & A NOMINEE (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR HO JIEN SHIUNG*	27,044,000	2.4390
9.	M & A NOMINEE (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR HO KEE WEE*	27,010,000	2.4360
10.	DB (MALAYSIA) NOMINEE (ASING) SDN BHD *EXEMPT AN FOR NOMURA PB NOMINEES LTD*	24,800,100	2.2367
11.	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR HO JIEN SHIUNG*	24,282,222	2.1900
12.	UOBM NOMINEES (TEMPATAN) SDN BHD *UNITED OVERSEAS BANK NOMINEES (PTE) LTD FOR CHEW HUN SENG*	23,300,000	2.1014
13.	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR KONG KOK KEONG*	19,500,000	1.7587
14.	TA NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR TAN CHOR HOW CHRISTOPHER*	18,132,300	1.6353
15.	TA NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR M N C WIRELESS BERHAD*	14,000,000	1.2626
16.	HLB NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR MAH SIEW SEONG*	13,313,050	1.2007
17.	MAH WEE HIAN @ MAH SIEW KUNG	11,319,104	1.0208
18.	TAN HOON HEOK	10,331,000	0.9317
19.	MAYBANK NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR SEKARAJASEKARAN A/L ARASARATNAM*	10,000,000	0.9019
20.	MAH WEE HIAN @ MAH SIEW KUNG	9,500,000	0.8568
21.	KUA KHAI SHYUAN	8,610,986	0.7766
22.	ONG YEE LUNG	8,327,675	0.7511
23.	PDZ HOLDINGS BHD	8,300,000	0.7486
24.	CGS-CIMB NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR NAZRI BIN ABDULLAH @ NAZRI BHUPALAN*	8,000,000	0.7215
25.	MAH WEE HIAN @ MAH SIEW KUNG	7,200,916	0.6494
26.	PANG CHOW HUAT	6,266,667	0.5652
27.	JF APEX NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR TAN KIM YIN*	6,170,700	0.5565
28.	KENANGA NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR JIMMY KUEK HANN SIANG*	5,500,000	0.4960
29.	MAH WEE HIAN @ MAH SIEW KUNG	5,300,916	0.4781
30.	M N C WIRELESS BERHAD	5,200,000	0.4690
		703,866,286	63.4804

ANALYSIS OF
WARRANT E HOLDINGS
as at 16 June 2020

Number of Warrant E 2018/2021	:	369,329,241
Exercise Price	:	RM0.10 for one ordinary share
Exercise Rights	:	Each Warrant entitles the holder to subscribe for one new ordinary share
Exercise Period	:	14 December 2018 to 13 December 2021
No of Warrants exercised during the year ended 31/12/19	:	622

Category	No of Warrant E Holders	%	No of Warrant E	%
Less than 100	65	6.54	3,233	0.00
100 - 1,000	48	4.83	27,038	0.01
1,001 - 10,000	229	23.04	1,312,372	0.36
10,001 - 100,000	402	40.44	18,824,872	5.10
100,001 to less than 5% of issued Warrant E	248	24.95	275,575,726	74.62
5% & above of issued Warrant E	2	0.20	73,586,000	19.92
TOTAL	994	100.00	369,329,241	100.00

LIST OF THIRTY (30) LARGEST WARRANT E HOLDERS
(as per Record of Depositors)

No.	Name of Warrant E Holders	No. of Warrant E	%
1.	MAH WEE HIAN @ MAH SIEW KUNG	5,950,000	1.6110
2.	MAH WEE HIAN @ MAH SIEW KUNG	5,000,000	1.3538
3.	LIEW JIEW CHOO	5,000,000	1.3538
4.	TEE HUEY CHYUN	4,500,000	1.2184
5.	TAN YOUNG TAT	4,100,000	1.1101
6.	CHUA KIM CHIN	4,000,000	1.0830
7.	LEE KIN FATT	3,946,000	1.0684
8.	LOH YEW CHEONG	3,800,000	1.0289
9.	SEE BOON SENG	3,700,000	1.0018
10.	AFFIN HWANG NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR CHEH KAH MUN*	3,630,000	0.9829
11.	LEE QUEE CHIOW	3,500,000	0.9477
12.	YANG SHIEW WOON	3,500,000	0.9477
13.	CHIN WAI SEONG	3,500,000	0.9477
14.	MOHD DAUD BIN ABU YAZID	3,150,000	0.8529
15.	KHONG SWEE LOON	3,000,000	0.8123
16.	KAMARULZAMAN BIN AJIMI	3,000,000	0.8123
17.	PUBLIC NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR LEE ENG JOO*	3,000,000	0.8123
18.	WONG CHEN PENG	3,000,000	0.8123
19.	CHEN CHUNG PING	2,800,000	0.7581
20.	ANG YONG CHEE	2,500,000	0.6769
21.	SJ SEC NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR DATO' PANG CHOW HUAT*	50,000,000	13.5381
22.	YONG SWEE KOON	23,586,000	6.3862
23.	LIM CHIN PO	17,000,000	4.6029
24.	MAH WEE HIAN @ MAH SIEW KUNG	12,500,000	3.3845
25.	MOHD SHAFEI BIN ABDULLAH	12,000,000	3.2491

Analysis of Warrant E Holdings (Cont'd)

LIST OF THIRTY (30) LARGEST WARRANT E HOLDERS (CONT'D)
(as per Record of Depositors)

No.	Name of Warrant E Holders	No. of Warrant E	%
26.	MAH WEE HIAN @ MAH SIEW KUNG	11,500,000	3.1138
27.	YAP YAN LIN	9,000,000	2.4369
28.	HLB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR MAH SIEW SEONG	6,788,050	1.8379
29.	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHONG KEAN YANG	6,723,000	1.8203
30.	LOH KEN PING	2,400,000	0.6498
		226,073,050	61.2118

APPENDIX A

PROPOSED AMENDMENTS TO THE COMPANY'S CONSTITUTION

The following existing clauses of the Company's Constitution are proposed to be amended in the following manner:-

Clauses	Existing Clause	Amended Clause
61	The meeting of its Members may be held at more than one venue using any technology or method that allows the Members of the Company to participate and to exercise their rights to speak and vote at the meeting, and using any available technology to provide notice, conduct and record or facilitate voting at that meeting or any adjournment of that meeting of members subject to rules, regulations and laws prevailing. The main venue of the meeting shall be in Malaysia and the Chairman shall be present at the main venue of the meeting.	The meeting of its Members may be held **by fully virtual or hybrid** at more than one venue using any technology or method that allows the Members of the Company to participate and to exercise their rights to speak and vote at the meeting, and using any available technology to provide notice, conduct and record or facilitate voting at that meeting or any adjournment of that meeting of members subject to rules, regulations and laws prevailing. The main venue of the meeting shall be in Malaysia and **subject to Clause 69**, the Chairman shall be present at the main venue of the meeting. **For fully virtual general meeting, the broadcast venue shall be the main venue of the meeting and all the provisions of this Constitution as to meetings of Members shall also apply to such fully virtual general meeting.**
80	The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority, shall be deposited at the Office or at such other place within Malaysia as is specified for that purpose in the notice convening the meeting, not less than forty-eight (48) hours before the time appointed for holding the meeting or adjourned meeting as the case may be, or in the case of a poll, not less than twenty-four (24) hours before the time appointed for taking the poll, which the person named in the instrument proposes to vote and in default, the instrument of proxy shall not be treated as valid. In the event the member(s) duly executes the form of proxy but does not name any proxy, such member(s) shall be deemed to have appointed the Chairman of the meeting as his/her/their proxy, Provided Always that the rest of the proxy form, other than the particulars of the proxy have been duly completed by the Member.	The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority, shall be deposited at the Office or at such other place within Malaysia **or by way of electronic means or in such other manner** as is specified for that purpose in the notice convening the meeting, not less than forty-eight (48) hours before the time appointed for holding the meeting or adjourned meeting as the case may be, or in the case of a poll, not less than twenty-four (24) hours before the time appointed for taking the poll, which the person named in the instrument proposes to vote and in default, the instrument of proxy shall not be treated as valid. In the event the member(s) duly executes the form of proxy but does not name any proxy, such member(s) shall be deemed to have appointed the Chairman of the meeting as his/her/their proxy, Provided Always that the rest of the proxy form, other than the particulars of the proxy have been duly completed by the Member.

Appendix A
(Cont'd)

Clauses	Existing Clause	Amended Clause
85	At the first annual general meeting of the Company, all the Directors shall retire from office, and at the annual general meeting in every subsequent year, one-third (1/3) of the Directors for the time being or, if their number is not three or a multiple of three, then the number nearest to one-third (1/3) shall retire from office and be eligible for re-election PROVIDED ALWAYS that all Directors shall retire from office at least once every three (3) years but shall be eligible for re-election. A retiring Director shall retain office until the close of the meeting at which he retires.	At the first annual general meeting of the Company, all the Directors shall retire from office and **an election of Directors shall take place each year** at the annual general meeting in every subsequent year **where** one-third (1/3) of the Directors for the time being or, if their number is not three or a multiple of three, then the number nearest to one-third (1/3) shall retire from office and be eligible for re-election PROVIDED ALWAYS that all Directors shall retire from office at least once every three (3) years but shall be eligible for re-election. A retiring Director shall retain office until the close of the meeting at which he retires.
106A	New provision	The provisions of the Third Schedule of the Act shall not apply to the Company except where the same is repeated or contained in this Constitution.
149(b)	Any notice and/or documents may be served by the Company or the Secretary to the Members either in hard copy or electronic means or partly in hard copy and partly in electronic means, where a notice and/or documents served in hard copy, can either be served personally or through the post in a prepaid letter addressed to the Member at his last known registered address; or where it is served by way of electronic means (including using any other electronic platform maintained by the Company or third parties that can host the information in a secure manner or access by the Members) be transmitted to the last known electronic mail address of the Member; or publishing the notice and/or documents on the Company's website, provided that a notification of the publication of the notice and/or documents on the website via electronic mail or short messaging service has been given in accordance with the Act, stating that: • the place, date and time of the meeting; and • whether the meeting is an annual general meeting.	Any notice and/or documents may be served by the Company or the Secretary to the Members either in hard copy or electronic means or partly in hard copy and partly in electronic means, where a notice and/or documents served in hard copy, can either be served personally or through the post in a prepaid letter addressed to the Member at his last known registered address; or where it is served by way of electronic means (including using any other electronic platform maintained by the Company or third parties that can host the information in a secure manner or access by the Members) be transmitted to the last known electronic mail address of the Member; or publishing the notice and/or documents on the Company's website, provided that a notification of the publication of the notice and/or documents on the website via **hard copy or** electronic mail or short messaging service has been given in accordance with the Act, stating that: • the place, date and time of the meeting, and • whether the meeting is an annual general meeting.

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No. of Shares Held	
CDS Account No.	

SANICHI TECHNOLOGY BERHAD
Registration No.: 200401023320 (661826-K)
(Incorporated in Malaysia)

PROXY FORM

*I/We (**Full Name in Block Letters**)______________________________

*NRIC No./Passport No./Company No. ______________________________

CDS Account No./Name of beneficial owner* ______________________________

of ______________________________

being a member(s) of **SANICHI TECHNOLOGY BERHAD**, hereby appoint:-

Full Name (in Block Letters)	NRIC / Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Full Address (in Block Letters)	Contact No:		
	Email Address:		

*and/or

Full Name (in Block Letters)	NRIC / Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Full Address (in Block Letters)	Contact No:		
	Email Address:		

or failing him/her, the Chairman of the Meeting as my/our proxy(ies) to vote for me/us on my/our behalf at the 15th Annual General Meeting ("AGM") of the Company to be held at Sanichi Tower, Level 9, Tower 11, Avenue 5, Bangsar South, 8, Jalan Kerinchi, 59200 Kuala Lumpur on Tuesday, 28 July 2020 at 11.00 a.m. and at any adjournment thereof. My/our proxy/proxies is/are to vote as indicated below:

No.	ORDINARY RESOLUTIONS	FOR	AGAINST
1.	To approve payment of Directors' fees and benefits for the financial year ended 31 December 2019		
2.	To approve payment of Directors' fees and benefits payable from 29 July 2020 until the next AGM		
3.	To re-elect Ong Tee Kein		
4.	To re-elect Datin Erdawaty Binti Mohamed		
5.	To re-appoint auditors of the Company		
6.	To approve the authority for Directors to issue shares pursuant to Sections 75 and 76 of the Companies Act 2016		
7.	To approve the authority for Director to continue in office as Independent Director - Dato' Abd Halim Bin Abd Hamid		
NO.	**SPECIAL RESOLUTION**		
1.	To approve the Proposed Amendments to the Company's Constitution		

Please indicate with an "X" in the appropriate box above as to how you wish your vote to be cast. In the absence of specific direction, your proxy will vote or abstain as he/she thinks fit. However, if more than one proxy is appointed, please specify the number of shares represented by each proxy, failing which the appointment shall be invalid.

Dated this ________ day of ______________ 2020

Delete if not applicable

____
*Signature of Member / Common Seal of Shareholder

Fold this flap for sealing

Notes:-

1. *A member of the Company who is entitled to attend, participate, speak and vote at the Fifteenth Annual General Meeting ("Meeting" or "15th AGM") shall be entitled to appoint more than one (1) proxy to attend, participate, speak and vote at the Meeting in his/her stead. Where a member appoints more than one (1) proxy, he/she shall specify the proportion of his/her shareholdings to be represented by each proxy.*
2. *A proxy may but need not be a member of the Company. A member may appoint any person to be his proxy. A proxy appointed to attend and vote at the Meeting shall have the same rights as the member to speak at the Meeting.*
3. *Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.*
4. *Where a member of the Company 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. The appointment of multiple proxies shall not be valid unless the proportion of its shareholdings represented by each proxy is specified.*
5. *The instrument appointing a proxy shall be in writing signed by the appointor or his attorney duly authorised in writing. If the appointor is a corporation, either under the seal or signed by an officer or attorney duly authorised.*
6. *To be valid, the instrument appointing a proxy must be deposited at the Registered Office of the Company at Unit 27.2, Menara 1MK, Kompleks 1 Mont Kiara, No. 1, Jalan Kiara, Mont Kiara, 50480 Kuala Lumpur not less than forty-eight (48) hours before the time appointed for holding the meeting or adjourned meeting as the case may be, or in the case of a poll, not less than twenty-four (24) hours before the time appointed for taking the poll, which the person named in the instrument proposes to vote and in default, the instrument of proxy shall not be treated as valid.*
7. *For the purpose of determining a member who shall be entitled to attend the Meeting, the Company will be requesting Bursa Malaysia Depository Sdn. Bhd. in accordance with Clause 63(b) of the Company's Constitution to issue a General Meeting Record of Depositors as at 22 July 2020. Only members whose names appear in the General Meeting Record of Depositors as at 22 July 2020 shall be regarded as members and entitled to attend, speak and vote at the Meeting.*
8. *All the resolutions set out in this Notice of Meeting will be put to vote by poll.*

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AFFIX
STAMP

SANICHI TECHNOLOGY BERHAD
Registration No.: 200401023320 (661826-K)
(Incorporated in Malaysia)

THE COMPANY SECRETARY

SANICHI TECHNOLOGY BERHAD

Unit 27.2, Menara 1MK, Kompleks 1 Mont Kiara
No.1, Jalan Kiara, Mont Kiara
50480 Kuala Lumpur, Malaysia

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SANICHI TECHNOLOGY BERHAD
Registration No.: 200401023320 (661826-K)
(Incorporated in Malaysia)

Dear Shareholders,

We thank you for your continuing support to SANICHI TECHNOLOGY BERHAD ("Sanichi" or "Company") and we are pleased to invite you to our Fifteenth Annual General Meeting ("15th AGM"), which will be held as follows:-

Date	:	Tuesday, 28 July 2020
Time	:	11:00 a.m.
Venue	:	Sanichi Tower, Level 9, Tower 11, Avenue 5, Bangsar South, 8, Jalan Kerinchi, 59200 Kuala Lumpur

Public Health Precautions and Preventive Measures

In light of the COVID-19 outbreak, we appreciate if all shareholders, proxies and invited guests could take all the necessary precautions and preventive measures as issued by the Ministry of Health when attending the 15th AGM.

If you are unwell with sore throat, flu, fever, cough, aches and pains, nasal congestion, runny nose, diarrhoea or shortness of breath, and/or you are under the high-risk group, your attendance in person at the 15th AGM will be denied. You are hereby strongly advised and encouraged to submit your Proxy Form prior to the 15th AGM.

To safeguard the health and safety of shareholders, proxies and invited guests who may be attending the 15th AGM in person, the Company will also implement the following precautionary measures for the 15th AGM:-

(a) The Company will limit the number of attendees including invited guests to be physically present at the venue of the 15th AGM to 100 based on the size of the venue. Hence, the total shareholders present in person or by proxy or attorney or authorised representative shall preferably be limited to 80 only or lesser after taking into consideration of the attendance of the Directors, Senior Management, Company Secretary, Poll Administrator, Scrutineers and Auditors. The registration for the 15th AGM shall on first-come-first-serve basis.

(b) Shareholders, proxyholders and corporate representatives ("Participants") will have to go through a compulsory body temperature screening and will be required to provide his/her health declaration via MySejahtera application or manual registration for those who does not own a smartphone, to facilitate contact tracing, if required, during the registration process, specifically to facilitate the Company in preventing any potential spread of COVID-19. Any person with a body temperature of above 37.5°C or is experiencing any symptoms of being unwell above, you will NOT be allowed to enter the venue of the 15th AGM.

(c) Attendees must take seat following the marked spot of 1 meter apart.

(d) Attendees are PROHIBITED to gather outside of the meeting venue BEFORE or AFTER the AGM.

(e) Wearing a face mask in advance and throughout the 15th AGM proceedings is COMPULSORY. Please be informed that the Company will not be providing face masks.

(f) No door gift will be provided to the Members or proxies.

SANICHI TECHNOLOGY BERHAD

Registration No.: 200401023320 (661826-K)
(Incorporated in Malaysia)

PLO 135, Jalan Cyber 5, Kawasan Perindustrian Senai Fasa 3
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www.sanichimould.com

Winner - SMI ICT Adoption Award

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