MSM INTERNATIONAL LIMITED

(COMPANY REGISTRATION NO.: 200918800R)

ANNUAL REPORT 2018

STRIVE TOWARDS EXCELLENCE

COVER **RATIONALE**

Through the years, we have learned the importance of adapting and seizing opportunities in the face of the constantly evolving economic climate. As a result, we have been taking calculated risks in charting new paths to propel our business. Like frontline battleships, we equip ourselves with latest industry and technological knowledge to ensure that we are in fighting fit condition at all times.

We remain focused on honing our strength in providing high-quality integrated metal solutions, trusted products, competent design concepts and service that goes the extra mile. It is in our DNA to differentiate ourselves, pursue excellence and create value for our customers.

As we continue to sail ahead, we look forward to riding the waves with confidence.

OUR BUSINESS

Established since 1980s, MSM International Limited ("MSM") is an integrated metal engineering company, offering a comprehensive suite of services spanning design, product development, prototyping, tool & die fabrication, production and assembly.

Through its 190,000 sq ft of specialised production space in Malaysia and Indonesia, MSM provides solutions to customers in Asia, the USA and Europe across the oil & gas, semiconductor, healthcare, food & beverage and hospitality industries.

MSM's business activities are segmented as follows:

- OEM contract manufacturing
- Kitchen appliances, equipment and related services
- Oil and gas
- Cleanroom and laboratories

The Group operates a total of six showroom outlets occupying some 29,000 sq ft of floor space in Malaysia, Indonesia and Singapore.

MSM was listed on the Singapore Exchange Catalist on 7 May 2010.

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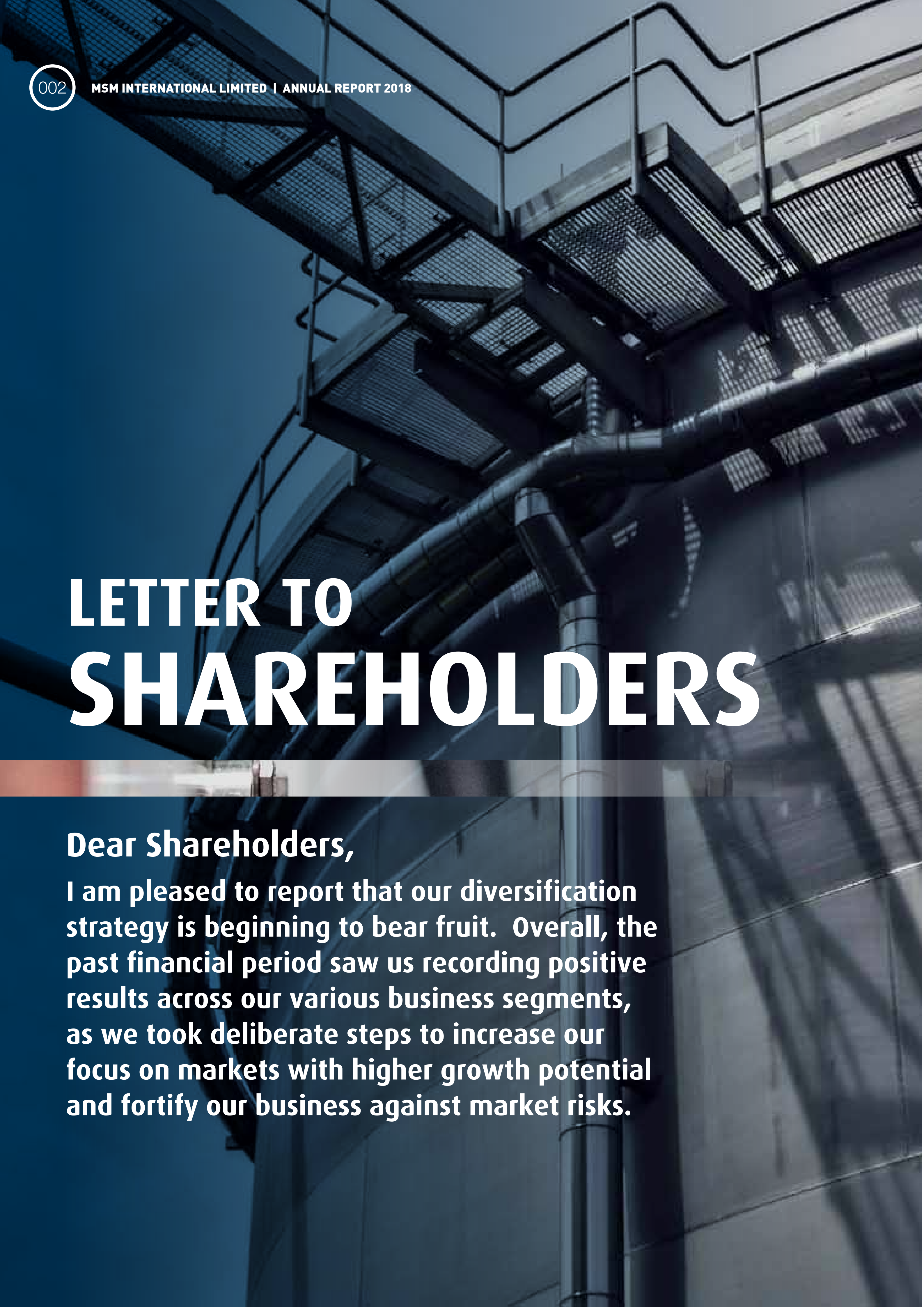

LETTER TO SHAREHOLDERS

Dear Shareholders,

I am pleased to report that our diversification strategy is beginning to bear fruit. Overall, the past financial period saw us recording positive results across our various business segments, as we took deliberate steps to increase our focus on markets with higher growth potential and fortify our business against market risks.

LETTER TO SHAREHOLDERS
(cont'd)

FINANCIAL REVIEW

On 6 December 2017, we announced a change of our financial year end from 31 December to 31 March. The Board was supportive of this change in view that it would enable MSM to achieve greater administrative and operational efficiencies. The calendar year-end is generally a busy period for us and the change of our financial year end from December to March will allow for optimal deployment of our limited resources. In addition, we will also be able to better coordinate and finalise our year-end financial reporting requirements with our external auditors and professional advisors in a timely manner.

In this regard, the period under review for this annual report is the 15-month financial period ended 31 March 2018 ("FP2018") while the comparative period is the 12-month period ended 31 December 2016 ("FY2016").

Revenue for the Group for FP2018 increased 62.1% to RM150.4 million from RM92.7 million in FY2016. While the longer 15-month period for FP2018 played a part in lifting the percentage increase, the Group's performance was also boosted by higher demand and more projects secured across most of our various segments.

Our Oil and Gas segment saw the biggest increase in revenue, rising 339.7% to RM38.5 million in FP2018, from RM8.8 million in FY2016. This was on the back of a recovery in demand from our oil and gas customer in line with the industry turnaround. Our Cleanroom & Laboratories Segment recorded revenue of RM18.0 million in FP2018, a 104.9% increase from RM8.8 million in FY2016, as business activity remained healthy.

The Kitchen Segment recorded revenue of RM54.7 million in FP2018, 29.0% more than the RM42.4 million recorded in FY2016 as demand remained stable. Revenue for our OEM Segment was 19.5% higher at RM39.2 million in FP2018, compared to RM32.8 million generated in FY2016, mainly due to the longer financial period for FP2018.

Corresponding to the increase in revenue, cost of sales rose by 63.5% from RM67.6 million to RM110.4 million. The gross profit margin was relatively stable at 26.5%, compared to 27.2% recorded in FY2016.

Selling and distribution expenses rose 112.0%, from RM5.4 million in FY2016, to RM11.5 million in FP2018. This was mainly due to higher carriage outward expenses of RM3.5 million as a result of an increase in export activity in the oil and gas segment, along with a RM0.8 million increase in net allowance for impairment of trade receivables.

Finance expenses rose 39.2% to RM4.1 million in FP2018, from RM2.9 million in FY2016. This was mainly due to the longer 15-month period for FP2018 compared to the 12-month FY2016 and higher utilisation of bills payables and bank overdraft facilities for payments to suppliers and operating expenses.

On account of the above, we recorded a net profit attributable to shareholders of RM1.9 million in FP2018 compared to RM0.1 million in FY2016.

We closed FP2018 with a net asset value per ordinary share of 49.53 Malaysian sen, versus 47.44 Malaysian sen at the close of FY2016.

REVIEW OF OPERATIONS

Our Kitchen Segment posted another period of positive performance. Our strengths in kitchen design continue to position us well to offer consultation services to hypermarkets, theme parks, restaurants and food chains. With the increasing number of malls being developed and the corresponding growth in food outlets, demand for our kitchen products and services from F&B businesses including global food chain brands have remained healthy. Our food truck business, Meal Box, has also enjoyed sustained demand with the Malaysian government providing subsidies for food businesses utilising these trucks.

MSM International is one of a handful of contractors in Malaysia that are certified to equip facilities of all biosafety levels. This has been a competitive advantage for us, putting us in good stead to service clients from medical centres to research laboratories. Notably, we were able to successfully execute a sizeable project involving the outfitting of a cleanroom and laboratories for a township.

LETTER TO SHAREHOLDERS
(cont'd)

Our OEM Segment saw a decrease in orders from our semiconductor clients as they faced slowing demand and increasing competition among our fellow industry players. With Malaysia pushing for Industry 4.0 and increased business productivity, our strategy of developing a range of conveyor solutions and module machines has helped us mitigate the impact of increased competition in the OEM Segment. We have secured a steady pipeline of projects for the design and manufacture of automation and conveyor system structures for several logistics solution providers in FP2018 but some of these were delayed and will commence in the financial year ending 31 March 2019.

Our Oil and Gas Segment enjoyed significantly higher activity as the industry turnaround gained momentum. Despite this improvement, we recognise that the oil and gas industry will remain volatile and hence, are committed to mitigating any risks to the business. In March 2018, we announced a conditional share purchase agreement with Dato' Chong Toh Wee for the divestment of 60% of Marc Conleth Industries Sdn Bhd ("MCI"), our wholly-owned subsidiary that provides metal engineering work for oil & gas and environmental related industries.

Along with this, the Company also announced MCI's proposed acquisition of 100% of Cosmos Instruments Sdn Bhd ("Cosmos") from Dato' Chong. Cosmos specialises in process control instrumentation and automation to major water and waste industries as well as commissioned and supported installations in Malaysia, Indonesia and other countries in the region. Upon completion of the share exchange as a result of both transactions, we will own 40% of MCI and, through our stake in MCI, an effective 40% shareholding interest in Cosmos. We are working towards completing both transactions by September 2018.

There are potential synergies to be leveraged by both businesses with the share exchange. The development allows MCI to expand beyond the oil and gas segment into the fluid mechanical technological segment. In addition, MCI and our Group will be able to offer our existing manufacturing expertise to complement Cosmos' business activities. Cosmos also has a stable client base and good industry reputation. Considering these factors, we look forward to undertaking new investment opportunities and achieving greater shareholder value. For example, there is an increasing demand by Malaysia's state governments for Cosmos' services and instruments as they begin implementing the standardisation of water usage measurements in households. These instruments have to be maintained regularly and upgraded where necessary thereby creating opportunities for both MCI and Cosmos.

LOOKING AHEAD

With market pressure such as increasing competition and the volatility of the oil and gas industry, the outlook for our businesses for the next 12 months remains challenging. Within Malaysia, we expect delays in the progress of major infrastructure projects which will in turn slow down business activities for these developments.

To mitigate these challenges, we will continue to explore opportunities to expand our business in all segments both locally and abroad, via the development of new products, strategic investments and acquisitions, to grow the Group's revenue. We recognise the significance of relationships and are committed to forging and maintaining partnerships with both the government and private sector. The Group will also continue efforts in controlling costs and reducing overheads to streamline operations and improve overall efficiency.

For our Kitchen Segment, we will focus on our value-add kitchen customisation services to differentiate ourselves from competitors. We will seek out opportunities to ride on the growth of commercial developments in Malaysia, such as malls, and expand our market share.

We expect to have stable demand for the OEM Segment and will focus on providing value-add design and consulting services, in addition to our quality fabrication service. We will continue to develop our capabilities and seek out new opportunities for us to apply our expertise. One strategy we are exploring is the provision of products directly to end-users.

We are confident of our capabilities in the Cleanroom and Laboratories Segment. We are keenly looking to secure more projects for this segment of our business.

APPRECIATION

I would like to take the opportunity to thank the capable and dedicated team at MSM. It is only with the team's commitment to deliver their best in all circumstances, that we could navigate through the challenging terrain together.

I am also greatly appreciative of my fellow Directors for their valuable input and support as we make strategic decisions in the best interests of the Company.

Our gratitude goes out to our shareholders, customers, suppliers and business associates for standing by us. We remain committed to creating value and produce fruits that can be shared with our partners.

CHAN KEE SIENG
Executive Chairman

BOARD OF DIRECTORS

CHAN KEE SIENG

Executive Chairman, Age 66

Mr Chan is one of the co-founders of the MSM Group and has over four decades of experience in the OEM contract manufacturing and kitchen equipment industries.

Throughout the years of his career, Mr Chan had garnered extensive industry knowledge and wide business contacts from working as an engineering technician to setting up family companies such as Ban Seng Trading Co. dealing in trading and supply of cooking oil and gas, and eventually Chan Brother Trading Co., a steel trading company, before setting up the flagship subsidiary of MSM Group.

He was appointed as Director of the Company on 30 October 2009 and was last re-elected on 22 April 2016. Mr Chan is presently responsible for charting the Group's business direction as well as corporate and strategic developments of the Group.

Mr Chan also holds directorships in Triumphant Hope Sdn. Bhd. and Widewin Strategy Sdn. Bhd.

Mr Chan is the father of the Executive Director and Chief Executive Officer, Mr Chan Wen Chau, and elder brother to the Executive Director, Mr Chan Kit Moi.

CHAN KIT MOI

Executive Director, Age 65

Mr Chan is one of the co-founders of the MSM Group and possesses over 40 years' experience in the OEM contract manufacturing and kitchen equipment industries. Prior to co-founding the Company, Mr Chan joined Ban Seng Trading Co. and Chan Brother Trading Co. as Director, where he was in-charge of strategic planning and controls, operations, inventory and administration. He was appointed as Director of the Company on 30 October 2009 and was last re-elected on 22 April 2016.

Mr Chan is presently involved in the corporate planning and business development of the Group. He holds directorships in Triumphant Hope Sdn. Bhd..

BOARD OF DIRECTORS
(cont'd)

CHAN WEN CHAU

Executive Director & CEO, Age 43

Mr Chan has been spearheading the expansion and growth of the Group and is responsible for the overall business and strategic development, corporate planning, operations and management of the Group. He possesses over 10 years of extensive experience in the OEM contract manufacturing and kitchen equipment industries and has been closely involved in all levels of operation of the Group. Mr Chan was appointed as Director of the Company on 8 October 2009 and was last re-elected on 28 April 2017.

Mr Chan holds directorships in Triumphant Hope Sdn. Bhd. and Widewin Strategy Sdn. Bhd..

Mr Chan holds a Bachelor of Engineering (Mechanical Engineering) from the University of Portsmouth in the United Kingdom.

LEOW WEE KIA CLEMENT

Lead Independent Director, Age 43

Mr Leow, who is not related to any family member of the directors and staff, was appointed as Independent Director of the Company on 30 October 2009 and was last re-elected on 28 April 2017. Mr Leow possesses over 15 years of corporate finance experience primarily in initial public offerings, mergers & acquisitions as well as advisory transactions. He was appointed as Lead Independent Director on 8 August 2014.

Mr Leow is presently the Chief Executive Officer of Crowe Horwath Capital Pte. Ltd.. Prior to this, Mr Leow has held senior positions in corporate finance and banking in Singapore. He is currently an Independent Director of Overseas Education Limited, Ellipsiz Ltd and Lum Chang Holdings Limited, companies listed on the Mainboard of the Singapore Exchange. Mr Leow has also been appointed as a member of the Capital Markets and Financial Markets industry workgroup of the Institute of Banking and Finance Singapore, which amongst other things, provides guidance and sets the competency standards for the corporate finance industry in Singapore. He also serves as an Executive Committee member and 2nd Vice President of the Singapore Tennis Association, which oversees the promotion and development of tennis in Singapore.

Mr Leow holds a Bachelor of Science in Applied Economics from Cornell University as well as a Master of Business Administration and a Postgraduate Diploma in Financial Strategy from the University of Oxford. Mr Leow is also a member of the Singapore Institute of Directors and has completed the Governance as Leadership Program at Harvard University. He has also been awarded the Singapore Armed Forces Good Service Medal in 2007.

BOARD OF DIRECTORS
(cont'd)

BRIAN WONG WYE PONG
Independent Director, Age 44

Mr Wong, who is not related to any family member of the directors or staff, was appointed as Independent director of the Company on 26 November 2009 and was last re-elected on 24 April 2015. He has more than 20 years of experience in tax, finance, internal and external audits, risk management and corporate finance.

Mr Wong is currently a Council Member of the Malaysian Institute of Accountants (MIA) and Partner of PKF Malaysia, an accounting firm in Malaysia. He is a Fellow of the CPA Australia, a Chartered Accountant of the MIA, a Member of the Kampuchea Institute of Certified Public Accountants and Auditors, and a Certified Financial Planner of the Financial Planning Association of Malaysia.

Mr Wong is presently a director on the board of Privasia Technology Berhad, a corporation listed on the Bursa Malaysia Securities, and Merchantrade Asia Sdn Bhd, a private money service business company incorporated in Malaysia that is licensed by the Central Bank of Malaysia. He is also a director of Covenant Limited, a company incorporated in Cambodia as well as other Malaysian companies, including PKF Sdn Bhd, PKF Advisory Sdn Bhd, PKF Covenant Sdn Bhd and PKF Tax Services Sdn Bhd.

Mr Wong holds a Bachelor of Commerce from the University of Western Australia.

WONG KOK SEONG
Independent Director, Age 48

Mr Wong, who is not related to any family member of the directors and staff, was appointed as Independent Director of the Company on 24 November 2009 and was last re-elected on 24 April 2015. He has more than 25 years of experience in external and internal auditing, financial accounting, management consultancy, taxation, due diligence and project implementation.

Mr Wong is the Managing Partner of Hasnan THL Wong & Partners., an accounting firm in Malaysia. He is a Member of the Malaysian Institute of Accountants and a Fellow of the Association of Chartered Certified Accountants. He is currently serving on the board of Bursa Malaysia-listed corporations, Bio Osmo Berhad as Independent Director and Audit Committee member and M N C Wireless Berhad as Independent Director and Chairman of the Board. He is also an Independent Director of PNE PCB Berhad, a company listed on Bursa Malaysia Securities, and a Director for T H Law Consultants Sdn. Bhd.

He holds a Master of Business Administration from the Open University, United Kingdom.

KEY MANAGEMENT

SOH YEOW SENG

Chief Financial Officer, Age 36

Mr Soh, who is not related to any director and staff, joined the Group in July 2011 as Group Finance Manager and was appointed as Group Financial Controller on 17 August 2011, then promoted to CFO on 17 May 2013. He is responsible for the management of the Group's financial accounts, cash flow, corporate finance, financial reporting, risk management evaluation, audit, tax compliance, human resource management and administration.

Possessing more than 10 years of professional experience specializing in accounting and audit services, Mr Soh has held various accounting and audit positions in the past. Prior to joining the Company, he has been involved in external audit and internal control assurance in public listed companies and small and medium enterprises in Singapore and abroad.

Mr Soh is a member of the Certified Public Accountant Australia. He holds a Bachelor's Degree in Accounting from Monash University in Melbourne Australia.

TANG CHENG HOOI

Vice President, Age 45

Mr Tang, who is not related to any director and staff, joined the Group in 1994 and appointed as Vice President of OEM Contract Manufacturing, oil and gas and cleanroom and laboratories segment on 8 March 2013. He possesses more than 15 years of experience in sheet metal engineering and the OEM contract manufacturing industry and is presently responsible for managing and overseeing the operational aspects of the Group's production facilities and the management of the companies.

Mr Tang holds an Engineering Diploma in Electronic Engineering from the Federal Institute of Technology, Malaysia, and a Certificate of Electrical Engineering from the City & Guilds of London Institute.

CHAN CHOI HAR

General Manager, Age 52

Ms Chan, who is not related to any director and staff, is the General Manager of MSM Kitchen Sdn. Bhd. (MSM Kitchen) (formerly known as MSM Marketing Sdn. Bhd.) and is responsible for the sales, marketing and securing of new customers for the Group, and also the management of MSM Kitchen. She joined the Group in 1987 and has achieved more than 10 years of sales experience in the OEM contract manufacturing and kitchen equipment industries.

Ms Chan holds a Certificate in Human Resource Management from the Centre of Advanced Management Studies and Entrepreneurial Training (Amset), and a Certificate in Business Studies from Advance Tutorial Centre, Malaysia.

KEY MANAGEMENT
(cont'd)

ONG SENG JOO
General Manager, Age 44

Mr Ong, who is not related to any director and staff, joined the Group as General Manager of OMS Technology Sdn. Bhd. (MSM OMS) in November 2008. He is responsible for the management of day-to-day operations, sales and marketing of MSM OMS.

He possesses extensive experience in the designing and building of cleanrooms, biotech facilities, animal research facilities, as well as strong expertise in project and site management, and sales and marketing.

Mr Ong holds a Certificate in Technology (Mechanical Engineering) from Tunku Abdul Rahman College, Malaysia.

MAH SIEW PENG
Operations Manager, Age 45

Ms Mah, who is not related to any director and staff, is the Group's Finance & Administration Manager since 2007, and is presently managing the Group's financial, administration and human resource matters. She joined the Group in 1997 and has more than 10 years of experience in company administration.

Ms Mah holds a Bachelor's Degree in Human Resource Management from the Open University, Malaysia, a Certificate in Practical Book-Keeping and Certificate in English for Commerce from Systematic Business Training Centre, Malaysia.

TUNG WAI LOON
Assistant General Manager, Age 40

Mr Tung, who is not related to any director and staff, joined the Group in 1998 and was appointed as Factory Manager since 2007, then promoted to Assistant General Manager on 1 July 2010. He is responsible for the factory operations of FIC Kitchen Technology Sdn. Bhd. (FIC Kitchen). Mr Tung possesses more than 10 years of factory and general management experience in the OEM contract manufacturing industry and kitchen equipment industry.

Mr Tung holds a Diploma in Electrical and Electronic Engineering from Institute Teknologi Pertama, Malaysia, a Certificate in Programmable Logic Controller and a Certificate in Laser and Holography, both from Master Academy, Malaysia.

CORPORATE INFORMATION

BOARD OF DIRECTORS

CHAN KEE SIENG
Executive Chairman

CHAN KIT MOI
Executive Director

CHAN WEN CHAU
Executive Director and Chief Executive Officer

LEOW WEE KIA CLEMENT
Lead Independent Director

BRIAN WONG WYE PONG
Independent Director

WONG KOK SEONG
Independent Director

AUDIT COMMITTEE

Brian Wong Wye Pong *(Chairman)*
Leow Wee Kia Clement
Wong Kok Seong

NOMINATING COMMITTEE

Leow Wee Kia Clement *(Chairman)*
Brian Wong Wye Pong
Wong Kok Seong

REMUNERATION COMMITTEE

Leow Wee Kia Clement *(Chairman)*
Brian Wong Wye Pong
Wong Kok Seong

COMPANY'S SPONSOR

PrimePartners Corporate Finance Pte. Ltd.
16 Collyer Quay
#10-00 Income at Raffles
Singapore 049318
Tel: +65 6229 8088
Contact Person: Lance Tan

COMPANY SECRETARY

Nor Hafiza Alwi

REGISTERED OFFICE

8 Robinson Road, #03-00
ASO Building
Singapore 048544
Tel No : +65 6538 0779
Fax No : +65 6438 7926

INDEPENDENT AUDITOR

Nexia TS Public Accounting Corporation
100 Beach Road
#30-00 Shaw Tower
Singapore 189702
Director-in-charge: Chan Siew Ting
(Appointment with effect from financial year ended 31 December 2016)

SHARE REGISTRAR

BACS Private Limited
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ASO Building
Singapore 048544
Tel No : +65 6538 0779
Fax No : +65 6438 7926

REPORT ON CORPORATE GOVERNANCE

The Board of Directors ("**Board**") of MSM International Limited (the "**Company**", together with its subsidiaries, the "Group") recognises the importance of corporate governance in ensuring greater transparency, protecting the interests of its shareholders as well as strengthening investors' confidence in its management and financial reporting and is, accordingly, committed to maintaining a high standard of corporate governance within the Group.

The following report describes the Company's corporate governance practices which were in place throughout the 15-month financial period ended 31 March 2018 ("**FP2018**") with specific reference to the principles and guidelines set out in the Code of Corporate Governance 2012 (the "**Code**") and the disclosure guide developed by the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") in January 2015 (the "**Guide**"). The Board confirmed that for FP2018, the Company has adhered to the principles and guidelines as set out in the Code and, where applicable, has specified and explained the deviation from the Code and/or Guide in this report. The Company will continually review its corporate governance processes to strive to fully comply with the Code and/or Guide.

Principle 1: The Board's Conduct of Affairs

Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the long-term success of the company. The Board works with Management to achieve this and the Management remains accountable to the Board.

The Company is headed by an effective Board to lead and control the Company. The Board has the overall responsibility for corporate governance, strategic direction and investments of the Company. Each individual Director is obliged to act in good faith and exercise independent judgment in the best interests of shareholders of the Company at all times.

The Board's principal functions include:-

- Determining, reviewing and approving the annual budgets, major investments, divestments, funding proposals, corporate strategies and directions of the Group;
- Overseeing the business and affairs of the Group, establishing the strategies and financial objectives to be implemented by the Management, and monitoring the performance of the Management; and
- Reviewing the Group's financial performance, risk management processes and systems, financial and human resource requirements and corporate governance practices.

To assist the Board in the execution of its responsibilities, Board Committees, namely the Audit Committee ("**AC**"), Nominating Committee ("**NC**") and Remuneration Committee ("**RC**"), have been constituted with clear written terms of reference. Matters which are delegated to the Board Committees are reported to and monitored by the Board.

In FP2018, the Board conducted three regular scheduled meetings. Ad-hoc meetings are convened when circumstances require. Directors are free to discuss and voice their concerns on any matter raised at the Board and/or Board Committees meetings. Telephonic and videoconferencing meetings of the Board are allowed under the Company's Constitution. All Directors are provided with the agenda and a set of the Board papers prior to the Board meetings. These are issued in advance to give the Directors sufficient time to better understand the matters to be discussed and to obtain further clarifications or explanations at the Board meeting where necessary. The Company and the Board acknowledge that an unimpeded flow of relevant information in a timely manner is crucial for the Board to be effective in discharging its duties and responsibilities.

REPORT ON CORPORATE GOVERNANCE
(cont'd)

Principle 1: The Board's Conduct of Affairs (cont'd)

The Board has identified, without limitation, the following matters that require its approval:-

- Declaration of dividends and other returns to shareholders of the Company;
- Major corporate policies on key areas of operation;
- Major funding proposals or bank borrowings;
- Corporate or financial restructuring and share issuances;
- Mergers and acquisitions;
- Material acquisitions and disposals;
- Interested person transactions; and
- Appointment of new Directors.

All Directors are regularly updated on changes in the Company's policies and business. Newly appointed Directors will be given appropriate orientation/briefings by the Management on the business activities of the Group, its strategic directions and the Company's corporate governance policies and practices.

The Directors of the Company are provided with briefings from time to time and are kept updated on segmental business operation, strategic and business development of the Group as well as relevant new laws and regulations, including directors' duties and responsibilities, corporate governance matters and developing trends and financial reporting standards, so as to enable them to properly discharge their duties as members of the Board or Board Committees.

The Directors are encouraged to attend other trainings, conferences and seminars which may have a bearing on their duties and contributions to the Board, organised by the professional bodies, regulatory institutions and corporations at the Company's expense.

While the Directors have not attended any trainings during FP2018, briefing and updates for the Directors include:

- Developments in the Singapore Financial Reporting Standards briefed by the external auditors, Nexia TS Public Accounting Corporation ("Nexia TS"); and
- Updates on the business and strategic developments of the Group's businesses briefed by the Management.

The Directors are provided with updates and/or briefings from time to time by professional advisers, external and internal auditors, the management of the Company ("Management"), Continuing Sponsor and Company Secretary, as the case may be, in areas such as corporate governance practices, risk management matters, changes and updates in financial reporting standards and regulatory requirements and directors' duties and responsibilities.

The attendance of the Directors at meetings of the Board and Board Committees held in FP2018 are as follows:-

	Board		Audit Committee		Nominating Committee		Remuneration Committee	
Directors	**No. of meetings held**	**No. of meetings attended**	**No. of meetings held**	**No. of meetings attended**	**No. of meetings held**	**No. of meetings attended**	**No. of meetings held**	**No. of meetings attended**
Chan Kee Sieng*	3	3	3	3	1	NA	1	NA
Chan Kit Moi*	3	3	3	3	1	NA	1	NA
Chan Wen Chau*	3	3	3	3	1	NA	1	NA
Leow Wee Kia Clement	3	3	3	3	1	1	1	1
Brian Wong Wye Pong	3	3	3	3	1	1	1	1
Wong Kok Seong	3	3	3	3	1	1	1	1

* Executive Directors were present at the AC meetings by invitation.

NA – Not applicable

Principle 2: Board Composition and Guidance

There should be a strong and independent element on the Board, which is able to exercise objective judgment on corporate affairs independently, in particular, from Management and 10% shareholders. No individual or small group of individuals should be allowed to dominate the Board's decision making.

The Board comprises six Directors of whom three are Executive Directors and three are Independent Directors.

In view that the Executive Chairman of the Board and the Chief Executive Officer (the "CEO") are immediate family members, and the Executive Chairman is part of the management team and is not an Independent Director, Guideline 2.2 of the Code is met as the Independent Directors make up half of the Board. The Board had appointed Mr Leow Wee Kia Clement, an Independent and Non-Executive Director, as the Lead Independent Director on 8 August 2014. Mr Leow will be available to address shareholders' concerns when contact through the normal channels of the Executive Chairman, CEO or Chief Financial Officer ("**CFO**") has failed to provide a satisfactory resolution or when such contact is inappropriate.

The Board had the appropriate mix of expertise and experience (such as accounting, finance, taxation, management experience, risk management and industry knowledge), and collectively possess the necessary core competencies for effective functioning and informed decision-making. Each Director has been appointed based on the strength of his calibre, experience and stature and is expected to bring a valuable range of experience and expertise to contribute to the development of the Group's strategies and the performance of its business. The profiles of the Directors are found in the "Board of Directors" section of this annual report.

The Board members as of the date of this report are:-

Chan Kee Sieng	Executive Chairman
Chan Kit Moi	Executive Director
Chan Wen Chau	Executive Director and Chief Executive Officer
Leow Wee Kia Clement	Lead Independent Director
Brian Wong Wye Pong	Independent Director
Wong Kok Seong	Independent Director

The size, composition and diversity of the Board are reviewed by the NC. The NC annually reviews the skills and competencies of the Board members, to ensure that each member has the appropriate mix of expertise, skills and attributes to discharge his responsibilities effectively. The Board is of the opinion that its current board size of six Directors is appropriate and provides sufficient diversity of expertise and knowledge, to lead and govern the Company effectively considering the scope and nature of its operations.

The NC also determines and ensures the independence of each Director annually in accordance with the Code. The NC has reviewed and confirmed the independence of the Independent Directors in accordance with the Code. The Independent Directors have also confirmed their independence in accordance with the Code. The Independent Directors will assist to develop strategies and goals for the Group and regularly assess the performance of the Management.

As at 27 June 2018, the Company has no Independent Directors who has served on the Board beyond nine years. However, in the next financial year ending 31 March 2019, the three Independent Directors, namely Mr Leow Wee Kia Clement, Mr Brian Wong Wye Pong and Mr Wong Kok Seong ("IDs") would have served on the Board for more than nine years. Please refer to the table set out in page 16 of this Report for the respective dates of appointments of each IDs.

In this regard, at the recent NC meeting held, the NC had carried out a rigorous review of the independence status of the IDs who would have served on the Board as Independent Directors for nine years in 2018 since their respective dates of appointments in 2009. The NC is of the view that each of the IDs continue to demonstrate his abilities to exercise strong independent judgment in his deliberations and act in the best interests of the Company. Each of the IDs length of service on the Board have not affected his/their independence from Management. They continue to express their views and debate on issues in connection with the Company's matters and Management's actions. Further, having gained in depth understanding of the business and operating environment of the Group, they provide the Company with the relevant experience and knowledge of the industry.

REPORT ON CORPORATE GOVERNANCE
(cont'd)

Principle 2: Board Composition and Guidance (cont'd)

After taking all these factors into account and having weighed the need for Board refreshment against tenure for relative benefit, the NC has reviewed and determined that the IDs continue to be independent, notwithstanding that their services on the Board will reach nine years in 2018. The NC has recommended to the Board and the Board, on review has approved the retention of the IDs as Independent Directors of the Company.

Each of the NC member who is an Independent Director have abstained from participating in the assessment and review of his own independence status.

To date, none of the Independent Directors of the Company have been appointed as a director of the Company's principal subsidiaries. The Board and the Management are of the view that the current board structures in the principal subsidiaries are well organised and constituted. The Board and Management will from time to time review the board structures of the principal subsidiaries and make an appropriate corporate decision of considering the appointment of an Independent Director into the principal subsidiaries.

Principle 3: Chairman and Chief Executive Officer

There should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the company's business. No one individual should represent a considerable concentration of power.

The roles of the Chairman and CEO are separate to ensure an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision making.

Mr Chan Kee Sieng is the Executive Chairman of the Company and one of its co-founders. He leads the Board and is responsible for the management of the Group. The Executive Chairman is in charge of charting the business direction as well as corporate planning and strategic developments of the Group. The Executive Chairman encourages Board's interaction with the Management, facilitates effective contribution of Non-Executive Directors, encourages constructive relationships among the Directors and promotes high standards of corporate governance. In addition, the Executive Chairman ensures that the Directors receive accurate, timely and clear information and there is effective communication with shareholders of the Company.

Mr Chan Wen Chau, the CEO and Executive Director of the Company, is the son of Mr Chan Kee Sieng. He is responsible for the overall business and strategic development, corporate planning, operations and management of the Group.

Taking into account the current corporate structure and the scope of the Company's operations, the Board is of the view that there are sufficient safeguards and checks to ensure that the process of decision making by the Board is independent and based on collective decisions without any individual or group of individuals exercising any considerable concentration of power or influence.

When necessary, the Independent Directors will meet without the presence of other Non-Independent Directors to review any matters that must be raised privately before providing feedback to the Chairman of the Board.

Principles 4: Board Membership

There should be a formal and transparent process for the appointment and reappointment of directors to the Board.

The NC's primary roles are to create a formal and transparent process for the appointments and re-nominations of members of the Board, to assess the effectiveness of the Board as a whole and the contribution of each individual Director to the effectiveness of the Board as well as to affirm annually the independence of the Directors.

The NC is regulated by a set of written terms of reference and the NC's members meet at least once a year. The NC comprises the following members, all of whom, including the Chairman, are independent:-

Leow Wee Kia Clement	Chairman
Brian Wong Wye Pong	Member
Wong Kok Seong	Member

Principles 4: Board Membership (cont'd)

The principal functions of the NC as stipulated in its terms of reference are as follows:-

(a) Reviews and makes recommendations to the Board on all Board appointments and re-appointments;

(b) Reviews the Board structure, size and composition and makes recommendations to the Board with regards to any adjustments that are deemed necessary;

(c) Reviews the Board's succession plans for Directors, in particular, the Executive Chairman and CEO;

(d) Determines on an annual basis, if a Director is independent;

(e) Assesses the effectiveness of the Board and the contribution of each Director; and

(f) Reviews training and professional development programmes for the Board.

For new appointments to the Board, the NC will consider the current size, composition and diversity of the Board, and decide if the candidate's background, expertise and knowledge will complement the skills and competencies of the existing Directors on the Board. The candidate must be a person of integrity and able to commit sufficient time and attention to the affairs of the Company, especially if he is serving on multiple Boards.

If a vacancy arises under any circumstances, or where it is considered that the Board would benefit from the services of a new Director, the NC, in consultation with the Board, will determine the selection criteria and select the appropriate candidate for the position.

In its search and nomination process for new Director, other than through formal search via external search consultants, if required, the NC will also tap on to the resources of the Directors' personal contacts and their recommendations for potential candidates. The NC will shortlist and interview potential candidates with the appropriate profile to assess his/her suitability before nominating the most suitable candidate to the Board for approval and appointment as a Director.

There was no new Director appointed in FP2018.

The NC is charged with the responsibility of re-nomination having regard to the Director's contribution and performance (e.g. attendance, preparedness, participation and candour) including, if applicable, as an Independent Director. Subject to the NC's satisfactory assessment, the NC would recommend the proposed re-appointment of the Director to the Board for its consideration and approval. All Directors submit themselves for re-nomination and re-election at regular intervals at least once every 3 years. One-third of the Directors will retire at the Company's annual general meeting ("**AGM**") each year. In addition, newly appointed Directors are required to submit themselves for re-nomination and re-election at the next AGM following his appointment. Each member of the NC has abstained from voting on any resolutions in respect of the assessment of his performance or re-nomination as a Director.

At the forthcoming AGM, Mr Brian Wong Wye Pong and Mr Wong Kok Seong will be retiring pursuant to Article 107 of the Company's Constitution. Both of them, being eligible for re-election, have offered themselves for re-election.

Mr Brian Wong Wye Pong will, upon re-election as a Director of the Company, remain as the Chairman of the Audit Committee, a member of the Nominating and Remuneration Committees and Independent Director of the Company.

Mr Wong Kok Seong will, upon re-election as Director of the Company, remain as a member of the Audit, Nominating and Remuneration Committees and Independent Director of the Company.

Please refer to the Notice of AGM for the respective resolutions putting forth for their proposed re-elections.

REPORT ON CORPORATE GOVERNANCE
(cont'd)

Principles 4: Board Membership (cont'd)

The following table sets out the dates of Directors' initial appointment and last re-election as well as their directorships and other principal commitments:-

Name of Director	Date of Initial Appointment	Date of Last Re-election	Present Directorship in Listed Companies	Past (preceding 3 years) Directorship in Listed Companies	Other Principal Commitments, if any
Chan Kee Sieng	30/10/2009	22/04/2016	Nil	Nil	Nil
Chan Kit Moi	30/10/2009	22/04/2016	Nil	Nil	Nil
Chan Wen Chau	08/10/2009	28/04/2017	Nil	Nil	Nil
Leow Wee Kia Clement	30/10/2009	28/04/2017	Overseas Education Limited Ellipsiz Ltd Lum Chang Holdings Limited	JB Foods Limited	Executive Director and Chief Executive Officer of Crowe Horwath Capital Pte. Ltd.
Wong Kok Seong	24/11/2009	24/04/2015	Bio Osmo Berhad PNE PCB Berhad MNC Wireless Berhad	Trive Property Group Berhad	Managing Partner of Hasnan THL Wong & Partners, an accounting firm in Malaysia
Brian Wong Wye Pong	26/11/2009	24/04/2015	Privasia Technology Berhad	Rapid Cloud International Plc	Partner in PKF Malaysia, an accounting firm in Malaysia

Please refer to the "Board of Directors' section in the Annual Report for the profile of the Directors.

The NC has taken cognizance of the Code with regard to the fixing of maximum number of board representations a Director may hold on other listed companies. The NC has reviewed the attendance of the Directors, their contributions at meetings of the Board and Board Committees, and their time commitment to the affairs of the Company, believes that it would not be necessary to put a maximum limit on the number of listed company board representations each Director may hold. However, the NC would continue to review from time to time, the board representations and other principal commitments to ensure that Directors continue to meet the demands of the Group and are able to discharge their duties adequately.

The NC has reviewed the time spent and attention given by each of the Directors to the Company's affairs, and is satisfied that all Directors have discharged their duties adequately for FP2018.

The Company does not have any alternate directors appointed on the Board.

REPORT ON CORPORATE GOVERNANCE
(cont'd)

Principle 5: Board Performance

There should be a formal annual assessment of the effectiveness of the Board as a whole and its board committees and the contribution by each director to the effectiveness of the Board.

The Board and NC strive to ensure that Directors on the Board possess the experience, knowledge and skills critical to the Group's business so as to enable the Board to make sound and well-considered decisions.

The NC has implemented a process for evaluating the effectiveness of the Board as a whole, the Board Committees and the contribution by each individual Director to the effectiveness of the Board as well as setting objective performance criteria for such evaluation.

Annually, the Directors will complete a board assessment checklist individually to facilitate the NC in its assessment of the performance of the Board as a whole, as well as its Board Committee in its monitoring role and the attainment of the strategic objectives set by the Board. The performance is assessed based on criteria including the size, composition, processes of the Board, Board's access to information, strategic planning and accountability.

Each Director will also complete a self-assessment checklist individually to facilitate the NC in its assessment of the performance of the individual Directors based on factors which include their attendance, preparation and participation in the Board or Board Committees meetings, the quality of their intervention as well as their industry and business knowledge.

Each member of the NC has abstained from discussion and voting on any resolutions in respect of the assessment of his performance or re-nomination as a Director. Evaluations of individual Directors aim to assess whether that individual has contributed effectively and demonstrated commitment to the role (including commitment of time for the meetings of Board and Board committees, and any other duties).

The Chairman of the NC evaluates the assessment and shares the results with the rest of the Board members. Areas where the performance and effectiveness of the Board could be enhanced and recommendations for improvement are then submitted to the Board for discussion and implementation.

The Chairman of the NC, in consultation with its members, also acts on the results of the performance evaluation, and where appropriate, propose new members to be appointed to the Board or seek the resignation of existing Directors.

The NC has performed the assessment for FP2018 and is of the view that the performance of the individual Directors, the Board Committees and the Board as a whole were satisfactory and the Board has met its performance objectives.

No external facilitator was used in the evaluation process.

Principle 6: Access to information

In order to fulfill their responsibilities, directors should be provided with complete, ade-quate and timely information prior to board meetings and on an on-going basis so as to enable them to make informed decision to discharge their duties and responsibilities.

The Board is provided with complete, accurate, and adequate information in a timely manner to enable them to fulfill their responsibilities. Such information include background or explanatory information relating to matters to be brought before the Board, copies of disclosure documents, and internal financial statements. Such information is provided to the Directors to enable them to keep abreast of the Group's operational and financial performance and position, and to facilitate more-informed decision-making. Board members also have a separate and independent access to the Management and company secretary at all times. Board members may, at the Company's expense, obtain independent professional advice as and when necessary in furtherance of their duties.

The company secretary will attend all Board meetings to ensure that Board procedures are followed and applicable rules and regulations, including the requirements of the Companies Act, Chapter 50 of Singapore and the SGX-ST Listing Manual Section B: Rules of Catalist ("Rules of Catalist") are complied with. Under the direction of the Chairman, the company secretary's other responsibilities include ensuring good information flows within the Board and its committees, and between Management and Non-Executive Directors and assisting with professional development as required. The appointment and the removal of the company secretary is a matter for the Board as a whole.

REPORT ON CORPORATE GOVERNANCE
(cont'd)

Principle 7: Procedures for Developing Remuneration Policies

There should be a formal and transparent procedure for developing policy on executive re-muneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration.

The RC comprises the following members, all of whom, including the Chairman, are independent:-

Leow Wee Kia Clement	Chairman
Brian Wong Wye Pong	Member
Wong Kok Seong	Member

The principal functions of the RC as stipulated in its terms of reference are as follows:

- recommend to the Board a framework of remuneration for the Directors and key management personnel, and determine specific remuneration packages for each Executive Director and key management personnel, with the recommendations of the RC submitted for endorsement by the entire Board. All aspects of remuneration, including but not limited to Directors' fees, salaries, allowances, bonuses, options and benefits-in-kind, shall be covered by the RC; and

- perform an annual review of the remuneration of employees of the Group who are related to the Directors and CEO to ensure that their remuneration packages are in line with the staff remuneration guidelines and commensurate with their respective job scopes and level of responsibilities. They will also review and approve any bonuses, pay increases and/or promotions for these employees.

If necessary, the RC will seek expert advice inside and/or outside the Company on remuneration of all Directors. Each member of the RC has abstained from voting on any resolutions in respect of his remuneration package or that of employees related to him.

No remuneration consultants were engaged by the Company in FP2018.

Principle 8: Level and Mix of Remuneration

The level and structure of remuneration should be aligned with the long-term interest and risk policies of the company, and should be appropriate to attract, retain and motivate (a) the directors to provide good stewardship of the company, and (b) key management personnel to successfully manage the company. However, companies should avoid paying more than is necessary for this purpose.

As part of its review, the RC ensures that remuneration packages of the Directors and key management personnel are comparable within the industry as well as with similar companies. The RC considers the Group's relative performance and the contributions and responsibilities of the individual Directors in its review and recommendation of the remuneration of the Directors and key management personnel.

Policy in respect of Executive Directors and Key Management Personnel

Executive Directors do not receive directors' fees. Executive Directors are paid a basic salary pursuant to their respective service agreements which are reviewed and approved by the Board. The notice period of each Executive Director is fixed at a period of 6 months and each Executive Director may, in lieu of the 6 months' notice or part thereof, terminate the service agreement by paying an amount equivalent to 6 months' of his last drawn salary. The Executive Directors' service agreements do not contain onerous removal clauses.

The Group advocates a performance-based remuneration system that is highly flexible and responsive to the market and linked to the performance of the Group as well as the individual employee. The total remuneration mix comprises annual fixed cash and annual performance incentive. The annual fixed cash component comprises the annual basic salary plus any other fixed allowances while the annual performance incentive is tied to the performance of the Group and the individual employee.

Principle 8: Level and Mix of Remuneration (cont'd)

Policy in respect of Executive Directors and Key Management Personnel (cont'd)

The Company has no share-based compensation scheme or long-term scheme involving the offer of shares or options.

The Company does not use contractual provisions to allow the Company to reclaim the incentive components of remuneration from Executive Directors and key management personnel in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the Company. The Executive Directors owe a fiduciary duty to the Company. The Company should be able to avail itself to remedies against the Executive Directors in the event of such breach of fiduciary duties.

Policy in respect of Non-Executive Directors' remuneration

Non-Executive Directors do not have service agreements with the Company. They are compensated based on fixed directors' fees, which are determined by the Board based on their contribution, taking into consideration factors such as the effort, time spent and responsibilities of these Directors. The Chairman of each Board committee is paid a higher fee as compared with members of the Board Committee in view of the higher responsibilities carried by that office. The directors' fees are subject to approval by the shareholders of the Company at each AGM. Non-Executive Directors do not receive any other remuneration from the Company.

Principle 9: Disclosure on Remuneration

Each company should provide clear disclosure of its remuneration policies, level and mix of remuneration, and the procedure for setting remuneration in the company's annual report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key management personnel and performance.

The annual reviews of the compensation are carried out by the RC to ensure that the remuneration of the Executive Directors and key management personnel commensurate with their performance and that of the Company, giving due regard to the financial and commercial health and business needs of the Group. The performance of the CEO (together with other key management personnel) is reviewed periodically by the NC and the Board. In structuring the compensation framework, the RC also takes into account the risk policies of the Group, the need for the compensation to be symmetric with the risk outcomes and the time horizon of risks.

Executive Directors do not receive directors' fees but are remunerated as members of Management. The remuneration package of the Executive Directors and key management personnel comprises a basic salary component and a variable component which is the annual bonus, based on the performance of the Group as a whole and their individual performance. The RC takes into consideration the financial performance of the Group and criteria such as leadership, people development, commitment and teamwork in assessing the individual's performance. This is designed to align the remuneration package with the interests of shareholders and link rewards to corporate and individual performance so as to promote the long-term sustainability of the Group.

The RC has reviewed and is satisfied that the aforementioned performance conditions for the Executive Directors and key management personnel have been met in FP2018.

REPORT ON CORPORATE GOVERNANCE
(cont'd)

Principle 9: Disclosure on Remuneration (cont'd)

The level and mix of remuneration of the Directors and key management personnel of the Company for FP2018 are as follows:-

Name	Salary and Other Benefits	Bonus	Directors' Fees	Total
Executive Directors				
Chan Kee Sieng	94%	6%	–	100%
Chan Kit Moi	94%	6%	–	100%
Chan Wen Chau	98%	2%	–	100%
Non-Executive Directors				
Leow Wee Kia Clement	–	–	100%	100%
Brian Wong Wye Pong	–	–	100%	100%
Wong Kok Seong	–	–	100%	100%
Key Management Personnel				
Below S$250,000				
Soh Yeow Seng	94%	6%	–	100%
Tang Cheng Hooi	95%	5%	–	100%
Chan Choi Har	95%	5%	–	100%
Ong Seng Joo	95%	5%	–	100%
Mah Siew Peng	94%	6%	–	100%
Tung Wai Loon	96%	4%	–	100%

After reviewing the industry practice and analysing the advantages and disadvantages in relation to the disclosure of remuneration of each Director and key management personnel, the Company is of the view that such disclosure would be prejudicial to its business interest given the highly competitive environment. As such, the Company has not disclosed exact details of the remuneration of each individual Director and key management personnel but instead presented the information in bands of S$250,000, and the respective breakdowns of their remuneration procedures.

The aggregate of annual remuneration paid to all the above mentioned key management personnel of the Group for FP2018 was S$500,000.

There are no termination, retirement and post-employment benefits that were granted to the Directors, CEO and key management personnel in FP2018.

Remuneration of Directors' or CEO's immediate family members

A breakdown of remuneration of an employee who is an immediate family member of the Executive Directors and CEO and whose remuneration exceeded S$50,000 for FP2018 is set out below:-

Name	Salary and Other Benefits	Bonus	Total
S$50,000 to S$100,000			
Chan Wen Yee	95%	5%	100%

Mr Chan Wen Yee is the son of Mr Chan Kit Moi (Executive Director and substantial shareholder), nephew of Mr Chan Kee Sieng (Executive Chairman and substantial shareholder) and cousin of Mr Chan Wen Chau (Executive Director and CEO).

Save as disclosed, there are no other employee who is an immediate family member of a director or the CEO and whose remuneration exceeded S$50,000 for FP2018.

Principle 10: Accountability

The Board should present a balanced and understandable assessment of the company's per-formance, position and prospects.

The Board is responsible for providing a balanced and understandable assessment of the Company's performance, position and prospects. Financial reports and other price sensitive information are disseminated to shareholders through announcements via SGXNET and press releases. The Group releases announcement of its financial results in accordance with the requirements of the Rules of Catalist. Management provides the Board with management accounts on a monthly basis. Such reports serve to keep the Board informed of, on a balanced and understandable basis, the performance, position and prospects of the Group and enable the Board to discharge its duties efficiently.

Principle 11: Risk Management and Internal Controls

The Board is responsible for the governance of risk. The Board should ensure that Management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the company's assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.

The Company does not have a Risk Management Committee. However, the Company regularly reviews and improves its business and operational activities to identify areas of significant business risks as well as appropriate measures to control and mitigate these risks. The Management reviews all control policies and procedures and highlights all significant matters to the AC as well as the Board.

The AC will review, at least annually, the reports submitted by the external and internal auditors relating to the effectiveness of the Group's system of internal controls, including financial, operational, compliance and information technology controls, risk management, and risks of fraud and irregularities. Any material non-compliance and recommendation for improvement are reported to the AC. A copy of the report is also issued to the relevant department for its follow-up action. The timely and proper implementation of all required corrective, preventive or improvement measures are closely monitored.

The AC will also review the effectiveness of the actions taken by the Management on the recommendations made by the external and internal auditors in this respect.

For the financial period under review, the CEO and CFO have provided their confirmation and assurance to the Board on the integrity of the financial statements for the Group, that the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances, and the Company's risk management and internal controls systems are effective (the "Assurance").

Based on the internal controls established and maintained by the Company, the Assurance provided by the CEO and CFO, the work performed by the internal and external auditors and reviews performed by the Management and the various Board Committees, the Board, with the concurrence of the AC, is of the opinion that the Group's risk management and internal controls in place are adequate and effective in addressing the financial, operational, compliance and information technology risks as at 31 March 2018.

The system of internal controls and risk management established by the Company provides reasonable, but not absolute, assurance that the Company will not be adversely affected by any event that can be reasonably foreseen as it strives to achieve its business objectives. The Company is also consistently seeking to improve its internal controls and to adopt the recommendations which were highlighted by the internal and external auditors to further safeguard the Company's assets.

REPORT ON CORPORATE GOVERNANCE
(cont'd)

Principle 12: Audit Committee

The Board should establish an Audit Committee with written terms of reference which clearly set out its authority and duties.

The AC currently comprises the following members, all of whom are Independent Non-Executive Directors:-

Brian Wong Wye Pong	Chairman
Leow Wee Kia Clement	Member
Wong Kok Seong	Member

All members of the AC have accounting and related financial management expertise and experience.

The AC has explicit authority to investigate any matter within its terms of reference, full access to and cooperation of the Management, full discretion to invite any persons including a Director or an employee of the Group to attend its meeting, and reasonable resources to enable it to discharge its functions properly.

The AC assists the Board in discharging its responsibility to safeguard the assets of the Company, maintain adequate accounting records, and develop and maintain effective systems of internal control, with the overall objective of ensuring that the Management creates and maintains an effective control environment in the Group. The AC will provide a channel of communication between the Board, the Management and the external auditor on matters relating to audit.

The principal functions of the AC as stipulated in its terms of reference are as follows:-

- Review the scope and results of the audit and its cost effectiveness;
- Review the significant financial reporting issues and judgments so as to ensure the integrity of the financial statements of the Group and any formal announcements relating to the Group's financial performance;
- Make recommendations to the Board on the appointment, re-appointment and removal of the external auditor, and approving the remuneration and terms of engagement of the external auditor;
- Review with the external auditor on the audit plan, audit report and their evaluation of the system of internal accounting controls, letter to Management and the Management's response;
- Review the half yearly and annual, and quarterly, if applicable, financial statements and results announcements before submission to the Board for approval, focusing in particular on changes in accounting policies and practices, major risk areas, significant adjustments resulting from the audit, compliance with accounting standards, the Rules of Catalist and any other relevant statutory or regulatory requirements;
- Review the internal control procedures and ensure co-ordination between the external auditor and the Management, and review the assistance given by the Management to the external auditor, and discuss problems and concerns, if any, arising from audits, and any matters which the external auditor may wish to discuss (in the absence of the Management, where necessary);
- Review and discuss with the external auditor any suspected fraud or irregularities, or suspected infringement of any relevant laws, rules or regulations, which has or is likely to have a material impact on the Group's operating results or financial position, and the Management's response;
- Review the adequacy of the Company's internal financial controls, operational, compliance and information technology controls and risk management policies and systems established by the Management;
- Review interested person transactions (if any) falling within the scope of Chapter 9 of the Rules of Catalist;
- Review potential conflicts of interest (if any);

Principle 12: Audit Committee (cont'd)

The principal functions of the AC as stipulated in its terms of reference are as follows:- (cont'd)

- Review with the internal auditors on the internal audit plans and their evaluation of the adequacy of the internal controls and accounting system before submission of the results of such review to the Board for approval prior to the incorporation of such results in the annual report;

- Review and establish procedures for receipt, retention and treatment of complaints received by the Group regarding, inter alia, criminal offences involving the Group or its employees, questionable accounting, auditing, business, safety or other matters that impact negatively on the Group;

- Review key financial risk areas, with a view to providing an independent oversight on the Group's financial reporting, the outcome of such review to be disclosed in the annual reports or, where the findings are material, announced immediately via SGXNET;

- Undertake such other reviews and projects as may be requested by the Board, and report to the Board its findings from time to time on matters arising and requiring the attention of the AC; and

- Generally to undertake such other functions and duties, as may be required by statute or the Rules of Catalist, or by such amendments as may be made thereto from time to time.

The AC is guided by the terms of reference which stipulate its principal functions. The AC meets regularly with the Management and the external auditors to review auditing and risk management matters and discuss accounting implications of any major transactions including significant financial reporting issues. It also reviews the internal audit functions to ensure that an effective system of control is maintained in the Group.

On a half-yearly basis, the AC also reviews the interested person transactions and the financial results announcements before their submission to the Board for approval.

The AC is kept abreast by the Management, the company secretary, the Sponsor and the external auditors of changes to accounting standards, Rules of Catalist and other regulations (as the case may be) which could have an impact on the Group's business and financial statements.

The external auditors present to the AC the audit plan and updates relating to any change of accounting standards which have a direct impact on financial statements during the AC meetings.

The AC meets with the external auditors and internal auditors, at least once annually, and more frequently, when required, with at least one of the meetings conducted without the presence of Management. The AC had in FP2018 met the external and internal auditors once without the presence of Management.

The AC reviews the independence and objectivity of external auditor annually. During the financial period under review, the AC has reviewed the independence of Nexia TS including the volume of all non-audit services provided to the Group, and is satisfied that the nature and extend of such services will not prejudice the independence and objectivity of the external auditors.

The AC constantly bears in mind the need to maintain a balance between the independence and objectivity of the external auditors and the work carried out by the external auditors based on value for money consideration. During the financial period under review, the aggregate amount of fees paid to the external auditors for the audit and non-audit services amounted to RM308,000 and RM90,000 respectively. The non-audit services rendered by the external auditors to the Group in FP2018 were not substantial.

The Group has complied with Rules 712 and 715 of the Rules of Catalist with regard to the appointment of the external auditors for the Company and its subsidiaries.

The AC has recommended and the Board has approved the nomination for the re-appointment of Nexia TS as external auditors of the Company at the forthcoming AGM.

The Company has implemented a whistle blowing policy which will provide well-defined and accessible channels in the Group through which employees and any other persons may raise concerns about improper conduct within the Group. The AC will review arrangements by which staff of the Company may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters. The AC's objectives are to ensure that arrangements are in place for the independent investigation of such matters and for appropriate follow-up action. The Group's whistle blowing policy and procedures on how a person may raise such concern is published in the Group's website at https://www.msmmgroup.com/pdf/Whistleblower-policy-for-MSM.pdf

REPORT ON CORPORATE GOVERNANCE
(cont'd)

Principle 13: Internal Audit

The company should establish an effective internal audit function that is adequately re-sourced and independent of the activities it audits.

The Group has outsourced its internal audit function to Wensen Consulting Asia (S) Pte. Ltd., a qualified professional firm which meets the standards set by internationally recognised professional bodies including the International Professional Practices Framework issued by The Institute of Internal Auditors.

The main objective of the internal audit function is to assist the Group in evaluating and assessing the effectiveness of internal controls and consequently to highlight the areas where control weaknesses exist, if any, and thus improvements could be made.

The internal audit function is independent and it reports directly to the AC on audit matters and to the CEO on administrative matters. The internal auditor assists the Board in monitoring and managing risks and internal controls of the Group.

The AC also reviews and approves the internal auditor's plan of each financial period/year to ensure that the scope of the plan is adequate and covers the review of the system of internal controls of the Group, including financial, operational, compliance and information technology controls. The internal auditor will report their audit findings and recommendations to the AC.

The Management together with the Board will review all audit reports and findings from internal auditors and external auditors during the AC meetings.

During FP2018, the internal auditors had reviewed and carried out the audit on areas pertaining to project tendering management, project planning and execution management, and procurement to payables management.

The AC had reviewed the adequacy of the internal audit function and is satisfied that the team is adequately qualified, resourced and has appropriate standing within the Company.

SHAREHOLDER RIGHTS AND RESPONSIBILITIES

Principle 14: Shareholder Rights

Companies should treat all shareholders fairly and equitably, and should recognize, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangements.

Principle 15: Communication with Shareholders

Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.

REPORT ON CORPORATE GOVERNANCE
(cont'd)

SHAREHOLDER RIGHTS AND RESPONSIBILITIES (CONT'D)

Principle 16: Conduct of Shareholder Meeting

Companies should encourage greater shareholder participation at general meetings of shareholders, and allow shareholders the opportunity to communicate their views on various matters affecting the company.

The Board believes in regular, timely and effective communication with shareholders. The Company does not practice selective disclosure. In line with continuous obligations of the Company pursuant to the Rules of Catalist, it is the Board's policy that shareholders are kept informed of all important developments concerning the Group that will or expect to have an impact on the Company or the Group through timely dissemination of information via SGXNET announcements, press releases, annual reports and various other announcements made whenever necessary. The Company also maintains a website at http://www.msmmgroup.com through which the shareholders can access to information about the Group. The website provides the business profile, corporate announcements, press releases, annual reports and other information of the Group.

Shareholders are encouraged to attend the AGM and/or general meetings to stay informed of the Company's goals and strategies and to ensure a high level of accountability by the Management. They are also given the opportunity and time to air their views and ask the Directors or Management questions regarding the Company. The Notice of AGM will be dispatched to shareholders, together with explanatory notes or a circular on items of special business (if necessary), at least 14 calendar days before the meeting (excluding the date of notice and the date of meeting). The Board welcomes questions from shareholders either informally or formally before or at the AGM. The Chairman of the respective AC, RC and NC are available at the meeting to answer those questions relating to the work of the respective Board Committees. At the AGM, separate resolutions are set out for each distinct issue.

In addition, if the need arises, the Company may organise media/analyst briefings to enable a better appreciate of the Group's performance and developments, which will also act as platforms to solicit and understand the view of Shareholders and investors.

The Company's external auditors are also present to assist the Directors in addressing any relevant queries by shareholders. While there is no limit imposed on the number of proxy votes for nominee companies, the Constitution of the Company allow each shareholder to appoint up to two (2) proxies to attend general meetings. The Board will review the Company's Constitution from time to time, and where an amendment to the Company's Constitution is required to align the relevant provisions with the requirements of the Rules of Catalist, shareholders' approval will be obtained.

All resolutions put forth at the general meetings of the Company are put to vote by way of poll, and their detailed results including the total number and the respective percentage of votes cast for and against each resolution will be announced via the SGXNET.

The Group does not have a fixed dividend policy at present. The form, frequency and amount of dividends declared each period/year will take into consideration the Group's profitability, cash position, cash flow in relation to operating activities, projected capital requirements for business growth and other factors as the Board may deem appropriate. The Board has not declared dividends for the FP2018 as the Company has deemed it more appropriate to retain the cash in the Group for its future growth plans.

REPORT ON CORPORATE GOVERNANCE
(cont'd)

SHAREHOLDER RIGHTS AND RESPONSIBILITIES (CONT'D)

Dealings in Securities

The Company has adopted an internal code on dealings in securities. The Company and the Group's Directors and officers who have access to price-sensitive, financial or confidential information, or unpublished price-sensitive information on the Group, are not permitted to deal in the Company's securities during the periods commencing one month before the announcement of the Group's half year and full year financial results and ending on the date of announcement of such results. In addition, the Company, its Directors and officers are advised not to deal in the Company's securities for a short term considerations and are expected to observe the insider trading laws at all times even when dealing in the Company's securities within the permitted trading periods. Directors and officers are to consult with the CFO/company secretary before trading in Company's securities and to confirm annually that they have complied with and not in breach of the internal code on dealings in securities. The Board is kept informed when a Director trades in the Company's securities.

Interested Person Transactions

The Company has established procedures to ensure that all transactions with interested persons are reported on in a timely manner to the AC and that the transactions are carried out on normal commercial terms and shall not be prejudicial to the interests of the Company and its minority shareholders. When a potential conflict of interest arises, the Director concerned neither takes part in discussions nor exercises any influence over other Board members.

The Company does not have a general mandate for interested person transactions (IPT). There were no IPT with value of S$100,000 and above transacted in FP 2018.

Material Contracts

There were no material contracts entered into by the Company or any of its subsidiaries involving the interest of the CEO, any Director or controlling shareholder of the Company, either still subsisting at the end of the financial period, or if not then subsisting, which were entered into since the end of the previous financial year.

Non-Sponsorship Fees

No non-sponsor fees were paid to the Company's sponsor, PrimePartners Corporate Finance Pte. Ltd. for FP2018.

Sustainability Reporting

The Company is working towards the issuance of its first sustainability report by 31 March 2019 and such report will be made available to shareholders on the SGXNet.

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DIRECTORS' STATEMENT

For the financial period from 1 January 2017 to 31 March 2018

The directors present their statement to the members together with the audited financial statements of the Group for the financial period from 1 January 2017 to 31 March 2018 and the balance sheet of the Company as at 31 March 2018.

On 6 December 2017, the Company changed its financial year end from 31 December to 31 March. Hence, these financial statements cover 15 months period from 1 January 2017 to 31 March 2018.

In the opinion of the directors,

(a) the balance sheet of the Company and the consolidated financial statements of the Group as set out on pages 36 to 91 are drawn up so as to give a true and fair view of the financial position of the Company and of the Group as at 31 March 2018 and the financial performance, changes in equity and cash flows of the Group for the financial period covered by the consolidated financial statements; and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

DIRECTORS

The directors of the Company in office at the date of this statement are as follows:

Chan Kee Sieng
Chan Kit Moi
Chan Wen Chau
Leow Wee Kia Clement
Brian Wong Wye Pong
Wong Kok Seong

ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES

Neither at the end of nor at any time during the financial period was the Company a party to any arrangement whose object was to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN SHARES OR DEBENTURES

According to the register of directors' shareholdings, none of the directors holding office at the end of the financial period had any interest in the shares or debentures of the Company or its related corporations, except as follows:

	Holdings registered in name of director		**Holdings in which director is deemed to have an interest**	
	At 31.3.2018	**At 1.1.2017**	**At 31.3.2018**	**At 1.1.2017**
Company				
(No. of ordinary shares)				
Chan Kee Sieng	187,000	187,000	61,564,747	61,564,747
Chan Kit Moi	130,000	130,000	61,564,747	61,564,747
Chan Wen Chau	2,785,186	2,785,186	–	–

The deemed interests of Chan Kee Sieng and Chan Kit Moi arise from their shareholdings in the holding corporation, Triumphant Hope Sdn. Bhd..

DIRECTORS' STATEMENT

For the financial period from 1 January 2017 to 31 March 2018 (cont'd)

DIRECTORS' INTERESTS IN SHARES OR DEBENTURES (CONT'D)

	Holdings registered in name of director		Holdings in which director is deemed to have an interest	
	At 31.3.2018	At 1.1.2017	At 31.3.2018	At 1.1.2017
Holding Corporation				
- Triumphant Hope Sdn. Bhd.				
(No. of ordinary shares)				
Chan Kee Sieng	150	150	–	–
Chan Kit Moi	150	150	–	–

By virtue of Section 7 of the Singapore Companies Act (Cap. 50) (the "Act"), Chan Kee Sieng and Chan Kit Moi are deemed to have interests in the shares of all the subsidiary corporations, at the beginning and at the end of the financial period.

The directors' interests in the ordinary shares of the Company as at 21 April 2018 were the same as those as at 31 March 2018.

SHARE OPTIONS

There were no options granted during the financial period to subscribe for unissued shares of the Company or its subsidiary corporations.

No shares have been issued during the financial period by virtue of the exercise of options to take up unissued shares of the Company or its subsidiary corporations.

There were no unissued shares of the Company or its subsidiary corporations under option at the end of the financial period.

AUDIT COMMITTEE

The members of the Audit Committee at the end of the financial period were as follows:

Brian Wong Wye Pong (Chairman)
Leow Wee Kia Clement
Wong Kok Seong

All members of the Audit Committee were independent and non-executive directors.

The Audit Committee carried out its functions in accordance with Section 201B(5) of the Singapore Companies Act and the Code of Corporate Governance. In performing those functions, the Audit Committee carried out the following:

- Review the scope and results of internal audit procedures with the internal auditor;
- Review the audit plan of the Company's independent auditor and any recommendations on internal accounting controls arising from the statutory audit;
- Review the assistance given by the Company's management to the independent auditor;
- Review the balance sheet of the Company and the consolidated financial statements of the Group for the financial period from 1 January 2017 to 31 March 2018 before their submission to the Board of Directors, as well as the independent auditor's report on the balance sheet of the Company and the consolidated financial statements of the Group;

DIRECTORS' STATEMENT

For the financial period from 1 January 2017 to 31 March 2018 (cont'd)

AUDIT COMMITTEE (CONT'D)

- Review transactions falling within the scope of Chapter 9 of the Singapore Exchange Securities Trading Limited ("SGX-ST") Listing Manual Section B: Rules of Catalist ("Catalist Rules");

- Review the half yearly and annual financial statements and results announcement before submission to the Board of Directors for approval, focusing in particular on changes in accounting policies and practices, major risk areas, significant adjustments resulting from the audit, compliance with accounting standards and compliance with the Catalist Rules and any other relevant statutory or regulatory requirements;

- Review the independence and objectivity of the independent auditor; and

- Make recommendations to the Board of Directors on the appointment, re-appointment and removal of independent auditor, and approve the remuneration and terms of engagement of the independent auditor.

The Audit Committee has recommended to the Board of Directors that the independent auditor, Nexia TS Public Accounting Corporation, be nominated for re-appointment at the forthcoming Annual General Meeting of the Company.

INDEPENDENT AUDITOR

The independent auditor, Nexia TS Public Accounting Corporation, has expressed its willingness to accept re-appointment.

On behalf of the directors

Chan Kee Sieng
Director

Chan Kit Moi
Director

27 June 2018

INDEPENDENT AUDITOR'S REPORT
to the members of MSM International Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of MSM International Limited (the "Company") and its subsidiary corporations (the "Group"), which comprise the consolidated balance sheet of the Group and the balance sheet of the Company as at 31 March 2018, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the financial period from 1 January 2017 to 31 March 2018, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 36 to 91.

In our opinion, the accompanying consolidated financial statements of the Group and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Financial Reporting Standards in Singapore ("FRSs") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 March 2018 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the financial period from 1 January 2017 to 31 March 2018.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

INDEPENDENT AUDITOR'S REPORT
to the members of MSM International Limited (cont'd)

Report on the Audit of the Financial Statements (Cont'd)

Key Audit Matters (Cont'd)

Key audit matter	How our audit addressed the matter
Valuation of trade receivables	
As at 31 March 2018, the carrying amounts of trade receivables was RM25,487,000, which accounted for 20% of the Group's total assets.	We have evaluated the process in identifying and determining impairment indicators by carrying out the following audit procedures:
Management determines, at each balance sheet date, the existence of any objective evidence that the trade receivables are impaired. In determining this, management uses estimates based on historical loss experience for assets with similar credit risk characteristics, the current creditworthiness and the past collection history of each debtor. We focused on this area because:	• reviewed the aging of trade receivables and assessed the reasonableness of the effort made by management to recover the long outstanding debts. • assessed the recoverability of long outstanding trade receivables by comparing management's assumptions used to estimate both the amount and timing of the recoverability of outstanding debts to historical patterns of receipts of the individual debtors.
• significant judgements are required in identifying the uncollectible receivables and determining whether there is any impairment loss; and • certain customers are experiencing higher average collection period as compared to other customers, increasing the inherent exposure to non-collectibility and credit risk.	We have performed specific assessment over the debtors with the following criterion: • trade receivables balance with no movement and transactions with the debtor during the financial period; or • long overdue trade receivables.
Refer to note 2.10(e) Impairment of financial assets and note 3.1(a) Impairment of trade and other receivables for the relevant accounting policy and a discussion of significant accounting estimates and assumptions.	Based on our audit procedures, we noted management's key assumptions and estimates used to assess the recoverability of the outstanding trade receivables to be within a reasonable range of our expectation. We also assessed and validated the adequacy and appropriateness of the related disclosures made in the financial statements.

INDEPENDENT AUDITOR'S REPORT
to the members of MSM International Limited (cont'd)

Report on the Audit of the Financial Statements (Cont'd)

Key Audit Matters (Cont'd)

Key audit matter	How our audit addressed the matter
Accuracy of inventories costing	
As at 31 March 2018, the carrying amounts of work-in-progress and finished goods were RM10,321,000 and RM7,949,000 respectively. The cost of work-in-progress and finished goods consist of raw material cost and cost of conversion. The major component of the cost of work-in-progress and finished goods relates to its raw material which mainly comprises stainless steel and metal. Cost of conversion includes direct labour and a systematic allocation of fixed and variable production overheads. The basis of systematic allocation of cost of conversion takes into account normal levels of labour, efficiency and capacity utilisation. They are reviewed and, if necessary, management will revise in the light of current conditions. In view of the Group's manufacturing processes and its numerous product lines, the basis of cost allocation is complex and highly dependent on management's estimates. This, in combination with the significance of the carrying amounts of inventories in relation to the Group's total current assets, we considered this as a key audit matter for our audit. Refer to note 2.17 Inventories for the relevant accounting policy.	We have evaluated management's process in allocating the conversion cost to each line of product. We performed tests of details on the cost of raw material by verifying against suppliers' invoices. We assessed the reasonableness of conversion cost allocated to work-in-progress and finished goods by recomputing the actual conversion costs incurred over the production unit. Based on our audit procedures, we have not noted any material differences over the inventories costing, in particular the basis of allocating the conversion costs to each line of product.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements 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, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements 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.

INDEPENDENT AUDITOR'S REPORT
to the members of MSM International Limited (cont'd)

Report on the Audit of the Financial Statements (Cont'd)

Responsibility of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and FRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group'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 management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, 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, 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 internal control.

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

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

- Evaluate the overall presentation, structure and content of the financial statements, 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 consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

INDEPENDENT AUDITOR'S REPORT
to the members of MSM International Limited (cont'd)

Report on the Audit of the Financial Statements (Cont'd)

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

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 current financial period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by a subsidiary corporation incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement director on the audit resulting in this independent auditor's report is Chan Siew Ting.

Nexia TS Public Accounting Corporation
Public Accountants and Chartered Accountants

Singapore
27 June 2018

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial period from 1 January 2017 to 31 March 2018

	Note	For the financial period from 1 January 2017 to 31 March 2018 (15 months) RM'000	For the financial year from 1 January 2016 to 31 December 2016 (12 months) RM'000
Revenue	4	150,366	92,740
Cost of sales		(110,447)	(67,555)
Gross profit		39,919	25,185
Other income - net	5	12	716
Expenses			
- Selling and distribution		(11,509)	(5,445)
- Administrative		(20,617)	(15,866)
- Finance	8	(4,103)	(2,948)
Profit before income tax		3,702	1,642
Income tax expense	9	(1,821)	(1,033)
Total comprehensive income, representing net profit		1,881	609
Profit attributable to:			
Equity holders of the Company		1,852	146
Non-controlling interests		29	463
		1,881	609
Total comprehensive income attributable to:			
Equity holders of the Company		1,852	146
Non-controlling interests		29	463
		1,881	609
Earnings per share for profit attributable to equity holders of the Company (RM cents per share)			
- Basic and diluted	10	2.06	0.16

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

BALANCE SHEETS
as at 31 March 2018

	Note	Group 31 March 2018 RM'000	Group 31 December 2016 RM'000	Company 31 March 2018 RM'000	Company 31 December 2016 RM'000
ASSETS					
Current Assets					
Cash and bank balances	11	10,422	10,032	*	*
Trade and other receivables	12	27,276	25,460	15,858	6,500
Inventories	13	21,335	28,550	–	–
Other current assets	14	4,808	2,911	–	15
Income tax recoverable		516	1,079	–	–
		64,357	68,032	15,858	6,515
Assets held-for-sale	15	20,799	–	600	–
		85,156	68,032	16,458	6,515
Non-Current Assets					
Property, plant and equipment	16	39,943	44,928	–	–
Investment properties	17	3,785	3,755	–	–
Investments in subsidiary corporations	18	–	–	18,804	19,404
		43,728	48,683	18,804	19,404
Total Assets		128,884	116,715	35,262	25,919
LIABILITIES					
Current Liabilities					
Trade and other payables	19	11,866	17,662	2,798	4,941
Borrowings	20	38,011	34,814	–	–
		49,877	52,476	2,798	4,941
Liabilities held-for-sale	15	17,173	–	–	–
		67,050	52,476	2,798	4,941
Non-Current Liabilities					
Borrowings	20	17,220	21,287	–	–
Deferred income tax liabilities	22	40	259	–	–
		17,260	21,546	–	–
Total Liabilities		84,310	74,022	2,798	4,941
NET ASSETS		44,574	42,693	32,464	20,978

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

BALANCE SHEETS
as at 31 March 2018 (cont'd)

		Group		Company	
	Note	31 March 2018 RM'000	31 December 2016 RM'000	31 March 2018 RM'000	31 December 2016 RM'000
EQUITY					
Capital and reserves attributable to equity holders of the Company					
Share capital	23	26,862	26,862	26,862	26,862
Retained earnings/ (accumulated losses)		17,261	15,409	5,602	(5,884)
Currency translation reserve		(61)	(61)	–	–
		44,062	42,210	32,464	20,978
Non-controlling interests	18	512	483	–	–
Total Equity		44,574	42,693	32,464	20,978

* *Denotes less than RM1,000.*

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial period from 1 January 2017 to 31 March 2018

	Attributable to equity holders of the Company					
	Share capital RM'000	**Currency translation reserve RM'000**	**Retained earnings* RM'000**	**Total RM'000**	**Non-controlling interests RM'000**	**Total equity RM'000**
31 March 2018						
Beginning of financial period	26,862	(61)	15,409	42,210	483	42,693
Profit for the financial period, representing total comprehensive income for the financial period	–	–	1,852	1,852	29	1,881
End of financial period	26,862	(61)	17,261	44,062	512	44,574
31 December 2016						
Beginning of financial year	26,862	(61)	15,263	42,064	20	42,084
Profit for the financial year, representing total comprehensive income for the financial year	–	–	146	146	463	609
End of financial year	26,862	(61)	15,409	42,210	483	42,693

* *Retained earnings of the Group are distributable.*

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial period from 1 January 2017 to 31 March 2018

	Note	For the financial period from 1 January 2017 to 31 March 2018 (15 months) RM'000	For the financial year from 1 January 2016 to 31 December 2016 (12 months) RM'000
Cash flows from operating activities			
Net profit		1,881	609
Adjustments for:			
- Income tax expense	9	1,821	1,033
- Depreciation of property, plant and equipment	6	5,465	4,179
- Depreciation of investment properties	6	74	59
- (Gain)/loss on disposal of property, plant and equipment	5	(48)	162
- Property, plant and equipment written off	6	87	19
- Interest income	5	(51)	(42)
- Interest expense	8	4,103	2,948
		13,332	8,967
Changes in working capital:			
- Trade and other receivables		(11,386)	(2,875)
- Inventories		2,272	(1,504)
- Other current assets		(3,728)	648
- Trade and other payables		4,880	1,786
- Bills payable		7,450	1,370
Cash generated from operations		12,820	8,392
Interest paid		(2,547)	(1,699)
Interest received		51	42
Income tax paid		(1,106)	(1,876)
Net cash provided by operating activities		9,218	4,859
Cash flows from investing activities			
Additions to property, plant and equipment		(637)	(1,789)
Addition to investment properties	17	(104)	(126)
Disposal of property, plant and equipment		48	1,890
Net cash used in investing activities		(693)	(25)
Cash flows from financing activities			
Increase in short-term bank deposits pledged		(51)	(42)
Proceeds from bank borrowings		159	1,914
Repayment of bank borrowings		(3,081)	(2,460)
Repayment of finance lease liabilities		(4,012)	(3,088)
Interest paid		(1,556)	(1,249)
Net cash used in financing activities		(8,541)	(4,925)
Net decrease in cash and cash equivalents		(16)	(91)
Cash and cash equivalents			
Beginning of financial period/year		(2,345)	(2,254)
End of financial period/year	11	(2,361)	(2,345)

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial period from 1 January 2017 to 31 March 2018 (cont'd)

Reconciliation of liabilities arising from financing activities

	1 January 2017 RM'000	Principal and interest payments RM'000	Non-cash changes Acquisition RM'000	Non-cash changes Interest expense RM'000	Non-cash changes Liabilities held-for-sale RM'000	31 March 2018 RM'000
Bank borrowings	16,849	(3,964)	159	883	–	13,927
Finance lease liabilities	9,883	(4,685)	2,753	673	(960)	7,664

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial period from 1 January 2017 to 31 March 2018

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. GENERAL INFORMATION

MSM International Limited (the "Company") is listed on the Catalist, the sponsor-supervised listing platform of Singapore Exchange Securities Trading Limited ("SGX-ST"), which is incorporated and domiciled in Singapore. The address of its registered office is 8 Robinson Road, #03-00, ASO Building, Singapore 048544. The principal place of business of the subsidiary corporations is located at Lot 1909, Jalan KPB 5, Kawasan Perindustrian Kampung Baru Balakong, 43300 Seri Kembangan, Selangor Darul Ehsan, Malaysia.

The principal activity of the Company is that of investment holding. The principal activities of the subsidiary corporations are disclosed in Note 18.

The Company's holding corporation is Triumphant Hope Sdn. Bhd., incorporated in Malaysia.

The Group and the Company changed its financial year end from 31 December to 31 March. Accordingly, the comparative figures for the consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and the related notes are for twelve months from 1 January 2016 to 31 December 2016 and are not entirely comparable.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

These financial statements have been prepared in accordance with Singapore Financial Reporting Standards ("FRS") under the historical cost convention, except as disclosed in the accounting policies below. The financial statements are presented in Malaysian Ringgit ("RM") and all values are rounded up to the nearest thousand ("RM'000") except as otherwise indicated.

The preparation of financial statements in conformity with FRS requires management to exercise its judgement in the process of applying the Group's accounting policies. It also requires the use of certain critical accounting estimates and assumptions. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

Interpretations and amendments to published standards effective in 2017

On 1 January 2017, the Group adopted the new or amended FRS and Interpretations of FRS ("INT FRS") that are mandatory for application for the financial period. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS and INT FRS.

The adoption of these new or amended FRS and INT FRS did not result in substantial changes to the accounting policies of the Group and the Company and had no material effect on the amounts reported for the current financial period or prior financial year except for the followings:

FRS 7 Statement of cash flows

The amendments to FRS 7 Statement of cash flows (Disclosure initiative) sets out required disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

The Group has included the additional required disclosures in Consolidated Statement of Cash Flows to the Financial Statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Group accounting

(a) Subsidiary corporations

(i) Consolidation

Subsidiary corporations are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiary corporations are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

In preparing the consolidated financial statements, intercompany transactions, balances and unrealised gains on transactions between group entities are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment indicator of the transferred asset. Accounting policies of subsidiary corporations have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests comprise the portion of a subsidiary corporation's net results of operations and its net assets, which is attributable to the interests that are not owned directly or indirectly by the equity holders of the Company. They are shown separately in the consolidated statement of comprehensive income, statement of changes in equity, and balance sheet. Total comprehensive income is attributed to the non-controlling interests based on their respective interests in a subsidiary corporation, even if this results in the non-controlling interests having a deficit balance.

(ii) Acquisitions

The acquisition method of accounting is used to account for business combinations entered into by the Group.

The consideration transferred for the acquisition of a subsidiary corporation or business comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes any contingent consideration arrangement and any pre-existing equity interest in the subsidiary corporation measured at their fair values at the acquisition date.

Acquisition-related costs are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree at the date of acquisition either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

The excess of (a) the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the (b) fair values of the identifiable net assets acquired is recorded as goodwill. Please refer to the paragraph "Intangible assets - Goodwill on Acquisition" for the subsequent accounting policy on goodwill.

NOTES TO THE FINANCIAL STATEMENTS
For the financial period from 1 January 2017 to 31 March 2018 (cont'd)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Group accounting (cont'd)

(a) *Subsidiary corporations (cont'd)*

(iii) *Disposals*

When a change in the Group's ownership interest in a subsidiary corporation results in a loss of control over the subsidiary corporation, the assets and liabilities of the subsidiary corporation including any goodwill are derecognised. Amounts previously recognised in other comprehensive income in respect of that entity are also reclassified to profit or loss or transferred directly to retained earnings if required by a specific Standard.

Any retained equity interest in the entity is remeasured at fair value. The difference between the carrying amount of the retained interest at the date when control is lost and its fair value is recognised in profit or loss.

Please refer to note 2.3 for the accounting policy on investments in subsidiary corporations in the separate financial statements of the Company.

(b) *Transactions with non-controlling interests*

Changes in the Group's ownership interest in a subsidiary corporation that do not result in a loss of control over the subsidiary corporation are accounted for as transactions with equity owners of the Company. Any difference between the change in the carrying amounts of the non-controlling interests and the fair value of the consideration paid or received is recognised within equity attributable to the equity holders of the Company.

2.3 Investments in subsidiary corporations

Investments in subsidiary corporations are carried at cost less accumulated impairment losses in the Company's balance sheet. On disposal of the investments in subsidiary corporations, the difference between the disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

2.4 Revenue recognition

Sales comprise the fair value of the consideration received or receivable for the sale of goods in the ordinary course of the Group's activities. Sales are presented, net of value-added tax, rebates and discounts, and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue and related cost can be reliably measured, it is probable that the collectability of the related receivables is reasonably assured and when the specific criteria for each of the Group's activities are met as follows:

(a) *Sale of goods*

Revenue from sale of goods is recognised when the Group has delivered the products to its customers and the customers have accepted the products.

(b) *Interest income*

Interest income is recognised using the effective interest method.

(c) *Rental income*

Rental income from operating leases (net of any incentives given to the lessees) is recognised on a straight-line basis over the lease term.

NOTES TO THE FINANCIAL STATEMENTS
For the financial period from 1 January 2017 to 31 March 2018 (cont'd)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.5 Property, plant and equipment

(a) *Measurement*

(i) *Land and buildings*

Land and buildings are initially recognised at cost. Freehold land is subsequently carried at cost less accumulated impairment losses. Buildings and leasehold land are subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

(ii) *Other property, plant and equipment*

All other items of property, plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

(iii) *Components of cost*

The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Cost also includes borrowing costs (refer to Note 2.7 on borrowing costs).

(b) *Depreciation*

Freehold land is not depreciated. Depreciation on other items of property, plant and equipment is calculated using the straight-line method to allocate their depreciable amounts over their estimated useful lives as follows:

	Useful lives
Leasehold land and buildings	over the leased term ranged from 60 to 99 years / 50 years
Plant and machinery	5 to 10 years
Renovation and signboard	10 years
Motor vehicles	5 years
Computer, office equipment, fixtures, furniture and fittings	5 to 10 years
Showroom equipment	3 years

The residual values, estimated useful lives and depreciation method of property, plant and equipment are reviewed, and adjusted as appropriate, at each balance sheet date. The effects of any revision are recognised in profit or loss when the changes arise.

Construction-in-progress represent the costs of property, plant and equipment under development. When construction-in-progress are completed and are ready for their intended use, they are recognised as property, plant and equipment and depreciated over their useful lives.

Fully depreciated assets are retained in the financial statements until they are no longer in use.

(c) *Subsequent expenditure*

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repair and maintenance expenses are recognised in profit or loss when incurred.

(d) *Disposal*

On disposal of an item of property, plant and equipment, the difference between the disposal proceeds and its carrying amount is recognised in profit or loss within "Other income - net".

NOTES TO THE FINANCIAL STATEMENTS

For the financial period from 1 January 2017 to 31 March 2018 (cont'd)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.6 Intangible assets

Goodwill on acquisitions

Goodwill on acquisitions of subsidiary corporations and businesses, represents the excess of (i) the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over (ii) the fair value of the identifiable net assets acquired. Goodwill on subsidiary corporations is recognised separately as intangible assets and carried at cost less accumulated impairment losses.

Gains and losses on the disposal of subsidiary corporations include the carrying amount of goodwill relating to the entity sold.

2.7 Borrowing costs

Borrowing costs are recognised in profit or loss using the effective interest method except for those costs that are directly attributable to the construction or development of properties and assets under construction. This include those cost on borrowings acquired specifically for the construction or development of properties and assets under construction, as well as those in relation to general borrowings used to finance the construction or development of properties and assets under construction.

The actual borrowings costs incurred during the period up to the issuance of the temporary occupation permit less any investment income on temporary investment of these borrowings, are capitalised in the cost of the property under development. Borrowing costs on general borrowings are capitalised by applying a capitalisation rate to construction or development expenditures that are financed by general borrowings.

2.8 Investment properties

Investment properties comprise those portions of leasehold land and office buildings that are held for long term rental yields and/or for capital appreciation.

Investment properties are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is calculated using a straight-line method to allocate their depreciable amounts over their estimated useful lives as follows:

	Useful lives
Leasehold land	58 years
Leasehold land and building	87 / 50 years

The residual values, useful lives and depreciation method of investment properties are reviewed and adjusted as appropriate, at each balance sheet date. The effects of any revision are included in profit or loss when the changes arise.

Investment properties are subject to renovations or improvements at regular intervals. The cost of major renovations and improvements is capitalised and the carrying amounts of the replaced components are recognised in profit or loss. The cost of maintenance, repairs and minor improvements is recognised in profit or loss when incurred.

On disposal of an investment property, the difference between the disposal proceeds and the carrying amount is recognised in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.9 Impairment of non-financial assets

(a) *Goodwill*

Goodwill recognised separately as intangible asset is tested for impairment annually and whenever there is indication that the goodwill may be impaired.

For the purpose of impairment testing of goodwill, goodwill is allocated to each of the Group's cash-generating units ("CGU") expected to benefit from synergies arising from the business combination.

An impairment loss is recognised when the carrying amount of a CGU, including the goodwill, exceeds the recoverable amount of the CGU. The recoverable amount of a CGU is the higher of the CGU's fair value less cost to sell and value-in-use.

The total impairment loss of a CGU is allocated first to reduce the carrying amount of goodwill allocated to the CGU and then to other assets of the CGU pro-rata on the basis of the carrying amount of each asset in the CGU.

An impairment loss on goodwill is recognised as an expense and is not reversed in a subsequent period.

(b) *Property, plant and equipment*
Investment properties
Investments in subsidiary corporations

Property, plant and equipment, investment properties and investments in subsidiary corporations are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash inflows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the CGU to which the asset belongs.

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount.

The difference between the carrying amount and recoverable amount is recognised as an impairment loss in profit or loss.

An impairment loss for an asset other than goodwill 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. The carrying amount of this asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset other than goodwill is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS
For the financial period from 1 January 2017 to 31 March 2018 (cont'd)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.10 Financial assets

(a) *Classification*

The Group classifies its financial assets as loans and receivables. The classification depends on the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except for those expected to be realised later than 12 months after the balance sheet date which are presented as non-current assets. Loans and receivables are presented as "Trade and other receivables" (Note 12), "Cash and bank balances" (Note 11) and "Other current assets" (Note 14) on the balance sheet.

(b) *Recognition and derecognition*

Regular way purchases and sales of financial assets are recognised on trade date – the date on which the Group commits to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. On disposal of a financial asset, the difference between the carrying amount and the sale proceeds is recognised in profit or loss. Any amount previously recognised in other comprehensive income relating to that asset is reclassified to profit or loss.

(c) *Initial measurement*

Financial assets are initially recognised at fair value plus transaction costs.

(d) *Subsequent measurement*

Loan and receivables are subsequently carried at amortised cost, using the effective interest method.

(e) *Impairment*

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired and recognises an allowance for impairment when such evidence exists.

Loans and receivables

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default or significant delay in payments are objective evidence that these financial assets are impaired.

The carrying amount of these assets is reduced through the use of an impairment allowance account which is calculated as the difference between the carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. When the asset becomes uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognised against the same line item in profit or loss.

The impairment allowance is reduced through profit or loss in a subsequent period when the amount of impairment loss decreases and the related decrease can be objectively measured. The carrying amount of the asset previously impaired is increased to the extent that the new carrying amount does not exceed the amortised cost had no impairment been recognised in prior periods.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.11 Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.12 Financial guarantee

The Company has issued corporate guarantees to banks for borrowings of its subsidiary corporations. These guarantees are financial guarantees as they require the Company to reimburse the banks if the subsidiary corporations fail to make principal or interest payments when due in accordance with the terms of their borrowings.

Financial guarantees are initially recognised at their fair values plus transaction costs in the Company's balance sheet.

Financial guarantees are subsequently amortised to profit or loss over the period of the subsidiary corporations' borrowings, unless it is probable that the Company will reimburse the banks for an amount higher than the unamortised amount. In this case, the financial guarantees shall be carried at the expected amount payable to the banks in the Company's balance sheet.

Intra-group transactions are eliminated on consolidation.

2.13 Borrowings

Borrowings are presented as current liabilities unless the Group has an unconditional right to defer settlement for at least 12 months after the balance sheet date, in which case they are presented as non-current liabilities.

Borrowings are initially recognised at fair value (net of transaction costs) and subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

2.14 Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. They are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). Otherwise, they are presented as non-current liabilities.

Trade and other payables are initially recognised at fair value, and subsequently carried at amortised cost using the effective interest method.

2.15 Fair value estimation of financial assets and liabilities

The fair values of current financial assets and liabilities carried at amortised cost approximate their carrying amounts.

NOTES TO THE FINANCIAL STATEMENTS

For the financial period from 1 January 2017 to 31 March 2018 (cont'd)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.16 Leases

(a) When the Group is the lessee:

The Group leases motor vehicles, computer and office equipment and certain plant and machinery under finance leases from non-related parties and warehouse and office buildings under operating leases from directors and non-related parties.

(i) Lessee – Finance leases

Leases where the Group assumes substantially all risks and rewards incidental to ownership of the leased assets are classified as finance leases.

The leased assets and the corresponding lease liabilities (net of finance charges) under finance leases are recognised on the balance sheet as property, plant and equipment and borrowings respectively, at the inception of the leases based on the lower of the fair value of the leased assets and the present value of the minimum lease payments.

Each lease payment is apportioned between the finance expense and the reduction of the outstanding lease liability. The finance expense is recognised in profit or loss on a basis that reflects a constant periodic rate of interest on the finance lease liability.

(ii) Lessee – Operating leases

Leases where substantially all risks and rewards incidental to ownership are retained by the lessors are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessors) are recognised in profit or loss on a straight-line basis over the period of the lease.

Contingent rents are recognised as an expense in profit or loss when incurred.

(b) When the Group is the lessor:

Lessor – Operating leases

Leases of investment properties where the Group retains substantially all risks and rewards incidental to ownership are classified as operating leases. Rental income from operating leases (net of any incentives given to the lessees) is recognised in profit or loss on a straight-line basis over the lease term.

Initial direct costs incurred by the Group in negotiating and arranging operating leases are added to the carrying amount of the leased assets and recognised as an expense in profit or loss over the lease term on the same basis as the lease income.

Contingent rents are recognised as an income in profit or loss when earned.

2.17 Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is determined using the first-in, first-out method. The cost of finished goods and work-in-progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity) but exclude borrowing costs.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.18 Income taxes

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable profit or loss at the time of the transaction.

A deferred income tax liability is recognised on temporary differences arising on investments in subsidiary corporations except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

Deferred income tax is measured:

(i) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date; and

(ii) based on the tax consequence that will follow from the manner in which the Group expects, at the balance sheet date, to recover or settle the carrying amounts of its assets and liabilities.

Current and deferred income taxes are recognised as income or expense in profit or loss, except to the extent that the tax arises from a business combination or a transaction which is recognised directly in equity. Deferred tax arising from a business combination is adjusted against goodwill on acquisition.

The Group accounts for investment tax credits (for example, productivity and innovative credit) similar to accounting for other tax credits where deferred tax assets is recognised for unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax credit can be utilised.

2.19 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

2.20 Employee compensation

Employee benefits are recognised as an expense, unless the cost qualifies to be capitalised as an asset.

(a) Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities such as the Central Provident Fund and Malaysian Employees Provident Fund, on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid.

(b) Short-term compensated absences

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS
For the financial period from 1 January 2017 to 31 March 2018 (cont'd)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.21 Currency translation

(a) *Functional and presentation currency*

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

(b) *Transactions and balances*

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates at the dates of the transactions. Currency translation differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the balance sheet date are recognised in profit or loss. However, in the consolidated financial statements, currency translation differences arising from borrowings in foreign currencies and other currency instruments designated and qualifying as net investment in foreign operations, are recognised in other comprehensive income and accumulated in the currency translation reserve.

When a foreign operation is disposed of or any loan forming part of the net investment of the foreign operation is repaid, a proportionate share of the accumulated currency translation differences is reclassified to profit or loss, as part of the gain or loss on disposal.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of comprehensive income within "finance expense". All other foreign exchange gains and losses impacting profit or loss are presented in profit or loss within 'Other income - net'.

Non-monetary items measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined.

(c) *Translation of Group entities' financial statements*

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities are translated at the closing exchange rates at the reporting date;

(ii) income and expenses are translated at average exchange rates (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated using the exchange rates at the dates of the transactions); and

(iii) all resulting currency translation differences are recognised in other comprehensive income and accumulated in the currency translation reserve. The currency translation differences are reclassified to profit or loss on disposal or partial disposal of the entity giving rise to such reserve.

Goodwill on fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and translated at the closing rates at the reporting date.

2.22 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Board of Directors who are responsible for allocating resources and assessing performance of the operating segments.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.23 Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents include cash at bank and on hand, deposits with financial institutions which are subject to an insignificant risk of change in value, and bank overdrafts. Bank overdrafts are presented as current borrowings on the balance sheet. For cash subjected to restriction, assessment is made on the economic substance of the restriction and whether they meet the definition of cash and cash equivalents.

2.24 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 amount.

2.25 Non-current assets held-for-sale

Non-current assets (or disposal groups) are classified as assets held-for-sale and carried at the lower of carrying amount and fair value less costs to sell if their carrying amount is recovered principally through a sale transaction rather than through continuing use. The assets are not depreciated or amortised while they are classified as held-for-sale. Any impairment loss on initial classification and subsequent measurement is recognised as an expense. Any subsequent increase in fair value less costs to sell (not exceeding the accumulated impairment loss that has been previously recognised) is recognised in profit or loss.

3. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

3.1 Critical accounting estimates and assumptions

(a) Impairment of trade and other receivables

Management reviews its trade and other receivables for objective evidence of impairment at least twice a year. Significant financial difficulties of the debtor, the probability that the debtor will enter bankruptcy, and default or significant delay in payments are considered objective evidence that a receivable is impaired.

In determining this, management has made judgements as to whether there is observable data indicating that there has been a significant change in the payment ability of the debtor, or whether there have been significant changes with adverse effect in the technological, market, economic or legal environment in which the debtor operates in. Management has made an allowance for impairment amounting to RM816,000 (31 December 2016: RM314,000) for the financial period ended 31 March 2018.

If the net present values of estimated cash flows decrease by 10% from management's estimates for all past due but not impaired loans and receivables, the Group's allowance for impairment will increase by RM1,228,000 (31 December 2016: RM949,100).

The carrying amount of trade and other receivables at the balance sheet date is disclosed in Note 12.

3. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS (CONT'D)

3.1 Critical accounting estimates and assumptions (cont'd)

(b) *Accuracy of inventories costing*

Management reviews the basis of systematic allocation of cost of conversion at least twice a year. The determination of basis of cost allocation for each type of product over the numerous product lines in the Group's manufacturing involves significant estimates, among other factors, the normal levels of labour, efficiency and capacity utilisation.

If the total conversion cost to be allocated had been higher/lower by 10% from management's basis of systematic allocation, the carrying amount of the Group's inventories would have been higher/lower by RM1,827,000 (31 December 2016: RM2,450,000).

The carrying amount of work-in-progress and finished goods at the balance sheet date is disclosed in Note 13.

(c) *Useful life of plant and machinery*

The cost of plant and machinery are depreciated on a straight–line basis over their estimated useful lives which management estimates the useful lives of these assets to be within 5 to 10 years.

Changes in the expected level of usage and technological development could impact the economic useful lives of these assets; therefore, future depreciation charges could be revised. Management reviews the residual values and useful lives of plant and machinery at each balance sheet date in accordance with the accounting policies in Note 2.5. The estimation of the residual values and useful lives involves significant judgements.

If the actual useful lives of these plant and machinery were to differ by 1 year from management estimates, the carrying amount of the plant and machinery would increase by RM240,000 (31 December 2016: RM227,000) or decrease by RM334,000 (31 December 2016: RM284,000) respectively.

The carrying amount of the Group's plant and machinery at the balance sheet is disclosed in Note 16.

3.2 Critical judgements in applying the entity's accounting policies

(a) *Deferred income tax assets*

The Group recognises deferred income tax assets on carried forward capital allowances, and investment and reinvestment allowances to the extent there are sufficient estimated future taxable profits and/or taxable temporary differences against which these allowances can be utilised and that the Group is able to satisfy the continuing ownership test. Significant management judgement is required in determining the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

The total carrying amount of recognised capital allowances, investment and reinvestment allowances and other temporary differences of the Group amounted to RM167,000 (31 December 2016: RM1,079,000) and the unrecognised tax losses, capital allowances, and investment and reinvestment allowances of the Group was RM17,651,000 (31 December 2016: RM17,010,000). If the tax authority regards the group entities is not satisfying and/or meeting certain statutory requirements in their respective countries of incorporation, the deferred income tax asset will have to be written off as income tax expense and unrecognised tax losses will be forfeited.

3. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS (CONT'D)

3.2 Critical judgements in applying the entity's accounting policies (cont'd)

(b) Assets and liabilities held-for-sale

The Group has presented the assets and liabilities of its subsidiary corporation, Marc Conleth Industries Sdn. Bhd. (the "MCI"), as assets and liabilities held-for-sale and in accordance with the accounting policy stated in Note 2.25. As at 31 March 2018, the carrying amount of the assets and liabilities held-for-sale were RM20,799,000 and RM17,173,000 respectively (Note 15).

Judgement is required by management in the assessment of the fair value of MCI. In performing this assessment, management has taken into consideration the indicated purchase consideration, term and condition and related adjustment, which were spelt out in the conditional share purchase agreement with third party. Management is of the view that the fair value less cost to sell of assets and liabilities of MCI approximate their carrying amount as at 31 March 2018.

4. REVENUE

	Group	
	For the financial period from 1 January 2017 to 31 March 2018 (15 months) RM'000	**For the financial year from 1 January 2016 to 31 December 2016 (12 months) RM'000**
Revenue from:		
- OEM contract manufacturing products	39,158	32,772
- kitchen appliances, equipment and related services	54,723	42,432
- oil and gas products	38,486	8,753
- cleanroom and laboratories products	17,999	8,783
	150,366	92,740

5. OTHER INCOME - NET

	Group	
	For the financial period from 1 January 2017 to 31 March 2018 (15 months) RM'000	**For the financial year from 1 January 2016 to 31 December 2016 (12 months) RM'000**
Rental income		
- investment properties (Note 17)	120	64
- factory, hostel and office	381	431
- motor vehicles	87	51
- machineries	2	1
Currency exchange (loss)/gain – net	(1,147)	227
Gain/(loss) on disposal of property, plant and equipment	48	(162)
Insurance claim	278	–
Interest income from bank deposits	51	42
Sale of scrap	1	6
Others	191	56
	12	716

NOTES TO THE FINANCIAL STATEMENTS
For the financial period from 1 January 2017 to 31 March 2018 (cont'd)

6. EXPENSES BY NATURE

	Group	
	For the financial period from 1 January 2017 to 31 March 2018 (15 months) RM'000	**For the financial year from 1 January 2016 to 31 December 2016 (12 months) RM'000**
Allowance for impairment of trade receivables (Note 29(b)(ii))	816	314
Bad debts written off – trade receivables from non-related parties	28	2
Changes in inventories	1,614	(1,504)
Commission	515	248
Depreciation of property, plant and equipment (Note 16)	5,465	4,179
Depreciation of investment properties (Note 17)	74	59
Directors' fees	293	230
Employee compensation (Note 7)	27,234	20,209
Exhibitions	350	437
Fees on audit services paid/payable to:		
- Auditor of the Company	153	153
- Other auditors*	172	211
Fees on non-audit services paid/payable to:		
- Auditor of the Company	–	13
- Other auditors*	81	64
Freight and forwarding	1,213	1,191
Fuel and gas	1,415	716
Insurance	776	502
Inventories written off	658	–
Property, plant and equipment written off	87	19
Professional fees	1,260	1,056
Purchases of inventories	77,669	48,071
Rental expense on operating leases	1,290	824
Reversal of allowance for impairment of trade receivables (Note 29(b)(ii))	(36)	(234)
Subcontractors' cost	8,325	5,326
Travelling and transportation	5,846	1,897
Upkeep, repair and maintenance	3,203	1,849
Utilities	2,296	1,853
Others	1,776	1,181
Total cost of sales, selling and distribution, and administrative expenses	142,573	88,866

* *Includes the network of member firms of Nexia International.*

NOTES TO THE FINANCIAL STATEMENTS

For the financial period from 1 January 2017 to 31 March 2018 (cont'd)

7. EMPLOYEE COMPENSATION

	Group	
	For the financial period from 1 January 2017 to 31 March 2018 (15 months) RM'000	**For the financial year from 1 January 2016 to 31 December 2016 (12 months) RM'000**
Salaries, wages and bonuses	24,439	18,294
Employer's contribution to defined contribution plans	1,546	1,116
Other short-term benefits	1,249	799
	27,234	20,209

8. FINANCE EXPENSES

	Group	
	For the financial period from 1 January 2017 to 31 March 2018 (15 months) RM'000	**For the financial year from 1 January 2016 to 31 December 2016 (12 months) RM'000**
Interest expense		
- Bank overdraft	1,168	811
- Bank loans	883	778
- Bills payable	1,379	888
- Finance lease liabilities	673	471
	4,103	2,948

9. INCOME TAX EXPENSES

	Group	
	For the financial period from 1 January 2017 to 31 March 2018 (15 months) RM'000	**For the financial year from 1 January 2016 to 31 December 2016 (12 months) RM'000**
Tax expense attributable to profit is made up of:		
Profit for the financial period/year		
- Current income tax - Malaysia	1,712	841
- Deferred income tax (Note 22)	42	39
	1,754	880
Under/(over) provision in prior financial years		
- Current income tax - Malaysia	77	160
- Deferred income tax (Note 22)	(10)	(7)
	1,821	1,033

NOTES TO THE FINANCIAL STATEMENTS

For the financial period from 1 January 2017 to 31 March 2018 (cont'd)

9. INCOME TAX EXPENSES (CONT'D)

The income tax expense on the Group's profit before income tax differs from the theoretical amount that would arise using the Malaysia standard rate of income tax is as follows:

	Group	
	For the financial period from 1 January 2017 to 31 March 2018 (15 months) RM'000	For the financial year from 1 January 2016 to 31 December 2016 (12 months) RM'000
Profit before income tax	3,702	1,642
Tax calculated at Malaysia income tax rate of 24% (31 December 2016: 24%)	888	394
Effects of:		
- Different tax rates in other countries	89	83
- Tax incentives	(223)	(40)
- Expenses not deductible for tax purposes	824	322
- Income not subject to tax	(21)	–
- Utilisation of previously unrecognised tax losses and allowances	(148)	(158)
- Deferred tax assets not recognised	345	279
- Under provision of tax in prior financial years	67	153
Tax expense	1,821	1,033

10. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net profit attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial period/year.

For the purpose of calculating diluted earnings per share, profit attributable to equity holders of the Company and the weighted average number of ordinary shares outstanding are adjusted for the effects of all dilutive potential ordinary shares. There were no dilutive potential ordinary shares during the current financial period and prior financial year.

	Group	
	For the financial period from 1 January 2017 to 31 March 2018 (15 months)	For the financial year from 1 January 2016 to 31 December 2016 (12 months)
Net profit attributable to equity holders of the Company (RM'000)	1,852	146
Weighted average number of ordinary shares outstanding for basic earnings per share ('000)	90,000	90,000
Basic and diluted earnings per share (RM cents per share)	2.06	0.16

11. CASH AND BANK BALANCES

	Group		Company	
	31 March 2018 RM'000	31 December 2016 RM'000	31 March 2018 RM'000	31 December 2016 RM'000
Cash at bank and on hand	9,426	8,723	*	*
Short-term bank deposits	996	1,309	–	–
	10,422	10,032	*	*

* *Denotes less than RM1,000.*

For the purpose of presenting the consolidated statement of cash flows, cash and cash equivalents comprise the following:

	Group	
	31 March 2018 RM'000	31 December 2016 RM'000
Cash and bank balances (as above)	10,422	10,032
Less: Short-term bank deposits pledged	(996)	(1,309)
Less: Bank overdrafts (Note 20)	(11,851)	(11,068)
	(2,425)	(2,345)
Assets held-for-sale		
Cash and bank balances (Note 15)	1,632	–
Less: Short-term bank deposits pledged	(364)	–
Less: Bank overdrafts	(1,204)	–
	64	–
Cash and cash equivalents per consolidated statement of cash flows	(2,361)	(2,345)

Short-term bank deposits are pledged in relation to the security granted for certain borrowings (Note 20(a)).

NOTES TO THE FINANCIAL STATEMENTS
For the financial period from 1 January 2017 to 31 March 2018 (cont'd)

12. TRADE AND OTHER RECEIVABLES

	Group		Company	
	31 March 2018 RM'000	31 December 2016 RM'000	31 March 2018 RM'000	31 December 2016 RM'000
Trade receivables				
- Non-related parties	27,001	24,867	–	–
- Related parties	1	72	–	–
	27,002	24,939	–	–
Less: Allowance for impairment of trade receivables - non-related parties (Note 29(b)(ii))	(1,515)	(877)	–	–
Trade receivables - net	25,487	24,062	–	–
Other receivables				
- Non-related parties	1,789	1,398	–	–
- Subsidiary corporation	–	–	15,858	6,500
	27,276	25,460	15,858	6,500

The non-trade amounts due from subsidiary corporation are unsecured, interest free and repayable on demand.

13. INVENTORIES

	Group	
	31 March 2018 RM'000	31 December 2016 RM'000
Raw materials	3,065	4,053
Work-in-progress	10,321	15,915
Finished goods	7,949	8,582
	21,335	28,550

The cost of inventories recognised as an expense and included in "cost of sales" amounted to RM79,941,000 (31 December 2016: RM46,567,000).

14. OTHER CURRENT ASSETS

	Group		Company	
	31 March 2018 RM'000	31 December 2016 RM'000	31 March 2018 RM'000	31 December 2016 RM'000
Deposits	993	668	–	–
Prepayments	3,815	2,243	–	15
	4,808	2,911	–	15

NOTES TO THE FINANCIAL STATEMENTS

For the financial period from 1 January 2017 to 31 March 2018 (cont'd)

15. ASSETS AND LIABILITIES HELD-FOR-SALE

On 26 March 2018, the Company announced that it had entered into a conditional share purchase agreement with an independent third party (the "Purchaser") for the proposed disposal by the Company of its 60% shareholding interest in its wholly-owned subsidiary corporation, Marc Conleth Industries Sdn. Bhd. (the "MCI"), to the Purchaser.

The entire assets and liabilities related to MCI are classified as held-for-sale on the balance sheets.

		Group 31 March 2018 RM'000
(a)	Details of the assets held-for-sale are as follows:	
	Cash and bank balances (Note 11)	1,632
	Trade and other receivables	9,570
	Inventories	4,943
	Other current assets	1,831
	Plant and equipment (Note 16)	2,823
		20,799
(b)	Details of the liabilities held-for-sale are as follows:	
	Trade and other payables	10,676
	Borrowings	6,126
	Current income tax liabilities	120
	Deferred income tax liabilities (Note 22)	251
		17,173

		Company 31 March 2018 RM'000
(c)	Details of the assets held-for-sale are as follows:	
	Investment in subsidiary corporation (Note 18)	600

NOTES TO THE FINANCIAL STATEMENTS
For the financial period from 1 January 2017 to 31 March 2018 (cont'd)

16. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land RM'000	Leasehold land and buildings RM'000	Plant and machinery RM'000	Renovation and signboard RM'000	Motor vehicles RM'000	Computer, office equipment, fixtures, furniture and fittings RM'000	Showroom equipment RM'000	Construction work-in-progress RM'000	Total RM'000
31 March 2018									
Cost									
Beginning of financial period	7,413	21,709	31,645	4,057	3,916	3,146	456	844	73,186
Additions	1	44	2,799	14	428	104	–	–	3,390
Written off	–	–	(26)	–	(201)	(118)	–	–	(345)
Reclassification	–	844	–	–	–	–	–	(844)	–
Reclassified to assets held-for-sale (Note 15)	–	–	(5,155)	(104)	(689)	(78)	–	–	(6,026)
Disposals	–	–	(59)	–	(185)	–	–	–	(244)
End of financial period	7,414	22,597	29,204	3,967	3,269	3,054	456	–	69,961
Accumulated depreciation									
Beginning of financial period	–	2,875	18,708	2,152	2,140	2,047	336	–	28,258
Depreciation charge (Note 6)	–	540	3,094	554	769	388	120	–	5,465
Written off	–	–	(26)	–	(114)	(118)	–	–	(258)
Reclassified to assets held-for-sale (Note 15)	–	–	(2,531)	(39)	(579)	(54)	–	–	(3,203)
Disposals	–	–	(59)	–	(185)	–	–	–	(244)
End of financial period	–	3,415	19,186	2,667	2,031	2,263	456	–	30,018
Net book value									
End of financial period	7,414	19,182	10,018	1,300	1,238	791	–	–	39,943

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

Group	Freehold land RM'000	Leasehold land and buildings RM'000	Plant and machinery RM'000	Renovation and signboard RM'000	Motor vehicles RM'000	Computer, office equipment, fixtures, furniture and fittings RM'000	Showroom equipment RM'000	Construction work-in-progress RM'000	Total RM'000
31 December 2016									
Cost									
Beginning of financial year	7,373	19,652	30,895	5,124	3,544	3,602	456	–	70,646
Additions	40	2,057	4,048	73	524	135	–	844	7,721
Written off	–	–	(516)	(1,140)	–	(591)	–	–	(2,247)
Disposals	–	–	(2,782)	–	(152)	–	–	–	(2,934)
End of financial year	7,413	21,709	31,645	4,057	3,916	3,146	456	844	73,186
Accumulated depreciation									
Beginning of financial year	–	2,520	17,676	2,815	1,680	2,282	216	–	27,189
Depreciation charge (Note 6)	–	355	2,295	461	595	353	120	–	4,179
Written off	–	–	(516)	(1,124)	–	(588)	–	–	(2,228)
Disposals	–	–	(747)	–	(135)	–	–	–	(882)
End of financial year	–	2,875	18,708	2,152	2,140	2,047	336	–	28,258
Net book value									
End of financial year	7,413	18,834	12,937	1,905	1,776	1,099	120	844	44,928

NOTES TO THE FINANCIAL STATEMENTS
For the financial period from 1 January 2017 to 31 March 2018 (cont'd)

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

(a) Included within additions to the consolidated financial statements are the following property, plant and equipment acquired under finance leases:

	Group	
	31 March 2018 RM'000	**31 December 2016 RM'000**
Plant and machinery	2,210	3,868
Motor vehicles	437	524
	2,647	4,392

(b) The carrying amounts of property, plant and equipment held under finance leases are as follows:

	Group	
	31 March 2018 RM'000	**31 December 2016 RM'000**
Plant and machinery	7,865	6,969
Motor vehicles	1,453	1,722
Computer and office equipment	106	193
	9,424	8,884

(c) Certain property, plant and equipment of the Group with carrying amounts of RM26,596,000 (31 December 2016: RM26,247,000), are provided as security for bank borrowings and bills payable (Note 20(a)).

NOTES TO THE FINANCIAL STATEMENTS

For the financial period from 1 January 2017 to 31 March 2018 (cont'd)

17. INVESTMENT PROPERTIES

	Leasehold land RM'000	Leasehold land and buildings RM'000	Total RM'000
Group			
31 March 2018			
Cost			
Beginning of financial period	3,571	903	4,474
Additions	104	–	104
End of financial period	3,675	903	4,578
Accumulated depreciation			
Beginning of financial period	460	259	719
Depreciation charge (Note 6)	58	16	74
End of financial period	518	275	793
Net book value			
End of financial period	3,157	628	3,785
31 December 2016			
Cost			
Beginning of financial year	3,445	903	4,348
Additions	126	–	126
End of financial year	3,571	903	4,474
Accumulated depreciation			
Beginning of financial year	414	246	660
Depreciation charge (Note 6)	46	13	59
End of financial year	460	259	719
Net book value			
End of financial year	3,111	644	3,755

Investment properties are leased to related and non-related parties under operating leases (Note 26(c)).

All investment properties are mortgaged to secure bank loans (Note 20(a)).

17. INVESTMENT PROPERTIES (CONT'D)

The following amounts are recognised in profit or loss:

	Group 31 March 2018 RM'000	Group 31 December 2016 RM'000
Rental income (Note 5)	120	64
Direct operating expenses arising from:		
- Investment property that generated rental income	(24)	(19)
- Investment property that did not generate rental income	(62)	(50)

At the balance sheet date, the details of the Group's investment properties are as follows:

Location	Description	Existing use	Tenure	Unexpired term of lease
Lot 1861 Mukim Cheras, Daerah Hulu Langat, Selangor Darul Ehsan	Vacant land	Industrial	Leasehold land	54
No. 14 Jalan Kencana 30 Taman Kencana, 56100 Kuala Lumpur	Factory with 3-storey office	Commercial	Leasehold land and building	66

Fair value hierarchy

	Fair value measurement using		
	Quoted prices in active markets for identical assets (Level 1) RM'000	Significant other observable inputs (Level 2) RM'000	Significant unobservable inputs (Level 3) RM'000
31 March 2018			
- Industrial land	–	7,100	–
- Factory building	–	2,000	–
31 December 2016			
- Industrial land	–	7,100	–
- Factory building	–	2,000	–

Valuation techniques used to derive Level 2 fair values

Level 2 fair values of the Group's investment properties have been generally derived using the sales comparison approach. Sales prices of comparable properties in close proximity are adjusted for differences in key attributes such as property size. The most significant input in this valuation approach is the selling price per square meter.

Valuation process of the Group

The finance department of the Group performs the valuation of the investment properties required for financial reporting purposes, including Level 2 fair values. Discussion of valuation processes and results are held between the board of directors based on valuation by independent professional valuer and market transacted data available on a yearly basis.

18. INVESTMENTS IN SUBSIDIARY CORPORATIONS

	Company	
	31 March 2018 RM'000	31 December 2016 RM'000
Equity investment at cost:		
Beginning of financial period/year	19,673	19,673
Less: Allowance for impairment loss of investment in a subsidiary corporation	(269)	(269)
	19,404	19,404
Less: Reclassified to assets held-for-sale (Note 15)	(600)	–
	18,804	19,404

The movement for allowance for impairment loss are as follows:

	Company	
	31 March 2018 RM'000	31 December 2016 RM'000
Beginning and end of financial period/year	269	269

Management has assessed the recoverable amount of its investments in subsidiary corporations. The recoverable amount has been determined on the basis of their value-in-use. The impairment test was carried out as at 31 December 2015 had revealed that the recoverable amount in one of its subsidiary corporations is lower than its carrying amount, resulting from a decrease in growth margin by 5.8% and a decrease in growth rate by 3.3%. Hence, the related cost of investment was fully impaired (Note 24).

The Group had the following subsidiary corporations as at 31 March 2018 and 31 December 2016:

Name of subsidiary corporations	Principal activities	Country of business/ incorporation	Proportion of ordinary shares held by the Group		Proportion of ordinary shares held by non-controlling interests	
			31 March 2018 %	31 December 2016 %	31 March 2018 %	31 December 2016 %
Held by the Company						
MSM Metal Industries Sdn. Bhd. (1)	Contract manufacturing of all metal products	Malaysia	100	100	–	–
MSM Equipment Manufacturer Sdn. Bhd. (1)	Contract manufacturing of kitchen equipment and sale of standard kitchen equipment	Malaysia	100	100	–	–
MSM Kitchen Sdn. Bhd. (1)	Sale and servicing of standard kitchen equipment products	Malaysia	100	100	–	–

NOTES TO THE FINANCIAL STATEMENTS

For the financial period from 1 January 2017 to 31 March 2018 (cont'd)

18. INVESTMENTS IN SUBSIDIARY CORPORATIONS (CONT'D)

The Group had the following subsidiary corporations as at 31 March 2018 and 31 December 2016: (cont'd)

Name of subsidiary corporations	Principal activities	Country of business/ incorporation	Proportion of ordinary shares held by the Group		Proportion of ordinary shares held by non-controlling interests	
			31 March 2018 %	31 December 2016 %	31 March 2018 %	31 December 2016 %
Toyomi Engineering Sdn. Bhd. (1)	Sale and servicing of metal parts and kitchen equipment, and design consultancy and installation works	Malaysia	100	100	–	–
FIC Kitchen Technology Sdn. Bhd. (1)	Manufacturing, sale and servicing of refrigeration appliances	Malaysia	100	100	–	–
OMS Technology Sdn. Bhd. (1)	Design, consultancy and installation works for cleanrooms and laboratories	Malaysia	100	100	–	–
Marc Conleth Industries Sdn. Bhd. (1)	Metal engineering work for oil and gas and environmental related industries	Malaysia	100	100	–	–
Marc16 Equipment Manufacturing Sdn. Bhd. (1)	Trading, design and supply of machine	Malaysia	100	100	–	–
Flexacon Automation System Sdn. Bhd. (1)	Trading, design and supply of machine, conveyor system	Malaysia	51	51	49	49
MSM Metal (S) Pte. Ltd. (2)	Trading and servicing of metal parts and kitchen equipment	Singapore	100	100	–	–
<u>Held by MSM Equipment Manufacturer Sdn. Bhd.</u>						
PT. Mulia Sinergi Metalindo (3)	Sale and service of metal parts, kitchen equipment	Indonesia	100	100	–	–
MSM R Kitchen Sdn. Bhd. (1)	Trading and servicing of metal parts and kitchen equipment	Malaysia	100	100	–	–

(1) Audited by Nexia SSY/SSY Partners, Malaysia, a member firm of Nexia International

(2) Audited by Nexia TS Public Accounting Corporation, Singapore, a member firm of Nexia International

(3) Audited by KAP Kanaka Puradiredja, Indonesia, a member firm of Nexia International

18. INVESTMENTS IN SUBSIDIARY CORPORATIONS (CONT'D)

Carrying value of non-controlling interests

	Group	
	31 March 2018 RM'000	**31 December 2016 RM'000**
Flexacon Automation System Sdn. Bhd.	512	483

Summarised financial information of subsidiary corporation with material non-controlling interests

Set out below are the summarised financial information for subsidiary corporation that has non-controlling interests that are material to the Group. These are presented before the intercompany elimination.

There were no transactions with non-controlling interests for the financial period/year ended 31 March 2018 and 31 December 2016.

Summarised balance sheet

	Flexacon Automation System Sdn. Bhd.	
	31 March 2018 RM'000	**31 December 2016 RM'000**
Current		
Assets	2,278	1,399
Liabilities	(1,302)	(479)
Total current net assets	976	920
Non-current		
Assets	107	75
Liabilities	(39)	(10)
Total non-current net assets	68	65
Net assets	1,044	985

NOTES TO THE FINANCIAL STATEMENTS
For the financial period from 1 January 2017 to 31 March 2018 (cont'd)

18. INVESTMENTS IN SUBSIDIARY CORPORATIONS (CONT'D)

Summarised statement of comprehensive income

	Flexacon Automation System Sdn. Bhd. For the financial period from 1 January 2017 to 31 March 2018 (15 months) RM'000	Flexacon Automation System Sdn. Bhd. For the financial year from 1 January 2016 to 31 December 2016 (12 months) RM'000
Revenue	4,919	6,559
Profit before income tax	92	1,263
Income tax expense	(32)	(318)
Net profit	60	945
Other comprehensive income	–	–
Total comprehensive income	60	945
Total comprehensive income allocated to non-controlling interests	29	463

Summarised cash flows

	Flexacon Automation System Sdn. Bhd. For the financial period from 1 January 2017 to 31 March 2018 (15 months) RM'000	Flexacon Automation System Sdn. Bhd. For the financial year from 1 January 2016 to 31 December 2016 (12 months) RM'000
Cash flows from operating activities		
Cash generated from operations	836	55
Income tax paid	(305)	(230)
Net cash generated from/(used in) operating activities	531	(175)
Net cash used in investing activities	(4)	(27)
Net cash used in financing activities	(2)	–
Net increase/(decrease) in cash and cash equivalents	525	(202)
Cash and cash equivalents at beginning of period/year	946	1,148
Cash and cash equivalents at end of period/year	1,471	946

NOTES TO THE FINANCIAL STATEMENTS

For the financial period from 1 January 2017 to 31 March 2018 (cont'd)

19. TRADE AND OTHER PAYABLES

	Group		Company	
	31 March 2018 RM'000	31 December 2016 RM'000	31 March 2018 RM'000	31 December 2016 RM'000
Trade payables				
- Non-related parties	6,352	10,353	–	–
Other payables				
- Non-related parties	1,166	1,239	214	243
- Subsidiary corporations	–	–	2,412	4,533
Accruals for operating expenses	2,732	2,669	172	165
Advances from customers	1,616	3,401	–	–
	11,866	17,662	2,798	4,941

The non-trade amounts due to subsidiary corporations are unsecured, interest-free and repayable on demand.

20. BORROWINGS

	Group	
	31 March 2018 RM'000	31 December 2016 RM'000
Current		
Bank overdrafts (Note 11)	11,851	11,068
Bank loans	2,042	2,523
Bills payable	21,789	18,301
Finance lease liabilities (Note 21)	2,329	2,922
	38,011	34,814
Non-current		
Bank loans	11,885	14,326
Finance lease liabilities (Note 21)	5,335	6,961
	17,220	21,287
Total borrowings	55,231	56,101

The exposure of the borrowings of the Group to interest rate changes and the contractual repricing dates at the balance sheet dates are as follows:

	Group	
	31 March 2018 RM'000	31 December 2016 RM'000
6 months or less	34,833	30,733
6 – 12 months	849	1,159
1 – 5 years	4,470	5,770
Over 5 years	7,415	8,556
	47,567	46,218

NOTES TO THE FINANCIAL STATEMENTS
For the financial period from 1 January 2017 to 31 March 2018 (cont'd)

20. BORROWINGS (CONT'D)

(a) Security granted

Bank overdrafts, bank loans and bills payable are secured by a legal mortgage over the Group's freehold land, leasehold land and buildings (Note 16), investment properties (Note 17), short-term bank deposits of the Group (Note 11), corporate guarantee of the Company and certain personal guarantees of the directors.

Finance lease liabilities of the Group are effectively secured over the leased plant and machinery, motor vehicles and computer and office equipment (Note 16(b)), as the legal title is retained by the lessor and will be transferred to the Group upon full settlement of the finance lease liabilities.

(b) Fair value of non-current borrowings

	Group	
	31 March 2018 RM'000	31 December 2016 RM'000
Bank loans	11,944	14,363
Finance lease liabilities	6,067	7,460

The fair values above are determined from the cash flow analyses, discounted at market borrowing rates of an equivalent instrument at the balance sheet date which the directors expect to be available to the Group as follows:

	Group	
	31 March 2018 %	31 December 2016 %
Bank loans	5.2	5.1
Finance lease liabilities	3.4	3.2

The fair values are within Level 2 of the fair values hierarchy.

There are eight (31 December 2016: ten) secured term loans held by the Group. The terms of repayments are as follows:

	Maturity date	31 March 2018 RM'000	31 December 2016 RM'000
Group			
Floating rate	November 2018, October 2019, September 2025, April 2030, July 2035, March 2036, July 2040, February 2043	13,927	16,849

21. FINANCE LEASE LIABILITIES

The Group leases certain plant and machinery, motor vehicles, computer and office equipment from non-related parties under finance lease agreements. The lease agreements do not have renewal clauses but provide the Group with options to purchase the leased assets at nominal values at the end of lease term.

	Group	
	31 March 2018 RM'000	**31 December 2016 RM'000**
Minimum lease payments due		
- Not later than one year	2,702	3,414
- Between one and five years	5,681	7,306
- Later than five years	129	308
	8,512	11,028
Less: Future finance charges	(848)	(1,145)
Present value of finance lease liabilities	7,664	9,883

The present values of finance lease liabilities are analysed as follows:

	Group	
	31 March 2018 RM'000	**31 December 2016 RM'000**
Not later than one year (Note 20)	2,329	2,922
Later than one year (Note 20)		
- Between one and five years	5,211	6,667
- Later than five years	124	294
	5,335	6,961
Total	7,664	9,883

NOTES TO THE FINANCIAL STATEMENTS

For the financial period from 1 January 2017 to 31 March 2018 (cont'd)

22. DEFERRED INCOME TAXES

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority. The amounts, determined after appropriate offsetting and their movement during the financial period/year, are shown on the balance sheets as follows:

	Group	
	31 March 2018 RM'000	31 December 2016 RM'000
Deferred income tax liabilities - net		
- to be settled after one year	40	259

Movement in deferred income tax account is as follows:

	Group	
	31 March 2018 RM'000	31 December 2016 RM'000
Beginning of financial period/year	259	227
Tax charged to profit or loss (Note 9)	32	32
Reclassified to liabilities held-for-sale (Note 15)	(251)	–
End of financial period/year	40	259

Deferred income tax assets are recognised for tax losses, capital allowances and reinvestment allowances carried forward to the extent that realisation of the related tax benefits through future taxable profits is probable. The Group has unrecognised tax losses of RM5,570,000 (31 December 2016: RM5,177,000), capital allowances of RM3,002,000 (31 December 2016: RM3,444,000) and reinvestment allowances of RM9,079,000 (31 December 2016: RM8,389,000) at the balance sheet date which can be carried forward and used to offset against future taxable income subject to meeting certain statutory requirements by those companies with unrecognised tax losses, capital allowances and reinvestment allowances in their respective countries of incorporation. The tax losses, capital allowances and reinvestment allowances have no expiry date.

The movement in deferred income tax assets and liabilities (prior to offsetting of balances within the same tax jurisdiction) is as follows:

Deferred income tax liabilities

	Accelerated tax depreciation RM'000
31 March 2018	
Beginning of financial period	280
Charged to profit or loss	15
End of financial period	295
31 December 2016	
Beginning of financial year	294
Credited to profit or loss	(14)
End of financial year	280

NOTES TO THE FINANCIAL STATEMENTS

For the financial period from 1 January 2017 to 31 March 2018 (cont'd)

22. DEFERRED INCOME TAXES (CONT'D)

Deferred income tax assets

	Tax losses RM'000
31 March 2018	
Beginning of financial period	(21)
Charged to profit or loss	17
Reclassified to liabilities held-for-sale	(251)
End of financial period	(255)
31 December 2016	
Beginning of financial year	(67)
Charged to profit or loss	46
End of financial year	(21)

No deferred tax liabilities have been recognised for withholding taxes that would be payable on unremitted earnings of the Group's subsidiary corporations (established in Malaysia and Indonesia) as the Group is in the position to control the timing of the remittance of earning and it is not probable that these subsidiary corporations will distribute such earnings in the foreseeable future.

23. SHARE CAPITAL

	Number of ordinary shares '000	Amount RM'000
Group and Company		
31 March 2018 and 31 December 2016		
Beginning and end of financial period/year	90,000	26,862

All issued ordinary shares are fully paid. There is no par value for these ordinary shares.

Fully paid ordinary shares carry one vote per share and carry a right to dividends as and when declared by the Company.

NOTES TO THE FINANCIAL STATEMENTS

For the financial period from 1 January 2017 to 31 March 2018 (cont'd)

24. INTANGIBLE ASSETS

	Group	
	31 March 2018 RM'000	31 December 2016 RM'000
Goodwill arising on consolidation	–	–
Cost		
Beginning and end of financial period/year	201	201
Accumulated impairment		
Beginning and end of financial period/year	201	201
Net book value		
Beginning and end of financial period/year	–	–

Goodwill is allocated to the Group's cash-generating units ("CGU") identified according to countries of operation and business segments.

A segment-level summary of the goodwill allocation is as follow:

		Group	
Country	**Business segment**	31 March 2018 RM'000	31 December 2016 RM'000
Malaysia	OEM Contract Manufacturing	–	–

The impairment test carried out as at 31 December 2015 had revealed that the recoverable amount is lower than its carrying amount. Hence, goodwill has been fully impaired in prior years (Note 18).

25. CONTINGENT LIABILITIES

	Company	
	31 March 2018 RM'000	31 December 2016 RM'000
Corporate guarantees provided to banks on subsidiary corporations' loans	79,703	64,498

The Company has issued corporate guarantees to certain banks and financial institutions for credit facilities granted to the subsidiary corporations. The Company has evaluated the fair value of the corporate guarantees and is of the view that the consequential benefit derived from its guarantees to the banks and the fair value with regard to the subsidiary corporations is minimal. The subsidiary corporations have not defaulted in the payment of borrowings in the financial period/year ended 31 March 2018 and 31 December 2016. As at the balance sheet date, no claims on the corporate guarantees are expected.

NOTES TO THE FINANCIAL STATEMENTS

For the financial period from 1 January 2017 to 31 March 2018 (cont'd)

26. COMMITMENTS

(a) Capital commitments

Capital expenditures contracted for at the balance sheet date but not recognised in the financial statements, are as follows:

	Group	
	31 March 2018 RM'000	31 December 2016 RM'000
Property, plant and equipment	117	44

(b) Operating lease commitments – where the Group is a lessee

The Group leases warehouse and office buildings from directors and non-related parties under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

The future minimum lease payables under non-cancellable operating leases contracted for at the balance sheet date but not recognised as liabilities, are as follows:

	Group	
	31 March 2018 RM'000	31 December 2016 RM'000
Not later than one year	736	466
Between one and five years	1,078	294
	1,814	760

(c) Operating lease commitments – where the Group is a lessor

The Group leases out office space to related and non-related parties under non-cancellable operating lease agreements.

The future minimum lease receivables under non-cancellable operating leases contracted for at the balance sheet date but not recognised as receivables, are as follows:

	Group	
	31 March 2018 RM'000	31 December 2016 RM'000
Not later than one year	161	336
Between one and five years	–	212
	161	548

27. RELATED PARTY TRANSACTIONS

In addition to the information disclosed elsewhere in the financial statements, the following transactions took place between the Group and related parties at terms agreed between the parties:

(a) Sales and purchases of goods and services and other expenses

	Group	
	For the financial period from 1 January 2017 to 31 March 2018 (15 months) RM'000	For the financial year from 1 January 2016 to 31 December 2016 (12 months) RM'000
Sales of goods to related parties	75	12
Service charges charged to a related party	–	13
Rental expenses paid to directors	(105)	(84)
Rental expenses paid to a related party	(22)	(17)
Purchases of material from a related party	(35)	(7)
Subcontractors' cost paid to related parties	(61)	(64)

Related parties comprise mainly companies which are controlled or significantly influenced by the Group's key management personnel and their close family members.

Outstanding balances as at 31 March 2018, arising from sale/purchase of goods and services, are unsecured and receivable/payable within 12 months from balance sheet date and are disclosed in Note 12 to the financial statements.

(b) Key management personnel compensation

Key management personnel compensation is as follows:

	Group	
	For the financial period from 1 January 2017 to 31 March 2018 (15 months) RM'000	For the financial year from 1 January 2016 to 31 December 2016 (12 months) RM'000
Salaries, bonuses and allowances	2,606	2,104
Directors' fees	293	230
Employer's contribution to defined contribution plans	241	189
Other short-term benefits	380	270
	3,520	2,793

Included in the above is total compensation to directors of the Company amounting to RM2,001,000 (31 December 2016: RM1,627,000).

28. SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the Board of Directors that are used to make strategic decisions. For each of the strategic business units, the Board of Directors (the chief operating decision maker) reviews internal management reports on at least half-annually.

The Board of Directors comprises three independent directors and three non-independent directors. The Board of Directors considers the business from both a geographic and business segment perspective. Geographically, management manages and monitors the business in four primary geographic areas: Malaysia, United States of America, Singapore and Indonesia. All geographic locations are engaged in the Original Equipment Manufacturer contract manufacturing ("OEM contract manufacturing"), kitchen appliances, equipment and related services, oil and gas and cleanroom and laboratories.

The Board of Directors has organised the business of the Group in four business segments as set out below:

- OEM contract manufacturing;
- Kitchen appliances, equipment and related services;
- Oil and gas; and
- Cleanroom and laboratories.

Except as disclosed above, no operating segments have been aggregated to form the above reportable operating segments.

The segment information provided to the Board of Directors for the reportable segments are as follows:

	OEM contract manufacturing RM'000	Kitchen appliances, equipment and related services RM'000	Oil and gas RM'000	Cleanroom and laboratories RM'000	Total RM'000
31 March 2018					
Revenue					
- Sales to external parties	39,158	54,723	38,486	17,999	150,366
Adjusted EBITDA	4,193	2,084	4,462	2,554	13,293
Depreciation of property, plant and equipment	2,738	1,363	1,153	211	5,465
Finance expense	2,132	907	933	131	4,103
31 December 2016					
Revenue					
- Sales to external parties	32,772	42,432	8,753	8,783	92,740
Adjusted EBITDA	1,848	4,518	2,279	141	8,786
Depreciation of property, plant and equipment	2,265	859	953	102	4,179
Finance expense	1,683	462	766	37	2,948

28. SEGMENT INFORMATION (CONT'D)

As the amounts of total assets and liabilities for each reportable segment is not regularly provided to Board of Directors, such information is not presented in the financial statements.

There are no inter-business segment sales. The revenue from external parties reported to the Board of Directors is measured in a manner consistent with that in the consolidated statement of comprehensive income.

The Board of Directors assesses the performance of the operating segments based on measure of earnings before interest, tax, depreciation and amortisation ("adjusted EBITDA"). Interest income and depreciation of investment properties are not allocated to segments, as this type of activity is driven by the Chief Executive Officer (CEO) and Chief Financial Officer (CFO), who manage the cash position of the Group.

A reconciliation of adjusted EBITDA to profit before income tax is provided as follows:

	Group	
	31 March 2018 RM'000	**31 December 2016 RM'000**
Adjusted EBITDA for reportable segments	13,293	8,786
Depreciation of property, plant and equipment	(5,465)	(4,179)
Depreciation of investment properties	(74)	(59)
Finance expense	(4,103)	(2,948)
Interest income	51	42
Profit before income tax	3,702	1,642

Geographical information

The Group's four business segments operate in four primary geographical areas:

- Malaysia – the Group is headquartered and has operations in Malaysia. The operations in this area are principally in the manufacturing and sales of OEM contract manufacturing products, kitchen appliances, equipment and related services, oil and gas products and cleanroom and laboratories products;

- United States of America – the operations include the sale of OEM contract manufacturing products and oil and gas products;

- Singapore – the operations include the sale of OEM contract manufacturing products and kitchen appliances, equipment and related services;

- Indonesia – the operations include the sale of OEM contract manufacturing products and kitchen appliances, equipment and related services; and

- Other countries – the operations include the sale of OEM contract manufacturing products and kitchen appliances and equipment in New Zealand, France, Australia, Thailand, Myanmar, Brunei, Vietnam, India, Maldives, United Kingdom, Japan and Cambodia and the sale of cleanroom and laboratories in Philippines.

28. SEGMENT INFORMATION (CONT'D)

	Group	
	31 March 2018 RM'000	31 December 2016 RM'000
Revenue		
Malaysia	110,300	78,109
United States of America	28,983	6,244
Singapore	2,752	1,526
Indonesia	3,699	3,144
Other countries	4,632	3,717
	150,366	92,740
Non-current assets		
Malaysia	43,697	48,642
Singapore	31	41
	43,728	48,683

Revenue of approximately RM37,385,000 (31 December 2016: RM8,454,000) is derived from a single external customer which is attributable to the sale of oil and gas products in the geographical segments of Malaysia and United States of America.

29. FINANCIAL RISK MANAGEMENT

Financial risk factors

The Group's activities expose it to market risk (including currency risk, price risk and interest rate risk), credit risk, liquidity risk and capital risk. The Group's overall risk management strategy seeks to minimise adverse effects from the unpredictability of financial markets on the Group's financial performance.

The Board of Directors is responsible for setting the objectives and underlying principles of financial risk management for the Group. The Board of Directors then establishes the detailed policies such as authority levels, oversight responsibilities, risk identification and measurement, exposure limits and hedging strategies.

The overall business strategies of the Group, its tolerance for risk and its general risk management philosophy are determined by the management in accordance with prevailing economic and operating conditions. In determining its risk management policies, the management ensures that an acceptable balance is made between the cost of risks occurring and the cost of managing the risks.

The Board of Directors reviews and agrees policies for managing each of these risks and they are summarised below:

(a) *Market risk*

(i) *Currency risk*

The Group mainly operates in Malaysia. Entities in the Group transact in currencies other than their respective functional currencies ("foreign currencies").

Currency risk arises when transactions are denominated in foreign currencies such as United States Dollar ("USD"), Singapore Dollar ("SGD"), Euro ("EUR") and Indonesia Rupiah ("IDR"). As the transactions in foreign currencies are minimal, the Group manages the foreign exchange exposure arising from future commercial transactions and recognised assets and liabilities by a policy of matching, as far as possible, receipts and payments in each individual currency.

NOTES TO THE FINANCIAL STATEMENTS
For the financial period from 1 January 2017 to 31 March 2018 (cont'd)

29. FINANCIAL RISK MANAGEMENT (CONT'D)

(a) Market risk (cont'd)

(i) Currency risk (cont'd)

The Group's currency exposure based on the information provided to key management is as follows:

	RM RM'000	USD RM'000	SGD RM'000	EUR RM'000	IDR RM'000	Total RM'000
31 March 2018						
Financial assets						
Cash and bank balances	9,884	100	49	288	101	10,422
Trade and other receivables	25,383	703	55	7	1,128	27,276
Other current assets	946	–	–	–	47	993
Inter-companies receivables	10,460	–	–	–	–	10,460
	46,673	803	104	295	1,276	49,151
Financial liabilities						
Trade and other payables	9,584	7	51	–	608	10,250
Borrowings	55,231	–	–	–	–	55,231
Inter-companies payables	10,460	–	–	–	–	10,460
	75,275	7	51	–	608	75,941
Net financial (liabilities)/assets	(28,602)	796	53	295	668	(26,790)
Less: Net financial liabilities/(assets) denominated in the respective entities' functional currencies	28,602	–	31	–	(667)	27,966
Currency exposure of financial assets net of those denominated in the respective entities' functional currencies	–	796	84	295	1	1,176

NOTES TO THE FINANCIAL STATEMENTS

For the financial period from 1 January 2017 to 31 March 2018 (cont'd)

29. FINANCIAL RISK MANAGEMENT (CONT'D)

(a) Market risk (cont'd)

(i) Currency risk (cont'd)

	RM RM'000	USD RM'000	SGD RM'000	EUR RM'000	IDR RM'000	Total RM'000
31 December 2016						
Financial assets						
Cash and bank balances	9,178	510	21	280	43	10,032
Trade and other receivables	22,151	1,348	8	273	1,680	25,460
Other current assets	620	–	–	–	48	668
Inter-companies receivables	9,615	–	–	–	–	9,615
	41,564	1,858	29	553	1,771	45,775
Financial liabilities						
Trade and other payables	11,897	–	192	–	2,172	14,261
Borrowings	56,101	–	–	–	–	56,101
Inter-companies payables	9,615	–	–	–	–	9,615
	77,613	–	192	–	2,172	79,977
Net financial (liabilities)/assets	(36,049)	1,858	(163)	553	(401)	(34,202)
Less: Net financial liabilities denominated in the respective entities' functional currencies	36,049	–	15	–	402	36,466
Currency exposure of financial assets/(liabilities) net of those denominated in the respective entities' functional currencies	–	1,858	(148)	553	1	2,264

The Company does not have any significant exposure to currency risk as the transactions in foreign currencies are minimal.

NOTES TO THE FINANCIAL STATEMENTS

For the financial period from 1 January 2017 to 31 March 2018 (cont'd)

29. FINANCIAL RISK MANAGEMENT (CONT'D)

(a) Market risk (cont'd)

(i) Currency risk (cont'd)

If the USD, SGD, EUR and IDR change against the RM by 5% (31 December 2016: 5%) respectively, with all other variables including tax rate being held constant, the effects arising from net financial liabilities/assets position will be as follows:

	Increase/(Decrease)			
	31 March 2018		31 December 2016	
	Net profit RM'000	**Equity RM'000**	**Net profit RM'000**	**Equity RM'000**
USD against RM				
- strengthened	30	30	71	71
- weakened	(30)	(30)	(71)	(71)
SGD against RM				
- strengthened	3	3	(6)	(6)
- weakened	(3)	(3)	6	6
EUR against RM				
- strengthened	11	11	21	21
- weakened	(11)	(11)	(21)	(21)
IDR against RM				
- strengthened	*	*	*	*
- weakened	*	*	*	*

* Denotes less than RM1,000.

(ii) Price risk

The Group does not have exposure to equity price risk as it does not hold any equity financial assets.

(iii) Cash flow and fair value interest rate risks

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates. The Group's interest rate risk mainly arises from bank borrowings at variable interest rates. The Group manages its interest rate risk by keeping bank borrowings to the minimum required to sustain the operations of the Group.

The Group's exposure to cash flow interest rate risk arises mainly from non-current variable rate borrowings. The Group is not exposed to changes in interest rates for fixed rate financial assets and financial liabilities.

The Group's borrowings at variable rates are denominated in RM. If the RM interest rate increase/decrease by 1% (31 December 2016: 1%) with all other variables including tax rates being held constant, the net profit and equity will be lower/higher by RM362,000 (31 December 2016: RM351,000).

29. FINANCIAL RISK MANAGEMENT (CONT'D)

(b) *Credit risk*

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The major classes of financial assets of the Group and of the Company are bank deposits and trade receivables. For trade receivables, the Group adopts the policy of dealing only with recognised and creditworthy third parties. For other financial assets, the Group adopts the policy of dealing only with high credit quality counterparties.

As the Group and the Company do not hold any collateral, the maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the balance sheet, except as follows:

	Group	
	31 March 2018 RM'000	**31 December 2016 RM'000**
Corporate guarantees provided to banks on subsidiary corporations' loans	79,703	64,498

The trade receivables of the Group comprise 1 debtor (31 December 2016: 2 debtors) that represented 35% (31 December 2016: 12%) of trade receivables.

The credit risk for trade receivables based on the information provided to key management is as follows:

	Group	
	31 March 2018 RM'000	**31 December 2016 RM'000**
<u>By geographical areas</u>		
Malaysia	23,723	19,601
Indonesia	866	2,945
Singapore	263	153
United States of America	118	1,289
Other countries	517	74
	25,487	24,062
<u>By types of customers</u>		
Related parties	1	72
Non-related parties		
- Multi-national companies	8,816	9,508
- Other companies	16,670	14,482
	25,487	24,062

NOTES TO THE FINANCIAL STATEMENTS

For the financial period from 1 January 2017 to 31 March 2018 (cont'd)

29. FINANCIAL RISK MANAGEMENT (CONT'D)

(b) Credit risk (cont'd)

(i) Financial assets that are neither past due nor impaired

Bank deposits that are neither past due nor impaired are mainly deposits with banks with high credit-ratings assigned by international credit-rating agencies. Trade receivables that are neither past due nor impaired are substantially companies with a good collection track record with the Group.

(ii) Financial assets that are past due and/or impaired

There is no other class of financial assets that is past due and/or impaired except for trade receivables.

The age analysis of trade receivables past due but not impaired is as follows:

	Group	
	31 March 2018 RM'000	**31 December 2016 RM'000**
Past due 0 to 3 months	5,268	3,018
Past due 3 to 6 months	1,008	1,523
Past due over 6 months	6,007	4,950
	12,283	9,491

The carrying amount of trade receivables individually determined to be impaired and the movements in the related allowance for impairment are as follows:

	Group	
	31 March 2018 RM'000	**31 December 2016 RM'000**
Gross amount	1,876	923
Less: Allowance for impairment (Note 12)	(1,515)	(877)
	361	46
Beginning of financial period/year	877	840
Allowance made (Note 6)	816	314
Allowance utilised	(142)	(43)
Reversal of allowance of impairment (Note 6)	(36)	(234)
End of the financial period/year	1,515	877

The impaired trade receivables arises from sales to companies that mainly relate to customers that are in financial difficulties and whose payments are not forthcoming.

The Group believes that the trade receivables that are past due but not impaired are collectible, based on historical payment behavior and credit worthiness of the customers.

NOTES TO THE FINANCIAL STATEMENTS

For the financial period from 1 January 2017 to 31 March 2018 (cont'd)

29. FINANCIAL RISK MANAGEMENT (CONT'D)

(c) *Liquidity risk*

Prudent liquidity risk management implies maintaining sufficient cash and having an adequate amount of committed credit facilities (Note 20) to enable it to meet its normal operating commitments. The Group's objective is to maintain a balance between continuing of funding and flexibility through the use of bank borrowings, bank overdrafts and finance lease liabilities. As at balance sheet date, assets held by the Group and the Company for managing liquidity risks included cash and short-term bank deposits as disclosed in Note 11.

The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying amounts as the impact of discounting is not significant.

	Less than 1 year RM'000	Between 1 and 2 years RM'000	Between 2 and 5 years RM'000	Over 5 years RM'000
Group				
31 March 2018				
Trade and other payables	10,250	–	–	–
Borrowings	39,045	3,816	8,300	9,655
	49,295	3,816	8,300	9,655
31 December 2016				
Trade and other payables	14,261	–	–	–
Borrowings	36,092	5,949	9,314	10,905
	50,353	5,949	9,314	10,905
Company				
31 March 2018				
Trade and other payables	2,798	–	–	–
Corporate guarantees	79,703	–	–	–
	82,501	–	–	–
31 December 2016				
Trade and other payables	4,941	–	–	–
Corporate guarantees	64,498	–	–	–
	69,439	–	–	–

NOTES TO THE FINANCIAL STATEMENTS

For the financial period from 1 January 2017 to 31 March 2018 (cont'd)

29. FINANCIAL RISK MANAGEMENT (CONT'D)

(d) *Capital risk*

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

Management monitors capital based on a gearing ratio and compliance of external imposed capital requirements which were unchanged from 31 December 2016. Gearing ratio is calculated as total borrowings divided by total net equity. Net equity is defined as total assets minus total liabilities.

The Group's policy is to maintain gearing ratio of not exceeding 2.4 times (31 December 2016: 2.0 times).

	Group		Company	
	31 March 2018 RM'000	31 December 2016 RM'000	31 March 2018 RM'000	31 December 2016 RM'000
Total borrowings	55,231	56,101	–	–
Net equity	44,574	42,693	32,464	20,978
Gearing ratio (times)	1.24	1.31	–	–

A group of subsidiary corporations in Malaysia is subject to external imposed capital requirements for the financial period/year ended 31 March 2018 and 31 December 2016. The management of the subsidiary corporations' strategy is to maintain: (i) minimum debt service coverage ratio of 1.25 times (31 December 2016: 1.25 times) and (ii) maximum gearing ratio of 1.2 times to 2.4 times (31 December 2016: 1.2 times to 2.4 times) at all times.

The Group is in compliance with all externally imposed capital requirements where the Company is not subject to any externally imposed capital requirements for the financial period/year ended 31 March 2018 and 31 December 2016.

(e) *Financial instruments by category*

The carrying amount of the different categories of financial instruments is as disclosed on the face of the balance sheet, except for the following:

	Group		Company	
	31 March 2018 RM'000	31 December 2016 RM'000	31 March 2018 RM'000	31 December 2016 RM'000
Loans and receivables	38,691	36,160	15,858	6,500
Financial liabilities at amortised cost	65,481	70,362	2,798	4,941

30. EVENT OCCURRING AFTER BALANCE SHEET DATE

On 11 June 2018, the Company subscribed additional 900,000 new ordinary shares at RM1.00 per share in the share capital of its wholly-owned subsidiary corporation, Marc16 Equipment Manufacturing Sdn. Bhd. ("Marc16"), for a total consideration of RM900,000 by way of capitalisation of an amount due from Marc16 to the Company. This is not expected to have a material effect to the Group for the financial year ending 31 March 2019.

31. NEW OR REVISED ACCOUNTING STANDARDS AND INTERPRETATIONS

Below are the mandatory standards, amendments and interpretations to existing standards that have been published and are relevant for the Group's accounting periods beginning on or after 1 April 2018 or later periods and which the Group has not early adopted:

Effective for annual periods beginning on or after 1 January 2018

(a) FRS 109 Financial Instruments

FRS 109 replaces FRS 39 Financial instruments: Recognition and Measurement and its relevant interpretations.

FRS 109 retains the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through Other Comprehensive Income (OCI) and fair value through Profit or Loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI (FVOCI). Gains and losses realised on the sale of financial assets at FVOCI are not transferred to profit or loss on sale but reclassified from the FVOCI reserve to retained profits.

Under FRS 109, there were no changes to the classification and measurement requirements for financial liabilities except for the recognition of fair changes arising from changes in own credit risk. For liabilities designed at fair value through profit or loss, such changes are recognised in OCI. FRS 109 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes.

There is also now a new expected credit losses model that replaces the incurred loss impairment model used in FRS 39. It applies to financial assets classified at amortised cost, debt instruments measured at fair value through OCI, contract assets under FRS 115 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. The new standard also introduces expanded disclosure requirements and changes in presentation.

The Group is required to adopt a new accounting framework from 1 April 2018. The new accounting framework has similar requirements of FRS 109 and the impact of adopting the equivalent FRS 109 is disclosed in Note 32.

(b) FRS 115 Revenue from Contracts with Customers

FRS 115 replaces FRS 11 Construction Contracts, FRS 18 Revenue, and related interpretations. Revenue is recognised when a customer obtains control of a good or service. A customer obtains control when it has the ability to direct the use of and obtain the benefits from the goods or services. The core principle of FRS 115 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

FRS 115 also includes a cohesive set of disclosure requirements that will result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

The Group is required to adopt a new accounting framework from 1 April 2018 (Note 32). The new accounting framework has similar requirements of FRS 115 and the Group has no significant impact of adopting the equivalent FRS 115.

NOTES TO THE FINANCIAL STATEMENTS

For the financial period from 1 January 2017 to 31 March 2018 (cont'd)

31. NEW OR REVISED ACCOUNTING STANDARDS AND INTERPRETATIONS (CONT'D)

Effective for annual periods beginning on or after 1 January 2019

(a) FRS 116 Leases

FRS 116 will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not change significantly. Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under FRS 116.

The new standard also introduces expanded disclosure requirements and changes in presentation.

The Group is required to adopt a new accounting framework from 1 April 2018. The new accounting framework has similar requirements of FRS 116. The standard will affect primarily the accounting for the Group's operating leases. As at the balance sheet date, the Group has non-cancellable operating lease commitments of RM1,814,000 (Note 26(b)). However, the Group has yet to determine to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

- Amendments to FRS 9 *Prepayment Features with Negative Compensation*
- Amendments to IAS 19 *Plan Amendment, Curtailment or Settlement*
- Amendments to IAS 28 *Long-term Interests in Associates and Joint Ventures*

Effective for annual periods beginning on or after 1 January 2021

- FRS 17 *Insurance Contracts*

Effective date: to be determined*

- Amendments to FRS 110 and FRS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

* *The mandatory effective date of this Amendment had been revised from 1 January 2016 to a date to be determined by the Accounting Standards Council Singapore (ASC) in December 2015 via Amendments to Effective Date of Amendments to FRS 110 and FRS 28.*

The management anticipates that the adoption of the above FRSs, INT FRSs and amendments to FRS in the future periods will not have a material impact on the financial statements of the Group in the period of their initial adoption.

NOTES TO THE FINANCIAL STATEMENTS

For the financial period from 1 January 2017 to 31 March 2018 (cont'd)

32. ADOPTION OF SFRS(I)

The Singapore Accounting Standards Council has introduced a new Singapore financial reporting framework that is identical to the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The new framework is referred to as 'Singapore IFRS-identical Financial Reporting Standards' ("SFRS(I)") hereinafter. As required by the listing requirements of the Singapore Exchange, the Group has adopted SFRS(I) on 1 April 2018 and will be issuing its first set of financial information prepared under SFRS(I) for the 6 months period ended 30 September 2018 in October 2018.

In adopting SFRS(I), the Group is required to apply all of the specific transition requirements in SFRS(I) equivalent of IFRS 1 First-time Adoption of IFRS. The Group will also concurrently apply new major SFRS(I) equivalents of IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers. The estimated impact arising from the adoption of SFRS(I) on the Group's financial statements are set out as follows:

(a) Application of SFRS(I) equivalent of IFRS 1

The Group is required to retrospectively apply all SFRS(I) effective at the end of the first SFRS(I) reporting period (financial year ending 31 March 2019), subject to the mandatory exceptions and optional exemptions under IFRS 1. Management has assessed these optional exceptions and decided not to elect the relevant optional exemptions, as such there will be no significant adjustments to the Group's financial statements prepared under SFRS.

(b) Adoption of SFRS(I) equivalents of IFRS 9

The Group plans to elect to apply the short-term exemption under IFRS 1 to adopt SFRS(I) equivalent to IFRS 9 on 1 April 2018. Accordingly, the requirements of SFRS 39 Financial Instruments: Recognition and Measurement will continue to apply to financial statements up to the financial period ended 31 March 2018.

Impairment of financial assets

The Group's financial assets, trade receivables will be subject to the expected credit loss impairment model under the SFRS(I) equivalent IFRS 9. Based on the Group's initial assessment, the Group does not expect any significant adjustments on adoption of IFRS 9.

(c) Adoption of SFRS(I) equivalent of IFRS 15

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It also introduces new cost guidance which requires certain costs of obtaining and fulfilling contracts to be recognised as separate assets when specified criteria are met.

The Group plans to adopt IFRS 15 in its financial statements for the financial year ending 31 March 2019. Based on the Group's initial assessment, the Group does not expect any significant adjustments on adoption of IFRS 15.

33. AUTHORISATION OF FINANCIAL STATEMENTS

These financial statements were authorised for issue in accordance with a resolution of the Board of Directors of MSM International Limited on 27 June 2018.

STATISTICS OF SHAREHOLDINGS
as at 18 June 2018

NO. OF SHARES IN ISSUE	:	90,000,000
NO. OF TREASURY SHARES	:	NIL
CLASS OF SHARES	:	ORDINARY SHARES
VOTING RIGHTS	:	ONE VOTE PER SHARE

The Company does not have any treasury shares and subsidiary holdings.

SUBSTANTIAL SHAREHOLDERS

	Direct Interest		Deemed Interest	
	No. of shares	%	No. of shares	%
Triumphant Hope Sdn. Bhd.	61,564,747	68.41	–	–
Chan Kee Sieng	187,000	0.21	61,564,747	68.41
Chan Kit Moi	130,000	0.14	61,564,747	68.41

Notes:

Messrs Chan Kee Sieng and Chan Kit Moi are shareholders of Triumphant Hope Sdn. Bhd. ("Triumphant Hope") (each holding 50% of shares in the capital of Triumphant Hope) and they are deemed to have an interest in the shares held by Triumphant Hope.

Shareholdings Held in the Hands of Public

Based on information available to the Company as at 18 June 2018, approximately 26.26% of the issued ordinary shares of the Company is held by the public and therefore, Rule 723 of the SGX-ST Listing Manual (Section B: Rules of Catalist) is complied with.

DISTRIBUTION OF SHAREHOLDERS BY SIZE OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 99	1	0.81	3	0.00
100 - 1,000	2	1.63	1,100	0.00
1,001 - 10,000	30	24.39	241,700	0.27
10,001 - 1,000,000	84	69.29	13,166,623	14.63
1,000,001 & ABOVE	6	4.88	76,590,574	85.10
TOTAL	123	100.00	90,000,000	100.00

STATISTICS OF SHAREHOLDINGS
as at 18 June 2018 (cont'd)

TWENTY LARGEST SHAREHOLDERS

Name of Shareholders	No. of Shares	% of Shares
TRIUMPHANT HOPE SDN. BHD.	61,564,747	68.41
CGS - CIMB SECURITIES (SINGAPORE) PTE LTD	7,063,206	7.85
CHAN WEN CHAU	2,785,186	3.09
LIM CHYE HUAT @ BOBBY LIM CHYE HUAT	2,780,000	3.09
PHILLIP SECURITIES PTE LTD	1,315,000	1.46
CHAN WEN YAW	1,082,435	1.20
CHOO KOK CHENG	950,000	1.06
CHAN WEN YEE	883,810	0.98
ONG SENG JOO	883,810	0.98
RHB SECURITIES SINGAPORE PTE LTD	861,003	0.93
LEE KAY HUAN HOLDINGS PTE LTD	840,000	0.93
KOK SHAW TERK (GUO SHAODE)	764,000	0.85
CHIN JIT SIN	750,000	0.83
KAM FOONG KENG	750,000	0.83
UOB KAY HIAN PTE LTD	560,000	0.62
LIM POH HOCK ERIC	500,000	0.56
GERALD CHEW KIN MUN	400,000	0.45
CHAN SIEW LING	361,000	0.40
CHUA KENG LOY	250,000	0.28
DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	227,000	0.25
TOTAL	85,571,197	95.07

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Annual General Meeting ("AGM") of the Company will be held at Park Avenue Changi, South Meeting Room, 2 Changi Business Park Avenue 1, Singapore 486015 on Friday, 27 July 2018 at 10.30 a.m. to transact the following business:

ORDINARY BUSINESS

1. To receive and adopt the Audited Financial Statements for the financial period ended 31 March 2018 together with the Directors' Statement and Independent Auditor's Report thereon. **Resolution 1**

2. To approve the Directors' fees of S$103,750 for the financial period from 1 January 2018 to 31 March 2019 (12 months 2017: S$83,000). **Resolution 2**

3. To re-elect Mr Brian Wong Wye Pong who is retiring pursuant to Article 107 of the Company's Constitution. (See Explanatory Note 1) **Resolution 3**

4. To re-elect Mr Wong Kok Seong who is retiring pursuant to Article 107 of the Company's Constitution. (See Explanatory Note 2) **Resolution 4**

5. To re-appoint Nexia TS Public Accounting Corporation as the Auditors of the Company and authorise the Directors to fix their remuneration. **Resolution 5**

6. To transact any other ordinary business which may be properly transacted at an AGM.

SPECIAL BUSINESS

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

7. **Authority to allot and issue shares**

   THAT pursuant to Section 161 of the Companies Act, Chapter 50 of Singapore (the "Act") and Rule 806 of the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited (the "SGX-ST") ("Catalist Rules"), the Directors of the Company be authorised and empowered to: **Resolution 6**

   (I) (i) allot and issue shares in the capital of the Company ("Shares") whether by way of rights, bonus or otherwise; and/or

   (ii) make or grant offers, agreements or options (collectively, "Instruments") that might or would require Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into Shares,

   at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and

NOTICE OF ANNUAL GENERAL MEETING
(cont'd)

(II) (notwithstanding that the authority conferred by this Resolution 6 may have ceased to be in force) issue Shares in pursuance of any Instruments made or granted by the Directors while this Resolution 6 was in force,

provided that:

(a) the aggregate number of Shares to be issued pursuant to this Resolution 6 (including Shares to be issued in pursuance of Instruments, made or granted pursuant to this Resolution 6), shall not exceed one hundred per cent (100%) of the total number of issued Shares in the capital of the Company (excluding treasury shares and subsidiary holdings) (as calculated in accordance with sub-paragraph (b) below), of which the aggregate number of Shares to be issued other than on a pro-rata basis to the existing shareholders of the Company (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution 6) shall not exceed fifty per cent (50%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings) (as calculated in accordance with sub-paragraph (b) below);

(b) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of Shares (including Shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution 6) that may be issued under sub-paragraph (a) above, the percentage of the issued Shares shall be based on the total number of issued Shares (excluding treasury shares and subsidiary holdings) at the time this Resolution 6 is passed, after adjusting for:

    (i) new Shares arising from the conversion or exercise of any convertible securities;

    (ii) new Shares arising from the exercise of share options or vesting of share awards which are outstanding and/or subsisting at the time of the passing of this Resolution 6, provided the share options or share awards (as the case may be) were granted in compliance with Part VIII of Chapter 8 of the Catalist Rules; and

    (iii) any subsequent bonus issue, consolidation or subdivision of Shares;

(c) in exercising the authority conferred by this Resolution 6, the Company shall comply with the provisions of the Catalist Rules for the time being in force (unless such compliance has been waived by the SGX-ST), all applicable legal requirements under the Act and the Constitution for the time being of the Company; and

(d) the authority conferred by this Resolution 6 shall, unless revoked or varied by the Company in general meeting, continue to be in force until the conclusion of the next AGM of the Company or the date by which the next AGM of the Company is required by law to be held, whichever is earlier.

(See Explanatory Note 3)

By Order of the Board

Chan Kee Sieng
Executive Chairman
Singapore
12 July 2018

NOTICE OF ANNUAL GENERAL MEETING
(cont'd)

Explanatory Notes:

1. Mr Brian Wong Wye Pong will, upon re-election as a Director of the Company, remain as an Independent Director, the Chairman of the Audit Committee as well as a member of the Nominating Committee and Remuneration Committee. Mr Brian Wong Wye Pong is considered by the Board to be independent for the purpose of Rule 704(7) of the Catalist Rules. Mr Brian Wong Wye Pong does not have any relationships including immediate family relationships between himself and the Directors, the Company and its 10% shareholders. Further information on Mr Brian Wong Wye Pong can be found in the Annual Report 2018.

2. Mr Wong Kok Seong will, upon re-election as a Director of the Company, remain as an Independent Director as well as a member of the Audit Committee, Nominating Committee and Remuneration Committee. Mr Wong Kok Seong is considered by the Board to be independent for the purpose of Rule 704(7) of the Catalist Rules. Mr Wong Kok Seong does not have any relationships including immediate family relationships between himself and the Directors, the Company and its 10% shareholders. Further information on Mr Wong Kok Seong can be found in the Annual Report 2018.

3. The Ordinary Resolution 6 above, is to authorise the Directors of the Company from the date of the forthcoming AGM until the next AGM of the Company to issue shares and convertible securities in the Company up to an amount not exceeding in aggregate 100% of the total number of issued shares excluding treasury shares and subsidiary holdings of which the total number of shares issued other than on a pro-rata basis to existing shareholders shall not exceed 50% of the total number of issued shares excluding treasury shares and subsidiary holdings for such purposes as they consider would be in the interests of the Company. Rule 806(3) of the Catalist Rules currently provides for the percentage of the total number of issued shares excluding treasury shares and subsidiary holdings to be calculated on the basis of the total number of issued shares at the time that the Resolution 6 is passed (taking into account the conversion or exercise of any convertible securities or employee share options at the time that the Resolution 6 is passed, which were issued pursuant to previous shareholder approval), adjusted for any subsequent bonus issue, consolidation or subdivision of shares. This authority will, unless revoked or varied at a general meeting, expire at the next AGM of the Company.

Notes:

(1) Except for a member who is a Relevant Intermediary as defined under Section 181 (6) of the Act, a member of the Company entitled to attend and vote at the AGM is entitled to appoint not more than two proxies to attend and vote on his/her behalf. A member of the Company which is a corporation is entitled to appoint its authorised representative or proxy to vote on its behalf. A proxy need not be a member of the Company.

(2) Pursuant to Section 181 (1C) of the Act, a member who is a Relevant Intermediary is entitled to appoint more than two proxies to attend, speak and vote at the AGM provided that each proxy is appointed to exercise the rights attached to different shares held by such member. In such event, the Relevant Intermediary shall submit a list of its proxies together with the information required in the proxy form to the Company.

(3) If a proxy is to be appointed, the instrument appointing a proxy must be duly deposited at the office of the Company's Share Registrar at 8 Robinson Road #03-00, ASO Building, Singapore 048544 not later than 48 hours before the time appointed for holding the AGM.

(4) The instrument appointing a proxy must be signed by the appointor or his attorney duly authorised in writing. Where the instrument appointing a proxy is executed by a corporation, it must be executed either under its common seal or under the hand of any office or attorney duly authorised.

(5) A Depositor's name must appear on the Depository Register maintained by The Central Depository (Pte) Limited as at 72 hours before the time appointed for holding the AGM in order for the Depositor to be entitled to attend and vote at the AGM.

Personal data privacy:

By submitting a proxy form 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.

MSM INTERNATIONAL LIMITED
(Incorporated in the Republic of Singapore)
(Company Registration No.: 200918800R)

ANNUAL GENERAL MEETING
PROXY FORM

Important:

1. Pursuant to Section 181(1C) of the Companies Act, Chapter 50 of Singapore (the "Act"), Relevant Intermediary may appoint more than two proxies to attend, speak and vote at the Annual General Meeting.
2. For investors who have used their CPF monies and/or SRS monies to buy shares in the Company, this Proxy Form is not valid for use and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF and/or SRS investors are requested to contact their respective Agent Banks for any queries they may have with regard to their appointment as proxies.

I/We ____________________________________ (Name) _____________________________ (NRIC/Passport No.)

of ____ (Address),

being a member/members of MSM International Limited (the "**Company**"), hereby appoint:

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

*and/or *(delete as appropriate)*

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

or failing the person, or either or both of the persons, referred to above, the Chairman of the Annual General Meeting ("AGM"), as my/our proxy/proxies to attend, speak and vote for me/us on my/our behalf at the AGM of the Company to be held at Park Avenue Changi, South Meeting Room, 2 Changi Business Park Avenue 1, Singapore 486015 on Friday, 27 July 2018 at 10.30 a.m. and at any adjournment thereof.

(Please indicate with an "X" in the spaces provided below whether you wish your vote(s) to be cast for or against the resolutions as set out in the Notice of AGM. In the absence of specific directions, the proxy/proxies will vote or abstain as he/they may think fit, as the proxy/proxies will on any other matter arising at the AGM).

☐ Please tick here if more than two proxies will be appointed (Please refer to note 4). This is only applicable for intermediaries such as banks and capital markets licence holders which provide custodial services.

No.	Ordinary Resolutions	No. of Votes For**	No. of Votes Against**
	ORDINARY BUSINESS		
1	To receive and adopt the Audited Financial Statements for the financial period ended 31 March 2018 together with the Directors' Statement and Independent Auditor's Report thereon.		
2	To approve the Directors' fees of S$103,750 for the financial period from 1 January 2018 to 31 March 2019 (12 months 2017: S$83,000).		
3	To re-elect Mr Brian Wong Wye Pong who is retiring pursuant to Article 107 of the Company's Constitution.		
4	To re-elect Mr Wong Kok Seong who is retiring pursuant to Article 107 of the Company's Constitution.		
5	To re-appoint Nexia TS Public Accounting Corporation as the Auditors of the Company and authorise the Directors to fix their remuneration.		
	SPECIAL BUSINESS		
6	To transact any other ordinary business which may be properly transacted at an AGM.		

** Voting will be conducted by Poll. If you wish to exercise all your votes "For" or "Against", please indicate an "X" within the box provided. Alternatively, please indicated the number of votes as appropriate.

Dated this________ day of ________________ 2018

Total Number of Shares Held in	
CDP Register	
Register of Members	

____
Signature(s) of member(s) or Common Seal

IMPORTANT: PLEASE READ THE FOLLOWING NOTES.

Notes:

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 81F of the Securities and Futures Act, Chapter 289), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, this form of proxy will be deemed to relate to all the Shares held by you.

2. Except for a member who is a Relevant Intermediary as defined under Section 181(6) of the Act, a member of the Company entitled to attend and vote at the AGM is entitled to appoint not more than two (2) proxies to attend and vote on his/her behalf. Such proxy need not be a member of the Company.

3. Where a member appoints more than one (1) proxy, he shall specify the proportion of his shareholding to be represented by each proxy. If no proportion of shareholdings is specified, the proxy whose name appears first shall be deemed to carry 100% of the shareholdings of his/its appointor and the proxy whose name appears after shall be deemed to be appointed as the alternate.

4. Pursuant to Section 181(1C) of the Act, a member who is a Relevant Intermediary is entitled to appoint more than two (2) proxies to attend, speak and vote at the AGM provided that each proxy is appointed to exercise the rights attached to different shares held by such member. In such event, the Relevant Intermediary shall submit a list of its proxies together with the information required in this proxy form to the Company.

5. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of an officer or attorney duly authorised.

6. A corporation which is a member of the Company may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the AGM of the Company, in accordance with Section 179 of the Act.

7. The instrument appointing a proxy or proxies, together with the power of attorney or other authority (if any) under which it is signed, or notarially certified copy thereof, must be deposited at the office of the Company's Share Registrar at 8 Robinson Road #03-00, ASO Building, Singapore 048544 not less than 48 hours before the time set for the AGM.

8. The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of members of the Company whose Shares are entered against their name in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if such members are not shown to have Shares entered against their names in the Depository Register as at 72 hours before the time appointed for holding the AGM as certified by The Central Depository (Pte) Limited to the Company.

9. An investor who buys shares using CPF monies ("CPF Investor") and/or SRS monies ("SRS Investor") (as may be applicable) may attend and cast his vote(s) at the AGM in person. CPF and SRS Investors who are unable to attend the AGM but would like to vote may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the AGM to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the AGM.

Personal data privacy:

By submitting a proxy form 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.

MSM INTERNATIONAL LIMITED(COMPANY REGISTRATION NO.: 200918800R)

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