MSM INTERNATIONAL LIMITED

(Company Registration No.: 200918800R)

A NEW
WORLD

ANNUAL REPORT 2019

COVER RATIONALE

Industry 4.0 has reimagined the future of manufacturing, in which the physical and cyber world converge with the help of enabling technologies. Manufacturing firms have begun to implement smart manufacturing solutions and are investing heavily in high-tech infrastructure to facilitate this process. Firms across different industries are also realising the benefits of these advanced technologies and are looking to adopt them in their businesses.

Achieving a seamless and effective digital transformation is no easy feat. It takes a highly experienced team with the right skill sets and understanding of the industry and technology to stay ahead.

We are preparing ourselves to tap the opportunities arising from this new era of growth and change. Companies embarking on their automation journeys will need best-in-class solutions. Over the years, we have developed an innovative range of conveyor solutions and module machines that are value-adding to our customers' operations. We are looking forward to further breakthroughs and exciting discoveries as we embrace this brand new world of Industry 4.0.

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 and Europe across the semiconductor, healthcare, food & beverage and hospitality industries.

MSM's business activities are segmented as follows:

- OEM contract manufacturing
- Kitchen appliances, equipment and related services
- 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.

TABLE OF CONTENTS

Dear Shareholders,

This year we have taken strategic steps to streamline our business in preparation for anticipated changes in the economy in the medium term. We reduced our exposure to the potential volatility in the oil and gas sector and focused our resources on capitalising on opportunities in growing markets. Amid the challenging economic conditions over the past financial year, we recorded positive results across our various business segments.

LETTER TO SHAREHOLDERS

LETTER TO SHAREHOLDERS
(cont'd)

FINANCIAL REVIEW

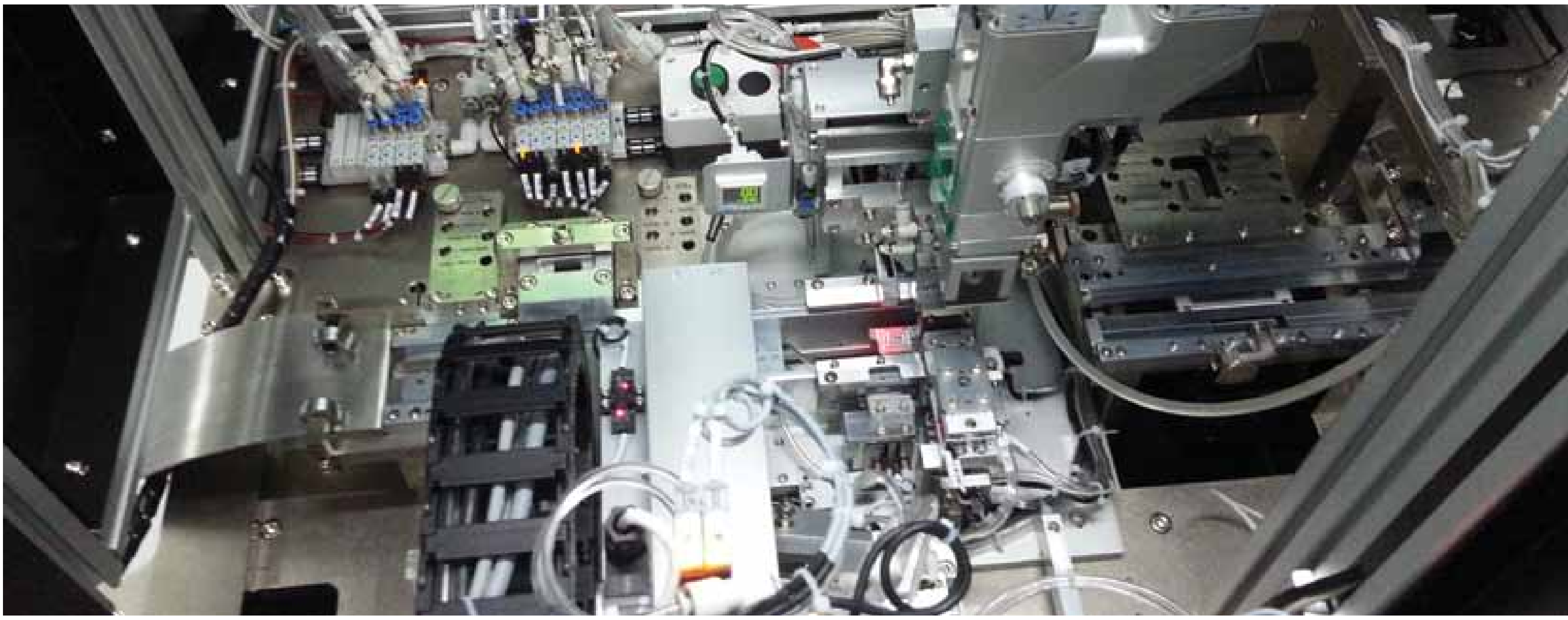
The period under review for this annual report is the 12-month financial year ended 31 March 2019 ("FY2019") while the comparative period is the 15-month financial period ended 31 March 2018 ("FP2018"). The 15-month financial period was due to a change in our financial year end from 31 December to 31 March, as announced on 6 December 2017.

For FY2019, the Group recorded revenue of RM108.1 million, compared to RM150.4 million in FP2018. While the longer 15-month period for FP2018 compared to 12-month period for FY2019 was a key reason for the decline in revenue, the Group also experienced a slowdown in number of projects awarded for the Kitchen Appliances, Equipment and Related Services and Cleanroom and Laboratories segments in FY2019.

Selling and distribution expenses decreased by 26.3% to RM7.9 million as compared to RM10.7 million in FP2018. This was mainly due to the longer 15 months period for FP2018, as well as a significant decline in expenses for the Oil and Gas segment following our divestment of 60% of the business in FY2019.

Finance expenses also recorded a decline of 14.9% to RM3.5 million in FY2019, from RM4.1 million in FP2018, mainly as a result of the longer 15 months period FP2018 as compared to FY2019. On the same note, administrative expenses decreased by 22.8% to RM15.9 million, from RM20.6 million in FP2018.

On account of the above, we recorded a net profit attributable to shareholders of RM2.8 million in FY2019 compared to RM1.9 million in FP2018.



Of the total revenue recorded, the Kitchen Appliances, Equipment and Related Services segment was our largest revenue contributor at 33.8% (FP2018: 36.4%), followed by our OEM Contract segment which contributed 31.4% (FP2018: 26.0%). Contribution from Cleanroom and Laboratories Segment was 10.9% (FP2018: 12.0%), while our Oil and Gas segment, which was discontinued following to the completion of divestment of the 60% equity interest in Marc Conleth Industries Sdn. Bhd. in January 2019, added 23.9% (FP2018: 25.6%) to the total.

As a result of our operational discipline, our cost of sales decreased 28.0% to RM79.5 million in FY2019, from RM110.5 million in FP2018, in tandem with the decreased revenue. This enabled us to maintain a gross profit margin of 26.4%, which is consistent with the 26.5% achieved in FP2018.

We closed the year with a net asset value per ordinary share of 49.27 Malaysian sen, compared to 49.53 Malaysian sen at the close of FP2018.

REVIEW OF OPERATIONS

Overall, our OEM customer base has remained stable. During the year in review, we successfully secured a new contract with a semiconductor company, and ventured into the production of waste separator equipment used in central waste collection systems. We also continued to explore opportunities to work directly with end-users to provide one-stop fabrication and installation solutions for our clients. These positive developments have resulted in a boost of our revenue stream. I would therefore like

LETTER TO SHAREHOLDERS
(cont'd)

to highlight that the year-on-year decline in revenue for the OEM Segment of 13.5% to RM33.9 million in FY2019 compared to RM39.2 million in FP2018 is attributable to the longer FP2018 compared to FY2019, and not reflective of the overall health of the segment.

In FP2018, we have clinched a major one-off project for the Cleanroom and Laboratories segment which lifted our revenue during the 15-month financial period. Following the project's completion, we resumed our usual scale of operations for this segment in FY2019. This was the main reason for the 34.6% year-on-year fall in revenue to RM11.8 million in FY2019, from RM18.0 million in FP2018. We continue to remain focused on the Malaysia market and building relationships with our partners to explore opportunities to service clients within the medical industry.

The challenging economic environment in Malaysia in FY2019 saw many F&B businesses place their expansion plans on hold, leading to a slowdown in the number of new projects for the Kitchen Appliances, Equipment and Related Services segment. This was a key factor for the 33.2% decline in revenue for the Kitchen Appliances, Equipment and Related Services segment which recorded RM36.6 million in FY2019, compared to RM54.7 million in FP2018. There has been a slower growth in the number of food truck vendors in Malaysia which has affected our food truck business, Meal Box. However, we are heartened that the Malaysian government remains supportive of this industry and is working to standardise food truck licensing procedures so that more vendors can set up and operate food trucks with ease.

In January 2019, we have completed 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 for a consideration of RM2,830,000. With our Oil and Gas operations being thence discontinued, our Oil and Gas Segment registered a 32.9% decline in revenue to RM25.8 million, from RM38.5 million in FP2018.

The divestment of MCI was carried through a share exchange with Dato' Chong Toh Wee, for a stake in Cosmos Instruments Sdn Bhd ("Cosmos"). Cosmos specialises in the 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. As a result of the share exchange, the Group now owns 40% of MCI and, through our stake in MCI, an effective 40% shareholding interest in Cosmos.

The share exchange will allow MCI and the Group an opportunity to offer its existing manufacturing services to the process automation industries served by Cosmos. We believe that our existing manufacturing expertise, combined with the Cosmos's client base and industry reputation, will create positive synergies and to undertake new investment opportunities that may arise in the future towards achieving a higher level of shareholders' value.

LOOKING AHEAD

It is imperative that we continue to adapt to the competitive pressures within the industry and ever-changing economic conditions.

We are taking a holistic approach to achieve revenue growth. To maintain our advantage, we will continue to seek out opportunities to expand our business in all segments both locally and abroad, via the development of new products, service expansion as a one-stop solutions provider, strategic investments and acquisitions. In addition, we are actively exploring joint venture and partnership opportunities in Southeast Asia. We will also widen our connections by participating in trade shows, and joining local and international trade associations and organisations.

We will continue to be proactive in controlling costs and reducing overheads to streamline operations and improve overall efficiency. In our day to day operations, we have in place cost management measures such as making bulk purchases and obtaining quotes from multiple suppliers.

Given the challenging economic conditions affecting the F&B sector in Malaysia, we will seek new areas of growth that will help boost the robustness of our Kitchen Segment. We are currently exploring production opportunities with a manufacturer of kitchen equipment and store refrigerators. We remain positive in our outlook for the OEM segment. As the Malaysian government continues to forge ahead with Industry 4.0 and encourage business productivity, our strategy of developing solutions to enhance productivity such as the design and manufacture of automation and conveyor system structures remains highly relevant. Through collaboration with the Federation of Malaysian Manufacturers, we have showcased our capabilities to about 30 local companies that are keen to automate their processes. We will continue to publicise our capabilities and follow up on the leads generated.

For our Cleanroom Segment, we maintain our advantage as one of the few contractors in Malaysia certified to equip facilities of all biosafety levels. While there has been increasing competition from foreign industry players, the Group maintains its competitiveness through offering cost-effective solutions for its customers.

Taking a long-term perspective, we are investing in human capital, through talent development and recruitment, as well as building our technical expertise in research and development, data management, and automation and robotic system development. We are also on the look-out for partnerships that spur the transfer of technical knowledge and capabilities.

LETTER TO SHAREHOLDERS
(cont'd)

We will continue to collaborate with universities to support the development of technical students through equipment loan and ad hoc internship partnerships. Apart from helping to build the capabilities of the students, these initiatives should create top-of-mind awareness of our brand and products amongst the next generation of talent.

APPRECIATION

We would not have been able to navigate through the challenging terrain in the past financial year without the hard work and resilience of the MSM team. I am deeply grateful for their commitment to the business and tenacity in journeying with us.

My appreciation also extends to my fellow Directors who have been instrumental in guiding the company and making strategic decisions necessary for the Group's continued growth. My sincere gratitude goes to Mr Brian Wong Wye Pong, who has stepped down from the Board, for his valuable insight and advice as Independent Director. I would also like to warmly welcome Mr Lee Kean Cheong to the Board as Independent Director.

We would like to thank our shareholders, customers, suppliers and business associates. Their confidence and support in us have spurred us on to achieve greater success for the business. We look forward to sharing the fruits with our stakeholders.

Chan Kee Sieng
Executive Chairman

BOARD OF DIRECTORS

CHAN KEE SIENG

Executive Chairman,
Age 67

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., Widewin Strategy Sdn. Bhd. and Chan 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 66

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. and Chan Strategy Sdn. Bhd..

CHAN WEN CHAU

Executive Director & CEO,
Age 44

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.

BOARD OF DIRECTORS
(cont'd)

LEOW WEE KIA CLEMENT

Lead Independent Director, Age 44

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 18 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 and was last re-elected on 28 April 2017.

Mr Leow is presently the Chief Executive Officer and Executive Director of Allied Technologies Limited, a company listed on the Catalist Board of the Singapore Exchange. Prior to this, Mr Leow was the Chief Executive Officer and Head of Corporate Finance at Crowe Horwath Capital Pte. Ltd and has also 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. He also serves as 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.

WONG KOK SEONG

Independent Director, Age 49

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 27 July 2018. 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 boards of Bursa Malaysia-listed corporations, M N C Wireless Berhad as Independent Director and Chairman of the Board and PNE PCB Berhad as Independent Director and Chairman of the Audit Committee. He is also a Director of T H Law Consultants Sdn. Bhd..

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

LEE KEAN CHEONG

Independent Director, Age 51

Mr Lee, who is not related to any family member of the directors and staff, was appointed as Independent Director of the Company on 15 November 2018. He has more than 25 years of experience in external and internal auditing, financial accounting, management consultancy and advisory.

Mr Lee is the Managing Partner of KCLee & Partners, an accounting firm in Malaysia, Director of Invantest DSG Sdn. Bhd. and Director of Ideal Earnings Sdn. Bhd., a consulting firm in Malaysia. He is a Member of the Malaysian Institute of Accountants and a Member of CPA Australia. He is currently serving on the board of Bursa Malaysia-listed corporations, Teo Guan Lee Corporation Berhad and Pentamaster Corporation Berhad as Independent Director.

He holds a Master of Commerce from the University of New South Wales and Bachelor of Commerce of Murdoch University, Australia.

KEY MANAGEMENT

SOH YEOW SENG

Chief Financial Officer,
Age 37

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 specialising 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.

SELVARAJU A/L PONNUSAMY

Vise President,
Age 48

Mr Selva, who is not related to any director and staff, joined the Group in March 2014 as Group Procument Manager and promoted as Vice President of MSM Metal Industries Sdn. Bhd., OEM Contract Manufacturing segment in March 2019. He possesses more than 20 years of experience in semiconductor manufacturing, management industries and 7 years sheet metal OEM contract manufacturing and is presently responsible for managing and overseeing the operations aspects of MSM Metal Industries Sdn Bhd.

Mr Selva holds an Engineering Diploma in Mechanical Engineering from Workers Institute of Technology, Malaysia.

CHAN CHOI HAR

General Manager,
Age 53

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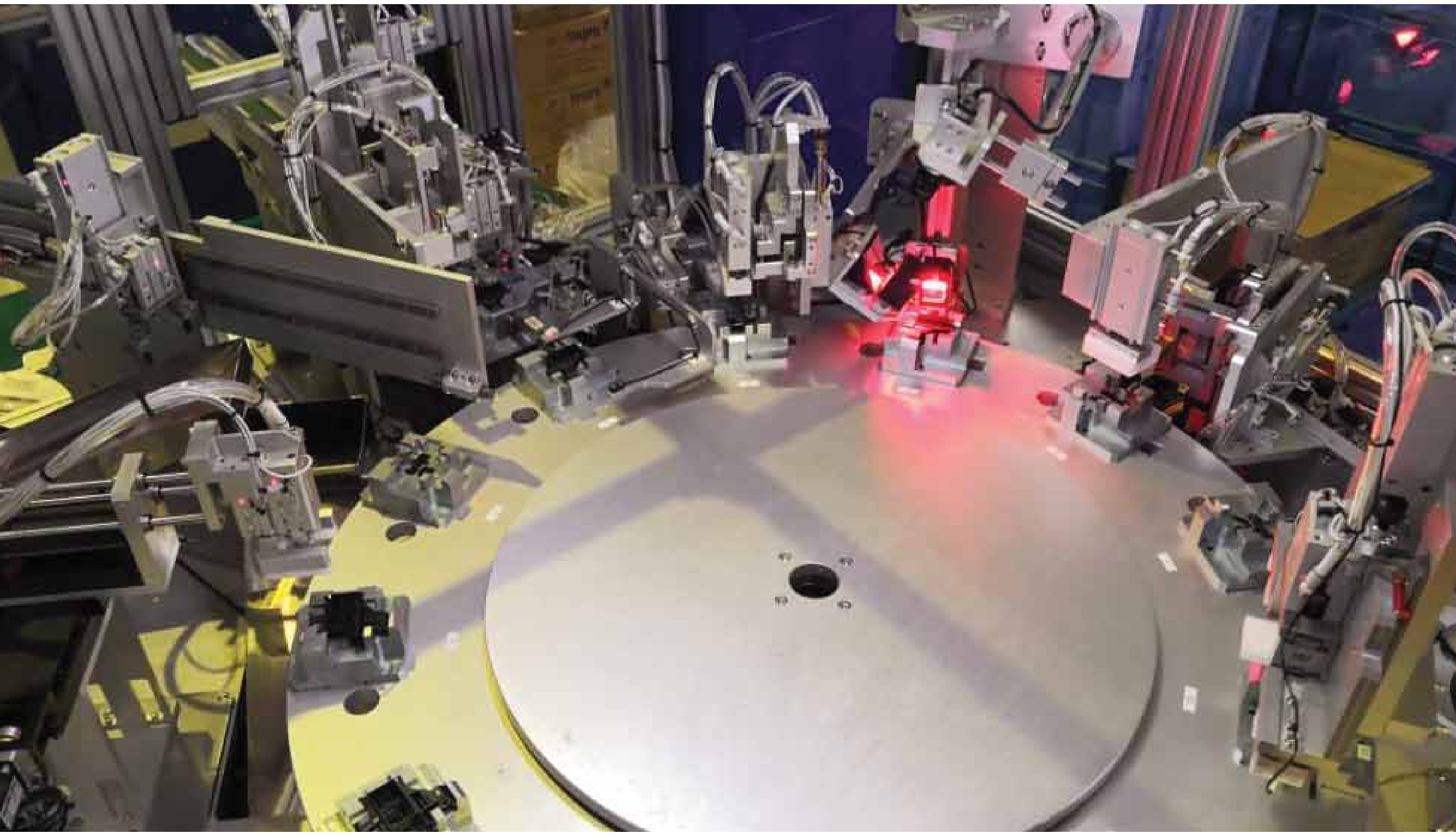


ONG SENG JOO
General Manager,
Age 45

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.

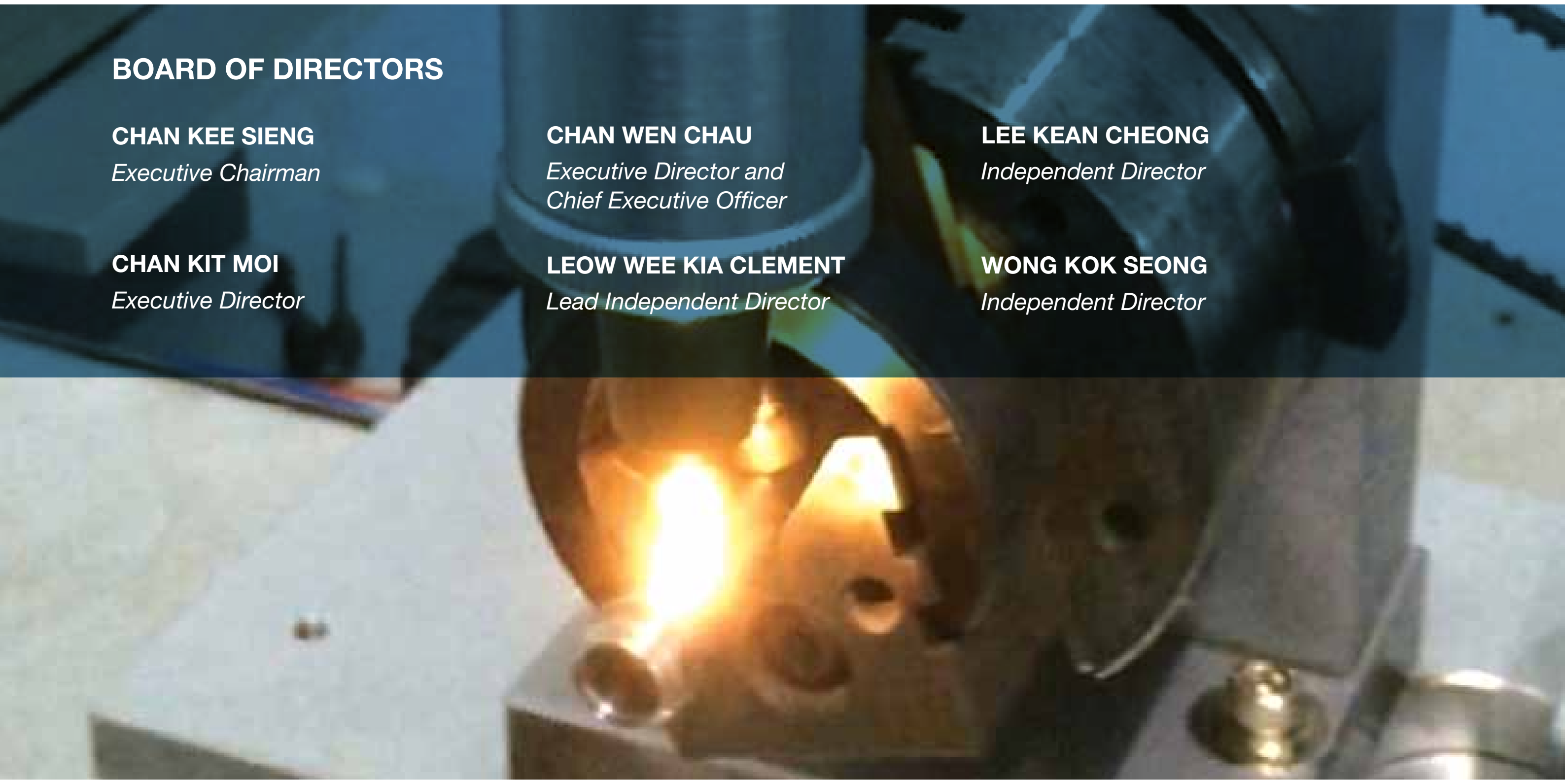
Mr Ong holds a Certificate in Technology (Mechanical Engineering) from Tunku Abdul Rahman College, Malaysia.

TUNG WAI LOON
Assistant General Manager,
Age 41

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 and is responsible for the sales, marketing and securing of new customers and also the management of FIC Kitchen Technology Sdn. Bhd. (FIC Kitchen). Mr Tung possesses more than 10 years of factory and general management experience in the 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

LEE KEAN CHEONG
Independent Director

WONG KOK SEONG
Independent Director

AUDIT COMMITTEE

Wong Kok Seong *(Chairman)*
Leow Wee Kia Clement
Lee Kean Cheong

NOMINATING COMMITTEE

Leow Wee Kia Clement *(Chairman)*
Wong Kok Seong
Lee Kean Cheong

REMUNERATION COMMITTEE

Leow Wee Kia Clement *(Chairman)*
Wong Kok Seong
Lee Kean Cheong

COMPANY'S SPONSOR

PrimePartners Corporate Finance Pte. Ltd.
16 Collyer Quay
#10-00 Income at Raffles
Singapore 049318

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
8 Robinson Road, #03-00
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**", and 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 the management of the Company ("**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 financial year ended 31 March 2019 ("**FY2019**") 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**").

On 1 August 2018, the Monetary Authority of Singapore issued a revised Code of Corporate Governance (the "**New Code**") which aims to encourage board renewal, strengthen director independence and enhance board diversity. The New Code will take effect for all annual reports covering financial years commencing from 1 January 2019. The Company will implement the New Code for its Annual Report for the financial year beginning 1 April 2019 ("**FY2020**").

The Board confirmed that for FY2019, 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 FY2019, 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.

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.

REPORT ON CORPORATE GOVERNANCE
(cont'd)

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

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 FY2019, briefing and updates for the Directors include:

- Developments in the Singapore Financial Reporting Standards (International) 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, 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 FY2019 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
Wong Kok Seong	3	3	3	3	1	1	1	1
Lee Kean Cheong**	3	1**	3	1**	1	NA	1	NA
Brian Wong Wye Pong***	3	3	3	3	1	1	1	1

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

** Mr Lee Kean Cheong was appointed as a Director of the Company on 15 November 2018 and was present at the AC and Board meetings by invitation.

*** Mr Brian Wong Wye Pong ceased to be a Director of the Company on 28 September 2018.

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
Wong Kok Seong	Independent Director
Lee Kean Cheong	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 Rule 406(3)(d) of the SGX-ST Listing Manual Section B: Rules of Catalist ("Catalist Rules") and the Code. The NC has reviewed and confirmed the independence of the Independent Directors in accordance with Rule 406(3)(d) of the Catalist Rules and the Code. The Independent Directors have also confirmed their independence in accordance with Rule 406(3)(d) of the Catalist Rules and 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 at the date of this report the Company has two Independent Directors, namely Mr Leow Wee Kia Clement and Mr Wong Kok Seong ("**IDs**"), who have served on the Board for more than nine years. 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 for more than nine years. The NC has recommended to the Board and the Board has, with the NC's recommendation, reviewed their appointments and considers each of them to be independent, having satisfied itself on the more important inquiry as to whether each of the Directors has truly demonstrated integrity, independent judgment, objectivity in the discharge of his duties, and professionalism and that there is no conflict of interest in dealings with the Company, rather than simply imposing a maximum number of years that he should serve on the Board, which can be arbitrary. Please refer to the table set out in page 16 of this Annual Report for the respective dates of appointments of each IDs. 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
Wong Kok Seong	Member
Lee Kean Cheong	Member

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 one new Independent Director appointed in place of the resigned Independent Director in FY2019.

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 Chan Kee Sieng and Mr Chan Kit Moi will be retiring pursuant to Article 107 and Mr Lee Kean Cheong will be retiring pursuant to Article 117 of the Company's Constitution. All of them, being eligible for re-election, have offered themselves for re-election.

REPORT ON CORPORATE GOVERNANCE
(cont'd)

Principles 4: Board Membership (Cont'd)

Mr Chan Kee Sieng will, upon re-appointment as a Director of the Company, remain as the Executive Chairman of the Company.

Mr Chan Kit Moi will, upon re-appointment as Director of the Company, remain as the Executive Director of the Company.

Mr Lee Kean Cheong will, upon re-appointment 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 resolution put forth for their proposed re-election and re-appointment.

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

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 Allied Technologies Limited	JB Foods Limited	Executive Director and Chief Executive Officer of Allied Technologies Limited
Wong Kok Seong	24/11/2009	27/07/2018	PNE PCB Berhad MNC Wireless Berhad	Trive Property Group Berhad Bio Osmo Berhad (currently known as Impiana Hotels Berhad)	Managing Partner of Hasnan THL Wong & Partners, an accounting firm in Malaysia
Lee Kean Cheong	15/11/2018	–	Teo Guan Lee Corporation Berhad Pentamaster Corporation Berhad	Petrol One Resources Berhad China Bearing (Singapore) Ltd (currently known as Silkroad Nickel Ltd) D.B.E. Gurney Resources Berhad	Managing Partner of KCLee & Partners Director of Ideal Earnings Sdn Bhd Director of Invantest DSG Sdn Bhd

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

Principles 4: Board Membership (Cont'd)

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 FY2019.

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

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 discussions 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 FY2019 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.

REPORT ON CORPORATE GOVERNANCE
(cont'd)

Principle 6: Access to information

In order to fulfill their responsibilities, directors should be provided with complete, adequate 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 ("Catalist Rules") 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.

Principle 7: Procedures for Developing Remuneration Policies

There should be a formal and transparent procedure for developing policy on executive remuneration 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
Wong Kok Seong	Member
Lee Kean Cheong	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 FY2019.

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.

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.

REPORT ON CORPORATE GOVERNANCE
(cont'd)

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 FY2019.

The level and mix of remuneration of the Directors and key management personnel of the Company for FY2019 are as follows:-

Name	Salary and Other Benefits	Bonus	Directors' Fees	Total
Executive Directors				
Chan Kee Sieng	93%	7%	–	100%
Chan Kit Moi	95%	5%	–	100%
Chan Wen Chau	95%	5%	–	100%
Non-Executive Directors				
Leow Wee Kia Clement	–	–	100%	100%
Wong Kok Seong	–	–	100%	100%
Lee Kean Cheong*	–	–	100%	100%
Brian Wong Wye Pong**	–	–	100%	100%
Key Management Personnel				
Below S$250,000				
Soh Yeow Seng	95%	5%	–	100%
Tang Cheng Hooi***	–	–	–	–
Chan Choi Har	95%	5%	–	100%
Ong Seng Joo	96%	4%	–	100%
Mah Siew Peng****	–	–	–	–
Tung Wai Loon	96%	4%	–	100%
Selvaraju A/L Ponnusamy	95%	5%	–	100%

* *Mr Lee Kean Cheong was appointed as a Director of the Company on 15 November 2018.*

** *Mr Brian Wong Wye Pong ceased to be a Director of the Company on 28 September 2018.*

*** *Mr Tang Cheng Hooi has resigned as a Vice President of MSM Metal Industries Sdn. Bhd., a wholly-owned subsidiary of the Company, on 1 April 2018.*

**** *Ms Mah Siew Peng has resigned as Group's Finance & Administration Manager on 1 April 2018.*

Principle 9: Disclosure on Remuneration (Cont'd)

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 in percentages.

The aggregate of annual remuneration paid to all the above mentioned key management personnel of the Group for FY2019 was S$418,000.

There are no termination, retirement and post-employment benefits that were granted to the Directors, CEO and key management personnel in FY2019.

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 FY2019 is set out below:-

Name	Salary and Other Benefits	Bonus	Total
S$50,000 to S$100,000			
Chan Wen Yee	93%	7%	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 FY2019.

Principle 10: Accountability

The Board should present a balanced and understandable assessment of the company's performance, 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 Catalist Rules. 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 year 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 finance, 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 systems and internal controls in place are adequate and effective in addressing the finance, operational, compliance and information technology risks as at 31 March 2019.

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.

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:-

Wong Kok Seong	Chairman
Leow Wee Kia Clement	Member
Lee Kean Cheong	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.

Principle 12: Audit Committee (Cont'd)

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 Catalist Rules 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 Catalist Rules;
- Review potential conflicts of interest (if any);
- 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 Catalist Rules, or by such amendments as may be made thereto from time to time.

REPORT ON CORPORATE GOVERNANCE
(cont'd)

Principle 12: Audit Committee (Cont'd)

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, Catalist Rules 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 FY2019 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 year 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 year under review, the aggregate amount of fees paid to the external auditors for the audit and non-audit services amounted to RM361,000 (83% of the total fees) and RM72,000 (17% of the total fees) respectively. The non-audit services rendered by the external auditors to the Group in FY2019 were not substantial.

The Group has complied with Rules 712 and 715 of the Catalist Rules 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

Principle 13: Internal Audit

The company should establish an effective internal audit function that is adequately resourced 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 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 FY2019, the internal auditors had reviewed and carried out the audit on areas pertaining to sales and marketing management, production management and quality assurance and quality control management.

The AC had reviewed the adequacy and effectiveness of the internal audit function and is satisfied that the internal audit function is effective, adequately qualified and resourced, independent 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.

SHAREHOLDER RIGHTS AND RESPONSIBILITIES (CONT'D)

Principle 16: Conduct of Shareholder Meeting (Cont'd)

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 Catalist Rules, 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 Catalist Rules, 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 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 FY2019 as the Company has deemed it more appropriate to retain the cash in the Group for its future growth plans.

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.

SHAREHOLDER RIGHTS AND RESPONSIBILITIES (CONT'D)

Principle 16: Conduct of Shareholder Meeting (Cont'd)

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 FY2019.

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 year, 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 FY2019.

Sustainability Management

Our second Sustainability Report will be prepared in accordance with the GRI standards and in line with the Singapore Exchange requirements on sustainability reporting the report will highlights the key economic, enviromental, social and governance (ESG) factors such as economic performance, environmental compliance and occupational health and safety. More details and information will be available in the full report that will be published before the end of August 2019.

ADDITIONAL INFORMATION ON DIRECTORS NOMINATED FOR RE-ELECTION – APPENDIX 7F TO THE CATALIST RULES

Pursuant to Rule 720(5) of the Catalist Rules, the information as set out in Appendix 7F to the Catalist Rules relating to Mr Chan Kee Sieng, Mr Chan Kit Moi and Mr Lee Kean Cheong, being the Directors who are retiring in accordance with the Company's Constitution at the forthcoming AGM, is set out below:

	Mr. Chan Kee Sieng	**Mr. Chan Kit Moi**	**Mr. Lee Kean Cheong**
Date of Appointment	30/10/2009	30/10/2009	15/11/2018
Date of last re-appointment	22/04/2016	22/04/2016	–
Age	67	66	51
Country of principal residence	Malaysia	Malaysia	Malaysia
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The re-election of Mr. Chan Kee Sieng as the Executive Chairman of the Company was recommended by the NC and the Board has accepted the recommendation, after taking into consideration his expertise, performance, overall contributions, and competencies in fulfilling his responsibilities.	The re-election of Mr. Chan Kit Moi as the Executive Director of the Company was recommended by the NC and the Board has accepted the recommendation, after taking into consideration his expertise, performance, overall contributions, and competencies in fulfilling his responsibilities.	The re-election of Mr. Lee Kean Cheong as the Independent Director of the Company was recommended by the NC and the Board has accepted the recommendation, after taking into consideration his expertise, performance, overall contributions, and competencies in fulfilling his responsibilities.
Whether appointment is executive, and if so, the area of responsibility	Executive role	Executive role	Independent role
Job Title (e.g. Lead ID, AC Chairman, AC Member, etc)	Executive Chairman	Executive Director	Independent Director and member of the Audit, Nominating and Remuneration Committees.
Professional qualifications	N/A	N/A	ACCA

REPORT ON CORPORATE GOVERNANCE
(cont'd)

ADDITIONAL INFORMATION ON DIRECTORS NOMINATED FOR RE-ELECTION – APPENDIX 7F TO THE CATALIST RULES (CONT'D)

	Mr. Chan Kee Sieng	Mr. Chan Kit Moi	Mr. Lee Kean Cheong
Working experience and occupation(s) during the past 10 years	Chairman and director of MSM International Limited	Director of MSM International Limited	Vice President of Chrysalis Group (From 2005 to 2014) Managing Partner of KCLee & Partners (From 2005 to current) Director of Ideal Earnings Sdn Bhd (From 2011 to current)
Shareholding interest in the listed issuer and its subsidiaries	Direct interest of 187,000 ordinary shares of the Company. 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 of 61,564,747 ordinary shares held by Triumphant Hope.	Direct interest of 130,000 ordinary shares of the Company. 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 of 61,564,747 ordinary shares held by Triumphant Hope.	No
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	Mr Chan Kee Sieng is the father of the Executive Director and CEO, Mr Chan Wen Chau, and elder brother to the Executive Director, Mr Chan Kit Moi.	Mr Chan Kit Moi is younger brother to the Executive Chairman, Mr Chan Kee Sieng.	No
Conflict of Interests (including any competing business)	No	No	No
Undertaking (in the format set out in Appendix 7H) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes	Yes
Other Principal Commitments* Including Directorships#			
Past (for the last 5 years)	None	None	Connectico Sdn Bhd TYK Food (INT) Sdn Bhd D.B.E. Gurney Resources Berhad China Bearing (Singapore) Ltd (currently known as Silkroad Nickel Ltd) Petrol One Resources Berhad

ADDITIONAL INFORMATION ON DIRECTORS NOMINATED FOR RE-ELECTION – APPENDIX 7F TO THE CATALIST RULES (CONT'D)

	Mr. Chan Kee Sieng	Mr. Chan Kit Moi	Mr. Lee Kean Cheong
Other Principal Commitments* Including Directorships# (Cont'd)			
Present	MSM Metal Industries Sdn Bhd MSM Equipment Manufacturer Sdn Bhd MSM Kitchen Sdn Bhd Toyomi Engineering Sdn Bhd Triumphant Hope Sdn Bhd FIC Kitchen Technology Sdn Bhd Chan Strategy Sdn Bhd Widewin Strategy Sdn Bhd	MSM Metal Industries Sdn Bhd MSM Equipment Manufacturer Sdn Bhd MSM Kitchen Sdn Bhd Toyomi Engineering Sdn Bhd Triumphant Hope Sdn Bhd FIC Kitchen Technology Sdn Bhd Chan Strategy Sdn Bhd	Invantest DSG Sdn Bhd Ideal Earnings Sdn Bhd Teo Guan Lee Corporation Berhad Pentamaster Corporation Berhad
Disclose the following matters concerning an appointment of director, chief executive officer, chief financial officer, chief operating officer, general manager or other officer of equivalent rank. If the answer to any question is "yes", full details must be given.			
(a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No	No	No
(b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No	No	No

ADDITIONAL INFORMATION ON DIRECTORS NOMINATED FOR RE-ELECTION – APPENDIX 7F TO THE CATALIST RULES (CONT'D)

	Mr. Chan Kee Sieng	Mr. Chan Kit Moi	Mr. Lee Kean Cheong
Disclose the following matters concerning an appointment of director, chief executive officer, chief financial officer, chief operating officer, general manager or other officer of equivalent rank. If the answer to any question is "yes", full details must be given. (Cont'd)			
(c) Whether there is any unsatisfied judgment against him?	No	No	No
(d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No	No	No
(e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	No	No
(f) Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No	No	No
(g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No	No

REPORT ON CORPORATE GOVERNANCE
(cont'd)

ADDITIONAL INFORMATION ON DIRECTORS NOMINATED FOR RE-ELECTION – APPENDIX 7F TO THE CATALIST RULES (CONT'D)

	Mr. Chan Kee Sieng	Mr. Chan Kit Moi	Mr. Lee Kean Cheong
Disclose the following matters concerning an appointment of director, chief executive officer, chief financial officer, chief operating officer, general manager or other officer of equivalent rank. If the answer to any question is "yes", full details must be given. (Cont'd)			
(h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No	No
(i) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No	No
(j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:– i. any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or ii. any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or iii. any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or iv. any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?	No	No	No

REPORT ON CORPORATE GOVERNANCE
(cont'd)

ADDITIONAL INFORMATION ON DIRECTORS NOMINATED FOR RE-ELECTION – APPENDIX 7F TO THE CATALIST RULES (CONT'D)

	Mr. Chan Kee Sieng	**Mr. Chan Kit Moi**	**Mr. Lee Kean Cheong**
Disclose the following matters concerning an appointment of director, chief executive officer, chief financial officer, chief operating officer, general manager or other officer of equivalent rank. If the answer to any question is "yes", full details must be given. (Cont'd)			
(k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No	No	No
Disclosure applicable to the appointment of Director only			
Any prior experience as a director of a listed company? If yes, please provide details of prior experience. If no, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange. Please provide details of relevant experience and the nominating committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable).	Yes Mr. Chan Kee Sieng is presently already a Director of the Company.	Yes Mr. Chan Kit Moi is presently already a Director of the Company.	Yes Mr. Lee Kean Cheong is presently already an Independent Director of the Company.

FINANCIAL STATEMENTS

DIRECTORS' STATEMENT

for the financial year ended 31 March 2019

The directors present their statement to the members together with the audited financial statements of MSM International Limited (the "Company") and its subsidiary corporations (the "Group") for the financial year ended 31 March 2019 and the balance sheet of the Company as at 31 March 2019.

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 42 to 111 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 2019 and the financial performance, changes in equity and cash flows of the Group for the financial year 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
Lee Kean Cheong (appointed on 15 November 2018)
Wong Kok Seong

Arrangements to enable directors to acquire shares and debentures

Neither at the end of nor at any time during the financial year 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 year 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 31.3.2019	At 1.4.2018	At 31.3.2019	At 1.4.2018
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' interests in shares or debentures (Cont'd)

	Holdings registered in name of director		Holdings in which director is deemed to have an interest	
	At 31.3.2019	At 1.4.2018	At 31.3.2019	At 1.4.2018
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 year.

The directors' interests in the ordinary shares of the Company as at 21 April 2019 were the same as those as at 31 March 2019.

Share options

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

No shares have been issued during the financial year 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 year.

Audit committee

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

Wong Kok Seong (Chairman)
Leow Wee Kia Clement
Lee Kean Cheong

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;

DIRECTORS' STATEMENT
(cont'd)

Audit committee (Cont'd)

- Review the balance sheet of the Company and the consolidated financial statements of the Group for the financial year ended 31 March 2019 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;

- 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

28 June 2019

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 2019, 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 year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 42 to 111.

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 Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)s") 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 2019 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the financial year ended on that date.

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 year. 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
(cont'd)

Key Audit Matters (Cont'd)

Key audit matter	How our audit addressed the matter
Valuation of trade receivables (Refer to notes 2.11(f) and 3.1(a) to the financial statements) As at 31 March 2019, the carrying amounts of trade receivables was RM23,156,000, which accounted for 21% of the Group's total assets. Management has determined the expected credit losses by evaluating a range of possible outcomes and taking into account past events, current conditions and assessment of future economic conditions with reference to SFRS(I) 9 Financial Instruments. In determining the expected credit loss rate of trade receivables, these receivables have been grouped based on shared credit risk characteristics, number of days past due and the category of internal credit rating for each business segment. In calculating the expected credit loss rates, the Group considers historical loss rates for each category of customers. We focused on this area due to the significant degree of judgement involved in the assessment of correlation between historical observed default rates and expected credit losses.	We have reviewed the reasonableness of management's estimation of the expected credit loss rates which were based on the historical loss rates for each category of customers and adjusted to reflect current and forward-looking available information affecting the ability of the customers to settle the receivables, by carrying out the following audit procedures: • assessed the reliability of the trade receivables aging report by reviewing the aging of trade receivables on a sample basis; • reviewed the recoverability of long outstanding trade receivables by verifying to subsequent receipts and any other evidence to support the recoverability of trade receivables; • assessed the recoverability of long outstanding trade receivables by comparing management's assumptions used to estimate the amounts and timing of the collection of outstanding debts to historical patterns of receipts for the respective debtors. We have also assessed the adequacy and appropriateness of the related disclosures made in the financial statements.

Key Audit Matters (Cont'd)

Key audit matter	How our audit addressed the matter
Investment in Marc Conleth Industries Sdn. Bhd. ("MCI") (Refer to notes 12 and 16 to the financial statements) In January 2019, the Group completed the disposal of its 60% equity interest in its wholly-owned subsidiary corporation, MCI, through a share exchange transaction (Note 16), at a consideration of RM2,830,000, which resulted in a loss of control in MCI. Following the completion of the above transaction, the Group has lost its control in MCI but retains a significant influence by virtue of its remaining 40% equity interest and its board representation on MCI. Accordingly, the Group has deconsolidated MCI and reclassified the investment as an associated company, which would be accounted for using equity method in accordance with SRFS(I) 1-28 *Investment in Associate and Joint Ventures*. In accordance with SFRS(I) 10 *Consolidated Financial Statements*, with the loss of control in MCI, the Group has to (a) derecognise the assets and liabilities of MCI from the consolidated balance sheet; (b) recognise 40% investment retained in MCI at its fair value when control is lost; and (c) recognise the gain or loss associated with the loss of control attributable to the former controlling interest. We focused on this area due to the significant degree of judgements involved in the determination of the fair value of the 40% investment retained in MCI.	We have discussed with management and with the assistance of our internal valuation specialists, we have carried out the following procedures: • evaluated the objectivity, independence and expertise of the independent valuer; • evaluated the reasonableness of data used; • challenged the basis and underlying key assumptions used in the financial forecast are supportable based on the current and expected future performance; • performed sensitivity analysis against the key assumptions used. We have also assessed the adequacy and appropriateness of the related disclosures made in the financial statements.

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.

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 SFRS(I)s, 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.

INDEPENDENT AUDITOR'S REPORT
(cont'd)

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.

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 year 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
28 June 2019

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the financial year ended 31 March 2019

	Note	For the financial year from 1 April 2018 to 31 March 2019 (12 months) RM'000	For the financial period from 1 January 2017 to 31 March 2018 (15 months) RM'000
Continuing operations			
Revenue	4	82,233	111,879
Cost of sales		(60,560)	(82,061)
Gross profit		21,673	29,818
Other income			
- Interest		33	37
- Others	5	1,271	948
Other gains and losses			
- Impairment loss on financial assets		(179)	(780)
- Others	6	489	(184)
Expenses			
- Selling and distribution		(5,349)	(6,617)
- Administrative		(14,502)	(18,073)
- Finance	9	(2,887)	(3,170)
		549	1,979
Share of profit of associated companies	20	150	–
Profit before income tax		699	1,979
Income tax expense	10	(579)	(1,210)
Profit from continuing operations		120	769
Discontinued operations			
Profit from discontinued operations	16	2,773	1,112
Total profit, representing total comprehensive income		2,893	1,881
Profit attributable to:			
Equity holders of the Company		2,802	1,852
Non-controlling interests		91	29
		2,893	1,881
Profit attributable to equity holders of the Company relates to:			
Profit from continuing operations		29	740
Profit from discontinued operations		2,773	1,112
		2,802	1,852
Total comprehensive income attributable to:			
Equity holders of the Company		2,802	1,852
Non-controlling interests		91	29
		2,893	1,881

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the financial year ended 31 March 2019 (cont'd)

	Note	For the financial year from 1 April 2018 to 31 March 2019 (12 months)	For the financial period from 1 January 2017 to 31 March 2018 (15 months)
Earnings per share ("EPS") for profit from continuing and discontinued operations attributable to equity holders of the Company (RM cents per share)			
Basic EPS and Diluted EPS			
From continuing operations	11	0.03	0.82
From discontinued operations	11	3.08	1.24

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

BALANCE SHEETS

as at 31 March 2019

		Group			Company		
	Note	31 March 2019 RM'000	31 March 2018 RM'000	1 January 2017 RM'000	31 March 2019 RM'000	31 March 2018 RM'000	1 January 2017 RM'000
ASSETS							
Current Assets							
Cash and bank balances	12	7,834	10,422	10,032	*	*	*
Trade and other receivables	13	27,762	27,276	25,460	15,488	15,858	6,500
Inventories	14	21,264	21,335	28,550	–	–	–
Other current assets	15	6,879	4,808	2,911	–	–	15
Income tax recoverable		328	516	1,079	–	–	–
		64,067	64,357	68,032	15,488	15,858	6,515
Assets held-for-sale	16	–	20,799	–	–	600	–
		64,067	85,156	68,032	15,488	16,458	6,515
Non-Current Assets							
Property, plant and equipment	17	39,924	39,943	44,928	–	–	–
Investment properties	18	3,741	3,785	3,755	–	–	–
Investments in subsidiary corporations	19	–	–	–	19,454	18,804	19,404
Investments in associated companies	20	1,891	–	–	400	–	–
		45,556	43,728	48,683	19,854	18,804	19,404
Total Assets		109,623	128,884	116,715	35,342	35,262	25,919
LIABILITIES							
Current Liabilities							
Trade and other payables	21	13,392	11,866	17,662	1,508	2,798	4,941
Borrowings	22	36,150	38,011	34,814	–	–	–
		49,542	49,877	52,476	1,508	2,798	4,941
Liabilities held-for-sale	16	–	17,173	–	–	–	–
		49,542	67,050	52,476	1,508	2,798	4,941
Non-Current Liabilities							
Borrowings	22	15,735	17,220	21,287	–	–	–
Deferred income tax liabilities	24	7	40	259	–	–	–
		15,742	17,260	21,546	–	–	–
Total Liabilities		65,284	84,310	74,022	1,508	2,798	4,941
NET ASSETS		44,339	44,574	42,693	33,834	32,464	20,978
EQUITY							
Capital and reserves attributable to equity holders of the Company							
Share capital	25	26,862	26,862	26,862	26,862	26,862	26,862
Retained earnings/ (accumulated losses)		16,935	17,261	15,409	6,972	5,602	(5,884)
Currency translation reserve		(61)	(61)	(61)	–	–	–
		43,736	44,062	42,210	33,834	32,464	20,978
Non-controlling interests	19	603	512	483	–	–	–
Total Equity		44,339	44,574	42,693	33,834	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 year ended 31 March 2019

		Attributable to equity holders of the Company					
	Note	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 2019							
Beginning of financial year		26,862	(61)	17,261	44,062	512	44,574
Adoption of SFRS(I) 9	2.2 (a) (ii)	–	–	(3,128)	(3,128)	–	(3,128)
Balance at 1 April 2018		26,862	(61)	14,133	40,934	512	41,446
Profit for the financial year, representing total comprehensive income for the financial year		–	–	2,802	2,802	91	2,893
End of financial year		26,862	(61)	16,935	43,736	603	44,339
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

* Retained earnings of the Group are distributable, except for accumulated retained earnings of associated companies amounting to RM150,000 (2018: Nil).

CONSOLIDATED STATEMENT OF CASH FLOWS

for the financial year ended 31 March 2019

	Note	For the financial year from 1 April 2018 to 31 March 2019 (12 months) RM'000	For the financial period from 1 January 2017 to 31 March 2018 (15 months) RM'000
Cash flows from operating activities			
Total profit		2,893	1,881
Adjustments for:			
- Income tax expense	10	1,035	1,821
- Depreciation of property, plant and equipment		3,922	5,465
- Depreciation of investment properties	7	59	74
- Gain on disposal of property, plant and equipment		(485)	(48)
- Property, plant and equipment written off	7	–	87
- Share of profit of associated companies		(150)	–
- Loss on disposal of a subsidiary corporation	6	11	–
- Interest income		(42)	(51)
- Interest expense		3,493	4,103
		10,736	13,332
Changes in working capital, net effect from disposal of a subsidiary corporation:			
- Trade and other receivables		(9,884)	(11,386)
- Inventories		(2,408)	2,272
- Other current assets		(2,076)	(3,728)
- Trade and other payables		9,132	4,880
- Bills payable		1,735	7,450
Cash generated from operations		7,235	12,820
Interest paid		(2,355)	(2,547)
Interest received		33	51
Income tax paid		(747)	(1,106)
Net cash provided by operating activities		4,166	9,218
Cash flows from investing activities			
Additions to property, plant and equipment		(2,210)	(637)
Addition to investment properties	18	(15)	(104)
Proceeds from disposal of property, plant and equipment		509	48
Disposal of a subsidiary corporation, net of cash disposed of	12	2,004	–
Net cash provided by/(used in) investing activities		288	(693)
Cash flows from financing activities			
Increase in short-term bank deposits pledged		(33)	(51)
Proceeds from bank borrowings		25	159
Repayment of bank borrowings		(1,807)	(3,081)
Repayment of finance lease liabilities		(3,204)	(4,012)
Interest paid		(1,138)	(1,556)
Net cash used in financing activities		(6,157)	(8,541)
Net decrease in cash and cash equivalents		(1,703)	(16)
Cash and cash equivalents			
Beginning of financial year/period		(2,361)	(2,345)
End of financial year/period	12	(4,064)	(2,361)

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

CONSOLIDATED STATEMENT OF CASH FLOWS

for the financial year ended 31 March 2019 (cont'd)

Reconciliation of liabilities arising from financing activities

	1 April 2018 RM'000	Principal and interest payments RM'000	Non-cash changes Acquisition RM'000	Interest expense RM'000	Discontinued operations RM'000	31 March 2019 RM'000
Bank borrowings	13,927	(2,467)	25	660	–	12,145
Finance lease liabilities	7,664	(3,682)	2,876	478	(80)	7,256

	1 January 2017 RM'000	Principal and interest payments RM'000	Non-cash changes Acquisition RM'000	Interest expense RM'000	Discontinued operations 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

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 March 2019

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 and associated companies are disclosed in Notes 19 and 20 to the financial statements.

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

The Group and the Company had changed its financial year end from 31 December to 31 March on 6 December 2017. 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 fifteen months from 1 January 2017 to 31 March 2018 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 (International) ("SFRS(I)s") 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 SFRS(I) 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.

2.2 Adoption of SFRS(I)

As required by the listing requirements of Singapore Exchange, the Group has adopted SFRS(I) on 1 April 2018. These financial statements for the financial year ended 31 March 2019 are the first set of financial statements the Group prepared in accordance with SFRS(I). The Group's previously issued financial statements for periods up to and including the financial period ended 31 March 2018 were prepared in accordance with Singapore Financial Reporting Standards ("SFRS").

In adopting SFRS(I) on 1 April 2018, the Group is required to apply all of the specific transition requirements in SFRS(I) 1 *First-time Adoption of SFRS(I)*.

Under SFRS(I) 1, these financial statements are required to be prepared using accounting policies that comply with SFRS(I) effective as at 31 March 2019. The same accounting policies are applied throughout all periods presented in these financial statements, subject to the mandatory exceptions and optional exemptions under SFRS(I) 1.

The Group's opening balance sheet has been prepared as at 1 January 2017, which is the Group's date of transition to SFRS(I).

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

2.2 Adoption of SFRS(I) (Cont'd)

There were no material adjustments to the Group's and the Company's balance sheet, statement of comprehensive income, statement of changes in equity and statement of cash flows arising from the transition from SFRS to SFRS(I), except for the following:

(a) Adoption of SFRS(I) 9

SFRS(I) 9 *Financial Instruments* sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. It also introduces a new 'expected credit loss' model and a new general hedge accounting model. The Group adopted SFRS(I) 9 from 1 April 2018.

(i) Short-term exemption on adoption of SFRS(I) 9

In accordance with the exemption in SFRS(I) 1, the Group elected not to restate information for 2018. Accordingly, the information presented for 2018 is presented, as previously reported, under SFRS 39 *Financial Instruments: Recognition and Measurement*. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of SFRS(I) 9 are recognised in retained earnings and reserves as at 1 April 2018. Arising from this election, the Group is exempted from providing disclosures required by SFRS(I) 7 *Financial Instruments: Disclosures* for the comparative period to the extent that these disclosures relate to items within the scope of SFRS(I) 9. Instead, disclosures under SFRS 107 *Financial Instruments: Disclosures* relating to items within the scope of SFRS 39 are provided for the comparative period.

(ii) Classification of financial assets and financial liabilities

For an explanation of how the Group classifies and measures financial assets and related gains and losses under SFRS(I) 9, see Note 2.11(e).

The adoption of SFRS(I) 9 has not had a significant effect on the Group's accounting policies for financial liabilities.

Trade and other receivables and cash and cash equivalents that were classified as loans and receivables under SFRS 39 are now classified at amortised cost.

The effects on adoption of SFRS(I) 9 are as follows:

	As at 31 March 2018 (SFRS 39) RM'000	**Effect of the adoption of SFRS(I) 9 RM'000**	**As at 1 April 2018 (SFRS(I) 9) RM'000**
Trade and other receivables	27,276	(3,128)	24,148
Retained earnings	17,261	(3,128)	14,133

* *The above table shows the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included.*

An additional impairment allowance of RM3,128,000 recognised at 1 April 2018 on adoption of SFRS(I) 9. For an explanation of how the Group assess its expected credit loss, see Note 31(b).

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

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

2.2 Adoption of SFRS(I) (Cont'd)

(b) *Adoption of SFRS(I) 15*

In accordance with the requirement of SFRS(I) 1, the Group adopted all of the requirements of SFRS(I) 15 *Revenue from Contracts with Customers* as of 1 April 2018. SFRS(I) 15 utilises a methodical framework for entities to follow in order to recognise 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 and services. The change did not impact the cumulated revenue recognised or the related assets and liabilities on the transition date.

The adoption of SFRS(I) 15 resulted in no impact to the opening retained profits nor to the opening balance of accumulated other comprehensive income on 1 April 2018.

The accounting policies for revenue recognition under SFRS(I) 15 is as disclosed on Note 2.5 to the financial statements.

2.3 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.

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

2.3 Group accounting (Cont'd)

(a) Subsidiary corporations (Cont'd)

(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.

(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 the paragraph "Investments in subsidiary corporations and associated companies" 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.

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

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

2.3 Group accounting (Cont'd)

(c) Associated companies

Associated companies are entities over which the Group has significant influence, but not control, generally accompanied by a shareholding giving rise to voting rights of 20% and above but not exceeding 50%.

Investments in associated companies are accounted for in the consolidated financial statements using the equity method of accounting less impairment losses, if any.

(i) Acquisitions

Investments in associated companies are initially recognised at cost. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

Goodwill on associated companies represents the excess of the cost of acquisition of the associated company over the Group's share of the fair value of the identifiable net assets of the associated company and is included in the carrying amount of the investments.

(ii) Equity method of accounting

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise Group's share of its associated companies' post-acquisition profits or losses of the investee in profit or loss and its share of movements in other comprehensive income of the investee's other comprehensive income.

Dividends received or receivable from the associated companies are recognised as a reduction of the carrying amount of the investments. When the Group's share of losses in an associated company equals to or exceeds its interest in the associated company, the Group does not recognise further losses, unless it has legal or constructive obligations to make, or has made, payments on behalf of the associated company. If the associated company subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised. Interest in an associated company includes any long-term loans for which settlement is never planned nor likely to occur in the foreseeable future.

Unrealised gains on transactions between the Group and its associated companies are eliminated to the extent of the Group's interest in the associated companies. Unrealised losses are also eliminated unless the transactions provide evidence of impairment of the assets transferred. The accounting policies of associated companies are changed where necessary to ensure consistency with the accounting policies adopted by the Group.

(iii) Disposals

Investments in associated companies are derecognised when the Group loses significant influence. If the retained equity interest in the former associated company is a financial asset, the retained equity interest is measured at fair value. The difference between the carrying amount of the retained interest at the date when significant influence is lost, and its fair value and any proceeds on partial disposal, is recognised in profit or loss.

Please refer to the paragraph "Investments in subsidiary corporations and associated companies" for the accounting policy on investments in associated companies in the separate financial statements of the Company.

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

2.4 Investments in subsidiary corporations and associated companies

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

2.5 Revenue recognition

Revenue is recognised when the Group satisfies a performance obligation by transferring a promised goods and services to the customer, which is when the customer obtains control of the goods and services. A performance obligation is satisfied at a point in time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation.

(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 obtained control of 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.

2.6 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 costs*

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 2.8 on borrowing costs).

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

2.6 Property, plant and equipment (Cont'd)

(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 work-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 gain and losses - others".

2.7 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.

Goodwill on acquisitions of associated companies represents the excess of the cost of the acquisition over the Group's share of the fair value of the identifiable net assets acquired. Goodwill on associated companies is included in the carrying amount of the investments.

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

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

2.8 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 year 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.

2.9 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 buildings	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.

2.10 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.

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

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

2.10 Impairment of non-financial assets (Cont'd)

(a) Goodwill (Cont'd)

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 and associated companies

Property, plant and equipment, investment properties and investments in subsidiary corporations and associated companies 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 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.

2.11 Financial assets

The accounting for financial assets before 1 April 2018 are as follows:

(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 13), "Cash and bank balances" (Note 12) and "Other current assets" (Note 15) on the balance sheet.

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

2.11 Financial assets (Cont'd)

(b) *Initial measurement*

Loans and receivables are initially recognised at fair value plus transaction costs.

(c) *Subsequent measurement*

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

(d) *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 Financial assets (Cont'd)

The accounting for financial assets from 1 April 2018 are as follows:

(e) *Classification and measurement*

The Group classifies its financial assets at amortised cost.

The classification depends on the Group's business model for managing the financial assets as well as the contractual terms of the cash flows of the financial asset.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

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

<u>At initial recognition</u>

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

<u>At subsequent measurement</u>

(i) *Debt instruments*

Debt instruments mainly comprise of cash and cash equivalents and trade and other receivables.

Subsequent measurement for debt instruments classified as amortised cost:

Debt instruments that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt instrument that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in interest income using the effective interest rate method.

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

2.11 Financial assets (Cont'd)

(f) Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt financial assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by the SFRS(I) 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. Note 31(b) to the financial statements provides further disclosure on the impairment policy.

(g) 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 debt instrument, 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.

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

2.12 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.

2.13 Financial guarantee

The Company has issued corporate guarantees to banks for bank borrowings of its subsidiary corporations and associated company. These guarantees are financial guarantees as they require the Company to reimburse the banks if the subsidiaries fail to make principal or interest payments when due in accordance with the terms of their borrowings. Intra-Group transactions are eliminated on consolidation.

Financial guarantee contracts are initially measured at fair value plus transaction costs and subsequently measured at the higher of:

(a) premium received on initial recognition less the cumulative amount of income recognised in accordance with the principles of SFRS(I) 15; and

(b) the amount of expected loss computed using the impairment methodology under SFRS(I) 9.

Prior to 1 April 2018, financial guarantees were subsequently measured at the higher of (a) and the expected amounts payable to the banks in the event it is probable that the Company will reimburse the banks.

2.14 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.

2.15 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.

2.16 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.

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

2.17 Leases

(a) *When the Group is the lessee:*

The Group leases motor vehicles, computer and office equipment, certain plant and machinery and renovation 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.

2.18 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)

2.19 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.

2.20 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.

2.21 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.

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

2.21 Employee compensation (Cont'd)

(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.

2.22 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 exchange 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 gains and losses - others'.

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, with loss of control of the foreign operation.

Goodwill and 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.23 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.

2.24 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.

2.25 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.

2.26 Non-current assets (or disposal groups) held-for-sale and discontinued operations

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.

A discontinued operation is a component of an entity that either has been disposed of, or that is classified as held-for-sale and:

(a) represents a separate major line of business or geographical area of operations; or
(b) is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
(c) is a subsidiary acquired exclusively with a view to resale.

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) Expected credit losses on trade receivables

As at 31 March 2019, the Group's trade receivables amounted to RM27,978,000 (2018: RM27,002,000) (Note 13), arising from the Group's different revenue segments – sale of OEM contract manufacturing products, kitchen appliances, equipment and related services and cleanroom and laboratories products.

Based on the Group's historical credit loss experience, trade receivables exhibited significantly different loss patterns for each business segment. Management has determined the expected loss rates by grouping the receivables according to the category of internal credit rating of each business segment. A loss allowance of RM4,822,000 (2018: RM1,515,000) (Note 13) for trade receivables was recognised as at 31 March 2019.

The Group's and the Company's credit risk exposure for trade receivables are set out in Note 31(b).

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 RM1,898,000 (31 March 2018: RM1,827,000).

The carrying amount of work-in-progress and finished goods at the balance sheet date is disclosed in Note 14.

(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 2.6. 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 RM198,000 (31 March 2018: RM240,000) or decrease by RM323,000 (31 March 2018: RM334,000) respectively.

The carrying amount of the Group's plant and machinery at the balance sheet is disclosed in Note 17.

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 RM29,000 (31 March 2018: RM167,000) and the unrecognised tax losses, capital allowances, and investment and reinvestment allowances of the Group was RM18,075,000 (31 March 2018: RM17,651,000). 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.

(b) *Investment in Marc Conleth Industries Sdn. Bhd. ("MCI")*

In January 2019, the Group completed the disposal of 60% equity interest in its wholly-owned subsidiary corporation, MCI, for a consideration of RM2,830,000, which resulted in a loss of control in MCI. Consequently, the Group has lost its control in MCI, but retains a significant influence by virtue of its remaining 40% equity interest and its board representation on MCI. Accordingly, the Group has deconsolidated MCI and reclassified the investment as an associated company, which would be accounted for using equity method. The 40% equity interest retained in MCI was remeasured to RM1,741,000 as the cost of investment in associated company. The value was determined by management and an independent valuer who relied on management's forecasts and estimates to derive the underlying assumptions to be applied for the remeasurement.

The mangement has exercised its judgement and is satisfied with the value determined by the independent valuer.

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

4. REVENUE

	Group	
	For the financial year from 1 April 2018 to 31 March 2019 (12 months) RM'000	For the financial period from 1 January 2017 to 31 March 2018 (15 months) RM'000
Revenue from:		
- OEM contract manufacturing products	33,887	39,157
- Kitchen appliances, equipment and related services	36,572	54,723
- Cleanroom and laboratories products	11,774	17,999
	82,233	111,879

All revenue are recognised at a point in time.

5. OTHER INCOME - OTHERS

	Group	
	For the financial year from 1 April 2018 to 31 March 2019 (12 months) RM'000	For the financial period from 1 January 2017 to 31 March 2018 (15 months) RM'000
Rental income		
- Investment properties (Note 18)	76	120
- Factory, hostel and office	438	334
- Motor vehicles	41	73
- Machineries	241	–
Insurance claim	73	239
Others	402	182
	1,271	948

6. OTHER GAINS AND LOSSES - OTHERS

	Group	
	For the financial year from 1 April 2018 to 31 March 2019 (12 months) RM'000	For the financial period from 1 January 2017 to 31 March 2018 (15 months) RM'000
Currency exchange gain/(loss) – net	15	(190)
Gain on disposal of property, plant and equipment	485	6
Loss on disposal of subsidiary corporation (Note 12)	(11)	–
	489	(184)

7. EXPENSES BY NATURE

	Group	
	For the financial year from 1 April 2018 to 31 March 2019 (12 months) RM'000	**For the financial period from 1 January 2017 to 31 March 2018 (15 months) RM'000**
Bad debts written off – trade receivables from non-related parties	–	28
Changes in inventories	(49)	2,307
Commission	148	485
Depreciation of property, plant and equipment (Note 17)	3,390	4,312
Depreciation of investment properties (Note 18)	59	74
Directors' fees	207	293
Employee compensation (Note 8)	17,160	22,959
Exhibitions	181	350
Fees on audit services paid/payable to:		
- Auditor of the Company	153	153
- Other auditors*	237	145
Fees on non-audit services paid/payable to:		
- Other auditors*	65	72
Freight and forwarding	853	1,213
Fuel and gas	846	1,026
Insurance	654	683
Inventories written off	–	658
Property, plant and equipment written off	–	87
Professional fees	899	399
Purchases of inventories	42,003	55,510
Rental expense on operating leases	1,315	1,068
Subcontractors' cost	5,530	7,505
Travelling and transportation	1,572	1,881
Upkeep, repair and maintenance	2,136	2,262
Utilities	1,529	1,799
Others	1,523	1,482
Total cost of sales, selling and distribution, and administrative expenses	80,411	106,751

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

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

8. EMPLOYEE COMPENSATION

	Group	
	For the financial year from 1 April 2018 to 31 March 2019 (12 months) RM'000	For the financial period from 1 January 2017 to 31 March 2018 (15 months) RM'000
Salaries, wages and bonuses	15,428	20,424
Employer's contribution to defined contribution plans	1,103	1,469
Other short-term benefits	629	1,066
	17,160	22,959

9. FINANCE EXPENSES

	Group	
	For the financial year from 1 April 2018 to 31 March 2019 (12 months) RM'000	For the financial period from 1 January 2017 to 31 March 2018 (15 months) RM'000
Interest expense		
- Bank overdraft	928	1,003
- Bank loans	483	448
- Bills payable	1,045	1,143
- Finance lease liabilities	431	576
	2,887	3,170

10. INCOME TAX EXPENSES

	Group	
	For the financial year from 1 April 2018 to 31 March 2019 (12 months) RM'000	For the financial period from 1 January 2017 to 31 March 2018 (15 months) RM'000
Tax expense attributable to profit is made up of:		
Profit for the financial year/period:		
From continuing operations		
- Current income tax - Malaysia	725	1,152
- Deferred income tax (Note 24)	(33)	42
	692	1,194
From discontinued operations		
- Current income tax - Malaysia	649	560
	1,341	1,754
(Over)/under provision in prior financial periods/years:		
From continuing operations		
- Current income tax	(113)	26
- Deferred income tax (Note 24)	–	(10)
	(113)	16
From discontinued operations		
- Current income tax - Malaysia	(193)	51
	(306)	67
	1,035	1,821
Tax expense is attributable to:		
- Continuing operations	579	1,210
- Discontinued operations (Note 16)	456	611
	1,035	1,821

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

10. 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 year from 1 April 2018 to 31 March 2019 (12 months) RM'000	**For the financial period from 1 January 2017 to 31 March 2018 (15 months) RM'000**
Profit before income tax from		
- Continuing operations	699	1,979
- Discontinued operations (Note 16)	3,229	1,723
	3,928	3,702
Share of profit of associated companies, net of tax	(150)	–
Profit before income tax and share of profit of associated companies	3,778	3,702
Tax calculated at Malaysia income tax rate of 24% (2018: 24%)	907	888
Effects of:		
- Different tax rates in other countries	62	89
- Tax incentives	(277)	(223)
- Expenses not deductible for tax purposes	634	824
- Income not subject to tax	–	(21)
- Utilisation of previously unrecognised tax losses and allowances	(40)	(148)
- Deferred tax assets not recognised	55	345
- (Over)/under provision of tax in prior financial periods/years	(306)	67
Tax expense	1,035	1,821

11. 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 year/period.

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 year and prior financial period.

	For the financial year from 1 April 2018 to 31 March 2019 (12 months)	**For the financial period from 1 January 2017 to 31 March 2018 (15 months)**
Net profit attributable to equity holders of the Company (RM'000)		
- Continuing operations	29	740
- Discontinued operations	2,773	1,112
	2,802	1,852
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)		
- Continuing operations	0.03	0.82
- Discontinued operations	3.08	1.24
	3.11	2.06

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

12. CASH AND BANK BALANCES

	Group			Company		
	31 March 2019 RM'000	31 March 2018 RM'000	1 January 2017 RM'000	31 March 2019 RM'000	31 March 2018 RM'000	1 January 2017 RM'000
Cash at bank and on hand	6,805	9,426	8,723	*	*	*
Short-term bank deposits	1,029	996	1,309	–	–	–
	7,834	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 2019 RM'000	31 March 2018 RM'000	1 January 2017 RM'000
Cash and bank balances (as above)	7,834	10,422	10,032
Less: Short-term bank deposits pledged	(1,029)	(996)	(1,309)
Less: Bank overdrafts (Note 22)	(10,869)	(11,851)	(11,068)
	(4,064)	(2,425)	(2,345)
Assets held-for-sale			
Cash and bank balances (Note 16)	–	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	(4,064)	(2,361)	(2,345)

Short-term bank deposits are pledged in relation to the security granted for certain borrowings (Note 22(a)).

12. CASH AND BANK BALANCES (CONT'D)

Disposal of subsidiary corporation

In January 2019, the Group completed the disposal of its 60% equity interest in its wholly-owned subsidiary corporation, Marc Conleth Industries Sdn. Bhd.. The effects of the disposal on the cash flows of the Group were:

	Group 2019 RM'000
Carrying amounts of assets and liabilities as at the date of disposal:	
Cash and bank balances	773
Trade and other receivables	18,670
Inventories	7,422
Other current assets	1,836
Property, plant and equipment	3,982
Total assets	32,683
Trade and other payables	18,282
Current income tax liabilities	253
Deferred income tax liabilities	251
Borrowings	9,315
Total liabilities	28,101
Net assets derecognised	4,582
Net assets retained and reclassified as investment in associated companies	(1,741)
Net assets disposed of	2,841
Cash inflows arising from disposal:	
Net assets disposed of (as above)	2,841
Loss on disposal (Note 6)	(11)
Consideration on disposal	2,830
Less: Consideration receivable	(2,830)
Less: Cash and cash equivalents in subsidiary corporation disposed of	(2,004)
Net cash inflow on disposal	2,004

13. TRADE AND OTHER RECEIVABLES

	Group			Company		
	31 March 2019 RM'000	31 March 2018 RM'000	1 January 2017 RM'000	31 March 2019 RM'000	31 March 2018 RM'000	1 January 2017 RM'000
Trade receivables						
- Non–related parties	24,294	27,001	24,867	–	–	–
- Associated company	3,684	–	–	–	–	–
- Related parties	–	1	72	–	–	–
	27,978	27,002	24,939	–	–	–
Less: Loss allowance - non-related parties (Note 31(b)(ii))	(4,822)	(1,515)	(877)	–	–	–
Trade receivables - net	23,156	25,487	24,062	–	–	–
Other receivables						
- Non–related parties	1,214	1,789	1,398	–	–	–
- Associated company	3,392	–	–	859	–	–
- Subsidiary corporations	–	–	–	14,629	15,858	6,500
	27,762	27,276	25,460	15,488	15,858	6,500

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

14. INVENTORIES

	Group		
	31 March 2019 RM'000	31 March 2018 RM'000	1 January 2017 RM'000
Raw materials	2,283	3,065	4,053
Work-in-progress	9,565	10,321	15,915
Finished goods	9,416	7,949	8,582
	21,264	21,335	28,550

The cost of inventories recognised as an expense and included in "cost of sales" amounted to RM41,954,000 (2018: RM58,475,000).

15. OTHER CURRENT ASSETS

	Group			Company		
	31 March 2019 RM'000	31 March 2018 RM'000	1 January 2017 RM'000	31 March 2019 RM'000	31 March 2018 RM'000	1 January 2017 RM'000
Deposits	1,329	993	668	–	–	–
Prepayments	5,550	3,815	2,243	–	–	15
	6,879	4,808	2,911	–	–	15

16. DISCONTINUED OPERATIONS AND ASSETS AND LIABILITIES CLASSIFIED AS 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 "Proposed Disposal").

In connection with the above, MCI has on the same day, entered into a separate conditional share and purchase agreement with the Purchaser to acquire 100% shareholding interest (400,000 ordinary shares) of Cosmos Instruments Sdn. Bhd. ("Cosmos") (the "Proposed Acquisition").

As at 31 March 2018, the entire assets and liabilities related to MCI are classified as held-for-sale on the balance sheets and its entire results were presented separately on the consolidated statement of comprehensive income as "Discontinued Operations".

In January 2019, the Proposed Disposal and Proposed Acquisition (collectively, the "Share Exchange") was completed ("Completion"). Following the Completion, the Group retained 40% shareholding interest in MCI, and an effective 40% shareholding interest of Cosmos (held through MCI) (Note 20).

Please refer to Note 12 for the effects of the disposal on the cash flows of the Group.

(a) The results of the discontinued operations from 1 April 2018 to 31 December 2018 and comparative results for the financial period ended 31 March 2018 which have been included in the financial statements, were as follows:

	Group	
	For the financial period from 1 April 2018 to 31 December 2018 RM'000	For the financial period from 1 January 2017 to 31 March 2018 RM'000
Revenue	25,824	38,487
Expenses	(23,536)	(35,975)
Other income	941	(789)
Profit before income tax from discontinued operations (Note 10)	3,229	1,723
Income tax expense (Note 10)	(456)	(611)
Net profit from discontinued operations	2,773	1,112

16. DISCONTINUED OPERATIONS AND ASSETS AND LIABILITIES CLASSIFIED AS HELD-FOR-SALE (CONT'D)

(b) The impact of the discontinued operations on the cash flows of the Group is as follows:

	Group	
	For the financial period from 1 April 2018 to 31 December 2018 RM'000	For the financial period from 1 January 2017 to 31 March 2018 RM'000
Operating cash inflows	6,119	3,832
Investing cash (outflows)/ inflows	(116)	123
Financing cash outflows	(8,061)	(2,293)
Total cash (outflows)/inflows	(2,058)	1,662

(c) Details of the assets classified as held-for-sale were as follows:

	Group 31 March 2018 RM'000
Cash and bank balances (Note 12)	1,632
Trade and other receivables	9,570
Inventories	4,943
Other current assets	1,831
Plant and equipment (Note 17)	2,823
	20,799

(d) Details of the liabilities classified as held-for-sale were as follows:

	Group 31 March 2018 RM'000
Trade and other payables	10,676
Borrowings	6,126
Current income tax liabilities	120
Deferred income tax liabilities (Note 24)	251
	17,173

	Company 31 March 2018 RM'000
(e) Details of the assets in non-current assets classified as held-for-sale were as follows:	
Investments in subsidiary corporations (Note 19)	600

17. 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	Total RM'000
31 March 2019								
Cost								
Beginning of financial year	7,414	22,597	29,204	3,967	3,269	3,054	456	69,961
Additions	–	–	127	2,527	48	350	–	3,052
Written off	–	–	–	(259)	(15)	(64)	–	(338)
Disposals	–	–	(1,693)	–	(202)	–	–	(1,895)
End of financial year	7,414	22,597	27,638	6,235	3,100	3,340	456	70,780
Accumulated depreciation								
Beginning of financial year	–	3,415	19,186	2,667	2,031	2,263	456	30,018
Depreciation charge (Note 7)	–	200	1,984	480	470	256	–	3,390
Written off	–	–	–	(259)	(15)	(64)	–	(338)
Disposals	–	–	(1,693)	–	(178)	–	–	(1,871)
Adjustments	–	–	(343)	–	–	–	–	(343)
End of financial year	–	3,615	19,134	2,888	2,308	2,455	456	30,856
Net book value								
End of financial year	7,414	18,982	8,504	3,347	792	885	–	39,924

17. 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 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 16)	–	–	(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									
- Continuing operations (Note 7)	–	236	2,424	541	615	376	120	–	4,312
- Discontinued operations	–	304	670	13	154	12	–	–	1,153
Written off	–	–	(26)	–	(114)	(118)	–	–	(258)
Reclassified to assets held-for-sale (Note 16)	–	–	(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

17. 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 2019 RM'000	31 March 2018 RM'000	1 January 2017 RM'000
Plant and machinery	–	2,210	3,868
Motor vehicles	41	437	524
Computer and office equipment	293	–	–
Renovation	1,896	–	–
	2,230	2,647	4,392

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

	Group 31 March 2019 RM'000	31 March 2018 RM'000	1 January 2017 RM'000
Plant and machinery	4,701	7,865	6,969
Motor vehicles	799	1,453	1,722
Computer and office equipment	252	106	193
Renovation	2,019	–	–
	7,771	9,424	8,884

(c) Certain property, plant and equipment of the Group with carrying amounts of RM26,396,000 (2018: RM26,596,000), are provided as security for bank borrowings and bills payable (Note 22(a)).

18. INVESTMENT PROPERTIES

	Leasehold land RM'000	Leasehold land and buildings RM'000	Total RM'000
Group			
31 March 2019			
Cost			
Beginning of financial year	3,675	903	4,578
Additions	15	–	15
End of financial year	3,690	903	4,593
Accumulated depreciation			
Beginning of financial year	518	275	793
Depreciation charge (Note 7)	46	13	59
End of financial year	564	288	852
Net book value			
End of financial year	3,126	615	3,741
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 7)	58	16	74
End of financial period	518	275	793
Net book value			
End of financial period	3,157	628	3,785

Investment properties are leased to related and non-related parties under operating leases (Note 28(c)).

All investment properties are mortgaged to secure bank loans (Note 22(a)).

18. INVESTMENT PROPERTIES (CONT'D)

The following amounts are recognised in profit or loss:

	Group	
	For the financial year from 1 April 2018 to 31 March 2019 (12 months) RM'000	For the financial period from 1 January 2017 to 31 March 2018 (15 months) RM'000
Rental income (Note 5)	76	120
Direct operating expenses arising from:		
- Investment property that generated rental income	(19)	(24)
- Investment property that did not generate rental income	(49)	(62)

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	53
No. 14 Jalan Kencana 30 Taman Kencana, 56100 Kuala Lumpur	Factory with 3-storey office	Commercial	Leasehold land and building	64

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 2019			
- Industrial land	–	7,100	–
- Factory building	–	2,000	–
31 March 2018			
- Industrial land	–	7,100	–
- Factory building	–	2,000	–
1 January 2017			
- Industrial land	–	7,100	–
- Factory building	–	2,000	–

18. INVESTMENT PROPERTIES (CONT'D)

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 market transacted data available on a yearly basis.

19. INVESTMENTS IN SUBSIDIARY CORPORATIONS

	Company		
	31 March 2019 RM'000	31 March 2018 RM'000	1 January 2017 RM'000
Equity investment at cost:			
Beginning of financial year/period	19,073	19,673	19,673
Add: Additions [1] [2]	1,050	–	–
Less: Allowance for impairment loss of investment in a subsidiary corporation	(269)	(269)	(269)
	19,854	19,404	19,404
Less: Reclassified to assets held-for-sale (Note 16)	–	(600)	–
Less: Reclassified to investments in associated companies (Note 20)	(400)	–	–
End of financial year/period	19,454	18,804	19,404

(1) On 27 June 2018, the Company increased the cost of investment in a wholly-owned subsidiary corporation, Marc16 Equipment Manufacturing Sdn. Bhd., by way of capitalisation of an amount of RM900,000 due from the subsidiary corporation.

(2) In 10 December 2018, the Company increased the cost of investment in a wholly-owned subsidiary corporation, OMS Technology Sdn. Bhd., for a cash consideration of RM150,000.

The movement for allowance for impairment loss are as follows:

	Company	
	31 March 2019 RM'000	31 March 2018 RM'000
Beginning and end of financial year/period	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 26).

19. INVESTMENTS IN SUBSIDIARY CORPORATIONS (CONT'D)

The Group had the following subsidiary corporations as at 31 March 2019, 31 March 2018 and 1 January 2017:

Name of subsidiary corporations	Principal activities	Country of business/ incorporation	Proportion of ordinary shares held by the Group			Proportion of ordinary shares held by the non-controlling interests		
			31 March 2019	31 March 2018	1 January 2017	31 March 2019	31 March 2018	1 January 2017
			%	%	%	%	%	%
Held by the Company								
MSM Metal Industries Sdn. Bhd.[(1)]	Contract manufacturing of all metal products	Malaysia	100	100	100	–	–	–
MSM Equipment Manufacturer Sdn. Bhd.[(1)]	Contract manufacturing of kitchen equipment and sale of standard kitchen equipment	Malaysia	100	100	100	–	–	–
MSM Kitchen Sdn. Bhd.[(1)]	Sale and servicing of standard kitchen equipment products	Malaysia	100	100	100	–	–	–
Toyomi Engineering Sdn. Bhd.[(1)]	Sale and servicing of metal parts and kitchen equipment, and design consultancy and installation works	Malaysia	100	100	100	–	–	–
FIC Kitchen Technology Sdn. Bhd.[(1)]	Manufacturing, sale and servicing of refrigeration appliances	Malaysia	100	100	100	–	–	–
OMS Technology Sdn. Bhd.[(1)]	Design, consultancy and installation works for cleanrooms and laboratories	Malaysia	100	100	100	–	–	–
Marc Conleth Industries Sdn. Bhd.[(1)]	Metal engineering work for oil and gas and environmental related industries	Malaysia	–[(4)]	100	100	–	–	–
Marc16 Equipment Manufacturing Sdn. Bhd.[(1)]	Trading, design and supply of machine	Malaysia	100	100	100	–	–	–

19. INVESTMENTS IN SUBSIDIARY CORPORATIONS (CONT'D)

The Group had the following subsidiary corporations as at 31 March 2019, 31 March 2018 and 1 January 2017 (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 the non-controlling interests		
			31 March 2019	31 March 2018	1 January 2017	31 March 2019	31 March 2018	1 January 2017
			%	%	%	%	%	%
Held by the Company (cont'd)								
Flexacon Automation System Sdn. Bhd.(1)	Trading, design and supply of machine, conveyor system	Malaysia	51	51	51	49	49	49
MSM Metal (S) Pte. Ltd.(2)	Trading and servicing of metal parts and kitchen equipment	Singapore	100	100	100	–	–	–
Held by the MSM Equipment Manufacturer Sdn. Bhd.								
PT. Mulia Sinergi Metalindo(3)	Sale and service of metal parts, kitchen equipment	Indonesia	100	100	100	–	–	–
MSM R Kitchen Sdn. Bhd.(1)	Trading and servicing of metal parts and kitchen equipment	Malaysia	100	100	100	–	–	–

(1) Audited by Nexia SSY PLT/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
(4) In January 2019, the Group completed the disposal of its 60% equity interest in Marc Conleth Industries Sdn. Bhd. ("MCI") which resulted in a loss of control in MCI. In consequence of the loss of control but significant influence retained, the Group has deconsolidated MCI and reclassified the investment as an associated company (Notes 16 and 20).

Carrying value of non-controlling interests

	Group		
	31 March 2019 RM'000	**31 March 2018 RM'000**	**1 January 2017 RM'000**
Flexacon Automation System Sdn. Bhd.	603	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 year/period ended 31 March 2019 and 31 March 2018.

19. INVESTMENTS IN SUBSIDIARY CORPORATIONS (CONT'D)

Summarised balance sheet

	Flexacon Automation System Sdn. Bhd.		
	31 March 2019 RM'000	**31 March 2018 RM'000**	**1 January 2017 RM'000**
Current			
Assets	2,112	2,278	1,399
Liabilities	(971)	(1,302)	(479)
Total current net assets	1,141	976	920
Non-current			
Assets	109	107	75
Liabilities	(21)	(39)	(10)
Total non-current net assets	88	68	65
Net assets	1,229	1,044	985

Summarised statement of comprehensive income

	Flexacon Automation System Sdn. Bhd.	
	For the financial year from 1 April 2018 to 31 March 2019 (12 months) RM'000	**For the financial period from 1 January 2017 to 31 March 2018 (15 months) RM'000**
Revenue	6,303	4,919
Profit before income tax	468	92
Income tax expense	(283)	(32)
Net profit	185	60
Other comprehensive income	–	–
Total comprehensive income	185	60
Total comprehensive income allocated to non-controlling interests	91	29

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

19. INVESTMENTS IN SUBSIDIARY CORPORATIONS (CONT'D)

Summarised cash flows

	Flexacon Automation System Sdn. Bhd.	
	For the financial year from 1 April 2018 to 31 March 2019 (12 months) RM'000	For the financial period from 1 January 2017 to 31 March 2018 (15 months) RM'000
Cash flows from operating activities		
Cash generated from operations	838	836
Income tax paid	(124)	(305)
Net cash(used in)/provided by operating activities	(962)	531
Net cash used in investing activities	(24)	(4)
Net cash used in financing activities	(15)	(2)
Net (decrease)/increase in cash and cash equivalents	(1,001)	525
Cash and cash equivalents at beginning of year/period	1,471	946
Cash and cash equivalents at end of year/period	470	1,471

20. INVESTMENTS IN ASSOCIATED COMPANIES

	Group 31 March 2019 RM'000	Company 31 March 2019 RM'000
Equity investment at cost:		
Beginning of financial year	–	–
Reclassified from investments in subsidiary corporations (Note 19)	–	400
Remeasurement of equity interests retained	1,741	–
Share of profit of associated companies	150	–
End of financial year	1,891	400

20. INVESTMENTS IN ASSOCIATED COMPANIES (CONT'D)

Set out below are the associated companies which are material to the Group:

Name of associated company	Principal activities	Country of business/ incorporation	% of ownership interest 31 March 2019 %
Held by the Company			
Marc Conleth Industries Sdn. Bhd. (1) (2)	Metal engineering work for oil and gas and environmental related industries	Malaysia	40
Held by Marc Conleth Industries Sdn. Bhd.			
Cosmos Instruments Sdn. Bhd. (1) (2)	Supply of industrial automotion and control instruments	Malaysia	100

(1) The financial year end of the associated company is 30 April.
(2) Audited by Nexia SSY PLT/SSY Partners, Malaysia, a member firm of Nexia International

There are contingent liabilities relating to the Group's interest in the associated companies, as disclosed in Note 27.

Summarised financial information for associated companies

Summarised balance sheet

	Marc Conleth Industries Sdn. Bhd. and its subsidiary corporation 30 April 2019 RM'000
Current	
Assets	31,054
Liabilities	(25,472)
Total current net assets	5,582
Non-current	
Assets	4,435
Liabilities	(1,589)
Total non-current net assets	2,846
Net assets	8,428

20. INVESTMENTS IN ASSOCIATED COMPANIES (CONT'D)

Summarised statement of comprehensive income

	Marc Conleth Industries Sdn. Bhd. and its subsidiary corporation For the financial period from 1 January 2019 to 30 April 2019 RM'000
Revenue	14,836
Profit before income tax	324
Income tax credit	50
Net profit	374
Total comprehensive income	374
Share of profit of associated companies	150

On 31 December 2018, Marc Conleth Industries Sdn. Bhd. changed its financial year end from 31 March to 30 April. Consequently, the share of profit of the group of associated companies covers the period from 1 January 2019 to 30 April 2019. The directors have assessed the share of profit of associated companies from 1 April 2019 to 30 April 2019 to be not material to the financial statements of the Group for the financial year ended 31 March 2019 and accordingly, no adjustments have been made.

Reconciliation of summarised financial information

Reconciliation of the summarised financial information presented, to the carrying amount of the Group's interest in associated companies, is as follows:

	Marc Conleth Industries Sdn. Bhd. and its subsidiary corporation 2019 RM'000
Net assets as at 30 April	8,428
Less: Capital contribution by controlling shareholder	(3,700)
	4,728
Group's equity interest	40%
Carrying amount as at 31 March	1,891

21. TRADE AND OTHER PAYABLES

	Group			Company		
	31 March 2019 RM'000	31 March 2018 RM'000	1 January 2017 RM'000	31 March 2019 RM'000	31 March 2018 RM'000	1 January 2017 RM'000
Trade payables						
- Non-related parties	5,954	6,352	10,353	–	–	–
- Associated company	490	–	–	–	–	–
	6,444	6,352	10,353	–	–	–
Other payables						
- Non-related parties	1,091	1,166	1,239	238	214	243
- Subsidiary corporations	–	–	–	1,102	2,412	4,533
- Associated company	1,558	–	–	–	–	–
Accruals for operating expenses	2,111	2,732	2,669	168	172	165
Advances from customers	2,188	1,616	3,401	–	–	–
	13,392	11,866	17,662	1,508	2,798	4,941

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

22. BORROWINGS

	Group		
	31 March 2019 RM'000	31 March 2018 RM'000	1 January 2017 RM'000
Current			
Bank overdrafts (Note 12)	10,869	11,851	11,068
Bank loans	1,189	2,042	2,523
Bills payable	21,615	21,789	18,301
Finance lease liabilities (Note 23)	2,477	2,329	2,922
	36,150	38,011	34,814
Non-current			
Bank loans	10,956	11,885	14,326
Finance lease liabilities (Note 23)	4,779	5,335	6,961
	15,735	17,220	21,287
Total borrowings	51,885	55,231	56,101

22. BORROWINGS (CONT'D)

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 2019 RM'000	**31 March 2018 RM'000**	**1 January 2017 RM'000**
6 months or less	33,175	34,833	30,733
6 – 12 months	499	849	1,159
1 – 5 years	4,450	4,470	5,770
Over 5 years	6,505	7,415	8,556
	44,629	47,567	46,218

(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 17), investment properties (Note 18), short-term bank deposits of the Group (Note 12), 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 17(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 2019 RM'000	**31 March 2018 RM'000**	**1 January 2017 RM'000**
Bank loans	10,983	11,944	14,363
Finance lease liabilities	5,068	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 2019 %	**31 March 2018 %**	**1 January 2017 %**
Bank loans	5.3	5.2	5.1
Finance lease liabilities	3.7	3.4	3.2

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

22. BORROWINGS (CONT'D)

(b) Fair value of non-current borrowings (Cont'd)

There are seven (31 March 2018: eight, 1 January 2017: ten) secured term loans held by the Group. The terms of repayments are as follows:

	Maturity date	31 March 2019 RM'000	31 March 2018 RM'000	1 January 2017 RM'000
Group				
Floating rate	October 2019, December 2025, May 2029, July 2035, April 2036, July 2039, March 2043	12,145	13,927	16,849

23. FINANCE LEASE LIABILITIES

The Group leases certain plant and machinery, motor vehicles, computer and office equipment and renovation 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 2019 RM'000	31 March 2018 RM'000	1 January 2017 RM'000
Minimum lease payments due			
- Not later than one year	2,838	2,702	3,414
- Between one and five years	5,056	5,681	7,306
- Later than five years	30	129	308
	7,924	8,512	11,028
Less: Future finance charges	(668)	(848)	(1,145)
Present value of finance lease liabilities	7,256	7,664	9,883

23. FINANCE LEASE LIABILITIES (CONT'D)

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

	Group		
	31 March 2019 RM'000	31 March 2018 RM'000	1 January 2017 RM'000
Not later than one year (Note 22)	2,477	2,329	2,922
Later than one year (Note 22)			
- Between one and five years	4,749	5,211	6,667
- Later than five years	30	124	294
	4,779	5,335	6,961
Total	7,256	7,664	9,883

24. 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 are shown on the balance sheets as follows:

	Group		
	31 March 2019 RM'000	31 March 2018 RM'000	1 January 2017 RM'000
Deferred income tax liabilities - net			
- to be settled after one year	7	40	259

Movement in deferred income tax account is as follows:

	Group	
	31 March 2019 RM'000	31 March 2018 RM'000
Beginning of financial year/period	40	259
Tax (credited)/charged to profit or loss (Note 10)	(33)	32
Reclassified to liabilities held-for-sale (Note 16)	–	(251)
End of financial year/period	7	40

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 RM5,556,000 (31 March 2018: RM5,570,000, 1 January 2017: RM5,177,000), capital allowances of RM3,307,000 (31 March 2018: RM3,002,000, 1 January 2017: RM3,444,000) and reinvestment allowances of RM9,212,000 (31 March 2018: RM9,079,000, 1 January 2017: 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 and reinvestment allowances of the amounts RM5,276,000 and RM9,212,000 will expire in 2025. The capital allowances have no expiry date.

24. DEFERRED INCOME TAXES (CONT'D)

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 2019	
Beginning of financial year	295
Credited to profit or loss	(288)
End of financial year	7
31 March 2018	
Beginning of financial period	280
Charged to profit or loss	15
End of financial period	295

Deferred income tax assets

	Tax losses RM'000
31 March 2019	
Beginning of financial year	(255)
Charged to profit or loss	255
End of financial year	–
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)

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.

25. SHARE CAPITAL

	Number of ordinary shares '000	Amount RM'000
Group and Company		
31 March 2019 and 31 March 2018		
Beginning and end of financial year/period	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.

26. INTANGIBLE ASSETS

	Group		
	31 March 2019 RM'000	31 March 2018 RM'000	1 January 2017 RM'000
Goodwill arising on consolidation	–	–	–

	Group	
	31 March 2019 RM'000	31 March 2018 RM'000
Cost		
Beginning and end of financial year/period	201	201
Accumulated impairment		
Beginning and end of financial year/period	201	201
Net book value		
End of financial year/period	–	–

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 2019 RM'000	31 March 2018 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 19).

27. CONTINGENT LIABILITIES

	Company		
	31 March 2019 RM'000	31 March 2018 RM'000	1 January 2017 RM'000
Corporate guarantees provided to banks on loans held by:			
- Subsidiary corporations	49,949	79,703	64,498
- Associated company	21,536	–	–
	71,485	79,703	64,498

The Company has issued corporate guarantees to certain banks and financial institutions for credit facilities granted to the subsidiary corporations and associated company. 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 and associated company is minimal. The subsidiary corporations and associated companies have not defaulted in the payment of borrowings in the financial year/period ended 31 March 2019 and 31 March 2018. As at the balance sheet date, no claims on the corporate guarantees are expected.

28. 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 2019 RM'000	31 March 2018 RM'000	1 January 2017 RM'000
Property, plant and equipment	3,950	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 2019 RM'000	31 March 2018 RM'000	1 January 2017 RM'000
Not later than one year	753	736	466
Between one and five years	324	1,078	294
	1,077	1,814	760

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

28. COMMITMENTS (CONT'D)

(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 2019 RM'000	31 March 2018 RM'000	1 January 2017 RM'000
Not later than one year	1,091	161	336
Between one and five years	366	–	212
	1,457	161	548

29. 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 year from 1 April 2018 to 31 March 2019 (12 months) RM'000	For the financial period from 1 January 2017 to 31 March 2018 (15 months) RM'000
Sales of goods to related parties	1,781	75
Rental expenses paid to directors	(143)	(105)
Rental expenses paid to a related party	–	(22)
Purchases of material from a related party	(23)	(35)
Subcontractors' cost paid to related parties	(166)	(61)

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 2019, arising from sale/purchase of goods and services, are unsecured and receivable/payable within 12 months from balance sheet date and are disclosed in Notes 13 and 21 to the financial statements.

29. RELATED PARTY TRANSACTIONS (CONT'D)

(b) Key management personnel compensation

Key management personnel compensation is as follows:

	Group	
	For the financial year from 1 April 2018 to 31 March 2019 (12 months) RM'000	For the financial period from 1 January 2017 to 31 March 2018 (15 months) RM'000
Salaries, bonuses and allowances	1,919	2,606
Directors' fees	219	293
Employer's contribution to defined contribution plans	166	241
Other short-term benefits	489	380
	2,793	3,520

Included in the above is total compensation to directors of the Company amounting to RM1,534,000 (31 March 2018: RM1,992,000).

30. 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 and cleanroom and laboratories.

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

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

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

During the financial year ended 31 March 2019, the Group has disposed of the oil and gas business segment operating under Marc Conleth Industries Sdn. Bhd.. Management has classified the oil and gas business as "Discontinued operations" as disclosed in Note 16 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

30. SEGMENT INFORMATION (CONT'D)

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

	OEM contract manufacturing RM'000	Kitchen appliances, equipment and related services RM'000	Cleanroom and laboratories RM'000	Total for continuing operations RM'000
For the financial year from 1 April 2018 to 31 March 2019 (12 months)				
Revenue				
- Sales to external parties	33,887	36,572	11,774	82,233
Adjusted EBITDA	5,187	1,083	732	7,002
Depreciation of property, plant and equipment	2,093	1,242	55	3,390
Finance expense	1,787	963	137	2,887
For the financial period from 1 January 2017 to 31 March 2018 (15 months)				
Revenue				
- Sales to external parties	39,157	54,723	17,999	111,879
Adjusted EBITDA	3,777	3,162	2,559	9,498
Depreciation of property, plant and equipment	2,738	1,363	211	4,312
Finance expense	2,132	907	131	3,170

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	
	For the financial year from 1 April 2018 to 31 March 2019 (12 months) RM'000	**For the financial period from 1 January 2017 to 31 March 2018 (15 months) RM'000**
Adjusted EBITDA for reportable segments	7,002	9,498
Depreciation of property, plant and equipment	(3,390)	(4,312)
Depreciation of investment properties	(59)	(74)
Finance expense	(2,887)	(3,170)
Interest income	33	37
Profit before income tax and discontinued operations	699	1,979

30. SEGMENT INFORMATION (CONT'D)

Geographical information

The Group's three business segments are headquartered and operates mainly in Malaysia. The operations in this area are principally in the manufacturing and sales of OEM contract manufacturing products, cleanroom and laboratories and kitchen appliances, equipment and related services.

In Singapore and Indonesia, the major operations are kitchen appliances, equipment and related services whereas OEM contract manufacturing products is minor operation only.

In other countries, the operations include the sale of OEM contract manufacturing products in, United States of America, New Zealand, Thailand, Japan, Germany and France, the sale of kitchen appliances and equipment in Singapore, Indonesia, Vietnam, India, Myanmar, Thailand, Bangladesh and Cambodia, and the sale of cleanroom and laboratories in Philippines.

	Group	
	For the financial year from 1 April 2018 to 31 March 2019 (12 months) RM'000	**For the financial period from 1 January 2017 to 31 March 2018 (15 months) RM'000**
Revenue		
Continuing operations		
Malaysia	76,587	100,283
United States of America	19	513
Vietnam	1,436	1,553
Singapore	864	2,752
Indonesia	1,481	3,699
Other countries	1,846	3,079
	82,233	111,879

	31 March 2019 RM'000	**31 March 2018 RM'000**
Non-current assets		
Malaysia	45,533	43,697
Singapore	23	31
	45,556	43,728

31. 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.

31. FINANCIAL RISK MANAGEMENT (CONT'D)

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.

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 2019						
Financial assets						
Cash and bank balances	7,547	132	31	6	118	7,834
Trade and other receivables	25,029	1,416	487	214	616	27,762
Other current assets	1,309	–	–	–	20	1,329
Inter-companies receivables	10,742	–	–	–	–	10,742
	44,627	1,548	518	220	754	47,667
Financial liabilities						
Trade and other payables	10,851	97	34	4	218	11,204
Borrowings	51,885	–	–	–	–	51,885
Inter-companies payables	10,742	–	–	–	–	10,742
	73,478	97	34	4	218	73,831
Net financial (liabilities)/assets	(28,851)	1,451	484	216	536	(26,164)
Less: Net financial liabilities denominated in the respective entities' functional currencies	28,851	–	–	–	–	28,851
Currency exposure of financial assets net of those denominated in the respective entities' functional currencies	–	1,451	484	216	536	2,687

31. 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 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

31. 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
1 January 2017						
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.

31. 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 March 2018: 5%, 1 January 2017: 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 2019		31 March 2018		1 January 2017	
	Net profit RM'000	Equity RM'000	Net profit RM'000	Equity RM'000	Net profit RM'000	Equity RM'000
USD against RM						
- strengthened	55	55	30	30	71	71
- weakened	(55)	(55)	(30)	(30)	(71)	(71)
SGD against RM						
- strengthened	18	18	3	3	(6)	(6)
- weakened	(18)	(18)	(3)	(3)	6	6
EUR against RM						
- strengthened	8	8	11	11	21	21
- weakened	(8)	(8)	(11)	(11)	(21)	(21)
IDR against RM						
- strengthened	20	20	*	*	*	*
- weakened	(20)	(20)	*	*	*	*

* 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 March 2018: 1%, 1 January 2017: 1%) with all other variables including tax rates being held constant, the net profit and equity will be lower/higher by RM339,000 (31 March 2018: RM362,000, 1 January 2017: RM351,000).

31. 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 and arises principally from the Group's receivables from customers. The Group adopts the policy of dealing only with:

- Customers of appropriate credit standing and history; and
- High credit quality counterparties.

Credit exposure to an individual counterparty is restricted by credit limits that are approved by the management based on ongoing credit evaluation. The counterparty's payment pattern and credit exposure are continuously monitored at the entity level by the respective management and at the Group level by the management.

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 2019 RM'000	**31 March 2018 RM'000**	**1 January 2017 RM'000**
Corporate guarantees provided to banks on loans held by:			
- Subsidiary corporations	49,949	79,703	64,498
- Associated company	21,536	–	–
	71,485	79,703	64,498

The trade receivables of the Group comprise 1 debtor (31 March 2018: 1 debtor) that represented 3% (2018: 35%) of trade receivables.

Trade receivables

The Group has applied the simplified approach by using the allowance matrix to measure the lifetime expected credit loss ("ECL") for all trade receivables. The allowance matrix is based on actual credit loss expenses over the past three years. The ECL to be computed is derived from historical credit loss which the management is of the view that the historical conditions are representative of the credit risk of the trade receivables.

In measuring the expected credit losses, trade receivables are grouped based on their shared credit risk characteristics, number of days past due and internal credit rating of each business segment.

In calculating the expected credit loss rates, the Group considers historical loss rates for each category of customers and adjusts to reflect current and forward-looking available information affecting the ability of the customers to settle the receivables.

Notwithstanding the above, the Group evaluates the expected credit loss on customers in financial difficulties separately.

Trade receivables are written-off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. The Group categorises trade receivables for potential write-off when the counterparty fails to make contractual payments more than 365 days past due. Where receivables are written-off, the Group continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognised in profit or loss.

31. FINANCIAL RISK MANAGEMENT (CONT'D)

(b) Credit risk *(Cont'd)*

Trade receivables (Cont'd)

The movements in credit loss allowance are as follows:

	Trade receivables RM'000
Group	
Balance at 1 April 2018 under SFRS	1,515
Application of SFRS(I) 9	3,128
Balance at 1 April 2018 under SFRS(I) 9	4,643
Loss allowance recognised in profit or loss during the financial year on:	
- Assets acquired/originated	225
Receivables written off as uncollectible	(46)
Balance at 31 March 2019 (Note 13)	4,822

The Group's credit risk exposure in relation to trade receivables under SFRS(I) 9 as at 31 March 2019 are set out in the provision matrix as follows:

		Past due				
	Current RM'000	Within 30 to 150 days RM'000	121 to 365 days RM'000	151 to 365 days RM'000	More than 365 days RM'000	Total RM'000
Group						
OEM contract manufacturing						
Expected loss rate	–	–	–	–	24%	
Trade receivables	4,174	3,930	186	3,987	1,232	13,509
Loss allowance	–	–	–	–	295	295
Kitchen appliances, equipment and related services						
Expected loss rate	–	–	–	–	81%	
Trade receivables	2,414	2,700	681	1,633	4,990	12,418
Loss allowance	–	–	–	–	4,019	4,019
Cleanroom and laboratories						
Expected loss rate	–	–	–	–	60%	
Trade receivables	360	760	18	66	877	2,051
Loss allowance	–	–	–	–	508	508

31. FINANCIAL RISK MANAGEMENT (CONT'D)

(b) Credit risk (Cont'd)

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

	Group	
	31 March 2019 RM'000	**31 March 2018 RM'000**
By geographical areas		
Malaysia	21,500	23,723
Indonesia	99	866
Singapore	511	263
United States of America	–	118
Vietnam	774	274
Other countries	272	243
	23,156	25,487

	Group	
	31 March 2019 RM'000	**31 March 2018 RM'000**
By types of customers		
Related parties	–	1
Non-related parties		
- Multi-national companies	8,198	8,816
- Other companies	14,958	16,670
	23,156	25,487

Other financial assets, at amortised cost

The Group's and the Company's other financial assets recognised at amortised cost are mainly comprised of cash and cash equivalents and other receivables, ie, non-trade amounts due from subsidiary corporations and associated company, loan to subsidiary corporations and deposits. These other financial assets are subject to immaterial credit loss.

In determining the ECL, management has taken into account the historical default experience and the financial position of the counterparties, adjusted for factors that are specific to these receivables in estimating the probability of default of each of these other financial assets.

For the purpose of impairment assessment, loss allowance is generally measured at an amount equal to 12-month ECL as there is low risk of default and strong capability to meet contractual cash flows. When the credit quality deteriorates and the resulting credit risk of other financial assets increase significantly since its initial recognition, the 12-month ECL would be replaced by lifetime ECL.

Other financial assets are written-off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of other receivables to engage in a repayment plan with the Group or the Company, and a failure to make contractual payments.

No loss allowance against other financial assets, at amortised cost is recognised as the management believes that the amounts are collectible, based on historical payment behaviour and credit-worthiness of these receivables.

31. FINANCIAL RISK MANAGEMENT (CONT'D)

(b) Credit risk (Cont'd)

Previous accounting policy for impairment of financial assets

In 2018, the impairment of financial assets was assessed based on the incurred loss impairment model. Individual receivables which were known to be uncollectible were written off by reducing the carrying amount directly. The other receivables were assessed collectively, to determine whether there was objective evidence that an impairment had been incurred but not yet identified.

The Group considered that there was evidence if any of the following indicators were present:
- Significant financial difficulties of the debtor;
- Probability that the debtor will enter bankruptcy or financial reorganisation; and
- Default or delinquency in payment

(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	**1 January 2017 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	**1 January 2017 RM'000**
Gross amount	1,876	923
Less: Allowance for impairment (Note 13)	(1,515)	(877)
	361	46
Beginning of financial year/period	877	840
Allowance made	816	314
Allowance utilised	(142)	(43)
Reversal of allowance of impairment	(36)	(234)
End of the financial year/period	1,515	877

The impaired trade receivables arise 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 behaviour and credit worthiness of the customers.

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

31. 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 22) 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 12.

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 2019				
Trade and other payables	11,204	–	–	–
Borrowings	37,092	4,169	7,108	8,351
	48,296	4,169	7,108	8,351
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
1 January 2017				
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 2019				
Trade and other payables	1,508	–	–	–
Corporate guarantees	71,485	–	–	–
	72,993	–	–	–
31 March 2018				
Trade and other payables	2,798	–	–	–
Corporate guarantees	79,703	–	–	–
	82,501	–	–	–
1 January 2017				
Trade and other payables	4,941	–	–	–
Corporate guarantees	64,498	–	–	–
	69,439	–	–	–

31. 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 March 2018. 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 March 2018: 2.4 times, 1 January 2017: 2.4 times).

	Group			Company		
	31 March 2019 RM'000	31 March 2018 RM'000	1 January 2017 RM'000	31 March 2019 RM'000	31 March 2018 RM'000	1 January 2017 RM'000
Total borrowings	51,885	55,231	56,101	–	–	–
Net equity	44,339	44,574	42,693	33,834	32,464	20,978
Gearing ratio (times)	1.17	1.24	1.31	–	–	–

A group of subsidiary corporations in Malaysia is subject to external imposed capital requirements for the financial year/period ended 31 March 2019 and 31 March 2018. The management of the subsidiary corporations' strategy is to maintain: (i) minimum debt service coverage ratio of 1.25 times (31 March 2018: 1.25 times, 1 January 2017: 1.25 times) and (ii) maximum gearing ratio of 1.2 times to 2.4 times (31 March 2018: 1.2 times to 2.4 times, 1 January 2017: 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 year/period ended 31 March 2019 and 31 March 2018.

(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 RM'000	Company RM'000
31 March 2019		
Financial assets, at amortised cost	36,925	15,488
Financial liabilities, at amortised cost	63,089	1,508
31 March 2018		
Loans and receivables	38,691	15,858
Financial liabilities, at amortised cost	65,481	2,798
1 January 2017		
Loans and receivables	36,160	6,500
Financial liabilities, at amortised cost	70,362	4,941

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

32. 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 2019 or later periods and which the Group has not early adopted:

Effective for annual periods beginning on or after 1 January 2019

- SFRS(I) 16 *Leases*

  SFRS(I) 16 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.

  The Group will apply the standard from its mandatory adoption date of 1 April 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets for property leases will be measured on transition as if the new rules had always been applied. All other right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).

  Upon transition to the new standard, lease liabilities will be measured at the present value of the remaining lease payments discounted by the Group's incremental borrowing rate as at 1 April 2019. Right-of-use assets and lease liabilities will be recognised on the balance sheet with the cumulative difference recognised in retained earnings.

  At transition, lease liabilities of approximately RM1 million will be recognised in the balance sheet. The Group is finalising its assessment of the transitional right-of-use assets with any difference between the lease liability and the right-of-use asset recognised as a reduction of retained earnings. Management is still analysing the assumptions and inputs for the transition, so the final impact may be materially different from the estimate.

  The Group's activities as a lessor are not material and the Group does not expect any significant impact on the financial statements. However, some additional disclosures will be required from next year.

- SFRS(I) INT 23 *Uncertainty Over Income Tax Treatments*

  The interpretation explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. In particular, it discusses:

  (i) how to determine the appropriate unit of account, and that each uncertain tax treatment should be considered separately or together as a group, depending on which approach better predicts the resolution of the uncertainty;

  (ii) that the entity should assume a tax authority will examine the uncertain tax treatments and have full knowledge of all related information, i.e. that detection risk should be ignored;

  (iii) that the entity should reflect the effect of the uncertainty in its income tax accounting when it is not probable that the tax authorities will accept the treatment;

  (iv) that the impact of the uncertainty should be measured using either the most likely amount or the expected value method, depending on which method better predicts the resolution of the uncertainty, and

  (v) that the judgements and estimates made must be reassessed whenever circumstances have changed or there is new information that affects the judgements.

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

Effective for annual periods beginning on or after 1 January 2020

- Amendments to SFRS(I) 3: Definition of a Business
- Amendments to SFRS(I) 1-1 and SFRS(I) 1-8: Definition of Material

Effective for annual periods beginning on or after 1 January 2021

- SFRS(I) 17 *Insurance Contracts*

Effective date: to be determined

- Amendments to SFRS(I) 10 and SFRS(I) 1-28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

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

33. EVENTS OCCURING AFTER BALANCE SHEET DATE

On 31 May 2019, the Company had subscribed for additioonal 500,000 new ordinary shares at RM1 per share in the share capital of its wholly-owned subsidiary corporation, OMS Technology Sdn. Bhd. ("OMS"), for a total consideration of RM 500,000 (the "Subsciption"). Following the Subsciption, the total issued and paid-up share capital of OMS has increased from RM250,000 to RM750,000.

The above event is not expected to have a material effect to the Group for the financial year ending 31 March 2020.

34. 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 28 June 2019.

STATISTICS OF SHAREHOLDINGS

as at 20 June 2019

ISSUED AND PAID-UP CAPITAL	:	RM26,861,621
ISSUED AND FULLY PAID-UP SHARES EXCLUDING TREASURY SHARES	:	90,000,000
NUMBER OF TREASURY SHARES AND SUBSIDIARY HOLDINGS HELD	:	NIL
CLASS OF SHARES	:	ORDINARY SHARES
VOTING RIGHTS	:	ONE VOTE PER SHARE

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 20 June 2019, 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	% OF SHAREHOLDERS	NO. OF SHARES	% OF SHARES
1 - 99	1	0.83	3	0.00
100 - 1,000	1	0.83	1,000	0.00
1,001 - 10,000	31	25.84	242,100	0.27
10,001 - 1,000,000	81	67.50	12,660,523	14.07
1,000,001 & ABOVE	6	5.00	77,096,374	85.66
TOTAL	120	100.00	90,000,000	100.00

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	7,212,006	8.01
CHAN WEN CHAU	2,785,186	3.09
LIM CHYE HUAT @ BOBBY LIM CHYE HUAT	2,780,000	3.09
PHILLIP SECURITIES PTE LTD	1,672,000	1.86
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
LEE KAY HUAN HOLDINGS PTE LTD	840,000	0.93
RHB SECURITIES SINGAPORE PTE LTD	787,003	0.88
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
LOW SHAO KHANG GERARD	220,000	0.24
TOTAL	85,995,997	95.55

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Annual General Meeting ("AGM") of the Company will be held at 8 Robinson Road #03-00 ASO Building Singapore 048544 on Friday, 26 July 2019 at 10.30 a.m. to transact the following business:

ORDINARY BUSINESS

1. To receive and adopt the Audited Financial Statements for the financial year ended 31 March 2019 together with the Directors' Statement and Independent Auditor's Report thereon. **Resolution 1**

2. To approve the Directors' fees of S$83,000 for the financial year ending 31 March 2020 (financial period from 1 January 2018 to 31 March 2019: S$103,750). **Resolution 2**

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

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

5. To re-elect Mr Lee Kean Cheong who is retiring pursuant to Article 117 of the Company's Constitution. **Resolution 5**
   (See Explanatory Note 3)

6. To re-appoint Nexia TS Public Accounting Corporation as the Auditors of the Company and authorise the Directors to fix their remuneration. **Resolution 6**

7. 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:

8. **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 7**

   (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

   (II) (notwithstanding that the authority conferred by this Resolution 7 may have ceased to be in force) issue Shares in pursuance of any Instruments made or granted by the Directors while this Resolution 7 was in force,

NOTICE OF ANNUAL GENERAL MEETING
(cont'd)

provided that:

(a) the aggregate number of Shares to be issued pursuant to this Resolution 7 (including Shares to be issued in pursuance of Instruments, made or granted pursuant to this Resolution 7), 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 7) 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 7) 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 7 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 7, 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 7, 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 7 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 4)

By Order of the Board

Chan Kee Sieng
Executive Chairman
Singapore
11 July 2019

NOTICE OF ANNUAL GENERAL MEETING
(cont'd)

Explanatory Notes:

1. Mr Chan Kee Sieng will, upon re-election as a Director of the Company, remain as the Executive Chairman of the Company. Detailed information on Mr Chan Kee Sieng can be found in the Annual Report 2019. Save as disclosed therein, there are no other relationships (including immediate family relationships) between Mr Chan Kee Sieng and the other Directors of the Company, the Company or its 10% shareholders.

2. Mr Chan Kit Moi will, upon re-election as a Director of the Company, remain as the Executive Director of the Company. Detailed information on Mr Chan Kit Moi can be found in the Annual Report 2019. Save as disclosed therein, there are no other relationships (including immediate family relationships) between Mr Chan Kit Moi and the other Directors of the Company, the Company or its 10% shareholders.

3. Mr Lee Kean Cheong 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 Lee Kean Cheong is considered by the Board to be independent for the purpose of Rule 704(7) of the Catalist Rules. Detailed information on Mr Lee Kean Cheong can be found in the Annual Report 2019. There are no relationships (including immediate family relationships) between Mr Lee Kean Cheong and the other Directors of the Company, the Company or its 10% shareholders.

4. The Ordinary Resolution 7 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 7 is passed (taking into account the conversion or exercise of any convertible securities or employee share options at the time that the Resolution 7 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.

NOTICE OF ANNUAL GENERAL MEETING
(cont'd)

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 8 Robinson Road #03-00 ASO Building Singapore 048544 on Friday, 26 July 2019 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 year ended 31 March 2019 together with the Directors' Statement and Independent Auditor's Report thereon.		
2	To approve the Directors' fees of S$83,000 for the financial year ending 31 March 2020 (financial period from 1 January 2018 to 31 March 2019: S$103,750).		
3	To re-elect Mr Chan Kee Sieng who is retiring pursuant to Article 107 of the Company's Constitution.		
4	To re-elect Mr Chan Kit Moi who is retiring pursuant to Article 107 of the Company's Constitution.		
5	To re-elect Mr Lee Kean Cheong who is retiring pursuant to Article 117 of the Company's Constitution.		
6	To re-appoint Nexia TS Public Accounting Corporation as the Auditors of the Company and authorise the Directors to fix their remuneration.		
	SPECIAL BUSINESS		
7	To authorise Directors to allot and issue shares pursuant to section 161 of the Companies Act Chapter 50 of Singapore.		

** 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 ______________ 2019

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

Principal Place of Business:
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