



**SUCCESS TRANSFORMER
CORPORATION BERHAD**

(200301034518) (636939-W)



CONCERNING THE ENVIRONMENT

**Annual Report
2019**



FRONT COVER RATIONALE

What happens NOW?

Ocean plastic pollution and debris are growing, it becomes a major global problem and threats to biodiversity. This cover design depicts the nature environments and pollution cycle scenes, are currently climb to its perilous and crisis situation. Microplastics are easily digested by marine animals and wildlife have led to disrupt the marine life ecosystems. Over time, it potentially contaminates to the food chains. Thus, it needs our immediate attention, the community and awareness among the people.

We stand together as ONE. Change can only happen when we work together as ONE. Surging forward, the Group has taken initiatives to cultivate industrial hygiene and environmentally friendly practices at the workplace. We encourage our employees to adopt conscious thinking, proper disposal and waste management practices.

The Group examines how various factors can reduce our impact on the environment are now a pivot point for corporate social sustainability agenda. We will act in the best interests and responsibly within the industrial manufacturing business operating environment.



BACK COVER RATIONALE

REDUCE, REUSE AND RECYCLE

This visual concept of back cover is to trigger our thoughts and imagination on how to contribute in resolving the current situation together. These plastic products, cans, papers and food packaging waste are generated by human society in their everyday life. The throw-away society, which are usually driven by human activities and habits have direct consequences to the environment. How can we mitigate the problems?

Minimize the amount of waste we throw away such as plastic bottles and bags, papers and straws. These are reusable items, reducing consumptions can alleviate the amounts of garbage ends up in landfills. Create less waste, save more trees. Therefore, our actions mean a lot in restoring and preserving trees to maintaining flora and fauna habitats.

Everyone can play a determining role in relieving the deterioration of the Earth's environment. We all work together as a community to care, support and help in maintaining cleaner environments. Public and private sectors are encourage to adopt 'Reduce, Reuse & Recycle' motto to build a better world for tomorrow.

If not now, then when...?

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• CORPORATE GOVERNANCE

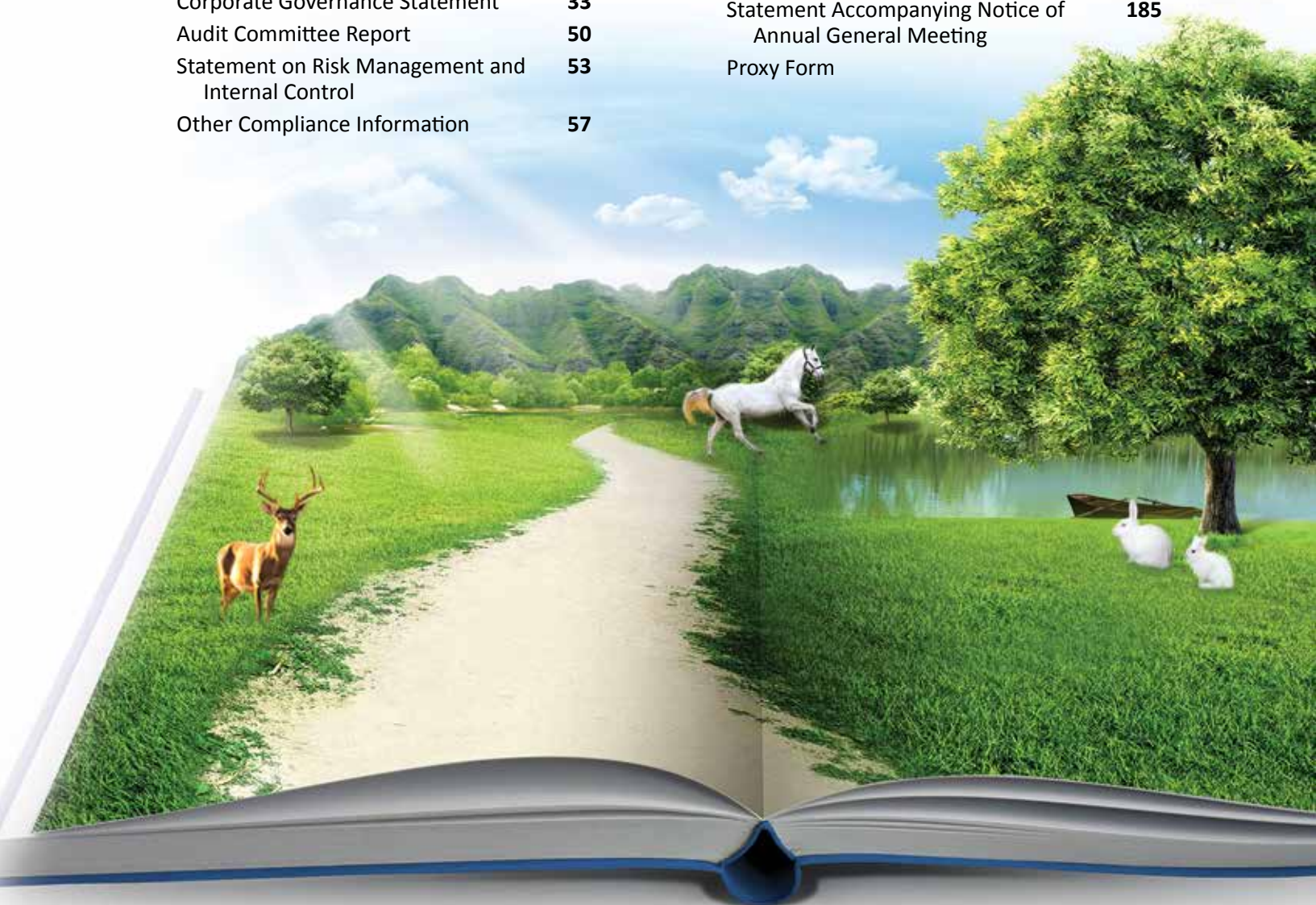
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CORPORATE STRUCTURE



**SUCCESS TRANSFORMER
CORPORATION BERHAD
(STC)**



■ SUCCESS ELECTRONICS & TRANSFORMER MANUFACTURER SDN. BHD. (SETM)	100%
■ SUCCESS TRANSFORMER MARKETING SDN. BHD. (STMKT)	100%
■ A.B.U HAYAT LIGHTING SDN. BHD. (AHL)	60%
■ SUCCESS TRANSFORMER MANUFACTURER SDN. BHD. (STMFR)	100%
■ SES PROPERTY SDN. BHD. (SESP)	100%
■ ARUANMOTA SDN. BHD. (ASB)	100%
■ NIKKON LED SDN. BHD. (NLED)	80%
■ DAIICHI STEEL SDN. BHD. (DS)	95%
■ OMEGA METAL INDUSTRIES SDN. BHD. (OMI)	95%
■ ILCS TECHNOLOGIES SDN. BHD. (ILCS) (Formerly known as EOS LIGHTING SDN. BHD.)	60%
■ BOXON INDUSTRIES HARDWARE (M) SDN. BHD. (BIHM)	60%
■ BOXON INDUSTRIES HARDWARE (JB) SDN. BHD. (BIHJ)	100%
■ SEREMBAN ENGINEERING BERHAD (SEB)	65%
■ SEB CONSTRUCTION SDN. BHD. (SEBC)	100%
■ SEREMBAN MECHANICAL SERVICES SDN. BHD. (SMS)	100%
■ GROUPAGE SEB SDN. BHD. (GSSB)	50%
■ NINE ENERGY SDN. BHD. (NESB)	40%

CORPORATE STRUCTURE (CONT'D)

■ NIKKON LIGHTING PTY. LTD. (NLPL) (Incorporated in Australia)	100%
■ PT. BOXON NIKKON JAYAINDO (BNJ) (Incorporated in Indonesia)	96%
■ NIKKON SUCCESS KENYA LIMITED (NSK) (Incorporated in Republic of Kenya)	91%
■ NIKKON LIGHTING (THAILAND) CO. LTD. (NLT) (Incorporated in Thailand)	49%
■ SUCCESS TRANSFORMER PTE. LTD. (STPL) (Incorporated in Singapore)	100%
■ NIKKON LIGHTING & ELECTRICAL PTE. LTD. (NLE) (Incorporated in Singapore)	75%
■ NINGBO SUCCESS ZHENYE LUMINAIRE LIMITED LIABILITIES COMPANY (NSZ) (Incorporated in People's Republic of China)	60%
■ NINGBO SUCCESS ZHENYE CASTING LIMITED LIABILITIES COMPANY (NSC) (Incorporated in People's Republic of China)	60%
■ NINGBO SUCCESS GUSHI INTERNATIONAL TRADING CO., LTD (NSG) (Incorporated in People's Republic of China)	100%
■ SHENYANG SUCCESS ZHENYE LUMINAIRE LIMITED LIABILITIES COMPANY (SSZ) (Incorporated in People's Republic of China)	40%
■ SUCCESS ZHENYE LUMINAIRE (BEIJING) LIMITED LIABILITIES COMPANY (BSZ) (Incorporated in People's Republic of China)	40%

- Incorporated in Malaysia
- Incorporated outside Malaysia
- Listed on the Main Market of Bursa Malaysia Securities Berhad
- SEB and its group of companies have ceased to be subsidiaries of STC with effect from 3 September 2019



CORPORATE INFORMATION

BOARD OF DIRECTORS

Independent Non-Executive Chairman
Dato' Chua Tia Guan

Managing Director
Tan Ah Bah @ Tan Ah Ping

Deputy Managing Director
Tan Chung Ling (f)

Executive Director
Pan Kim Foon (f)
Tan Wei Neng
Tan Chung Chay (f)

Independent Non-Executive Director
Ng Chee Keong
Chan Foong Ping (f)

Non-Independent Non-Executive Director
Yeoh Kim Wah

Alternate Director to Pan Kim Foon
Tan Chung Chiah (f)

Audit Committee

Chairman
Ng Chee Keong

Members
Yeoh Kim Wah
Chan Foong Ping (f)

Nomination Committee

Chairman
Dato' Chua Tia Guan

Members
Yeoh Kim Wah
Chan Foong Ping (f)

Remuneration Committee

Chairman
Dato' Chua Tia Guan

Members
Tan Ah Bah @ Tan Ah Ping
Chan Foong Ping (f)

Employees' Share Option Scheme Committee

Chairman
Dato' Chua Tia Guan

Members
Yeoh Kim Wah
Tan Chung Ling (f)
Tan Wei Neng

Company Secretary

Pang Kah Man (f) (MIA 18831)

Registered Office

37-2, 2nd Floor, Jalan Radin Bagus
Bandar Baru Sri Petaling
57000 Kuala Lumpur
Tel : (603) 9054 9311
Fax: (603) 9057 9989

Corporate Office

No. 3, 5 & 7, Jalan TSB 8
Taman Industri Sungai Buloh
47000 Sungai Buloh
Selangor Darul Ehsan
Tel : (603) 6279 2800 / 6278 2800
Fax: (603) 6157 2722 / 2723
Email: ses@success.com.my
Website: www.stcgroup.com.my

Auditors

Crowe Malaysia PLT
(LLP0018817-LCA & AF 1018)
Chartered Accountants
8, Jalan Pesta 1/1
Taman Tun Dr. Ismail 1
Jalan Bakri, 84000 Muar
Johor, Malaysia

Share Registrar

Tricor Investor & Issuing House Services Sdn Bhd
Unit 32-01, Level 32, Tower A,
Vertical Business Suite, Avenue 3,
Bangsar South, No. 8, Jalan Kerinchi,
59200 Kuala Lumpur
Wilayah Persekutuan, Malaysia
Tel : (603) 2783 9299
Fax: (603) 2783 9222

Principal Bankers

CITIBANK BERHAD
STANDARD CHARTERED BANK MALAYSIA BERHAD
HONG LEONG BANK BERHAD
PUBLIC BANK BERHAD
AMBANK (M) BERHAD
UNITED OVERSEAS BANK (MALAYSIA) BERHAD

Stock Exchange Listing

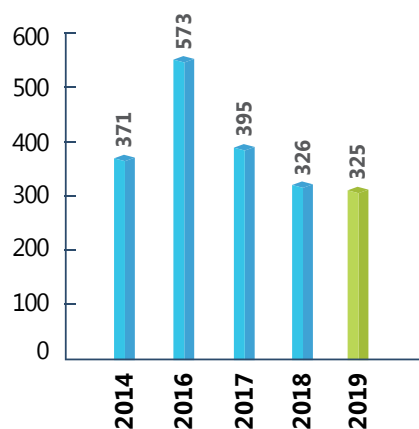
MAIN MARKET OF
BURSA MALAYSIA SECURITIES BERHAD

5 YEARS FINANCIAL HIGHLIGHT

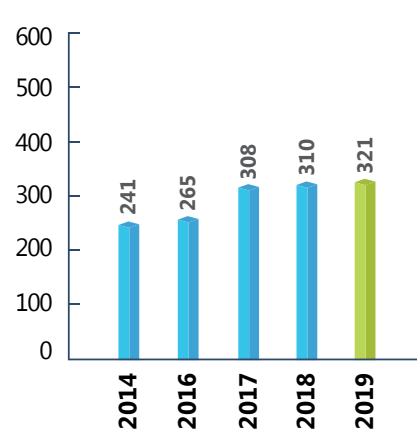


	30 June 2019	30 June 2018	30 June 2017	30 June 2016	31 Dec 2014
REVENUE (RM' MILLION)	325	326	395	573	371
SHAREHOLDERS' EQUITY (RM' MILLION)	321	310	308	265	241
PBT (RM' MILLION)	25	12	70	50	36
PAT AFTER NCI (RM' MILLION)	15	7	46	36	25
EPS (SEN)	6.50	3.04	19.97	15.39	10.58
NTA PER SHARE (RM)	1.46	1.40	1.42	1.24	1.16

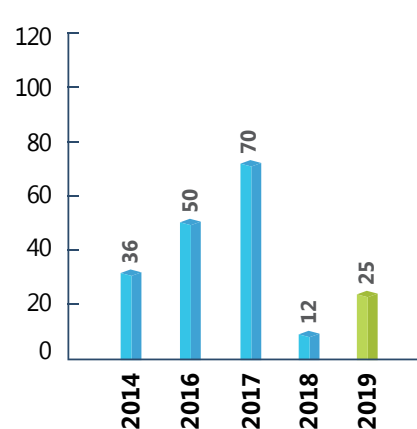
REVENUE
(RM' Million)



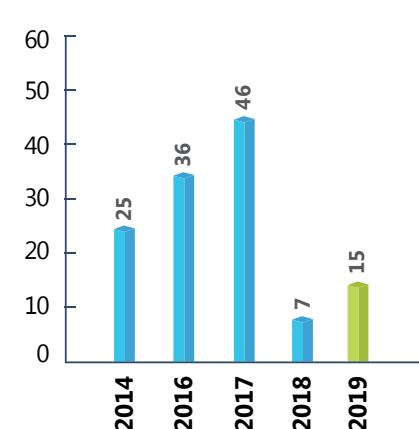
SHAREHOLDERS' EQUITY
(RM' Million)



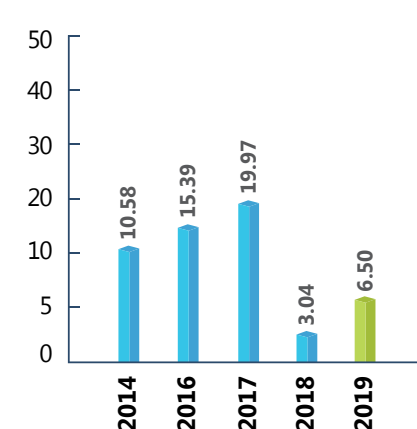
PBT
(RM' Million)



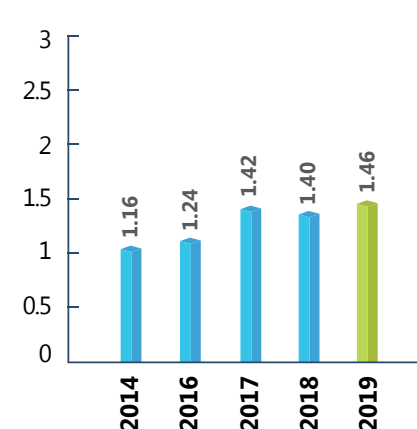
PAT AFTER NCI
(RM' Million)



EPS
(Sen)



NTA PER SHARE
(RM)



DIRECTORS' PROFILE

DATO' CHUA TIA GUAN

Independent
Non-Executive Director

Age 50, Malaysian

Dato' Chua Tia Guan, male, age 50, a Malaysian. He is an Independent Non-Executive Chairman of STC. He was appointed as Chairman to the Board of the Company as well as Chairman of the Nomination Committee and Chairman of the Remuneration Committee on 22 April 2016. On 8 August 2018, he was appointed as Chairman of Employees' Share Option Scheme ("ESOS") Committee.

Dato' Chua Tia Guan is the Head of Tax & Financial Consulting of Asia Business Centre and the Chairman of Executive Committee of Burger King Malaysia & Singapore. Previously, he served in a senior position in two international accounting firms.

He graduated with a Bachelor of Accounting (Hons) from University of Malaya. Besides being a Chartered Accountant of Malaysian Institute of Accountants ("MIA"), Certified Public Accountant of The Malaysian Institute of Certified Public Accountants ("MICPA") and an Associate of Chartered Tax Institute of Malaysia ("CTIM"), he is also an Approved Income Tax Agent licensed by the Ministry of Finance ("MOF").

He is actively involved in the formulation and implementation of Malaysian tax and trade policies vide various committees where he is a member or co-chair, such as The Special Task Force to Facilitate Business (PEMUDAH Special Meeting) of PM's Department, PEMUDAH's Technical Working Group on Paying Taxes, MOF-MITI Joint Ministerial Committee on National Competitiveness, MOF Tax Reform Committee and SST 2.0 Technical Committee of Customs' Department.

He was a Board Member of Secretariat for the Advancement of Malaysian Entrepreneurs (SAME) of PM's Department. He is the Founding Council Member of INXO Arts & Culture (L) Foundation. Previously, he also served as the Head of Economic Survey Unit of the Associated Chinese Chambers of Commerce and Industry of Malaysia for a period of 12 years.

Mr Tan Ah Bah @ Tan Ah Ping, male, age 68, a Malaysian. He was the founder of STM Group and a Managing Director of STC. He was appointed to the Board of the Company on 25 October 2004 and he is also a member of the Remuneration Committee. In 1978, Mr Tan Ah Bah @ Tan Ah Ping formed Syarikat Success Electronics Trading.

In 1990, SETM was incorporated to take over the business activities of Success Electronics Trading and in 1998, he established STMKT to focus on the local marketing activities.

Currently, he is responsible for the overall management, strategic business planning and development, decision making and technical advisory of the STC Group. He also assumes the role of Managing Director or Director of most subsidiaries of STC.

Madam Pan Kim Foon is the wife, Ms Tan Chung Ling, Ms Tan Chung Chiah and Ms Tan Chung Chay are the daughters of Mr. Tan Ah Bah @ Tan Ah Ping.

MR TAN AH BAH @ TAN AH PING

Managing Director

Age 68, Malaysian



DIRECTORS' PROFILE (CONT'D)

MS TAN CHUNG LING

Deputy
Managing Director
Age 42, Malaysian

Ms Tan Chung Ling, female, age 42, a Malaysian. She was appointed to the Board of the Company as the Alternate Director of STC to Madam Pan Kim Foon on 17 February 2006. On 22 July 2015, she was appointed as Executive Director of STC and re-designated as Deputy Managing Director on 28 July 2017. She was also appointed as member of ESOS Committee of the Company on 8 August 2018.

In 1999, she obtained her Bachelor of Commerce from Murdoch University, Australia and subsequently in 2001 she obtained her Masters of Electronic Commerce from Curtin University, Australia. Within the same year, she started her career at SETM as International Sales Coordinator.

Subsequently in 2003, she was transferred internally to STMKT and was promoted to Business Development Manager of STMKT in 2004. Currently, she is the Export Director and responsible for business strategic planning, market planning and developing new markets. She was also appointed as Director of BIHM group, AHL, ILCS, NSZ group and NLT.

Mr Tan Ah Bah @ Tan Ah Ping is the father, Madam Pan Kim Foon is the mother, Ms Tan Chung Chiah and Ms Tan Chung Chay are the siblings of Ms Tan Chung Ling.

MADAM PAN KIM FOON

Executive Director
Age 64, Malaysian

Madam Pan Kim Foon, female, age 64, a Malaysian. She is an Executive Director of STC. She was appointed to the Board of the Company on 25 October 2004. She advises the STC Group on business strategies and planning, purchasing and management matters.

She has more than 36 years of working experience in the Electrical Industrial Equipment Industry. She started her career with Syarikat Success Electronics Trading and established Success Electronics Trading in 1980 to take over the manufacturing and trading of electrical apparatus of Syarikat Success Electronics Trading and was responsible for sales activities.

Together with a few shareholders, her husband and herself, they incorporated SETM in 1990 to take over the business activities of Success Electronics Trading and she was appointed as Executive Director of SETM and STMKT. She oversees the management functions, strategic business planning and development of the STC Group.

Mr Tan Ah Bah @ Tan Ah Ping is the husband and Ms Tan Chung Ling, Ms Tan Chung Chiah and Ms Tan Chung Chay are the daughters of Madam Pan Kim Foon.

MR TAN WEI NENG

Executive Director
Age 46, Malaysian

Mr Tan Wei Neng, male, age 46, a Malaysian. He was appointed as an Executive Director of STC on 30 November 2015. He was also appointed as member of ESOS Committee of the Company on 8 August 2018.

Mr. Tan graduated with a Bachelor of Accounting (Honours) Degree from the Northern University of Malaysia in 1997. He is a Chartered Accountant by profession. He is a member of Malaysian Institute of Accountants ("MIA") since 2001. He was appointed as Director in SETM, AHL, BNJ, STPL and NSK.

Mr Tan has more than 20 years of financial and general management experiences in a variety of industries. He is the Chief Operating Officer of the company and has spearheaded the entire operations, planning and business development for the Group.

DIRECTORS' PROFILE (CONT'D)

MS TAN CHUNG CHAY

Executive Director

Age 38, Malaysian

Ms Tan Chung Chay, female, age 38, a Malaysian. She was appointed as an Executive Director of STC on 28 July 2017. She graduated with a Bachelor of Commerce Degree major in Finance and Marketing from Curtin University of Technology, Australia in 2002. In 2013, she obtained her Master in Business Administration (MBA) in the finance specialization from University of Southern Queensland, Australia.

She started her career as Sales Executive at STMKT in 2003 and promoted as Sales Manager in 2008. In 2011, she was appointed as Director of STPL and NLE. She is the Head of Business Development in charged for ASEAN countries and also play a key role in leading, develop and penetrate overseas markets.

Mr Tan Ah Bah @ Tan Ah Ping is the father, Madam Pan Kim Foon is the mother, Ms Tan Chung Ling and Ms Tan Chung Chiah are the siblings of Ms Tan Chung Chay.

MS CHAN FOONG PING

Independent
Non-Executive Director

Age 48, Malaysian

Ms Chan Foong Ping, female, age 48, a Malaysian. She was appointed to the Board of the Company on 23 September 2016 as an Independent Non-Executive Director. She is also a member of the Audit Committee, Nomination Committee and Remuneration committee.

She obtained her Bachelor of Accountancy from Universiti Putra Malaysia ("UPM") in 1995. She is a Chartered Accountant and member of Malaysian Institute of Accountants since 1998.

After graduation from UPM, she joined Deloitte Touche Tohmatsu Kuala Lumpur in 1995 as an auditor. In 1998, she left the firm and joined Sepang Education Center Sdn Bhd as an accounting manager. In 2000, she left Sepang Education Center Sdn Bhd and joined Phillips Seafood (East Malaysia) Sdn Bhd ("Phillips Malaysia") as financial controller. Subsequently in 2006, she was promoted to be the Executive Director of Phillips Foods International (Hong Kong) Limited ("Phillips HK"). Both Phillips Malaysia and Phillips HK are subsidiaries of Phillips Foods Inc (USA). As an Executive Director of Phillips HK, she was responsible for overseeing the regional financial system of its 14 seafood processing plants covering 10 different countries. She was responsible for setting up and overseeing shared service centres located in Indonesia and India for the financial reporting of Phillips HK operations. She left Phillips HK in 2011.

Subsequently in 2011, she joined Resource Holding Management Limited ("RHML"), a public company then listed on the AIM Market of the London Stock Exchange, as Group Finance Director. After leaving RHML in 2014, she was appointed as corporate advisor of Swiss Biological Medicine Group Ltd ("SBMG") pursuing for a potential listing at LSE. In 2016, SBMG became a subsidiary of Huapont Life Science which is listed at Shenzhen Exchange Board. Presently, she is an Independent Non-Executive Director of SEB and Wegmans Holdings Bhd.



DIRECTORS' PROFILE (CONT'D)



Mr Ng Chee Keong, male, age 64, a Malaysian. He was appointed as Independent Non-Executive Director of STC and as Chairman of the Audit Committee on 22 July 2015. He obtained his Bachelor of Commerce and Administration from Victoria University of Wellington, New Zealand.

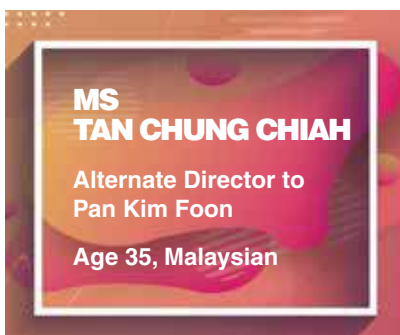
He spent his career with Panasonic Malaysia Sdn Bhd from 1981 to 2013. Mr Ng was the Finance Director from 2002 to 2013. His responsibilities encompassed not only the financial operations of the company but was also in charge of Information Communication and Systems Department, internal audit, the logistics and warehouse operations, as well as serving as the Head of Administration.



Mr Yeoh Kim Wah, male, age 66, a Malaysian. He was appointed to the Board of the Company on 7 March 2008 as a Non-Independent Non-Executive Director. He is also a member of the Audit Committee and Nomination Committee. He was also appointed as member of ESOS Committee of the Company on 8 August 2018.

He is an entrepreneur with more than 40 years of extensive knowledge and experience in the electrical supplies industry. He was one of the founders of Syarikat See Wide Letrik Group of Companies, a well established electrical trading group throughout Malaysia. He is primarily responsible for business development and implementation of marketing strategies of these companies.

Presently, he holds directorships and has business interests in several other private companies such as Oriental Group of companies, See Wide Industries Sdn Bhd and NSK.



Ms Tan Chung Chiah, female, age 35, a Malaysian. She was appointed as an Alternate Director of STC to Madam Pan Kim Foon on 21 October 2015.

She graduated with a Bachelor of Commerce Degree with Double Majors in Accounting and Finance from Deakin University, Australia in 2007. She is a Certified Practising Accountant by profession. She is a Chartered Accountant and member of Malaysian Institute of Accountants since 2017.

She has 6 years of financial and taxation working experiences as a Tax Accountant in Australia before she joined Success Electronics & Transformer Manufacturer Sdn Bhd as the Cost Controller in 2013. As the Cost Controller, she is responsible for the cost management and also overseeing the Group's corporate affairs in STC.

Mr Tan Ah Bah @ Tan Ah Ping is the father, Madam Pan Kim Foon is the mother, Ms Tan Chung Ling and Ms Tan Chung Chay are the siblings of Ms Tan Chung Chiah.



KEY SENIOR MANAGEMENT PROFILE

**MR
CHANG POAY HEE**

Technical Director
Age 61, Malaysian

Mr Chang Poay Hee, male, age 61, a Malaysian. He finished his tertiary education and is an Electrical Engineer by profession.

He began his working career in 1988 with Dynacraft Sdn Bhd, Penang and subsequently with Sumitomo Electric Sintered Components Sdn Bhd and USG Malaysia Sdn Bhd. He joined SETM in 1995 as the Technical Manager. He was responsible for the designs and the technical support for both the lighting and transformer products.

He was appointed as the Technical Director for SETM in 2008 and holds the responsibility in overseeing the overall operations particularly in design and manufacturing of the Transformer Division. He was appointed as director in OMI to oversee the overall operating and technical related in this company.

**MR
FONG YIT SIN**

Marketing Director
Age 49, Malaysian

Mr Fong Yit Sin, male, age 49, a Malaysian. He joined STMKT in 1997 as a Sales Representative and promoted as Sales Manager in 2004 and holds the responsibility in overseeing the local market.

In 2009, he was appointed as Director in STMKT. Under his leadership in the Company, he had groomed many successors in the Sales and Marketing Team. Mr Fong has more than 20 years of sales and management experiences, contributing in leading bigger Sales and Marketing Team for the local market.

**MR
LO CHIEW LIEH**

Group
Finance Controller
Age 39, Malaysian

Mr Lo Chiew Lieh, male, age 39, a Malaysian. He has been with the Company as a Finance Manager since September 2010. On January 2016, he was promoted as Finance Controller and appointed as Chief Risk Officer at the same year. On January 2017, he was promoted as Group Finance Controller. He now holds the responsibility in overseeing financial operation, internal audit and involved in planning, operational and strategic decision making.

He started his public practice with one of the international accounting firm in year 2005. He then left and joined Nirvana Group as an Account Manager for a year. He has more than 10 years of financial and auditing experiences in a variety of industries.

He is a qualified Chartered Accountant from Malaysian Institute of Accountants. He graduated with a Bachelor of Accounting Degree from University of Malaya.

**MR
CHANG KAM KUAN**

Technical Lighting and
Project Sales Director
Age 43, Malaysian

Mr Chang Kam Kuan, male, age 43, a Malaysian. In 2015, he was appointed as Technical Lighting and Project Sales Director. His main role as Technical Lighting Director is to oversee the overall functionality of new products' designs, testings, development and productions support. Whilst, as a Project Sales Director, his responsibilities include planning, coordinating and monitoring various projects and programs to be within their relevant schedules.

His leadership and skills sets enables him to manage well both Project Sales Team and Technical Lighting Team. He has 18 years experiences, in leading the Technical Lighting Team to greater advancement in technology for the lighting industry. He also assume a role of director in ILCS and AHL.

Ms. Tan Chung Ling, who is the Deputy Managing Director of STC is his wife.

DIRECTORS AND KEY SENIOR MANAGEMENT PROFILE

Other Information

None of the Directors and key senior management have any conflict of interest with the Company. Save for Ms. Chan Foong Ping as disclosed in her profile at page 8, all the Directors and key senior management do not hold any other directorships of public companies and listed issuers.

None of the Directors and key senior management have convicted of any offences within the past five (5) years.

Attendance of Directors at Board Meetings

There were six (6) Board Meetings held during the financial year ended 30 June 2019 and all Directors have attended these meetings (refer to page 41 for number of meetings attended by each director).



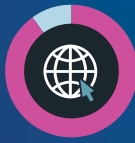
MANAGEMENT DISCUSSION AND ANALYSIS



**SUSTAIN
MOMENTUM**



**STRATEGIC
THINKING**



**EMERGING
MARKET**



Overview of Group's Business and Operations

A. Company Profile

Success Transformer Corporation Berhad ("Company" or "STC") is principally engaged in the business of investment holding and the provision of management services. STC was first listed on the Second Board of Bursa Malaysia Securities Berhad ("Bursa Securities") on 19 January 2005. The Company was successfully transferred to the Main Board (now known as Main Market) of Bursa Securities on 26 March 2007.

STC through its subsidiary, associate and joint venture companies ("Group" or "STC Group") are principally engaged in design, manufacturing and distribution of electrical apparatus, industrial lighting, as well as process equipment.

The Group's main business operations encompass manufacturing power transformers and electrical apparatus products such as automatic voltage stabilizers, detuned harmonic circuit filter reactor, battery chargers and testers. The Group's portfolio includes LED range of industrial lighting products such as floodlights, streetlights, highbays and HID lighting. STC has diversified into the process equipment segment since 2007 through the acquisition of Seremban Engineering Sdn Bhd on 1 March 2007, which was subsequently listed on the Main Market of Bursa Securities on 10 May 2010 under its current name of Seremban Engineering Berhad ("SEB").

The Group is exporting its products to over 40 countries including Germany, United Arab Emirates (UAE), South Africa, Japan, Korea, Singapore and Indonesia with the support from our distributors across the globe. The Group is rapidly expanding its business growth into global markets. The Group employs approximately 1244 staff globally with manufacturing operations in Malaysia and China. The Group also has distribution centers in Southeast Asia which helps in the sales and marketing effort.

On 3 September 2019, STC had entered into a sale and purchase agreement with MIE Industrial Sdn Bhd in relation to the disposal of 52,000,000 ordinary shares in SEB, representing 65% of the entire equity interest in SEB, a subsidiary company of STC for a total cash consideration of RM26 million. This transaction was completed on 3 September 2019 and SEB has ceased to be a subsidiary company of STC with effect from 3 September 2019.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

B. Vision and Mission

- **Vision**

We strive to be a globally recognized brand within the industries in ASEAN, Australia, Africa and Europe.

- **Mission**

We are committed to maintain the highest quality in all our products while embracing technology to reduce cost and to preserve the environment.

C. Principal Activities

Our Group operates in two (2) business segments, namely Transformer and Lighting segment and Process Equipment segment during the financial year under review.

1. Transformer & Lighting Segment

The Transformer and Lighting segment are carried out mainly by the subsidiary companies as listed below:

MANUFACTURING (major subsidiaries)	
• SETM - 100%	Manufacturing of electrical apparatus and industrial lighting
• NSZ - 60%	Design, manufacturing and trading of industrial light fittings and fixtures
TRADING AND DISTRIBUTION	
• STPL - 100%	Investment holding and to carry on business of electricians, mechanical engineers of any other of alike nature
• NLE - 75%	Marketing and distribution of electrical appliances and industrial lighting
• NLPL - 100%	Marketing and distribution of electrical apparatus and industrial lighting
• BNJ - 96%	Wholesale for lighting, mechanical and electrical products, metal enclosure and accessories
• NSK - 91%	Marketing and distribution of electrical apparatus and industrial lighting
• NLT - 49%	Distribution of lighting and electrical products

Remark: The abbreviations above shall refer to corporate structure pages.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)



VERSATILITY

ROBUST

EFFICIENCY

RELIABLE

The concept of Sustainable Quality Products is drawn towards in creating added value for social and environmental benefits. To weather the challenge, our products are made to sustain environmental conditions and contribute to the economic growth of the society. We offer robust, versatile and reliable products range to keep with the ever changing consumer needs.

Setting our insights on sustainable development goals, we made pragmatic approach to ensure most of our products are energy efficient. Business can be more effective, resulting in lower cost of operations which will benefit not only the businesses but also the municipalities.

Our products conformed to stringent safety standards and certified by internationally recognized certification bodies. This will boost the company's continuing effort towards maximizing production yield and increasing profitability.



MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

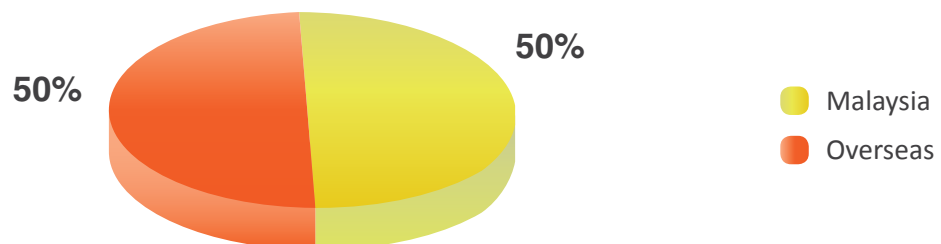


SALES BY GEOGRAPHICAL AREA

The breakdown of the revenue by geographical area for Transformer and Lighting segment for the financial year ended (“FYE”) 30 June 2019 is as follows:

Country	% of Total Sales
Malaysia	50%
Overseas	50%

Sales by geographical area



MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

2. Process Equipment Segment



Deodoriser

The Process Equipment segment are carried out mainly by this subsidiary company:

FABRICATION

• SEB - 65%

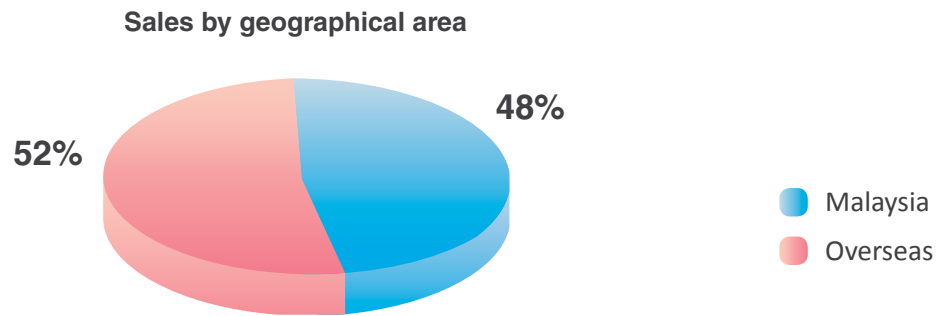
1. Design, fabrication and installation of unfired pressure vessels, reactors, heat exchangers, deodorisers, receiver tanks, etc.
2. Fabrication and erection of steel structure and platforms.
3. Fabrication and installation of all kinds of piping works. (carbon steel, stainless steel and jacketed pipes)
4. Fabrication and installation of storage tanks, mixing tanks, hoppers and silos. (carbon steel and stainless steel)
5. Design, fabrication, installation, test and commission of electro-deposition painting system, latex foam mattress and pillow plants.
6. Fabrication of oil heaters (towers and columns) for oil and gas petrochemical industries in accordance with ASME Codes & Standard Sec. VIII (Div. 1).
7. Maintenance, services and shutdown works for plants, machinery parts and equipment.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

SALES BY GEOGRAPHICAL AREA

The breakdown of the revenue by geographical area for Process Equipment segment for the FYE 30 June 2019 is as follows:

Country	% of Total Sales
Malaysia	48%
Overseas	52%



MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

PROGRESS

CHANGE

ADVANCEMENT

ACHIEVEMENT

IMPROVEMENT

GROWTH

FORWARD



MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)



The Group's performance will be underpinned by the steady supply and demand from loyal customers as well as business partners and associates in the global market. The Group focused in the provision of sustainable business development by diversifying their geographical footprint and perpetually increasing product range through niche capabilities and expertise.



The Group further expands its business network and captures new growth market, fortifying its global supply chain through the distribution of goods and services to maximize profits and minimize waste. Ensuring smooth logistic service and performance, shipping and freight play vital role in generating optimum level of customer service while being as cost efficient as possible.



STRENGTHENING REGIONAL FOOTHOLD



The Group targets to maximize business revenue through new product development initiatives with corporate strategic plans. The measurable results of these initiatives shall be projected in the long term business goals. The Group continuously implement various initiatives to bring long term values to shareholders. Excellent service serves as the backbone of the Group's business to ensure optimum customers satisfaction are achieved.



The Group lays emphasis on good corporate governance. Built on a solid foundation of transparency, accountability and trust are the core fundamental at the boardroom level. The board of directors act with integrity in their decisions and minimize risks. The Group is expected to ensure their companies are comply with the ever-evolving set of regulations.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)**Financial Review**

The key financial information and financial performance of the Group for FYE 2019 and 2018:

Statements of Profit or Loss and Other Comprehensive Income	2019 RM'000	2018 RM'000
Revenue	324,786	326,143
Profit Before Tax	24,674	11,755
Profit After Tax	17,440	5,838
Profit After Tax after Non Controlling Interest	15,268	7,159

Statements of Financial Position	2019 RM'000	2018 RM'000
Total Assets	448,323	448,236
Total Liabilities	99,321	109,138
Shareholders' Equity	320,775	310,396

Financial Indicators	2019	2018
Earnings Per Share (SEN)	6.50	3.04
Net Tangible Assets Per Share (RM)	1.46	1.40

Review of Financial Results and Financial Position

The Group recorded revenue of RM324.79 million for the FYE 30 June 2019. The revenue was mainly contributed by Transformer and Lighting segment, recognised revenue of RM 258.87 million or 80%. This was followed by Process Equipment segment recognised revenue of RM 65.92 million or 20%.

In respect of Transformer and Lighting segment, the revenue comprised of 50% of local sales and 50% of overseas sales.

In respect of Process Equipment segment, the revenue comprised of 48% of local sales and 52% of overseas sales.

The Group reported a profit after tax after non-controlling interest of RM15.27 million for the FYE 30 June 2019. The results were mainly contributed by Transformer and Lighting segment RM19.60 million or 128% which net off against loss incurred in Process Equipment segment of RM4.33 million. Earnings per share of the Group stood at 6.50 Sen.

The financial position of the Group remains strong, total borrowing of the group were reduced to RM41.94 million as at 30 June 2019 from RM51.14 million in 30 June 2018. The Group's cash and cash equivalents have been improved and exceeded the total external borrowings as compared to 1% of the Group's debts-to-equity ratio as at 30 June 2018.

Net tangible asset per share was RM1.46 and the shareholders' equity for the Group increased from RM310.40 million to RM320.78 million, representing a growth of 3%. This increase was primarily contributed by operating profit during the year.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

Review of Operating Activities

Despite facing challenges in the global economy, the Group pursued growth and innovation by exploring new markets, collaborate with overseas business partners and geographic expansion strategy.

A. Sustainable Products

Sustainable products are the agenda that our Group focused on. We aim to create, design and manufacture sustainable products which align with the three (3) pillars of Sustainability: Economic, Environmental and Social. The Group is delighted and ambitious in hope to deliver positive impact to the society by helping businesses to cut down operating cost through usage of energy efficient LED lighting products and smart light. It reduces carbon emissions to the atmosphere and lessen the impact to environments. A healthier environments will encourage more businesses to thrive and drive communities to live, work and leisure.

New products launch were clearly set goals to target potential and existing customers through marketing efforts. We determine to focus in manufacturing our products towards more energy efficient. Most of our products are eco-green, durable, energy and cost efficiency which consume less energy and power. This sets a new benchmark in our product development. The Group continues investing heavily in developing more energy efficient lighting products range to meet diverse needs of the customers.

The Group has received numerous international accreditation and recognition in which our products are adhere and comply to international safety standard procedures. With these stringent procedures, customers are assured of our product quality.

The Group continues accelerating in-house growth and creating stronger customers base through offering smart lighting products in the local and international markets. In this rapid pace of technological and digital change, the Group provides smart solutions in data management for Smart City, environmental sensors such as monitoring air quality and traffic flow management which inherently benefitted to municipalities and businesses.

Besides, our smart light with added value features such as surveillance system and data sensor application will enhance safety and provide security for the people. The Group determines to explore more business opportunities and seek industry experts to improvise in the research area with international business partners across the globe.

To remain competitive, we are always at the forefront to stay ahead of technology trends. Our professional team are strengthening and solidifying their knowledge and experiences in the technological innovation progress in which their skills set will permeate and realize the Smart Cities projects. Coupled with smart business strategies, it can manifests into an ambitious transformational city project.

B. Brand and Marketing Strategy

The Group has significant presence in Southeast Asia, Africa, Middle East and Southern America. The Group is poised to build on strong foundation by expanding more product showrooms in these countries to spur stronger marketing performance and global sales, enhance brand image and widening sales distribution network. The Group will embark its challenging journey through operational cost efficiency and effective spending on trade exhibitions and promotions.

C. Upgrading Machinery and Regular Maintenance

Throughout the year, the Group has spent in renovating, repairing and upgrading from machinery, assembly line, automation to testing facilities. The Group methodically maintain close monitoring on production capabilities and capacity to create an effective production plan to meet with increases in product demand. Towards this, the Group took various initiatives of best practices in the entire value chain of production, from employees safety, health and environment to waste management solutions.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

D. Upskilling Employees and Instilling Effective Communication

The success of the Group lies beneath in its management and employees involvement to sustain our growth. Skilled employees are important to influence on synergistic opportunities in contribution to the positive earnings momentum through year to year. Human Resource Department continues their strategy to upskill employees in the workforce through various technical education and training in tandem with in-house and external courses provided. The Group acknowledges the advantages of upskilling employees and instill strong leadership imperatives in them to align with succession plans in the coming years.

Teamwork are valuable and enriched in the workplace by improving organizational communication through employee engagement. Effective listening skills, team commitment and appropriate guidance among each others from the respective management can lead to satisfaction in the workplace.

Retaining talent is an effective approach in the organization to reduce employee turnover. Employee thrives in a positive work environment that encourage them to share values and vision within the Group. Acquire the right talent with right attitude through recruitment is the Group's strategies employed by Human Resouce Department.

E. Penetration into New Markets and Strengthening Project Management

The process equipment has continued to pursue new opportunities and diversify into different industries to broaden its customers' base. On the other hand, the project management team is constantly monitor its efficiency and effectiveness of the in-house workforce and subcontractors to ensure the production progress and products quality meets the customer's expectation.

Disposal of Substantial Subsidiary

On 3 Septempber 2019, STC had entered into a sale and purchase agreement with MIE Industrial Sdn Bhd in relation to the disposal of 52,000,000 ordinary shares in SEB, representing 65% of the entire equity interest in SEB, a subsidiary company of STC for a total cash consideration of RM26 million. This transaction was completed on 3 September 2019 and SEB has ceased to be a subsidiary company of STC with effect from 3 September 2019.

Risk Management

The Group is exposed to competition risk, credit risk, operation risk and foreign currency exchange risk. We have adopted a risk management framework to identify, evaluate and manage the significant risks faced by the Group as disclosed in the Statement on Risk Management and Internal Control of this annual report.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

Dividends

During the FYE 30 June 2019, a first interim tax-exempt single-tier dividend of RM0.01 per ordinary share amounting to RM2,351,671.46 and was paid on 16 January 2019 to the shareholders whose name appeared in Company's record of depository on 20 December 2018.

On 12 September 2019, the Company declared a special tax-exempt single-tier dividend of RM0.035 per ordinary shares amounting RM8,221,645 in respect of the financial year ending 30 June 2020, paid on 07 October 2019 to shareholders whose names appeared in Company's record of depositors on 30 September 2019.

On 13 September 2019, the Company declared an interim tax-exempt single-tier dividend of RM0.022 per ordinary shares amounting RM5,167,890 in respect of the financial year ending 30 June 2020, paid on 07 October 2019 to shareholders whose names appeared in Company's record of depositors on 30 September 2019.

Whilst the company does not have a dividend policy, the Group maintains a track record of dividend distribution for the past years. The dividend payment will depend on a number of factors, including amongst others, the earnings, capital commitments, general financial conditions, distributable reserves and other factors to be considered by the Board.

The Board will continue to justify shareholders' investments with future dividends.

Outlook and Prospect

The Group foresees various challenges will continue to impact the industry in particularly in view of uncertainty global economic prospects, foreign exchange volatility and including intensified competition in the same industry. Potential rises in the prices of raw materials, new equipments and operating expenses.

However, the Group remains resilient and optimistic amid challenging economic landscape. Unforeseen circumstances aside, the Group is fundamentally strong and makes further progress which in turn will bring a satisfactory performance for the coming year.



SUSTAINABILITY STATEMENT

SUSTAINABILITY STATEMENT

Success Transformer Corporation Berhad (“STC”) is a Malaysia-based transformer and lighting industrial provider with responsibility to build a sustainable business model by taking into consideration of the economic, environmental and social impact. STC and its subsidiaries (“Group”) will oversee all the matters pertaining to sustainability and continue to work proactively towards long-term success by improving operational eco-efficiency and to seek out stakeholders with the experience and expertise to contribute to our pursuit of greater sustainability.

We are committed to transparency, dealing business in an ethical manner and adhere to business policies and procedures. STC ensures there are multiple channels and communication provided within the company which include training, mentoring, workshops, regular Safety, Health and Environment (SHE) inspection and periodical check on compliance audit.

GOVERNANCE STRUCTURE

The Board of Directors (“Board”) understand the importance to build a sustainable business model that include aspects of corporate social responsibility, environmental consciousness, high ethical standards, building trust with shareholders and achieving robust financial performance. The Board has responsibilities for environmental conservation through operating in a manner that protects the environment by fulfilling its social obligations towards the local communities. In respect of this matter, the Board has taken strict measures to ensure the sustainability agenda is ingrained in our corporate culture and also the organization. There is no Sustainability Committee and the Risk Management Committee (“RMC”) which comprised of the Management and Directors of STC, are responsible in managing sustainability matters in the organization. The RMC will report to the Audit Committee on any sustainability matters in quarterly manner. The Board has the ultimate responsibility of promoting and embedding the concept of sustainable development in the Group. Among others, its responsibilities include overseeing the following:-

- Stakeholders engagement
- Materiality assessment and identification of sustainability risks and opportunities relevant to us
- Management of material sustainability risks and opportunities

Moving forward, our Board is responsible for performance monitoring and evaluation to ensure our strategic objectives are achieved. We recognize this as an ongoing effort and we will endeavour to further improve in the years to come.

SCOPE OF DISCLOSURE

Our Group are focusing on three (3) areas of sustainability practices – Economic, Environmental and Social. Based on these categories, we will identify and manage the relevant issues that affect the Group’s operations and preventive measures will be implemented to reduce unnecessary risks.

This sustainability report highlights our efforts to conduct business in a responsible and sustainable manner in Malaysia throughout the FYE 30 June 2019.

MATERIALITY ASSESSMENT

Material topics that are relevant to the Group can dependent on its degree of influence on stakeholders’ decisions and the significant of economic, environmental and social impact to the Group’ business. In identifying the material sustainability topics and its scope and boundary for reporting, internal stakeholders comprising the key management personnel and directors were invited to provide their view and perspectives.

During the material assessment process, internal stakeholders were invited to provide their view and perspectives to identify potential material topics related to economic, environmental and social.

After identify, internal stakeholders were asked to rank each of the potential material topics according to its significant of the impact of the Group and the important to the stakeholders.

SUSTAINABILITY STATEMENT (CONT'D)

MATERIALITY ASSESSMENT (CONT'D)

Based on the materiality assessment, the Group had identified the following sustainability priorities as disclosed in pages 26 to 30 during the FYE 30 June 2019:

ECONOMIC		
<ul style="list-style-type: none"> Supporting businesses through local procurement Embrace cultural diversity in the workplace 	<ul style="list-style-type: none"> Procurement management and best practice Regulatory compliance requirements 	<ul style="list-style-type: none"> Quality product and review assurance Investing in innovative technologies
ENVIRONMENTAL		
<ul style="list-style-type: none"> Energy Efficient light-emitting diode ("LED") lighting 	<ul style="list-style-type: none"> Proper waste management and disposal 	<ul style="list-style-type: none"> Reduce, Reuse & Recycle
SOCIAL		
<ul style="list-style-type: none"> Training and development Employee engagement 	<ul style="list-style-type: none"> Health, Safety and Environment management Corporate social responsibility 	<ul style="list-style-type: none"> Respect Equality

STAKEHOLDERS ENGAGEMENT

Given that the Board forms the pivot of good stakeholders engagement, the Board steers efforts to share and engage communication efforts with stakeholders throughout the project cycle. The Group regularly reviews and reflects market dynamics, emerging trends, development programme, business procurement process, regulations, micro and macro management to meet stakeholder expectations.

The table below shows how we engage with our stakeholders and their areas of interest.

STAKEHOLDERS	AREAS OF INTERESTS	METHODS OF ENGAGEMENT
Investors / Shareholders	<ul style="list-style-type: none"> Group's financial performance Business strategy 	<ul style="list-style-type: none"> Annual General Meeting Annual reports Company's website Announcement
Customers	<ul style="list-style-type: none"> Efficient complaints resolution Customer relationship management Product safety and security Service quality Pricing 	<ul style="list-style-type: none"> Regular client meetings Feedback sessions Community and networking events
Employees	<ul style="list-style-type: none"> Career development programme Benefit and remuneration Occupational health and safety 	<ul style="list-style-type: none"> Management meetings / discussions Staff performance appraisals Circulation of internal policies Training Employment contract

SUSTAINABILITY STATEMENT (CONT'D)**STAKEHOLDERS ENGAGEMENT (CONT'D)**

STAKEHOLDERS	AREAS OF INTERESTS	METHODS OF ENGAGEMENT
Suppliers and Vendors	<ul style="list-style-type: none"> • Payment schedule • Pricing services • Green sourcing material • Fair procurement system 	<ul style="list-style-type: none"> • Evaluation and performance reviews • Contract negotiation • Vendor registration
Regulatory Agencies and Statutory Bodies	<ul style="list-style-type: none"> • Compliance with laws and regulations • Governance compliance • Labour practices • Environmental management and compliance 	<ul style="list-style-type: none"> • Inspection or audit by local authorities • Compliance with Bursa Securities's requirements
Local Communities	<ul style="list-style-type: none"> • Social issues • Impact of business operations • Environmental impacts 	<ul style="list-style-type: none"> • Community events • Corporate Social Responsibility (CSR) programmes

1. ECONOMIC

STC examines every facet of the Group's procurements, investments, regulations and research and development that meticulously assess the total costs of projects to ensure its sustainability. In conjunction with the economic cycle, it stimulates business growth and job creations whilst taken into account of its impacts to the stakeholders.

A. Supporting Businesses through Local Procurement

First and foremost, supporting local businesses create lesser carbon footprint to the environment. We coherently support procurement goods and services produced in our local community by fostering good business relationship with local suppliers and vendors. It nurtures a healthy innovation economy by collaborates with local partners which promotes economic prosperity for the country. This includes improving their individual businesses which continuously generate revenue and profit through sales of goods and services to the customers.

For the FYE 30 June 2019, 42% of our purchases have been sourced from local suppliers. Our procurement decision making process are assessed and evaluated based on vendor's accountability, credibility, quality and economical pricing. We are vying to reduce shipping and transportation costs by formulating strategies through supply chain management from packing, logistical planning to distribution of goods.

B. Procurement Management and Best Practice

Responsible procurement are taken into account in considering the product packaging materials and components, proper handling and disposal at later stage. The procuring process will be evaluated based on social, environmental and ethical considerations to align with the Group's sustainable development while procurement strategic decisions are assessed by examining the price, quality, functionality and availability in the current market.

Potential procurement cost savings can be created through reduced consumption and skillfully purchase more efficient and durable products. Selecting sustainable goods and services from responsible suppliers will enhance the company reputation, increase customer loyalty and minimize environmental impact.

SUSTAINABILITY STATEMENT (CONT'D)

C. Quality Product Review and Assurance

The research and development team are entrusted to source materials and goods that continue to support the development of new products and the Group's manufactured products. The procurement team are tasked to ensuring the quality of raw material obtained from the suppliers are in good conditions and comply to safety requirements.

As the Group is accredited by ISO 9001:2015 Quality Management System, all new and existing production assembly line are closely monitored in terms of control, process and outcome. High quality products and assurance will be fulfilled in accordance to ISO 9001:2015 Quality Management System. The Group is primarily focused on achieving customers satisfaction.

D. Embrace Cultural Diversity in The Workplace

The Group promotes local economic growth by creating employment opportunities for Malaysians. As part of the recruitment process, we do not discriminate against any race and gender or age of a person. In the meanwhile, we will ensure all employees include foreign manpowers are comply with the minimum legal working age requirements and working hours that enforced by local authorities. For foreign workers skilled employment, we embrace cultural diversity and background differences that cemented in our workplace culture.

The key component of good strategic Human Resource management is to develop a productive and harmonious workplace environment as attest to the important role that company cultures and values play in forging an inclusive work environment for both local and non-local.

The Group captures some of these good practices with an appreciation for their valuable inputs and contributions by providing in-house trainings, yearly annual dinner, vouchers and freebies. There are total 852 employees for the FYE 30 June 2019. Female employees accounted for 30 percent of the total 852 workforce in the Group.

E. Regulatory Compliance Requirements

The Company is abide and comply with all applicable legal requirements and custom regulations in our businesses including contributing local tax to the Malaysia Government. We undertake responsibility to conduct our business activities in an ethical manner and adhere to this strong principle. We adamant to serve our customers competently and in a professional manner. In respect of this matter, the management of the Company will ensure the employees maintain their highest level of integrity in their sales and marketing activities.

F. Investing in Innovative Technologies

The Group is consistently embracing technological innovation as it becomes the driving forces in fostering growth and sustainability of STC. We have invested in our recent production line, namely Intelligent Light Control System ("iLCS"). iLCS is a smart lighting management and integrated with security and surveillance features which benefits to the municipalities, companies and private sectors.

We continue to invest substantially in innovative technology and seek relevant expert opinions and advices on the improvement, development and implementation in the respective areas. On weighing for this particular matter details, the Group takes on opportunity to assess each component and see how further diversification can be achieved.

2. ENVIRONMENTAL

The Group places strong emphasis in going green in their day-to-day operating business. The Group pursues smart practices and make viable decision in managing energy consumption, effective waste management solutions and engaging employees' participation in this great efforts. The Group prioritizes environmental issues such as health and safety in the workplace by ensuring all the safety standards and criteria are being met.

A. Energy Efficient Light-Emitting Diode ("LED") Lighting

The Group took various measures by creating awareness among employees to reduce energy consumption effectively. All employees are encouraged to turn off lights, air-conditioning, electricity and machineries when not in use. This initiatives will efficiently reduce and save power consumption. We use and install LED indoor lightings in our workplace. The benefits of using LED lights can significantly reduce operating costs and believed that improved lighting in the workplace could improve mood, increase energy levels and enhance productivity among employees.

SUSTAINABILITY STATEMENT (CONT'D)

2. ENVIRONMENTAL (CONT'D)

A. Energy Efficient Light-Emitting Diode (“LED”) Lighting (Cont'd)

We took various measures to care for health and well-being of employees. A good lighting environment will promote employees safety and increase alertness in the immediate surroundings. We hope to provide a safe and secure work environment in the areas where we operate with the aim of protecting our employees.

B. Proper Waste Management and Disposal

We act responsibility to manage waste and disposal by transporting, managing and monitoring various waste materials from paper, packaging, plastics to chemicals. It is important to observe disposal process in this aspect in order to be managed in an efficient manner. We encourage leadership thoughts in resolving and manage solutions together.

Our aim is to achieve zero case of major chemical spillage, achieve zero case of fine or notice by authorities on Environmental Legal Compliance Issues and improve the Group's environmental performance. Waste management practices are embedded among employees in hope to encourage them to be more thoughtful and caring for our people, planet and preserving the environment.

C. Reduce, Reuse and Recycle

The three R's – Reduce, Reuse and Recycle are solely aim at minimizing amount of waste that goes to the landfill in which potentially reducing carbon footprint. We encourage employees to minimize papers usage and consumption in the office environment and possibility to reuse it for other administrative work such as writing and double-sided print. This will improve overall waste management processes in an efficient manner.

3. SOCIAL

We emphasize training and development for our people, incorporate health and safety management, respect human rights and care for our employees welfare and well-being. We volunteered and supported CSR initiatives to various social and local community that have been organized throughout the year.

A. Training and Development

On-going training and development serve downright importance to strengthen Group's business sustainability and constant growth, we continuously providing extensive training courses for employees to sharpen their skills and knowledge. These trainings are conducted regularly during the financial year.

TYPE OF TRAINING	MONTH AND YEAR
Incentive Soldering Training	July 2018
3rd Annual Manufacturing Excellence	August 2018
Lean Tools: Motion And Cycle Time Study Through MOST Technique	August 2018
Module 1: Traits of Successful Senior Executives	October 2018
Module 2: Conducting Effective Performance Reviews/Appraisals	October 2018
How To to Discipline Employees and Correct Performance Problems	October 2018
Facilities Compliance On Duty Exemption	December 2018
ISO 9001:2015 Implementation Awareness & Introduction Quality Management System	March 2019
SO 14001:2015 Implementation (Awareness & Documentation Training)	April 2019

We have recorded a total of 5,819 training hours for our employees during the FYE 30 June 2019. We intend to instill necessary skills and knowledge among employees and encourage them to think critically and strategically in their work performances. This will enable them to be more efficient and productive.

SUSTAINABILITY STATEMENT (CONT'D)



B. Health, Safety and Environment Management

The Group puts priority in the health and safety of the employees. Thus, numerous trainings are organized to increase awareness among employees and production workers. Type of trainings and disseminate proper instructions included are practical knowledge on manual handling in shifting and moving loads, assessed and managed risk relating to chemicals usage and general haphazard environmental protection.

Throughout the financial year, Safety and Health Committee conducted periodical check in the respective departments to ensure standards operating environments are safe, secure and protected. Below are the improvement lists that carried out as follows:

TYPE OF TRAINING	MONTH AND YEAR	NUMBER OF EMPLOYEE
Job Hazard Analysis and Permit to Work	July 2018	1
Workshop on the Implementation of Workplace Health Promotion - Integrated, Intelligent and Interactive	July 2018	1
Empowering Forklift Safety Management	September 2018	1
Seminar Pematuhan Peraturan-Peraturan Kualiti Alam Sekeliling	October 2018	1
Developing & Maintaining an Effective Safety and Health Committee Training	October & November 2018	29
Behaviour Based Safety	January 2019	1

C. Respect Equality

The Group respects and protects the principles of fairness, dignity and diversity for all employees. Promoting equality for all employees should be the core concerns in the organization with the aim to ensure our employees achieve their potential. We respect the rights of all people and will not engage in discriminatory actions against anyone regardless of age, gender, nationality, ethnicity, religion, occupation, appearance or disability.

D. Employee Engagement

Throughout the year, the Group organized various employee engagement activities which included annual dinner, team dinner, participated in the badminton and bowling friendly sports competitions organized by external committee. This will build a great sense of camaraderie and strong team spirits. The Group encourages imbuing honest communication and team interaction are crucial in building effective teams. We believe that a happy and healthy employee would be more productive, efficient and motivated at work.

SUSTAINABILITY STATEMENT (CONT'D)

D. Employee Engagement (Cont'd)

- The Group organized yearly annual dinner to show appreciation to the employees, a celebration to form closer work relationship with one another. The Group thanked them for their hardwork, dedication and contribution throughout the year.
- Best Employees Awards and Best Attendance Awards are presented to the best performing and best attendance employees by given cash reward and certificates to them.
- ESOS are granted for employees with at least one year of service in the Group.
- Medical benefits and personal accident insurance coverage.

E. Corporate Social Responsibility

Blood Donation

The Group had organized a blood donation campaign activity on 5 December 2018 collaborated with the National Blood Centre (Pusat Darah Negara). The objective is to create awareness and educate the importance of blood donation. Some of our employees extended their sincerity by being supportive and donated blood to save more lives. The Group felt deepest gratitude for their contributions to National Blood Center in hope to help the vulnerable patients.

Kota Damansara Carnival

On 3 March 2019, the Group was pleased to sponsor lucky draw gifts items to a local community event at the Kota Damansara Carnival. This event targetted to raise funds to enhance student academic achievement through workshops, seminars and camping activities. The event took place in the vicinity area of SK Seksyen 6 at Kota Damansara where 1,000 people attended the carnival including local community, teachers, parents and students. Through this event, the Group aimed to alleviate burden of less fortunate families in the local community.

Donation to Disaster Victim

The Group provided food aid to the Orang Asli community in which a disastrous situation had enveloped Orang Asli Suku Bateq in Kuala Koh. The community were faced a measles outbreak in that period where it had taken the lives of many villagers due to suffering from pneumonia. In this difficult time, our management extended their sincerity to help the local communities in need. The act of giving reminds us the importance of helping those in need and give back to the society. It reflects our greater sense of benevolence and compassion.

Conclusion

In today's world, larger companies are focusing on innovation, sustainability and competitiveness. Connecting, cultivating and nurturing the aspect of three (3) pillars of Sustainability:- Economic, Environmental and Social within an organization are important for dynamic progression. Sustainability is an inspiring and engaging subject in which leaders adopt sustainability to differentiate themselves in their product design and marketing. Tremendous efforts, certain guidelines, frameworks and transformations are needed to succeed through this engagement.

SUSTAINABILITY STATEMENT (CONT'D)

Blood Donation Campaign



TODAY IS NOT
Just Another Day.
IT'S A NEW
Opportunity,
ANOTHER CHANCE,
A New Beginning.
EMBRACE IT.



CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors acknowledges the relevance of setting up and sustaining a good corporate governance structure within the Company and its subsidiaries and associates (“Group” or “STC Group”). Steadfast in discharging its responsibilities to safeguard and increase shareholders’ value and the Group’s financial performance, the Board is committed to ensure that the principles and best practices of the Malaysian Code on Corporate Governance 2017 (“MCCG 2017”) are implemented.

The Corporate Governance Overview Statement (“CG Statement”) provides a summary of the corporate governance practices of the Company during the financial year ended (“FYE”) 30 June 2019 with reference to the three key principles of good corporate practices as set out in the MCCG 2017. This CG Statement is prepared in compliance with Main Market Listing Requirements (“Listing Requirement”) of Bursa Malaysia Securities Berhad (“Bursa Securities”) and it is to be read together with the Company’s Corporate Governance Report (“CG Report”) for the FYE 30 June 2019 which is available on Bursa Securities website at www.bursamalaysia.com. and corporate website at www.stcgroup.com.my.

The CG Report provides the details on how the Company has applied each Practice as set out in the MCCG 2017 and any departures thereof during the FYE 30 June 2019. The Board is satisfied that the Company has substantially complied with the MCCG 2017 throughout the FYE 30 June 2019 save for the exceptions which are fully described in the CG Report.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

Board Responsibilities

The Board is responsible for the overall governance and conduct of the Group’s strategic plan, including its implementation, and is accountable for the performance of the Company and the Group.

The Board assumes the following duties and responsibilities:

- Review and adopt a strategic plan for the Company, addressing the sustainability of the Company’s business policies and performance and ensure they fit in with the Company’s overall business strategy
- Overseeing the conduct of the Company’s business
- Identifying principal risks faced by the Group and ensuring the implementation of appropriate systems to manage and mitigate these risks
- Succession planning, including appointing and training, replacing Directors
- Overseeing the development and implementation of a shareholder communication policy, and
- Reviewing the adequacy and integrity of the Group’s internal control management information system

To assist in the discharge of its duties, the Board has established Board Committees, namely the Audit Committee, Nomination Committee, Remuneration Committee and Employees’ share option scheme (“ESOS”) Committee to examine specific issues within their respective terms of reference as approved by the Board and to report their recommendations to the Board. The ultimate responsibility for decision making, however, lies with the Board.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

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

Chairman

The Chairman is responsible for leadership of the Board in ensuring the effectiveness of all aspects of its role.

The Chairman assumes the following duties and responsibilities:

- Leads the Board in establishing and monitoring good corporate governance practices in the Company.
- Leads the Board and ensure effectiveness in all aspects of its role.
- Ensure an efficient organisation and conduct of the Board's function and meetings.
- Facilitate the effective contribution of all Directors at Board Meetings.
- Chairs Board meetings and encourages active participation and allowing dissenting views to be freely expressed and discussed.
- Chairs general meetings of the Company and provides clarification on issues that may be raised by the shareholders.
- Promote constructive and respectful relations between Directors, as well as between the Board and Management of STC and,
- Ensure effective communication with shareholders and relevant stakeholders.

Separation of Positions of the Chairman and Managing Director

The Chairman and the Managing Director are held by two different individuals. During the FYE 30 June 2019, the Board is led by the Chairman, Dato' Chua Tia Guan, an Independent Non-Executive Director of the Company with focusing on governance and compliance whereas the Managing Director, Tan Ah Bah @ Tan Ah Ping, who manages the business and operations of the Company and implements the Board's decisions. There is clear division of responsibilities between the Chairman and Managing Director to engender accountability and facilitate the division of responsibility, such that no individual has unfettered powers over decision making. The Chairman is responsible ensuring the adequacy and effectiveness of the Board's governance process and acts as a facilitator at board meeting to ensure that contribution by Directors are forthcoming on matters being deliberated and that no Board member dominates discussion. The Managing Director, supported by the senior management team, implements the Group's strategic plan, policies and decision adopted by the Board and oversees the Operations and business development of the STC Group.

Non-Executive Directors

The Independent Non-Executive Directors bring to bear objective and independent views, advice and judgment on interest, not only of the Group, but also of shareholders, employees, customers, suppliers and many other stakeholders in which the Group conducts its business. Independent Non-Executive Directors are essential for protecting the interest of shareholders and can make significant contributions to the Company's decision making by bringing in the quality of detached impartiality.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

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

Board Committee(s)

The Board has established and is supported by the following Board Committees which consist of Independent Non-Executive Directors to provide independent oversights of management and to ensure that there are appropriate checks and balances in discharging its oversight function:

- a) Audit Committee
- b) Nomination Committee
- c) Remuneration Committee
- d) ESOS Committee

The Board Committees have their roles and functions, written terms of reference and authorities defined. The Board reviews the terms of reference of the Board Committees annually to ensure their relevance.

The Board may form such other committees from time to time as dictated by business imperatives and/or to promote operational efficiency.

Notwithstanding the above, the ultimate responsibility for decision making and oversight still lies with the Board.

Audit Committee ("AC")

- The duties and responsibilities of the AC are as follows:
- To carries out an annual evaluation of the performance of the External Auditors pursuant to the External Auditors Assessment Policy;
- To consider and recommend the appointment of the external auditors, the audit fees and any question of resignation or dismissal;
- To review the quarterly results and year ended financial statements, prior to the approval by the Board of Directors;
- To convene meetings with the external auditors, the internal auditors or both excluding the attendance of other directors and employees of the Group, whenever deemed necessary;
- To do the following in relation to the internal audit function:
 - to review the adequacy of the scope, function, competency and resources of the internal audit function, and that it has the necessary authority to carry out its works;
 - to review the internal audit results and where necessary ensure that appropriate action is taken on the recommendations of the internal audit function;
 - review the appointment or re-appointment of the internal auditors, the audit fee and questions of resignation or dismissal; and
 - review the annual Internal Control Statement to be published in the Annual Report of the Company;
- To review the related parties' transactions and conflict of interest situations that may arise within the Company or the Group including transaction, procedure or course of conduct that raises a question of management integrity;
- To review the application of corporate governance principles and the extent of the Group's compliance with the best practices set out under the Code of Conduct, directions and guidelines established by the relevant regulatory bodies;

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

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

Board Committee (Cont'd)

Audit Committee (Cont'd)

- To identify and direct any special project or investigate and to report on any issue or concern in regard to the Management of the Group;
- To consider other topics as defined by the board; and
- To undertake continuous professional development to keep abreast of relevant developments in accounting and auditing standards, practices and rules.

Nomination Committee ("NC")

The duties and responsibilities of the NC are as follows:

- To identify and recommend to the Board suitable nominees for appointment to the Board and Board Committees;
- To facilitates and organizes the effectiveness assessment for the Board, the Board Committees, each individual Directors and the Company Secretaries on an ongoing basis;
- To review regularly the board structure, size and composition and make recommendations to the Board with regard to any adjustments that are deemed necessary;
- To consider in making its recommendations, candidates for directorships proposed by the Chief Executive Officer or any other senior executive or any Director or Shareholder;
- To recommend to the Board, Directors to fill the seats on Board Committees;
- To assist the Board in its annual review of its required mix of skills and experience and other qualities, including core competencies which Non- Executive Directors should bring to the Board;
- To recommend to the Board for continuation (or not) in service of Executive Director(s) and Directors who are due for retirement by rotation;
- To assess the independence of the Independent Directors annually; and
- To review the fulfilment of director's training, and disclose details in the annual report as appropriate.

Remuneration Committee

The duties and responsibilities of the RC are as follows:

- To consider and recommend to the Board the remuneration framework for Directors, including Executive Chairman;
- To provide the remuneration packages needed to attract, retain and motivate Directors of the quality required to manage the business of the group successfully; and
- To reviews the Board and senior management remuneration policy annually with due consideration on relevant factors.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

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

ESOS Committee ("EC")

The Board has been authorized and empowered to give effect to the establishment of an ESOS of up to 15% of the total number of issued shares of STC (excluding treasury shares) at any point in time during the duration of the ESOS for the eligible employees and directors of STC and its subsidiary companies, which was approved by the shareholders at the Extraordinary General Meeting held on 2 July 2018.

Subsequently, an EC has been formed on 8 August 2018 and headed by Dato' Chua Tia Guan and comprising three (3) members namely Tan Wei Neng, Tan Chung Ling and Yeoh Kim Wah.

The duties and responsibilities of the EC are as follows:

- To responsible for administering the ESOS in accordance with the provisions of the By-Laws of the ESOS by do all acts and things and/or caused the Company to enter into any transaction, agreement, deed, document or arrangement, make rules, regulations or impose terms and conditions or delegate part of its powers relating to the ESOS, which it may in its discretion consider to be necessary or desirable to give full effect to the ESOS and generally exercise such powers and perform such acts as are deemed necessary or expedient to promote the best interest of the Company.
- To exercise of this power may correct any defect, supply any omission, or reconcile any inconsistency in the ESOS or in any agreement providing for an ESOS in a manner and to the extent it shall deem necessary to expedite and make the ESOS fully effective and ,
- To recommend to the Board any modification, variation and/or amendment of the By-Laws of the ESOS as it shall in its discretion think fit at any time and from time to time.

Board Charter

There is a formal schedule of matters reserved to the Board for its deliberation and decision to ensure the direction and control of the Company are in its hand. In discharging its duties, the Board is guided by its Charter which outlines the authority, delegations, responsibilities of the Board, and other matters that are specifically reserved for the Board.

Significant matters requiring deliberation and approval from the Board are also clearly defined in the Board Charter as matters reserved for the Board for consideration and approval during the Board's meetings. The key matters reserved for the Board's approval, amongst other matters, include corporate plan and programme, material acquisitions and disposals, material investments, major agreements/contracts, changes to the management and control structure and compliance with relevant laws and regulations. In addition, the authorisation requirements delegated to the Management are incorporated in the key business processes and stated in the Group's policies and procedures.

The management function is conducted by, or under the supervision of, the Managing Director as directed by the Board and by other officers to whom the management function is properly delegated by the Managing Director. The Management provides the Board with information in a form, timeframe and quality that will enable the Board to discharge its duties effectively. Directors are entitled to request additional information at any time when they consider it appropriate.

In line with Practice 2.1 of the MCCG 2017, the Board Charter is available on the corporate website at www.stcgroup.com.my.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

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

Code of Conduct

The Board has formalised a Code of Conducts, setting out the standards of conduct expected from Directors and all employees of the Group. The Code of Conduct provides guidance for Directors regarding ethical and behavioural considerations and/or actions as they address their duties and obligations during the appointment. The Board should periodically review the Code of Conduct and a summary of the Code of Conduct is available on the company website. at www.stcgroup.com.my.

The Board has established a formal Whistle Blowing Policy to foster an environment where integrity and ethical behaviour are maintained and any illegal acts or failure to comply with regulatory requirements that are taking place may be exposed. The formal Whistle Blowing Policy provides a mechanism for employees, stakeholders and other interested parties to confidentially bring to the attention of the Audit Committee any concerns related to matters covered by the Group Code of Conduct, legal issues and accounting or audit matters.

The Whistle Blowing Policy is available on the company website at www.stcgroup.com.my.

Sustainability of Business

The Board is mindful of the importance of business sustainability and, in conducting the Group's business, the impact of the Group's business on the environmental, social and governance ("ESG") aspects is taken into consideration. The Board will incorporate ESG aspect while formalising the company's strategies on promoting its sustainability.

The Group activities on corporate social responsibilities during the FYE 30 June 2019 are disclosed in Sustainability Statement of this Annual Report.

Access to Information and Advice

The Board members have full and unrestricted access to all information pertaining to the Group's business and affairs. Directors are supplied with relevant information and reports on financial, operational, corporate, regulatory, business development and audit matters for decisions to be made on an informed basis and effective discharge of the Board's responsibilities.

Besides, the Board may also obtain independent professional advice at the Company's expense through an agreed procedure set out in the Board Charter. In additional, the Board is regularly updated and advised by the Company Secretary who is qualified and competent on statutory and regulatory requirements in carrying out its roles and responsibilities.

The Management provides the Board with information in a form, timeframe and quality that will enable the Board to discharge its duties effectively. Directors are entitled to request additional information at any time when they consider it appropriate. Every possible effort will be made to ensure that the Board papers to be tabled at a Board meeting will be made available in a good time to all the Directors who are attending the board meeting regardless of location.

Assignment of Authority and Responsibility

Directors may delegate their powers as they consider it appropriate through appropriate manual of delegations or manual of authorities. However, ultimate responsibility for strategy and control rests with the Directors as guided by the Managing Director.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

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

Company Secretary

The Company Secretary of the Group is a qualified company secretary under Section 235(2)(a) of the Companies Act 2016. The Company Secretary plays an advisory role in supporting the Board, particularly with regard to the Company's constitution, Board policies and procedures, and its compliance with regulatory requirements, code, guidance and legislation. The Company Secretary supports the Board to ensure its effective functioning, and in managing the corporate governance framework of the Company.

The Company Secretary also notifies the Board of any corporate announcement released to Bursa Securities and the impending restriction on dealing with the securities of the Company prior to the announcement of the quarterly financial results.

The Company Secretary ensures that deliberations at Board and Board Committee meetings are well documented, and subsequently communicated to the relevant Management for appropriate actions. The Company Secretary constantly keeps herself abreast of the evolving capital market environment, regulatory changes and developments in corporate governance through continuous training.

The Board is satisfied with the performance and support rendered by the Company Secretary to the Board in the discharges of her functions.

Board Meeting and Meeting Materials

In order to discharge their responsibilities effectively, the Board meets regularly on a quarterly basis. Additional or special Board Meetings may be convened as and when necessary to consider and deliberate on any urgent proposals or matters under their purview and which requires the Board's expeditious review or consideration. Such meetings will enable the Board members to effectively assess the viability of the business and corporate proposals and the principal risks that may have significant impact on the Group's business or on its financial position and the mitigating factors. All Board approvals sought are supported with all the relevant information and explanations required for an informed decision to be made.

The notice of meetings and agenda are sent to the Directors electronically at least one week in advance and Board meeting papers are delivered to the Directors electronically at least five days prior to Board meeting. This enables the Directors to prior peruse the matters to be deliberated upon, and if necessary, further information are provided at the meeting for deliberation and informed decision making. External advisors may be invited to attend Board meetings to provide further details, clarifications and/or advise the Board as and when required on matters to be deliberated.

Board Composition

The Board composition of the Company represents a mix of knowledge, skills and expertise which assist the Board in effectively discharging its stewardship and responsibilities.

As at the date of the Annual Report, the Board has nine (9) members (excluding the Alternate Director) comprising one (1) Independent Non-Executive Chairman, two (2) Independent Non-Executive Director, five (5) Executive Directors (including the Managing Director and Deputy Managing Director) and one (1) Non-Independent Non-Executive Directors. This composition complies with Paragraph 15.02 of the Listing Requirements ("Bursa Securities") whereby the Company requires at least two (2) or one-third (1/3) of the Board, whichever is higher who are independent directors.

The Board through its (NC) conducts an annual review of its sizes and composition, to determine if the Board has the right size and sufficient diversity with independence elements that fit the Company's objectives and strategic goals.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

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

Board Composition (Cont'd)

The Board noted that Practices 4.1 of the MCCG 2017 has recommended for at least half of the Board members to be independent directors.

Based on the review of the Board's composition and assessment of individual Directors during the FYE 30 June 2019, the Board is satisfied that the Independent Directors are able to exercise independent and objective judgement and act in the best interests of the Company even though they do not form at least half of the Board members.

The Profile of each director is presented on page 6 to 9.

Boardroom Diversity

The Board acknowledges the importance of boardroom diversity in terms of age, gender, nationality, ethnicity and recognises the benefits of this diversity.

The Board also recognises that having a range of different skills, backgrounds, experience and diversity is essential to ensure a broad range of viewpoints to facilitate optimal decision making and effective governance.

The Board is of the view that while promoting boardroom diversity is essential, the normal selection criteria of a Director, based on an effective blend of competencies, skills, extensive experience and knowledge to strengthen the Board, should remain a priority. Thus, the Company does not set any specific target for boardroom diversity but will actively work towards achieving the appropriate boardroom diversity.

Currently, the Board has four (4) female Directors (excluding the Alternate Director) namely, Ms Pan Kim Foon, Ms Tan Chung Ling, Ms Chan Foong Ping, and Ms Tan Chung Chay, taking into account the combination of skill, experience and strength in the qualities necessary to strengthen the composition of the Board.

Time Commitment

The Board ordinarily meets at least six (6) times a year, scheduled well in advance before the end of the preceding financial year to facilitate the Directors in planning their meeting schedule for the year and additional meetings are convened as and when necessary. The Board obtains the commitment from Directors to devote sufficient time and effort to carry out their responsibilities at the time of their appointment. Each Director is expected to commit time as and when required to discharge the relevant duties and responsibilities, besides attending meetings of the Board and Board Committees. It is also the Board's policy for Directors to notify the Chairman before accepting any new directorships notwithstanding that the Listing Requirements allow a Director to sit on the board for 5 listed issuers. Such notification is expected to include an indication of time that will be spent on the new appointment. At the quarterly Board meetings, the Board reviews the business performance of the Group and discusses major operational and financial issues. All pertinent issues discussed at Board meetings in arriving at decisions and conclusions are properly recorded by the Company Secretary by way of minutes of meetings.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)**PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)****Time Commitment (Cont'd)**

During the financial year under review, the number of Board of Directors' meeting attended by each director is as follows:

Name of Directors	No. of Meetings Attended
Dato' Chua Tia Guan	6/6
Tan Ah Bah @ Tan Ah Ping	6/6
Pan Kim Foon	6/6
Tan Chung Ling	6/6
Tan Wei Neng	6/6
Ng Chee Keong	6/6
Yeoh Kim Wah	6/6
Chan Foong Ping	6/6
Tan Chung Chay	6/6
Tan Chung Chiah	6/6

Directors' Training

All Directors have successfully completed the Mandatory Accreditation Programme prescribed by Bursa Securities. The Directors will continue to attend other relevant training programmes as appropriate, to further enhance their skills and knowledge and fully equip themselves to effectively discharge their duties. The training programmes attended by the Directors are as follows:

Name of Directors	Training Programme
Dato' Chua Tia Guan	National Tax Conference 2018 (CTIM & LHDN) Fixed Income and Structured Products Explained (SIDC) 2019 Budget Seminar (MIA & MATA) 2019 Budget Seminar (CTIM) Revolutionising Businesses Through Blockchain (SIDC)
Tan Ah Bah @ Tan Ah Ping	Anti-Bribery Management System
Pan Kim Foon	Anti-Bribery Management System
Tan Chung Ling	Anti-Bribery Management System Management Skills for Future Leaders
Tan Wei Neng	2019 Tax Strategies Planning Workshop
Ng Chee Keong	Demystifying The Diversity Conundrum : The Road to Business Excellence
Chan Foong Ping	Advocacy Programme on CG Assessment using the revised ASEAN CG Scorecard Methodology Companies of the Future – The Role for Boards Non-Financials – Does It Matter MIA Town Hall 2019 MIA's Engagement Session with Audit Committee Members on Integrated Reporting CG Watch : How Does Malaysia Rank? Special Pathways – Developing a Digitalised Accounting Practice Cyber Security in the Boardroom MIA Town Hall 2019 - Sabah

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)**PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)****Directors' Training (Cont'd)**

Name of Directors	Training Programme
Yeoh Kim Wah	Demystifying The Diversity Conundrum : The Road to Business Excellence
Tan Chung Chay	Anti-Bribery Management System Management Skills for Future Leaders
Tan Chung Chiah	Anti-Bribery Management System Implementation of Sales Tax and GST-Exit Accounting for Manufacturing Industry and Importers Effective Performance Review and Appraisals Management Skills for Future Leaders

The Company Secretary will circulate the relevant statutory and regulatory requirement from time to time for the Board's reference and briefs the Board on the updates, where applicable. External Auditors also brief the Board on Malaysian Financial Reporting standards that affect the Group's financial statement for the year under review.

The Board will on continuing basis evaluate and determine the training needs of each Director, particularly on relevant new law and regulations and essential practices for effective corporate governance and risk management to enable the Directors to effectively discharge their duties.

Appointments to the Board

The objective of the NC is to ensure that there is a formal and transparent procedure for appointment of new directors and appraisal of directors for recommendation to the Board. However, the Board has the final decision on appointments after considering the recommendations of the Committee. The members are as follows:

Name	Designation	Directorship
Dato' Chua Tia Guan	Chairman	Independent Non-Executive Director
Chan Foong Ping	Member	Independent Non-Executive Director
Yeoh Kim Wah	Member	Non-Independent Non-Executive Director

The NC operates under its terms of reference and had one (1) meeting during the FYE 30 June 2019.

The composition, authority as well as the duties and responsibilities of the NC are set out under its terms of reference, which is available on the Company's website at www.stcgroup.com.my.

Review of the Audit Committee

Pursuant to Paragraph 15.20 of the Listing Requirements, the NC reviewed the terms of office of the AC and each of its members and was satisfied that the AC and its members have carried out their duties in accordance with its terms of reference during the financial year under review.

An evaluation exercise of the AC was carried out by the NC to assess the effectiveness of each of the AC members, including the evaluation on the AC as a whole, assessing the individual AC members' skills and competencies, their meeting administration and conduct, their contribution and interaction, quality of input and understanding of roles and responsibilities as an AC member.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

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

Review of Candidates Proposed for Appointment as Directors

The NC's criteria to be used in the appointment process was largely focused on ensuring a good mix of skill, experience and strength in the qualities necessary for the Board to discharge its responsibilities in an effective and competent manner. Diversity of the Board's composition is important to facilitate optimal decision-making by harnessing different insights and perspectives. Diversity criteria reviewed by the NC include experience, skills, competence, race, gender, culture and nationality.

Other factors considered by the NC include the candidates' ability to commit sufficient time and energy to the Group's matters and the ability to satisfy the test of independence taking into account the candidate's character, integrity and professionalism.

The Company maintains a formal and transparent procedure for the appointment of new Directors. All nominees to the Board are first considered by the NC, taking into account the mix of skills, competencies, experience and other qualities before they are recommended to the Board.

While the Board is responsible for the appointment of new Directors, the NC is delegated the role of screening and conducting an initial selection upon the recommendation by the existing Directors, Senior management staff, major shareholder and/or external introductions, before making a recommendation to the Board. NC evaluates the nominees' ability to discharge their duties and responsibilities before recommending their appointment as Directors to the Board for approval.

Board and Board Committee Assessment

The NC carries out Board effectiveness assessment, including Board Committees and individual Director. The effectiveness of the Board is assessed in the areas of Board mix/diversity, composition and governance, quality of information and decision-making and Boardroom activities. The effectiveness of the Board Committees is assessed in terms of composition and governance, meeting administration and conduct, skills and competencies, and roles and responsibilities.

The Directors' assessment are intended to assess their contribution, performance, calibre and personality in relation to the skills, experience and other qualities they bring to the Board. The assessment examines Directors' ability to give input in meetings and demonstrate high level of integrity in decision making.

The Board assessment has been carried out by NC on 15 October 2019 via the AC evaluation questionnaire, Board members' self and peer evaluation form, Independent Directors' evaluation form, Directors' evaluation form, Board and Board Committee evaluation form.

Re-election of Directors

In accordance with the Constitution of the Company, all directors shall retire from office once in every three (3) years but shall be eligible for re-election and one-third (1/3) of the directors shall retire from office and be eligible for re-election at each Annual General Meeting ("AGM").

Newly appointed directors during the financial year shall hold office until the next following AGM and shall then be eligible for re-election. This requirement has been adhered to by the Board members in AGM.

The NC is responsible for recommending to the Board those Directors who are eligible to stand for re-election.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)**PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)****Tenure of Independent Director**

The retention of Independent Directors who have served a cumulative term of nine (9) years shall be subject to annual shareholders' approval in line with Practice 4.2 of the MCCG 2017. If the Board continues to retain the Independent Director after the twelve (12) years, the Board should seek annual shareholders' approval through a two-tier voting process.

The Board is of the view that the independence of the Independent Directors should not be determined solely or arbitrarily by their tenure of service. The Board believes that continued contribution will provide stability and benefits to the Board and the Company as a whole, especially their invaluable knowledge of the Group and its operations gained through the years.

The calibre, qualification, experience and personal qualities, particularly of the Director's integrity and objectivity in discharging his/her responsibilities in the best interest of the Company should be the predominant factors to determine the ability of a Director to serve effectively as an Independent Director.

The Board is also confident that the Independent Directors themselves, after having provided all the relevant confirmations on their independence, will be able to determine if they can continue to bring independent and objective judgment during Board deliberations and decision making.

As at the date of this Statement, none of the Independent Directors has served the Board for more than nine (9) years.

Remuneration Policies and Procedures

The objective of the RC is to recommend the remuneration framework of Executive Directors to the Board. The remunerations and entitlements of the Non-Executive Directors including the Non-Executive Chairman shall be a matter to be decided by the Board as a whole with the director concerned abstaining from deliberation and voting on his individual remuneration.

The RC had two (2) meeting during the FYE 30 June 2019. This meeting was attended by all members.

The RC comprises exclusively Non-Executive Directors with a majority of them being Independent Directors. The members are as follow:

Name	Designation	Directorship
Dato' Chua Tia Guan	Chairman	Independent Non-Executive Director
Tan Ah Bah @ Tan Ah Ping	Member	Managing Director
Chan Foong Ping	Member	Independent Non-Executive Director

The RC adopts the principles recommended by the MCCG 2017 in determining the directors' remuneration, whereby, the executive remuneration is designed to link rewards to the Group's performance whilst the remuneration of the Non-Executive Directors is determined in accordance with their experience and the level of responsibilities assumed. The RC reviews the Board remuneration policy annually, considering various factors including the Non-Executive Directors' fiduciary duties, time commitments expected of Non-Executive Directors and Board Committee members and the Company's performance as well as the market condition. The Directors' fees are subject to the approval of the shareholders of the Company at AGMs.

The composition, authority as well as the duties and responsibilities of the RC are set out in its terms of reference which is available at the Company's website at www.stcgroup.com.my.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

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

Remuneration Policies and Procedures (Cont'd)

The number of Directors of the Company whose income falls within the following bands are set out as follows:

Range of Remuneration	Number of Directors	
	Executive	Non-Executive
RM 50,001 to RM 100,000	-	1
RM 100,001 to RM 150,000	-	1
RM 150,001 to RM 200,000	-	1
RM 200,001 to RM 250,000	-	1
RM 550,001 to RM 600,000	1	-
RM 900,001 to RM 950,000	1	-
RM 950,001 to RM1,000,000	1	-
RM 1,900,001 to RM 1,950,000	1	-
RM 2, 250,001 to RM 2,300,000	1	-

The aggregate remuneration paid or payable to all Directors are further categorised into the following components:

Group	Fees* RM'000	Salaries & other emoluments RM'000	Employees	Benefits in kind RM'000	Total RM'000
			share option scheme expenses RM'000		
Executive	88	6,502	17	76	6,683
Non-executive	460	158	-	-	618

Company	Fees* RM'000	Salaries & other emoluments RM'000	Benefits in kind RM'000	Total RM'000

* Subject to the approval of shareholders

The above disclosure includes the remuneration paid to Directors who had received his remuneration from her capacity as Executive Director or Directors of the subsidiaries of STC.

In respect of the non-disclosure of detailed remuneration of each director, the Board views that the transparency in respect of the Directors' remuneration has been appropriately dealt with by the 'band disclosure' presented in this statement.

Remuneration of Key Senior Management

The remuneration of Key Senior Management is based on policies and procedures recommended by the RC, which is then approved by the Board. This is in line with Practice 6.2 of MCCG 2017.

Although the MCCG 2017 provides that the Company should disclose the detailed remuneration of the top Senior Management on the named basis, the Board has opined that it is not in the best interest of the Company to make such disclosures on the remuneration of the Senior Management due to the sensitivity of their remuneration package, privacy, competition and issue of staff poaching.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)**PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT****Audit Committee**

The AC of the Company comprises exclusively Non-Executive Directors and majority all of whom are Independent Non-Executive Directors. The members are as follow:

Name	Designation	Directorship
Ng Chee Keong	Chairman	Independent Non-Executive Director
Yeoh Kim Wah	Member	Non-Independent Non-Executive Director
Chan Foong Ping	Member	Independent Non-Executive Director

The Chairman of the AC is appointed by the Board and he is not the Chairman of the Board. The composition, authority as well as the duties and responsibilities of the AC are set out in its terms of reference and a copy is available on the Company's website at www.stcgroup.com.my.

The members of the AC possess a mix of skill, knowledge and appropriate level of expertise and experience to enable them to discharge their duties and responsibilities pursuant to the terms of reference of the AC. In addition, the AC members are literate in financials and are able to understand, analyse and challenge matters under purview of the AC including the financial reporting process.

The Board is assisted by the AC to overseas the Group's and Company's financial reporting process and the quality of financial reporting and ensuring that the financial statements comply with the provisions of the Companies Act 2016 and the applicable Malaysian Financial Reporting Standards and International Financial Reporting Standard .

In presenting the annual audited financial statements to the shareholders, the Board takes responsibility to present a balanced and meaningful assessment of the Group's and Company's financial performance and prospects and ensure that the financial statements reviewed and recommended by the AC for Board's approval are prepared in accordance with the provisions of the Companies Act 2016, the applicable Malaysian Financial Reporting Standards and International Financial Reporting Standards so as to present a true and fair view of the financial position, financial performance and cash flows of the Group and of the Company.

Assessment of External Auditor

The Board, via the AC, maintains a formal and transparent relationship with the Group's external auditors in seeking valuable professional advice and in ensuring compliance with Malaysian Financial Reporting Standards issued by the Malaysian Accounting Standards Board in Malaysia. The AC meets up with the External Auditors at least twice a year to review audit plans and exchange views on issues requiring attention. There is no any significant issue raised by External Auditor during the financial year under review.

The AC reviewed the External Auditors' Audit Plan outlining their scope of work and proposed fees for the statutory audit and review of the Statement of Risk Management and Internal Control. The AC further resolved to recommend the proposed fees to the Board for approval.

The AC carries out an annual review of the performance of the External Auditors, including assessment of their independence in performing their obligations, adequacy of experience and resources of the firm and the professional staff assigned to the audit. Based on the annual evaluation of their performance and audit fees, the AC was satisfied with the External Auditors' technical competency and independence for 2019. With that, the AC further recommended to the Board the reappointment of the External Auditors for 2020.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

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

Assessment of External Auditor (Cont'd)

In assessing the independence of External Auditors, the AC required written assurance from the External Auditors conforming that they are, and have been, independent throughout the conduct of the audit engagement with the Company in accordance with the independence criteria set out by the Malaysian Institute of Accountants.

The External Auditors provided written assurance to the AC that in accordance with the terms of all relevant professional and regulatory requirements, they had been independent throughout the audit engagement.

Internal Auditor Function

The Board has an overall responsibility for maintaining a sound system of internal controls to safeguard the Group's assets and shareholders' investment. As the system of internal controls is designed to mitigate rather than eliminate the likelihood of errors or fraud, the system can only provide reasonable assurance against material misstatement or loss.

The internal audit function is essential to assist the Board in obtaining the assurance of the system of internal control maintained by the management.

To achieve this objective, the Company outsourced its internal audit function to an external consulting company, NGL Tricor Governance Sdn Bhd. The audit team members are independent of the activities audited by them. The internal auditors review and assess the Group's system of internal control and report to the AC.

The Internal Audit adopts a risk-based approach in developing its audit plan to address the essential auditable areas of the Group based on their risk profiles. The audit focuses on high risk areas to ensure that an adequate action plan is in place to enhance the internal controls. The results of the audit reviews, recommendations as well as management's responses and action plans were brought to the attention of Audit Committee at scheduled meetings. The management has to ensure that all recommended remedial actions were executed to rectify the highlighted shortcomings within a reasonable time frame. Any other significant issues would also be highlighted by AC to the Board on a quarterly basis.

The main functions of internal audit include the following:

- a) Conducts operational reviews on selected key business areas and processes of the Group;
- b) Evaluates key strategies and risk management framework and processes; and
- c) Conducts follow-up reviews on audit recommendations raised in previous audit reports to ensure the recommendations are implemented accordingly with the necessary corrective and preventive actions.

The main activity and assignment undertaken during the financial year under review include the following:

- (i) Review Sales and Receivables of Success Electronics & Transformer Manufacturer Sdn Bhd;
- (ii) Review of Information Technology General Control of Seremban Engineering Berhad; and
- (iii) Review of Quality Assurance/ Quality Control Management of Seremban Engineering Berhad.

The findings of the Internal Auditor were communicated to the Management for the necessary corrective action and being followed up and reported to AC accordingly.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)**PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT (CONT'D)****Risk Management and Internal Control**

The Board acknowledges that risk management is an integral part of the Group business operations. It is an ongoing process which involves different levels of management to identify, evaluate, monitor, manage and mitigate the risks that may affect the achievement of the Group's business and corporate objectives.

The Board has an overall responsibility for the Group's system of internal control and for reviewing its adequacy and integrity. There is an on-going process for the Board to identify, evaluate and manage significant risks faced by the Group on a regular basis for the financial year under review. The system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve the business objectives of the Group. In pursuing to these objectives, internal control can only provide reasonable and not absolute assurance against material misstatement or loss. The system of internal control incorporates, inter-alia, risk management, financial, operational and compliance controls as well as the governance process.

The Company has established the Risk Management Committee ("RMC") which is tasked to develop and maintain an effective risk management system for the Group. It reviews matters such as responses to significant risks identified, changes to internal control system and output from monitoring processes. The RMC reports to the AC, which dedicates separate time for discussion of this subject. Significant issues related to risk management and internal controls are highlighted to the Board.

The RMC comprises the following members:

Members	Designation
Tan Chung Ling	Chairlady
Lo Chiow Lieh	Chief Risk Officer
Tan Wei Neng	Steering Committee
Tan Chung Chiah	Steering Committee
Tan Chung Chay	Steering Committee
Chang Kam Kuan	Steering Committee
Chua Shee Hiang	Steering Committee
Lim Wei Yuen	Steering Committee

The details of the risk management framework are disclosed in the Statement on Risk Management and Internal Control of this annual report.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

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

Communication with Stakeholders

The Board is aware of the need to formalise internal corporate disclosure policies and procedures not only to comply with the disclosure requirements set out in the Listing Requirements, but also setting out the persons authorised and responsible to approve and disclose material information to regulators, shareholders and stakeholders. Amongst the policies is to upload its announcements to the regulators, the Board Charter, rights of shareholders and Annual Report in the Company's website timely.

Various contact details are provided on the Company's website to address queries from customers, shareholders and other stakeholders.

The Board values dialogue with investors as a means of effective communication that enables the Board and management to convey information about the STC Group's performance, corporate directions and other matters affecting shareholders' interests. Such information is disseminated through various disclosures and announcements made to the Bursa Securities covering quarterly financial results, audited financial statements and annual reports. This information is also accessible by the public through Bursa Securities' website at <http://www.bursamalaysia.com>.

In addition, the Company's website at www.stcgroup.com.my provides information on the Group's business, corporate development and announcements to Bursa Securities. Other information relevant to shareholders and investors such as annual reports, circulars and quarterly reports are available for download at the Company's website.

Conduct of General Meetings

The Company's AGM continues to be used as a principal forum for dialogue and interaction with shareholders. The Notice of AGM is circulated at least twenty-eight (28) days before the date of the meeting to enable shareholders to go through the Annual Report. Shareholders are encouraged to participate in discussions and to give their views to the Board. Extraordinary General Meetings are held as and when required. At the General Meetings, the Directors will respond to the shareholders' queries. Proposed resolutions for special business included in the notice of meeting will be accompanied by an explanatory statement to facilitate shareholders' understanding and evaluation of issues involved.

Pursuant to paragraph 8.29A of the Listing Requirements, a public listed company must, among others, ensure that any resolution set out in the notice of any general meeting, is voted by poll. For this purpose, the share registrar will be appointed as the Poll Administrator and an independent scrutineer will be appointed to validate the votes cast at the AGM.

At the commencement of all general meetings, the Chairperson will inform the shareholders of their rights to a poll voting. Separate resolutions are proposed for substantially separate issues at the meeting and the Chairperson will declare the number of proxy votes received, both for and against each separate resolution where appropriate. The outcome of the AGM will be announced to Bursa Securities on the same meeting day.

COMPLIANCE STATEMENT

Save as disclosed above and in the CG Report, the Board is satisfied that throughout the FYE 30 June 2019, the Company has applied the principles and recommendations of the corporate governance set out in the MCCG 2017, where necessary and appropriate.

This statement was approved by the Board on 15 October 2019.

AUDIT COMMITTEE REPORT

1. COMPOSITION OF AUDIT COMMITTEE

Ng Chee Keong*Chairman**(Independent Non-Executive Director)***Chan Foong Ping***Member**(Independent Non-Executive Director)***Yeoh Kim Wah***Member**(Non-Independent Non-Executive Director)*

The Audit Committee ("AC") of the Company comprises three (3) members, all of whom are Non-Executive Directors with a majority of them being Independent. This meets the requirement of Paragraphs 15.09 and 15.10 of the Main Market Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa Securities"). Should there be a vacancy in the AC resulting in the non-compliance of Paragraphs 15.09 (1) and 15.10 of the Listing Requirements, the Company must fill up the vacancy within three (3) months thereof.

2. TERMS OF REFERENCE

The terms of reference ("TOR") of the AC is available for download on the Company's website at www.stcgroup.com.my.

3. FREQUENCY OF MEETINGS

Meetings shall be conducted not less than four (4) times annually. In order to form quorum for the meeting, the majority of the members present must be Independent Directors. Other meetings may be held as and when required. However, the Committee should meet with the external auditors without the presence of the executive directors, at least twice a year.

4. AC MEETING ATTENDANCE

The AC had conducted six (6) meetings for the FYE 30 June 2019. Details of attendance of the Directors at AC Meetings held during the financial year are as follows:

Name of Directors	No. of Meetings Attended
Ng Chee Keong	6/6
Chan Foong Ping	6/6
Yeoh Kim Wah	6/6

5. SUMMARY OF WORK

During the financial year and up to the date of statement, the AC had carried out the following works:

Activities with Regards to External Audit:

- Reviewed the audited financial statements;
- Reviewed the comments from external auditors in relation to audit and accounting issues arising from the audit;

AUDIT COMMITTEE REPORT (CONT'D)

5. SUMMARY OF WORK (CONT'D)

Activities with Regards to External Audit: (Cont'd)

- Considered the nomination of external auditors for recommendation to the Board for re-appointment; and
- Convened meeting with external auditors without the attendance of other directors or employees.

Activities with Regards to Internal Audit:

- Reviewed the internal audit plan, findings and reports;
- Discussed and recommended the internal audit (or "IA") reports together with the recommendations and Management's responses as tabled by the internal auditors for the Board's notation;
- Discussed and reviewed the annual internal audit plan for financial year 2020 ("Annual IA Plan") and programs as tabled by the internal auditors for the Board's notation;
- Assessed and reviewed the internal audit function for its adequacy and independency;
- Reviewed the performance and competency of the internal auditors and approved on the re-appointment of internal auditors;
- Reviewed the recurrent related party transactions and control procedures for these transactions in the shareholder mandate; and
- Convened meeting with internal auditors, without the attendance of other directors or employees.

Activities with Regards to Financial Statement:

- Reviewed the quarterly financial results and announcements prior to submission to the Board of Directors for consideration and approval;
- Reviewed the annual Audited Financial Statements of the Company and the Group for the FYE 2019 and to recommend to the Board's approval prior to submission to the Board for approval; and
- Reviewed the Company and the Group's compliance with the Listing Requirements, Malaysia Finance Reporting Standards and other relevant legal and regulatory requirements.

Activities with Regards to Internal Control and Risk Management:

- Reviewed and monitored principal risks which may affect the Group directly or indirectly, and if deemed necessary, recommended additional course(s) of action to mitigate such risks;
- Monitored and communicated the risk assessment results to the Board on a quarterly basis;
- Assessed the actual and potential impact of any failure or weakness of the internal controls in place; and
- Facilitated the establishment of the risk management framework and reviewed adequacy and effectiveness thereof from time to time.

AUDIT COMMITTEE REPORT (CONT'D)

5. SUMMARY OF WORK (CONT'D)

Other Activities:

- Reviewed the disclosure statements on Corporate Governance. AC Report and the Statement of Risk Management and Internal Control and recommend their adoption to the Board;
- Reviewed its TOR periodically and recommended to the Board on revision, if necessary;
- Review related party transactions and conflict of interest situation that may arise within the Company or the Group including any transaction, procedure or code of conduct that may raise concern or question of Management's integrity;
- Discussed and recommended acquisition, disposal and corporate exercise of the Company to the Board for approval;
- Reviewed the application of corporate governance principles and the extent of the Group's compliance with the best practices set out under the MCCG 2017;
- Reviewed the AC Report and the Statement on Internal Control and Risk Management for adoption by the Board; and
- Discussed summary of assessment on the performance and effectiveness of AC and its members made by the Nominating Committee.

6. INTERNAL AUDIT FUNCTION

The internal audit function is essential to assist the Board in obtaining the assurance of the system of internal control maintained by the management.

To achieve this objective, the Company outsourced its internal audit function to an external consulting company, NGL Tricor Governance Sdn Bhd. The audit team members are independent of the activities audited by them. The internal auditors review and assess the Group's system of internal control and report to the AC.

The Internal Audit adopts a risk-based approach in developing its audit plan to address the essential auditable areas of the Group based on their risk profiles. The audit focuses on high risk areas to ensure that an adequate action plan is in place to enhance the internal controls. The results of the audit reviews, recommendations as well as management's responses and action plans were brought to the attention of AC at scheduled meetings. The management has to ensure that all recommended remedial actions were executed to rectify the highlighted shortcomings within a reasonable time frame. Any other significant issues would also be highlighted by AC to the Board on a quarterly basis.

The main activity and assignment undertaken during the financial year under review include the following:

- (i) Review Sales and Receivables of Success Electronics and Transformer Manufacturer Sdn Bhd;
- (ii) Review of Information Technology General Control of Seremban Engineering Berhad; and
- (iii) Review of Quality Assurance/ Quality Control Management of Seremban Engineering Berhad.

The findings of the Internal Auditor were communicated to the Management for the necessary corrective action and being followed up and reported to AC accordingly.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

The Board of Directors of Success Transformer Corporation Berhad (“STC” or “Company”) (“Board”) has the pleasure of presenting its Statement on Risk Management and Internal Control in pursuant to Paragraph 15.26 (b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. This statement highlights the nature and scope of risk management and internal control of the Group during the financial year under review.

BOARD RESPONSIBILITY

Aspiring to uphold the highest ethical values, the Board of Directors is committed to building a sound system of internal control. Besides its responsibility for STC and its subsidiaries (“Group”)’s risk management, the Board also review the adequacy and effectiveness of these systems to safeguard shareholders’ investment and the Group’s assets. The Board reviews the system of risk management and internal control according to the guidelines for directors on internal control, the Statement on Risk Management and Internal Control: Guidance for Directors of Listed Issuers. Despite reasonable efforts, there is no absolute guarantee against material misstatement or loss. It shall be noted that these systems are designed to manage, rather than eliminate risk of failure in reaching the Group’s business objectives.

This Statement has not dealt with the associate and joint venture entities as the Company does not have full management over them. However, the Group’s interest is served through representations on the Board of the associate and joint venture entities.

THE SYSTEM OF INTERNAL CONTROL

The principal elements of the Group’s system of internal controls are summarised as follows:

1. A documented hierarchical organization structure defining the line of management responsibility, authority and appropriate reporting structure in order to enhance the internal control system of the Company’s various operations;
2. Internal policies, procedures and manuals are updated from time to time to ensure that it maintains its effectiveness and continues to support the Company’s business activities at all times as the Company continues to grow. These policies, procedures and manual are further strengthened with the implementation of ISO9001:2015 Quality Management System covering major operating subsidiary companies of the Group;
3. Financial results and management information are provided to the Audit Committee and the Board on a quarterly basis for review. These reviews help the Audit Committee and the Board members to complement its understanding of the risk management in the Group;
4. An annual budgeting process where key performance indicators for each business units are set, and reviewed by the Board and Audit Committee. Performance is monitored regularly and a reporting system highlights significant variances against budgets for investigation and follow-up by management of respective business units;
5. Management and operational meetings are held to monitor and review the operational performance and changes in the business environments. These meetings are led by Executive Directors and attended by the Management;
6. Significant corporate matters and its status discussed at the management meetings are brought to the Board meetings for further deliberation and review by the Board members;
7. Scheduled meeting such as Sales and Marketing meeting to review sales performance, formulate sales strategies and update on market information are held monthly and the production meeting for operation related discussion is held daily; and

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)

THE SYSTEM OF INTERNAL CONTROL (CONT'D)

- Appointment of staff is based on the required level of qualification, experience and competency to fulfil their responsibilities. Comprehensive and rigorous guidelines on employment, performance appraisal, training and retention of employees are in place to ensure that employees of the Company are well trained and equipped with all the necessary knowledge, skills and abilities to carry out their responsibility effectively. Trainings and development programs are provided as part of the management succession plan for selected staff to further enhance their skill and capability.

RISK MANAGEMENT FRAMEWORK

The Board regards risk management processes as an integral part of the business operations. The Board acknowledges its responsibility to put in place an on-going process for identifying, evaluating and managing the significant risks faced by the Group.

The Group's risk management initiative includes delegating the responsibilities of identifying and managing risk to the respective Head of each business units. The Group also has set-up an operation level Risk Management Committee ("RMC") to discuss and evaluate those significant risks identified and the corresponding internal controls implemented by the head of each business units. There are also formalised processes for the identification, assessment, communication, monitoring as well as continual review of risks and effectiveness of risk mitigation strategies. The RMC will report to the Audit Committee periodically whether those significant risks identified are properly monitored, managed, and mitigated to an acceptable level.

Within the framework, there is an established and structured process for the identification, assessment, communication, monitoring as well as continual review of risks and effectiveness of risk mitigation strategies and controls at the management and Board levels.

Up to the date of this Statement, the RMC met three (3) times wherein discussions were on the key principal risks faced by the Group and the action plans proposed to mitigate the risk identified and present report to Audit Committee in quarterly basis.

The management of the significant risks identified for the FYE 2019 are outlined below:

Competition Risk

The market is currently flooded with competitors selling similar products, coupled with the sluggish economy and soft spending power of businesses, the competition risk has been rising in recent years. Therefore, the Group has identified various strategies:

- To stay relevant in a competitive environment by innovating new products;
- To produce high quality yet affordable products with quick turnaround time; and
- Capturing new opportunities by leveraging our strengths and infrastructure.

Credit Risk

Credit risk arises from the inability to recover debts in a timely manner which may adversely affect the Group's profitability, cash flows and funding. The Group minimises such exposures by assessing the creditworthiness of potential customers, close monitoring of collections and overdue debts, and effective credit utilisation to keep leverage at a comfortable level.

Foreign Currency Exchange Risk

The Company is directly exposed to foreign exchange fluctuations as the cost of raw materials and imported goods are denominated in foreign currencies. As such, the foreign exchange may have material effects to the costing of our products.

For imported goods, foreign currency exchange risk is partially managed through a natural hedge between revenue and purchases in the same currencies. Management has started hedging the remaining un-hedged portion to mitigate currency risk on cash flow earnings.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)

RISK MANAGEMENT FRAMEWORK (CONT'D)

Operational Risk

Operational risk arises from the execution of a company's business including risks of systems and equipment failure, overcapacity situations and inadequate skilled workforce. The Group adheres to policies, procedures, quality controls and best practices to ensure that all systems and equipment are functional. To manage overcapacity issues, the Group constantly reviews its business plans and seeks alternative uses for excess capacity.

The Group implemented attractive remuneration schemes to attract and retain its skilled workforce to meet existing and future needs.

REVIEW OF ADEQUACY AND EFFECTIVENESS

The review of adequacy and effectiveness of the Group's risk management and internal controls are undertaken by the outsourced internal audit function, who reports directly to the Audit Committee. The process is in place for the financial year under review and up to the date of issuance of the Statement on Risk Management and Internal Control.

The resulting reports from the reviews undertaken are presented to the Audit Committee at its regular meetings for review, discussion, and direct actions on matters pertaining to reports, which among other matters include findings relating to the adequacy and effectiveness of the internal control system of the Group. After the Audit Committee had deliberated on the reports, these are then forwarded to the operational management for attention and necessary actions. The operational management is responsible for ensuring recommended corrective actions on reported weaknesses were taken within the required time frame.

INTERNAL AUDIT FUNCTION

The Group has outsourced its internal audit function to an independent internal audit service provider to review the adequacy and effectiveness of the internal control systems of the business units. The internal audit adopts a risk-based approach and prepares its audit strategy and plan based on the risk profiles of the business units of the Group. These plans are presented and approved by the Audit Committee annually. The cost of internal audit function for the FYE 30 June 2019 was RM53,755.

ASSURANCE PROVIDED BY THE MANAGING DIRECTOR AND GROUP FINANCE CONTROLLER

The Board has received assurance from the Managing Director and Group Finance Controller that the Group's risk management and internal control systems are adequate and operating effectively, in all material aspects, to meet the Group's business objectives during the financial year under review.

The Managing Director also reports to the Board on significant changes in the business and the external environment which affects the operations. Financial information, key performance and risk indicators are also reported on a quarterly basis to the Board.

REVIEW OF STATEMENT BY EXTERNAL AUDITOR

In accordance with the Paragraph 15.23 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the external auditors have reviewed this Statement on Risk Management and Internal Control and reported that nothing has come to their attention that causes them to believe that contents of this statement intended to be included in the annual report is not prepared, in all material respects, in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers and practices 9.1 and 9.2 of the Malaysian Code on Corporate Governance 2017, to be set out, nor is factually inaccurate. The statement was approved by the Board on 15 October 2019.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)

CONCLUSION

The Board considers that the risk management framework is adequate, but will still be subject to continuous improvement, taking into consideration better practices and the changing business environment, where appropriate. The Board is committed to maintain a sound system of internal control and will strive for continuous improvement where necessary, to further enhance the Group's system of internal control.

The statement was approved by the Board on 15 October 2019.

OTHER COMPLIANCE INFORMATION

1. Audit and Non-Audit Fees

The audit and non-audit fees incurred to the external auditors by the Group and the Company for the FYE 30 June 2019 are as follows:

	Group	Company
Audit Fees (RM)	369,500	69,700
Non-Audit Fees (RM)	27,200	22,200

2. Material Contracts

Other than the related party transactions as disclosed in Note 41 to the financial statements, there were no material contracts entered into by the Company and its subsidiaries involving the Directors' and major shareholders' interests, either still subsisting at the end of the FYE 30 June 2019 or entered into since the end of the previous financial year.

3. Utilisation of Proceeds from Corporate Proposals

- The Company has issued 456,800 ordinary shares under the ESOS for a cash consideration of RM246,672 during the financial year. The proceeds arising from the exercise of the share options pursuant to the ESOS were utilised for working capital purposes.
- On 3 September 2019, the Company has completed the disposal of 52,000,000 ordinary shares in Seremban Engineering Berhad ("SEB"), representing 65% of the entire equity interest in SEB, a subsidiary company of STC for a total cash consideration of RM26 million ("Disposal").

The status of utilization of proceeds arising from the Disposal as at 12 October 2019 is set out below:

	Proposed utilisation RM'000	Actual utilisation RM'000	Variation for utilisation of proceeds RM'000	Balance unutilised RM'000	Expected timeframe for the utilisation from the date of receipt
Working capital					Within 12 months
Purchase of raw materials	8,000	(3,034)	-	4,966	
Payment of payroll	1,000	(1,000)	-	-	
Selling and distribution expenses	1,000	(1,000)	-	-	
Other administrative expenses	1,000	(991)	*(9)	-	
Future potential investment(s) / acquisition(s)	14,800	-	-	14,800	Within 12 months
Defray estimated expenses relating to the Disposal	200	(209)	9	-	Within 6 months
Total	26,000	6,234	-	19,766	

Note:

- * The actual amount of the expenses relating to the Disposal were higher than the estimated expenses. Hence, the variation in the amount of estimated expenses had been adjusted against the amount proposed for other administrative expenses under the working capital.

OTHER COMPLIANCE INFORMATION (CONT'D)**4. Recurrent Related Party Transactions of Revenue Nature**

The details of the related parties' transactions undertaken by the Group during the FYE 30 June 2019 are stated in Note 41 to the financial statements on page 143.

5. ESOS

The ESOS which was approved by the shareholders at the Extraordinary General Meeting held on 2 July 2018 and governed by the ESOS By-Laws, is the only share option scheme in existence during the financial year. The ESOS would be in force for a period of five (5) years commencing from the date of implementation on 3 July 2018.

During the FYE 30 June 2019, a total of 6,771,200 ESOS options were granted to the eligible employees and an executive director of the Company at RM0.54 per ESOS options offered, of which 30% are exercisable into new ordinary shares with immediate effect on 27 December 2018, whilst the balance of 70% are exercisable into new ordinary shares at different vesting periods beginning from 27 December 2019 to 26 December 2023. A total of 456,800 ESOS options were exercised during the FYE 30 June 2019.

The total number of ESOS options granted, exercised or vested and outstanding since its commencement up to 30 June 2019 are set out in the table below:

Descriptions	Number of ESOS options as at 30 June 2019	
	Grand total	Directors
(a) Granted	6,771,200	232,700
(b) Exercised	456,800	-
(c) Outstanding	6,314,400	232,700

Percentage of ESOS options applicable to Directors and Senior Management under the ESOS are as follows:

Director and Senior Management	During the financial year (%)	Since commencement up to 30 June 2019
(a) Aggregate maximum allocation	50.00%	50.00%
(b) Actual granted	14.02%	14.02%

No ESOS options were granted to the Non-Executive Directors.



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DIRECTORS' REPORT

The directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended 30 June 2019.

PRINCIPAL ACTIVITIES

The Company is principally engaged in the business of investment holding and the provision of management services. The principal activities of the subsidiaries are disclosed in Note 6(a) to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

RESULTS

	Group RM	Company RM
Profit after tax for the financial year	17,439,915	(4,678,830)
Attributable to :		
Owners of the Company	15,267,540	(4,678,830)
Non-controlling interests	2,172,375	-
	17,439,915	(4,678,830)

DIVIDENDS

Dividends paid or declared by the Company since 30 June 2018 are as follows:

- (i) An interim tax-exempt single-tier dividend of RM 0.01 per ordinary share amounting to RM 2,351,671 for the financial year ended 30 June 2019 was declared on 27 November 2018 and subsequently paid on 16 January 2019 to the shareholders whose names appeared in the Company's Record of Depositors on 20 December 2018.

The directors do not recommend any final dividend in respect of the financial year ended 30 June 2019.

On 12 September 2019, the Company declared a special tax-exempt single-tier dividend of RM 0.035 per ordinary share amounting to RM 8,221,645 in respect of the financial year ending 30 June 2020, paid on 7 October 2019 to shareholders whose names appeared in the Company's Record of Depositors on 30 September 2019. The financial statements for the current financial year do not reflect this special dividend. Such dividend will be accounted for in the equity as an appropriation of retained profits in the financial year ending 30 June 2020.

On 13 September 2019, the Company declared an interim tax-exempt single-tier dividend of RM 0.022 per ordinary share amounting to RM 5,167,890 in respect of the financial year ending 30 June 2020, paid on 7 October 2019 to the shareholders whose names appeared in the Company's Record of Depositors on 30 September 2019. The financial statements for the current financial year do not reflect this interim dividend. Such dividend will be accounted for in the equity as an appropriation of retained profits in the financial year ending 30 June 2020.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year.

DIRECTORS' REPORT (CONT'D)

ISSUES OF SHARES AND DEBENTURES

During the financial year:

- (a) the Company increased its issued and paid-up share capital from RM 69,966,469 to RM 70,246,716 by way of:
 - (i) an issuance of 456,800 new ordinary shares from the exercise of options under the Company's Employees' Share Option Scheme at the exercise prices as disclosed in Note 25(c) to the financial statements which amounted to RM 280,247.

the new ordinary shares issued rank pari passu in all respects with the existing ordinary shares of the Company.

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

TREASURY SHARES

During the financial year, the Company purchased 2,616,300 of its issued ordinary shares from the open market at an average price of approximately RM 0.6406 per share. The total consideration paid for the purchase was RM 1,681,748 including transaction costs. The shares purchased are being held as treasury shares in accordance with Section 127(6) of the Companies Act 2016 and are presented as a deduction from equity.

As at 30 June 2019, the Company held as treasury shares a total of 14,371,454 of its 248,955,000 issued and fully paid-up ordinary shares. The treasury shares are held at a carrying amount of RM 9,880,003.

The details on the treasury shares are disclosed in Note 24 to the financial statements.

OPTIONS GRANTED OVER UNISSUED SHARES

During the financial year, no options were granted by the Company to any person to take up any unissued shares in the Company except for the share options granted pursuant to the Company's Employees' Share Option Scheme below.

EMPLOYEE SHARE OPTION SCHEME

The Employees' Share Option Scheme of the Company ("ESOS") is governed by the ESOS By-Laws and was approved by shareholders on 2 July 2018. The ESOS is to be in force for a period of 5 years effective from 3 July 2018.

The details of the ESOS are disclosed in Note 25(c) to the financial statements.

BAD AND DOUBTFUL DEBTS

Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for impairment losses on receivables, and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for impairment losses on receivables.

At the date of this report, the directors are not aware of any circumstances that would require the further writing off of bad debts, or the additional allowance for impairment losses on receivables in the financial statements of the Group and of the Company.

DIRECTORS' REPORT (CONT'D)

CURRENT ASSETS

Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps to ensure that any current assets, which were unlikely to be realised in the ordinary course of business, including their value as shown in the accounting records of the Group and of the Company, have been written down to an amount which they might be expected so to realise.

At the date of this report, the directors are not aware of any circumstances which would render the values attributed to the current assets in the financial statements misleading.

VALUATION METHODS

At the date of this report, the directors are not aware of any circumstances which have arisen which render adherence to the existing methods of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

CONTINGENT AND OTHER LIABILITIES

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

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

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

CHANGE OF CIRCUMSTANCES

At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

ITEMS OF AN UNUSUAL NATURE

The results of the operations of the Group and of the Company during the financial year were not, in the opinion of the directors, substantially affected by any item, transaction or event of a material and unusual nature other than as disclosed in Notes 32, 33 and 46 to the financial statements.

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

DIRECTORS' REPORT (CONT'D)

DIRECTORS

The name of directors of the Company who served during the financial year and up to the date of this report are as follows:

Tan Ah Bah @ Tan Ah Ping
 Pan Kim Foon
 Ng Chee Keong
 Dato' Chua Tia Guan
 Chan Foong Ping
 Yeoh Kim Wah
 Tan Chung Ling
 Tan Chung Chiah
 Tan Chung Chay
 Tan Wei Neng

(Alternate to Pan Kim Foon)

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

Andrea Toppan
 Anthony Hubert Kearney
 Chang Kam Kuan
 Chang Poay Hee
 Cheng Lai Lai
 Dato' Ir. Mohtar Bin Musri
 Fong Yit Sin
 Gu Yulong
 Gu Zhen Wu
 Lim Chia Nguan
 Miswan Bin Kamid
 Muhamad Wizan Bin Sulaiman
 Mustaffa Bin Ja'afar
 Ir. Ngim Chin Kim
 Ong Ngok Chong
 Ong Yee Wah
 Paolo Toppan
 Samsul Baharin Bin Bidin
 See Boon Chun
 Tan Chee Ming
 Tan Kong Chian
 Tan Siew Gek
 Tan Sri Dato' Ahmad Fuzi Haji Abdul Razak
 Tong Ming Fui
 Tong Ming Jun
 Wong Chaw Meng
 Wong Wai Hung
 Zhou Jiedi

(Appointed on 29.3.2019)

(Appointed on 11.10.2019)

(Appointed on 11.10.2019)

(Appointed on 19.09.2019)

(Appointed on 29.3.2019)

(Appointed on 29.3.2019)

(Resigned on 15.10.2019)

DIRECTORS' REPORT (CONT'D)

DIRECTORS' INTERESTS

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

The Company

		Balance at 01.07.2018	Number of Ordinary Shares		Balance at 30.06.2019
			Bought	Sold	
Tan Ah Bah @ Tan Ah Ping	– Direct	209,300	-	-	209,300
	– Indirect ⁽¹⁾	105,742,428	-	-	105,742,428
Pan Kim Foon	– Direct	209,300	-	-	209,300
	– Indirect ⁽²⁾	105,742,428	-	-	105,742,428
Tan Chung Ling	– Direct	154,980	-	-	154,980
	– Indirect ⁽³⁾	105,796,748	-	-	105,796,748
Yeoh Kim Wah	– Direct	1,292,100	-	-	1,292,100
Tan Chung Chiah	– Indirect ⁽³⁾	105,796,748	-	-	105,796,748
Tan Wei Neng	– Direct	20,400	-	-	20,400
	– Indirect ⁽⁴⁾	41,000	28,100	-	69,100
Tan Chung Chay	– Indirect ⁽³⁾	105,796,748	-	-	105,796,748

	Balance at 01.07.2018	Number of Options under ESOS		Balance at 30.06.2019
		Granted	Exercised	
Tan Wei Neng	-	232,700	-	232,700

Holding Company – Omega Attraction Sdn. Bhd. (“OASB”)

		Balance at 01.07.2018	Number of Ordinary Shares		Balance at 30.06.2019
			Bought	Sold	
Tan Ah Bah @ Tan Ah Ping	– Direct	51,000	-	-	51,000
	– Indirect ⁽⁵⁾	49,000	-	-	49,000
Pan Kim Foon	– Direct	49,000	-	-	49,000
	– Indirect ⁽⁶⁾	51,000	-	-	51,000
Tan Chung Ling	– Indirect ⁽⁷⁾	100,000	-	-	100,000
Tan Chung Chiah	– Indirect ⁽⁷⁾	100,000	-	-	100,000
Tan Chung Chay	– Indirect ⁽⁷⁾	100,000	-	-	100,000

DIRECTORS' REPORT (CONT'D)

DIRECTORS' INTERESTS (CONT'D)

Notes:

- ⁽¹⁾ Deemed interest by virtue of his wife, Pan Kim Foon's and his direct interests in OASB, and his wife and daughter, Tan Chung Ling's direct interests in the Company.
- ⁽²⁾ Deemed interest by virtue of her husband, Tan Ah Bah @ Tan Ah Ping's and her direct interests in OASB, and her husband and daughter, Tan Chung Ling's direct interests in the Company.
- ⁽³⁾ Deemed interest by virtue of her parents, Tan Ah Bah @ Tan Ah Ping's and Pan Kim Foon's direct interests in OASB, and her parents' direct interest in the Company.
- ⁽⁴⁾ Deemed interest by virtue of his wife, Chew Yoke Ying's direct interest in the Company.
- ⁽⁵⁾ Deemed interest by virtue of his wife, Pan Kim Foon's direct interest in OASB.
- ⁽⁶⁾ Deemed interest by virtue of her husband, Tan Ah Bah @ Tan Ah Ping's direct interest in OASB.
- ⁽⁷⁾ Deemed interest by virtue of her parents, Tan Ah Bah @ Tan Ah Ping and Pan Kim Foon's direct interest in OASB.

By virtue of their shareholdings in OASB and the Company, Tan Ah Bah @ Tan Ah Ping, Pan Kim Foon, Tan Chung Ling, Tan Chung Chay and Tan Chung Chiah are deemed to have interests in shares of the Company and its related corporations during the financial year to the extent that OASB has an interest, in accordance with Section 8 of the Companies Act 2016.

The other directors holding office at the end of the financial year had no interest in shares or option over unissued shares of the company or its related corporations during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of remuneration received or due and receivable by the directors shown in the financial statements or the fixed salary of a full-time employee of the Company or related corporations) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest except for any benefits which may be deemed to arise from transactions entered into in the ordinary course of business with companies in which certain directors have substantial financial interests as disclosed in Note 41 to the financial statements.

Neither during nor at the end of the financial year was the Group or the Company a party to any arrangements whose object is to enable the directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate other than the share options granted to certain directors pursuant to the ESOS of the Company.

DIRECTORS' REMUNERATION

The details of the directors' remuneration paid or payable to the directors of the Group and of the Company during the financial year are disclosed in Note 34 to the financial statements.

INDEMNITY AND INSURANCE COST

The Company maintains a Directors' and Officers' Liability Insurance Policy on a group basis. During the financial year, the amount indemnity coverage and insurance premium paid for the directors and officers of the Group were RM 5,000,000 and RM 8,700 respectively. No indemnity was given to or insurance effected for auditors of the Company.

DIRECTORS' REPORT (CONT'D)

SUBSIDIARIES

The details of the Company's subsidiaries are disclosed in Note 6 to the financial statements.

SIGNIFICANT EVENTS DURING THE REPORTING PERIOD

The significant events during the reporting period are disclosed in Note 46 to the financial statements.

SIGNIFICANT EVENTS OCCURRING AFTER THE REPORTING PERIOD

The significant events occurring after the reporting period are disclosed in Note 47 to the financial statements.

HOLDING COMPANY

The Company is a subsidiary of Omega Attraction Sdn. Bhd., a company incorporated in Malaysia, which is also regarded by the directors as the ultimate holding company.

AUDITORS

The auditors, Crowe Malaysia PLT (converted from a conventional partnership, Crowe Malaysia), have expressed their willingness to continue in office.

The auditors' remuneration are disclosed in Note 33 to the financial statements.

Signed in accordance with a resolution of the directors dated 15 October 2019.

TAN AH BAH @ TAN AH PING

PAN KIM FOON

STATEMENT BY DIRECTORS PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016

We, Tan Ah Bah @ Tan Ah Ping and Pan Kim Foon, being two of the directors of Success Transformer Corporation Berhad, state that, in the opinion of the directors, the financial statements set out on pages 73 to 170 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 30 June 2019 and of their financial performance and cash flows for the financial year ended on that date.

Signed in accordance with a resolution of the director dated 15 October 2019.

TAN AH BAH @ TAN AH PING

PAN KIM FOON

STATUTORY DECLARATION PURSUANT TO SECTION 251(1)(B) OF THE COMPANIES ACT 2016

I, Lo Chiow Lieh, being the officer primarily responsible for the financial management of Success Transformer Corporation Berhad, do solemnly and sincerely declare that the financial statements set out on pages 73 to 170 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by the abovementioned
Lo Chiow Lieh, NRIC Number: 800511-04-5151
at Kuala Lumpur in the Federal Territory
on this 15 October 2019.

Lo Chiow Lieh
MIA 32657
Chartered Accountant

Before me:
Ng Ka Biang (No. W701)

Commissioner for Oaths

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SUCCESS TRANSFORMER CORPORATION BERHAD

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Success Transformer Corporation Berhad, which comprise the statements of financial position as at 30 June 2019 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 73 to 170.

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

Basis for Opinion

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

Independence and Other Ethical Responsibilities

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

Key Audit Matters

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

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

Impairment Assessment of Property, Plant and Equipment

Refer to Note 9 in the financial statements

Key Audit Matter	How our audit addressed the Key Audit Matter
The Company has a sub-group of subsidiaries, namely Seremban Engineering Berhad and its subsidiaries ("SEB group"), has property, plant and equipment with aggregate carrying amount of RM 32,785,881 as at 30 June 2019.	<p>The following audit procedures have been undertaken:</p> <p>(a) Value-in-use computation</p> <p>(i) Assessing the reliability of management's forecast by comparing past trends of actual financial performances against previous forecasted results.</p> <p>(ii) Benchmarking key assumptions used in the discounted cash flows, such as revenue growth, operating profit margins and discount rate, against the historical performances.</p>

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SUCCESS TRANSFORMER CORPORATION BERHAD (CONT'D)

Key Audit Matters (Cont'd)

Impairment Assessment of Property, Plant and Equipment (Cont'd)

Refer to Note 9 in the financial statements

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>The management carried out an impairment assessment on the SEB group's property, plant and equipment as a result of the existence of an impairment indicator as the SEB group has reported net losses for the current and previous financial years. The management performed a value-in-use computation to arrive at the recoverable amounts of the assets. In addition, the management also used valuations carried out by independent external valuers on major property, plant and equipment to support the carrying value of the assets.</p>	<ul style="list-style-type: none"> (a) Value-in-use computation (Cont'd) <ul style="list-style-type: none"> (iii) Performing sensitivity analysis on revenue growth rates, operating profit margins and discount rate to evaluate impact on the impairment assessment. (b) Independent valuations <ul style="list-style-type: none"> (i) Evaluating the objectivity, independence and capabilities of the professional valuers. (ii) Obtaining an understanding and assessing the appropriateness of the valuation methodology adopted by the professional valuers.

Goodwill Impairment Assessment

Refer to Note 11 in the financial statements

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>As at 30 June 2019, the Group carries significant goodwill with carrying amount of RM 6,921,238, arising from the acquisition of a sub-group of subsidiaries, namely Seremban Engineering Berhad ("SEB group"). Goodwill is subject to impairment assessment annually.</p> <p>In carrying out the impairment assessment as at 30 June 2019, the management determined the recoverable amount using the value-in-use ("VIU") approach, which is derived from the present value of the future cash flow from the cash-generating unit ("CGU") computed based on the projections of financial budgets approved by board of directors covering a period of 5 years.</p> <p>However, the management's assessment of impairment of goodwill is a judgemental process which requires estimates concerning the forecast of future cash flows.</p> <p>On 3 September 2019, the Group completed the disposal of SEB group for a total cash consideration of RM 26,000,000 as disclosed in Note 47(b).</p>	<p>The following audit procedures have been undertaken:</p> <ul style="list-style-type: none"> (i) Assessing the appropriateness of determining the recoverable amount based on VIU approach by management in goodwill impairment assessment. (ii) Evaluating the VIU by assessing the reliability of management's forecast by comparing past trends of actual financial performances against previous forecasted results. (iii) Benchmarking key assumptions used in the discounted cash flows, such as revenue growth, operating profit margins and discount rate, against the historical performances. (iv) Performing sensitivity analysis on revenue growth rates, operating profit margins and discount rate to evaluate impact on the impairment assessment. (v) Assessing the goodwill impairment based on the fair value less costs of disposal ("FVL COD") following the disposal of SEB group. (vi) Verifying the FVL COD to the evidence of sales consideration receipt, transfer of share as well as the transaction costs.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SUCCESS TRANSFORMER CORPORATION BERHAD (CONT'D)

Key Audit Matters (Cont'd)

We have determined the matters described below to be the key audit matters to be communicated in our report. (Cont'd)

Revenue Recognition for Construction Contracts

Refer to Note 30 in the financial statements

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Revenue recognition for construction contracts is recognised based on input method.</p> <p>The input method is determined based on the proportion of construction costs incurred for work performed to date over the estimated total construction costs. This requires the management to exercise significant judgement in estimating the total costs to complete.</p> <p>In estimating the total costs to complete, the management considers the completeness and accuracy of its cost estimation, including its obligations to contract variations and claims. The total cost to complete may be incorrectly estimated due to unforeseen events occur before completion.</p>	<p>The following audit procedures have been undertaken:</p> <ul style="list-style-type: none"> (i) Testing the costs incurred to date and reviewing the management's assessment in identification of costs which are attributable to and therefore allocated to each respective project. (ii) Inspecting documentation to support cost estimates made for selected sample projects. (iii) Enquiring about variances, if any, to the contract revenue and estimated costs in respect of ongoing or completed projects.

Information Other than the Financial Statements and Auditors' Report Thereon

The directors of the Company are responsible for the other information. The other information comprises the Directors' Report and Statement on Risk Management and Internal Control (but does not include the financial statements of the Group and of the Company and our auditors' report thereon), which we obtained prior to the date of this auditors' report, and the other sections of the 2019 Annual Report, which is expected to be made available to us after that date.

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

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

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SUCCESS TRANSFORMER CORPORATION BERHAD (CONT'D)

Responsibilities of the Directors for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SUCCESS TRANSFORMER CORPORATION BERHAD (CONT'D)

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

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries, of which we have not acted as auditors, are disclosed in Note 6 to the financial statements.

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

CROWE MALAYSIA PLT
LLP0018817-LCA & AF 1018
Chartered Accountants

NG KIM HIAN
02506/04/2021 J
Chartered Accountant

Muar, Johor Darul Takzim
Date: 15 October 2019

STATEMENTS OF FINANCIAL POSITION
 AS AT 30 JUNE 2019

	Note	Group		Company	
		2019 RM	2018 RM	2019 RM	2018 RM
ASSETS					
Non-Current Assets					
Investment in subsidiaries	6	-	-	89,285,468	97,622,341
Investment in joint venture	7	-	-	-	-
Investment in associates	8	403,198	593,061	-	-
Property, plant and equipment	9	111,928,303	120,282,985	-	-
Investment properties	10	46,421,878	41,724,147	-	-
Goodwill on consolidation	11	6,921,238	6,921,238	-	-
Amount due from subsidiaries	12	-	-	4,041,126	4,041,102
Amount due from a related party	13	2,693,124	-	-	-
Deferred tax assets	14	348,176	323,428	-	-
		168,715,917	169,844,859	93,326,594	101,663,443
Current Assets					
Inventories	15	116,712,557	107,358,814	-	-
Trade receivables	16	72,000,514	90,068,330	-	-
Other receivables, deposits and prepayments	17	12,406,215	10,695,801	3,589	1,152
Contract assets	18	9,724,555	4,113,894	-	-
Amount due from subsidiaries	12	-	-	9,688,253	9,204,044
Amount due from joint venture	19	-	81,586	-	-
Amount due from associates	20	1,330,287	1,454,196	-	-
Amount due from related parties	13	366,414	282,945	7,205	7,052
Short-term investments	21	15,224,299	17,257,003	-	-
Current tax assets		12,695,636	10,725,368	-	-
Deposits with licensed banks	22	130,766	126,729	-	-
Cash and bank balances		39,016,151	36,226,737	479,868	443,466
		279,607,394	278,391,403	10,178,915	9,655,714
TOTAL ASSETS		448,323,311	448,236,262	103,505,509	111,319,157

STATEMENTS OF FINANCIAL POSITION

AS AT 30 JUNE 2019 (CONT'D)

	Note	Group		Company	
		2019 RM	2018 RM	2019 RM	2018 RM
EQUITY AND LIABILITIES					
Share capital	23	71,514,519	69,966,469	71,514,519	69,966,469
Treasury shares	24	(9,880,003)	(8,198,255)	(9,880,003)	(8,198,255)
Reserves	25	259,140,732	248,627,967	34,036,531	41,878,040
Equity Attributable to Owners of the Company		320,775,248	310,396,181	95,671,047	103,646,254
Non-Controlling Interests		28,227,288	28,701,705	-	-
TOTAL EQUITY		349,002,536	339,097,886	95,671,047	103,646,254
Non-Current Liabilities					
Loans and borrowings	26	13,520,615	13,680,884	-	-
Hire purchase payables	27	1,289,280	1,536,907	-	-
Deferred tax liabilities	14	1,281,491	942,416	-	-
		16,091,386	16,160,207	-	-
Current Liabilities					
Trade payables	28	33,968,983	29,861,386	-	-
Other payables and accruals	29	19,737,460	25,023,308	109,261	183,714
Contract liabilities	18	652,529	652,425	-	-
Amount due to subsidiaries	12	-	-	7,658,005	7,454,652
Amount due to an associate	20	327,144	284,570	-	-
Amount due to related parties	13	811,611	1,039,906	-	-
Loans and borrowings	26	26,319,392	34,942,714	-	-
Hire purchase payables	27	810,183	975,952	-	-
Current tax liabilities		602,087	197,908	67,196	34,537
		83,229,389	92,978,169	7,834,462	7,672,903
TOTAL LIABILITIES		99,320,775	109,138,376	7,834,462	7,672,903
TOTAL EQUITY AND LIABILITIES		448,323,311	448,236,262	103,505,509	111,319,157

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

**STATEMENTS OF PROFIT OR LOSS AND
 OTHER COMPREHENSIVE INCOME
 FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019**

	Note	Group		Company	
		2019 RM	2018 RM	2019 RM	2018 RM
REVENUE	30	324,786,172	326,143,213	4,561,800	8,400,000
COST OF SALES		(236,106,553)	(243,791,561)	-	-
GROSS PROFIT		88,679,619	82,351,652	4,561,800	8,400,000
OTHER INCOME		4,509,663	3,258,699	385,335	219,538
SELLING AND DISTRIBUTION EXPENSES		(18,410,774)	(19,041,142)	-	-
ADMINISTRATIVE EXPENSES		(43,701,760)	(43,753,539)	(786,668)	(1,069,471)
OTHER EXPENSES		(2,955,503)	(10,075,377)	(7,957,358)	(2,694,223)
PROFIT/(LOSS) FROM OPERATIONS		28,121,245	12,740,293	(3,796,891)	4,855,844
FINANCE COSTS	31	(2,860,583)	(2,990,509)	(120,004)	(120,000)
NET IMPAIRMENT (LOSSES)/GAIN ON FINANCIAL ASSETS	32	(402,958)	2,040,328	-	-
SHARE OF LOSS OF EQUITY ACCOUNTED ASSOCIATES, NET OF TAX		(183,620)	(35,006)	-	-
PROFIT/(LOSS) BEFORE TAX	33	24,674,084	11,755,106	(3,916,895)	4,735,844
INCOME TAX EXPENSE	36	(7,234,169)	(5,917,025)	(761,935)	(502,061)
PROFIT/(LOSS) AFTER TAX		17,439,915	5,838,081	(4,678,830)	4,233,783
OTHER COMPREHENSIVE INCOME					
Items that will be reclassified subsequently to profit or loss					
Foreign currency translation differences for foreign operations		(741,229)	(502,124)	-	-
TOTAL COMPREHENSIVE INCOME/(EXPENSES) FOR THE FINANCIAL YEAR		16,698,686	5,335,957	(4,678,830)	4,233,783
PROFIT/(LOSS) AFTER TAX ATTRIBUTABLE TO:-					
Owners of the Company		15,267,540	7,159,451	(4,678,830)	4,233,783
Non-controlling interests		2,172,375	(1,321,370)	-	-
		17,439,915	5,838,081	(4,678,830)	4,233,783
TOTAL COMPREHENSIVE INCOME/(EXPENSES) ATTRIBUTABLE TO:-					
Owners of the Company		15,017,835	7,396,049	(4,678,830)	4,233,783
Non-controlling interests		1,680,851	(2,060,092)	-	-
		16,698,686	5,335,957	(4,678,830)	4,233,783
EARNINGS PER ORDINARY SHARE (SEN)					
- Basic	37	6.50	3.04		
- Diluted	37	6.47	N/A		

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

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

Group	Note	Share Capital RM	Treasury Shares RM	Share Premium RM	Non-Distributable			Employees Share		Distributable		Attributable to Owners of the Company RM	Non-Controlling Interests RM	Total Equity RM
					Translation Reserve RM	Capital Reserve RM	Option Reserve RM	Retained Profits RM	Share	Profits				
At 1 July 2018		69,966,469	(8,198,255)	1,267,803	3,175,690	7,789,739	-	-	236,394,735	310,396,181	28,701,705	339,097,886		
Changes in accounting policies	48	-	-	-	-	-	-	-	(527,526)	(527,526)	(280,814)	(808,340)		
At 1 July 2018 (restated)		69,966,469	(8,198,255)	1,267,803	3,175,690	7,789,739	-	-	235,867,209	309,868,655	28,420,891	338,289,546		
Profit after tax for the financial year		-	-	-	-	-	-	-	15,267,540	15,267,540	2,172,375	17,439,915		
Foreign currency translation differences for foreign operations		-	-	-	(249,705)	-	-	-	-	(249,705)	(491,524)	(741,229)		
Total comprehensive income/ (expenses) for the financial year		-	-	-	(249,705)	-	-	-	15,267,540	15,017,835	1,680,851	16,698,686		
Contributions by and distributions to owners of the Company:														
Purchase of treasury shares	24	-	(1,681,748)	-	-	-	-	-	-	(1,681,748)	-	(1,681,748)		
Employees' share options granted		-	-	-	-	-	490,370	-	-	490,370	-	490,370		
Employees' share options exercised		280,247	-	-	-	-	(33,575)	-	-	246,672	-	246,672		
Dividends to owners of the Company		-	-	-	-	-	-	-	(2,351,671)	(2,351,671)	-	(2,351,671)		
- by Company	39	-	-	-	-	-	-	-	-	-	-	-		
- by subsidiary to non-controlling interests		-	-	-	-	-	-	-	-	-	(1,441,200)	(1,441,200)		
Transfer of share premium in accordance with Section 618(2) of the Companies Act 2016		1,267,803	-	(1,267,803)	-	-	-	-	-	-	-	-		
Capital reduction by a subsidiary		-	-	-	-	-	-	-	-	-	(850,000)	(850,000)		
Changes in ownership interest in subsidiary that do not result in a loss of control		-	-	-	-	-	-	-	(814,865)	(814,865)	416,746	(398,119)		
Total transactions with owners of the Company		1,548,050	(1,681,748)	(1,267,803)	-	-	-	456,795	(3,166,536)	(4,111,242)	(1,874,454)	(5,985,696)		
At 30 June 2019		71,514,519	(9,880,003)	-	2,925,985	7,789,739	-	456,795	247,968,213	320,775,248	28,227,288	349,002,536		

STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONT'D)

Group	Note	← Non-Distributable					Distributable			Attributable to Owners of the Company	Non-Controlling Interests	Total Equity
		Share Capital	Treasury Shares	Share Premium	Translation Reserve	Capital Reserve	Retained Profits	RM	RM			
At 1 July 2017		65,145,349	(8,195,531)	1,267,803	2,939,092	7,789,739	238,733,019	307,679,471	30,990,514	338,669,985		
Profit/(loss) after tax for the financial year		-	-	-	-	-	7,159,451	7,159,451	(1,321,370)	5,838,081		
Foreign currency translation differences for foreign operations		-	-	-	236,598	-	-	236,598	(738,722)	(502,124)		
Total comprehensive income/ (expense) for the financial year		-	-	-	236,598	-	7,159,451	7,396,049	(2,060,092)	5,335,957		
Contributions by and distributions to owners of the Company:												
Purchase of treasury shares	24	-	(2,724)	-	-	-	-	(2,724)	-	(2,724)		
Issuance of shares pursuant to dividend reinvestment scheme	39	4,821,120	-	-	-	-	(4,821,120)	-	-	-		
Dividends to owners of the Company		-	-	-	-	-	(4,570,892)	(4,570,892)	-	(4,570,892)		
- by Company	39	-	-	-	-	-	-	-	(334,440)	(334,440)		
- by subsidiary to non-controlling interests		-	-	-	-	-	-	-	-	-		
Changes in ownership interest in subsidiary that do not result in a loss of control		-	-	-	-	-	(105,723)	(105,723)	105,723	-		
Total transactions with owners of the Company		4,821,120	(2,724)	-	-	-	(9,497,735)	(4,679,339)	(228,717)	(4,908,056)		
At 30 June 2018		69,966,469	(8,198,255)	1,267,803	3,175,690	7,789,739	236,394,735	310,396,181	28,701,705	339,097,886		

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONT'D)

Company	Note	Non-Distributable			Distributable		Total Equity RM
		Share Capital RM	Treasury Shares RM	Share Premium RM	Employees' Share Options Reserve RM	Retained Profits RM	
At 1 July 2018		69,966,469	(8,198,255)	1,267,803	-	40,610,237	103,646,254
Loss after tax for the financial year		-	-	-	-	(4,678,830)	(4,678,830)
Total comprehensive expense for the financial year		-	-	-	-	(4,678,830)	(4,678,830)
Contributions by and distributions to owners of the Company:							
Purchase of treasury shares	24	-	(1,681,748)	-	-	-	(1,681,748)
Employees' share options granted		-	-	-	490,370	-	490,370
Employees' share options exercised	23	280,247	-	-	(33,575)	-	246,672
Dividends to owners of the Company	39	-	-	-	-	(2,351,671)	(2,351,671)
Transfer of share premium in accordance with Section 618(2) of Companies Act 2016		1,267,803	-	(1,267,803)	-	-	-
Total transactions with owners of the Company		1,548,050	(1,681,748)	(1,267,803)	456,795	(2,351,671)	(3,296,377)
At 30 June 2019		71,514,519	(9,880,003)	-	456,795	33,579,736	95,671,047

STATEMENTS OF CHANGES IN EQUITY
 FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONT'D)

Company	Note	Share Capital RM	Non-Distributable Treasury Shares RM	Share Premium RM	Distributable Retained Profits RM	Total Equity RM
At 1 July 2017		65,145,349	(8,195,531)	1,267,803	45,768,466	103,986,087
Profit after tax for the financial year		-	-	-	4,233,783	4,233,783
Total comprehensive income for the financial year		-	-	-	4,233,783	4,233,783
Contributions by and distributions to owners of the Company:						
Purchase of treasury shares	24	-	(2,724)	-	-	(2,724)
Issuance of shares pursuant to dividend reinvestment scheme	39	4,821,120	-	-	(4,821,120)	-
Dividends to owners of the Company	39	-	-	-	(4,570,892)	(4,570,892)
Total transactions with owners of the Company		4,821,120	(2,724)	-	(9,392,012)	(4,573,616)
At 30 June 2018		69,966,469	(8,198,255)	1,267,803	40,610,237	103,646,254

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

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

	Note	Group		Company	
		2019 RM	2018 RM	2019 RM	2018 RM
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before tax		24,674,084	11,755,106	(3,916,895)	4,735,844
Adjustments for:-					
Allowance for impairment loss of receivables		618,469	646,359	-	-
Bad debts written off		206,817	1,112,817	-	-
Depreciation of investment properties		453,530	189,496	-	-
Depreciation of property, plant and equipment		10,558,509	10,618,069	-	-
Gain on disposal of an associate		(1)	-	-	-
Gain on disposal of investment property		(613,653)	-	-	-
(Gain)/loss on disposal of property, plant and equipment		(75,323)	410,548	-	-
Impairment of goodwill		-	695,000	-	-
Impairment loss of investment in subsidiaries		-	-	7,950,362	2,694,223
Impairment loss of property, plant and equipment		731,997	246,919	-	-
Inventories written off		69,362	122,945	-	-
Loss on strike-off of subsidiary		-	3,052	-	-
Property, plant and equipment written off		12,340	116,169	-	-
Reversal of allowance for impairment loss of receivables		(215,511)	(2,686,687)	-	-
Reversal of write down of inventories		(2,411,452)	-	-	-
Share of loss of associates		183,620	35,006	-	-
Share option to employees		490,370	-	-	-
Unrealised loss/(gain) on foreign exchange		(116,935)	3,432,912	-	(63,078)
Waiver of debts		937	11,626	-	-
Write down of inventories		-	812,425	-	-
Write off of amount due from subsidiary		-	-	6,996	-
Dividend income		-	-	(2,161,800)	-
Interest expense		2,594,149	2,695,732	-	-
Interest income		(1,070,964)	(626,271)	(385,335)	(156,460)
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES					
		36,090,345	29,591,223	1,493,328	7,210,529
Changes In Working Capital					
Inventories		(2,380,293)	8,874,680	-	-
Contract assets/liabilities		(7,785,857)	8,383,530	-	-
Trade and other receivables, deposits and prepayments		14,157,455	17,299,075	(493,819)	1,377,521
Trade and other payables and accruals		(6,563,995)	(16,958,059)	128,900	(3,542,352)
CASH FROM OPERATIONS					
		33,517,655	47,190,449	1,128,409	5,045,698
Dividend received		-	-	1,945,620	-
Interest paid		(2,594,149)	(2,695,732)	-	-
Interest received		1,070,964	626,271	385,335	156,460
Tax paid		(12,382,297)	(16,943,240)	(533,498)	(507,972)
Tax refund		3,904,698	389,864	20,402	64,152
NET CASH FROM OPERATING ACTIVITIES					
		23,516,871	28,567,612	2,946,268	4,758,338

STATEMENTS OF CASH FLOWS
 FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONT'D)

	Note	Group		Company	
		2019 RM	2018 RM	2019 RM	2018 RM
CASH FLOWS FOR INVESTING ACTIVITIES					
Acquisition of investment properties		(1,549,142)	-	-	-
Acquisition of property, plant and equipment	40(a)	(6,168,402)	(12,296,848)	-	-
Additional investment in existing subsidiaries		(398,119)	(153,727)	(398,119)	-
Net (increase)/decrease in deposit pledged		(3,889)	1,049,448	-	-
(Payment for)/proceeds from capital reduction		(850,000)	-	1,275,000	-
Proceeds from disposal of an associate		1	-	-	-
Proceeds from disposal of investment property		1,200,000	-	-	-
Proceeds from disposal of property, plant and equipment		277,995	703,496	-	-
NET CASH FOR INVESTING ACTIVITIES		(7,491,556)	(10,697,631)	876,881	-
CASH FLOWS FOR FINANCING ACTIVITIES					
Dividends paid by the Company		(2,351,671)	(4,570,892)	(2,351,671)	(4,570,892)
Dividends paid by subsidiaries to non-controlling interests		(1,441,200)	(334,440)	-	-
Drawdown from term loans		6,000,100	-	-	-
Net movement in trade bills		(4,919,963)	(6,871,715)	-	-
Repayment of hire purchase payables		(1,029,123)	(1,489,938)	-	-
Net movement in revolving credit facility		2,002,641	(72,500)	-	-
Repayment of term loans		(5,606,934)	(10,120,917)	-	-
Proceeds from exercise of employees' share option		246,672	-	246,672	-
Purchase of treasury shares		(1,681,748)	2,724	(1,681,748)	(2,724)
NET CASH FOR FINANCING ACTIVITIES		(8,781,226)	(23,463,126)	(3,786,747)	(4,573,616)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		7,244,089	(5,593,145)	36,402	184,722
EFFECT OF FOREIGN EXCHANGE TRANSLATION		(160,359)	(235,295)	-	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		47,162,120	52,990,560	443,466	258,744
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	40(c)	54,245,850	47,162,120	479,868	443,466

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

1. GENERAL INFORMATION

The Company is a public company limited by shares, incorporated and domiciled in Malaysia. The registered office and principal place of business are as follows:

Registered office	:	3-2, 3rd Mile Square, No. 151, Jalan Kelang Lama, Batu 3 ½, 58100 Kuala Lumpur
Principal place of business	:	No. 3, 5 & 7, Jalan TSB 8, Taman Industri Sungai Buloh, 47000 Sungai Buloh Selangor Darul Ehsan

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors dated 15 October 2019.

2. HOLDING COMPANY

The Company is a subsidiary of Omega Attraction Sdn. Bhd., a company incorporated in Malaysia, which is also regarded by the directors as the ultimate holding company.

3. PRINCIPAL ACTIVITIES

The Company is principally engaged in the business of investment holding and the provision of management services. The principal activities of the subsidiaries are disclosed in Note 6(a) to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

4. BASIS OF PREPARATION

The financial statements of the Group are prepared under historical cost convention and modified to include other bases of valuation as disclosed in other sections under significant accounting policies, and in compliance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

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

MFRSs and/or IC Interpretations (including the Consequential Amendments)

MFRS 9	:	Financial Instruments (IFRS 9 as issued by IASB in July 2014)
MFRS 15	:	Revenue from Contracts with Customers
IC Interpretation 22	:	Foreign Currency Transactions and Advance Consideration
Amendments to MFRS 2	:	Classification and Measurement of Share-based Payment Transactions
Amendments to MFRS 4	:	Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts
Amendments to MFRS 15	:	Effective Date of MFRS 15
Amendments to MFRS 15	:	Clarifications to MFRS 15 'Revenue from Contracts with Customers'
Amendments to MFRS 140	:	Transfers of Investment Property
Annual Improvements to MFRS Standards 2014 – 2016 Cycles:		
• Amendments to MFRS 1	:	Deletion of Short-term Exemptions for First-time Adopters
• Amendments to MFRS 128	:	Measuring an Associate or Joint Venture at Fair Value

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONT'D)

4. BASIS OF PREPARATION (CONT'D)

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

The adoption of the above accounting standard(s) and/or interpretation(s) (including the consequential amendments, if any) did not have any material impact on the Group's financial statements except as follows:

- (a) MFRS 9 introduces a new classification and measurement requirements for financial assets that reflects the business model in which the financial assets are managed and their cash flow characteristics. MFRS 9 contains 3 principal classification categories for financial assets i.e. measured at amortised cost, fair value through profit or loss, fair value through other comprehensive income and eliminates the previous categories of held to maturity, loans and receivables and available-for-sale financial assets. In addition, MFRS 9 replaces the 'incurred loss' model in MFRS 139 with an 'expected credit loss' model. This new impairment approach is forward-looking and eliminates the need for a trigger event to have occurred before credit losses are recognised. There is no any material impact on the Group's financial statements upon initial application of this accounting standard except for the impacts of new classification of financial assets under MFRS 9 is disclosed in Note 45.3 to the financial statements. This is because the measurement of financial assets under MFRS 9 is consistent to the Group's current practice.
- (b) MFRS 15 requires an entity to recognise revenue to depict the transfer of promised goods or services to customers for an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Revenue is recognised when a customer obtains control of goods or services, i.e. when the customer has the ability to direct the use of and obtain the benefits from the goods or services. In addition, more guidance has been added in MFRS 15 to deal with specific scenarios. The impacts on the financial statements upon the initial application of this accounting standard are disclosed in Note 48 to the financial statements.
- 4.2 The adoption of the above accounting standards and/or interpretations (including the consequential amendments, if any) is expected to have no material impact on the financial statements of the Group upon their initial application except as follows:

MFRSs and IC Interpretations (including the Consequential Amendments)	Effective date
MFRS 16 : Leases	1 January 2019
MFRS 17 : Insurance Contracts	1 January 2021
IC Interpretation 23 : Uncertainty over Income Tax Treatments	1 January 2019
Amendments to MFRS 3 : Definition of a Business	1 January 2020
Amendments to MFRS 9 : Prepayment Features with Negative Compensation	1 January 2019
Amendments to MFRS 10 : Sale or Contribution of Assets between an and MFRS 128 : Investor and its Associate or Joint Venture	Deferred
Amendments to MFRS 101 and MFRS 108 : Definition of Material	1 January 2020
Amendments to MFRS 119 : Plan Amendment, Curtailment or Settlement	1 January 2019
Amendments to MFRS 128 : Long-term Interests in Associates and Joint Ventures	1 January 2019
Amendments to References to the Conceptual Framework in MFRS Standards	1 January 2020
Annual Improvements to MFRS Standards 2015 – 2017 Cycles	1 January 2019

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONT'D)

4. BASIS OF PREPARATION (CONT'D)

- 4.2 The adoption of the above accounting standards and/or interpretations (including the consequential amendments, if any) is expected to have no material impact on the financial statements of the Group upon their initial application except as follow:

MFRS 16 Leases

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

5. SIGNIFICANT ACCOUNTING POLICIES

5.1 Critical Accounting Estimates and Judgements

Key Sources of Estimation Uncertainty

Management believes that there are no key assumptions made concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year other than as disclosed below:

(a) Impairment of Goodwill

The assessment of whether goodwill is impaired requires an estimation of the value in use of the cash-generating unit to which the goodwill is allocated. Estimating a value in use amount requires management to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill as at the reporting date is disclosed in Note 11 to the financial statements.

(b) Impairment of Property, Plant and Equipment

The Group determines whether its property, plant and equipment is impaired by evaluating the extent to which the recoverable amount of the asset is less than its carrying amount. This evaluation is subject to changes such as market performance, economic and political situation of the country. A variety of methods is used to determine the recoverable amount, such as valuation reports and discounted cash flows. For discounted cash flows, significant judgement is required in the estimation of the present value of future cash flows generated by the assets, which involve uncertainties and are significantly affected by assumptions used and judgements made regarding estimates of future cash flows and discount rates. The carrying amount of property, plant and equipment as at the reporting date is disclosed in Note 9 to the financial statements.

(c) Write Down of Inventories

Reviews are made periodically by management on damaged, obsolete and slow-moving inventories. These reviews require judgement and estimates. Possible changes in these estimates could result in revisions to the valuation of inventories. The carrying amount of inventories as at the reporting date is disclosed in Note 15 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONT'D)

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.1 Critical Accounting Estimates and Judgements (Cont'd)

Key Sources of Estimation Uncertainty (Cont'd)

(d) Impairment of Trade Receivables and Contract Assets

The Group uses the simplified approach to estimate a lifetime expected credit loss allowance for all trade receivables (other than inter-company balances) and contract assets. The contract assets are grouped with trade receivables for impairment assessment because they have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group develops the expected loss rates based on the payment profiles of past sales and the corresponding historical credit losses, and adjusts for qualitative and quantitative reasonable and supportable forward-looking information. If the expectation is different from the estimation, such difference will impact the carrying values of trade receivables and contract assets. The carrying amounts of trade receivables and contract assets as at the reporting date are disclosed in Notes 13, 16, 18 and 20 to the financial statements.

(e) Impairment of Inter-company Balances

The loss allowances for inter-company balances are based on assumptions about risk of default and expected loss rates. The Company uses judgement in making these assumptions and selecting appropriate inputs to the impairment calculation, based on the past payment trends, existing market conditions as well as forward-looking estimates at the end of each reporting period. The carrying amounts of inter-company balances as at the reporting date are disclosed in Note 12 to the financial statements.

(f) Revenue Recognition for Construction Contracts

The Group recognises certain construction revenue by reference to the construction progress using the input method, determined based on the proportion of construction costs incurred for work performed to date over the estimated total construction costs. The total estimated costs are based on approved budgets, which require assessment and judgement to be made on changes in, for example, work scope, changes in costs and costs to completion. In making the judgement, management relies on past experience and the work of specialists. The carrying amounts of contract assets and contract liabilities as at the reporting date are disclosed in Note 18 to the financial statements.

Critical Judgements Made in Applying Accounting Policies

Management believes that there are no instances of application of critical judgement in applying the Group's accounting policies which will have a significant effect on the amounts recognised in the financial statements other than as disclosed below:

Classification between Investment Properties and Owner-occupied Properties

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately (or leased out separately under a finance lease), the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONT'D)

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.2 Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to the end of the reporting period.

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

Subsidiaries are consolidated from the date on which control is transferred to the Group up to the effective date on which control ceases, as appropriate.

Intragroup transactions, balances, income and expenses are eliminated on consolidation. Intragroup losses may indicate an impairment that requires recognition in the consolidated financial statements. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies with those of the Group.

(a) *Business Combinations*

Acquisitions of businesses are accounted for using the acquisition method. Under the acquisition method, the consideration transferred for acquisition of a subsidiary is the fair value of the assets transferred, liabilities incurred and the equity interests issued by the Group at the acquisition date. The consideration transferred includes the fair value of any asset or liability resulting from a contingent considerations arrangement. Acquisition-related costs, other than the costs to issue debt or equity securities, are recognised in profit or loss when incurred.

In a business combination achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

Non-controlling interests in the acquiree may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets at the date of acquisition. The choice of measurement basis is made on a transaction-by-transaction basis.

(b) *Non-controlling Interests*

Non-controlling interests are presented within equity in the consolidated statements of financial position, separately from equity attributable to owners of the Company. Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

(c) *Changes in Ownership Interests in Subsidiaries without Change of Control*

All changes in the parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of consideration paid or received is recognised directly in equity of the Group.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONT'D)

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.2 Basis of Consolidation (Cont'd)

(d) Loss of Control

Upon the loss of control of a subsidiary, the Group recognises any gain or loss on disposal in profit or loss which is calculated as the difference between:-

- (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest in the former subsidiary; and
- (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the former subsidiary and any non-controlling interests.

Amounts previously recognised in other comprehensive income in relation to the former subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of (i.e. reclassified to profit or loss or transferred directly to retained profits). The fair value of any investments retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under MFRS 9 (2018: MFRS 139) or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

5.3 Goodwill

Goodwill is measured at cost less accumulated impairment losses, if any. The carrying value of goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired. The impairment value of goodwill is recognised immediately in profit or loss. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Under the acquisition method, any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interests recognised and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities at the date of acquisition is recorded as goodwill.

Where the latter amount exceeds the former, after reassessment, the excess represents a bargain purchase gain and is recognised in profit or loss immediately.

5.4 Functional and Foreign Currencies

(a) Functional and Presentation Currency

The individual financial statements of each entity in the Group are presented in the currency of the primary economic environment in which the entity operates, which is the functional currency.

The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional and presentation currency and has been rounded to the nearest RM, unless otherwise stated.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONT'D)

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.4 Functional and Foreign Currencies (Cont'd)

(b) *Foreign Currency Transactions and Balances*

Transactions in foreign currencies are converted into the respective functional currencies on initial recognition, using the exchange rates at the transaction dates. Monetary assets and liabilities at the end of the reporting period are translated at the exchange rates ruling as of that date. Non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined. All exchange differences are recognised in profit or loss.

(c) *Foreign Operations*

Assets and liabilities of foreign operations (including any goodwill and fair value adjustments arising on acquisition) are translated to the Group's presentation currency at the exchange rates at the end of the reporting period. Income, expenses and other comprehensive income of foreign operations are translated at exchange rates at the dates of the transactions. All exchange differences arising from translation are taken directly to other comprehensive income and accumulated in equity; attributed to the owners of the Company and non-controlling interests, as appropriate.

Goodwill and fair value adjustments arising from the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the end of the reporting period except for those business combinations that occurred before the date of transition (1 January 2011) which are treated as assets and liabilities of the Company and are not retranslated.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign subsidiary, or a partial disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that foreign operation attributable to the owners of the Company are reclassified to profit or loss as part of the gain or loss on disposal. The portion that related to non-controlling interests is derecognised but is not reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are reattributed to non-controlling interests and are not recognised in profit or loss. When the Group disposes of only part of its investment in an associate that includes a foreign operation while retaining significant influence, the proportionate share of the accumulative exchange differences is reclassified to profit or loss.

In the consolidated financial statements, when settlement of an intragroup loan is neither planned nor likely to occur in the foreseeable future, the exchange differences arising from translating such monetary item are considered to form part of a net investment in the foreign operations and are recognised in other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONT'D)

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.5 Financial Instruments

Financial assets and financial liabilities are recognised in the statements of financial position when the Group has become a party to the contractual provisions of the instruments.

Financial instruments are classified as financial assets, financial liabilities or equity instruments in accordance with the substance of the contractual arrangement and their definitions in MFRS 132. Interests, dividends, gains and losses relating to a financial instrument classified as a liability, are reported as an expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity.

Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

A financial instrument is recognised initially at its fair value (other than trade receivables without significant financing component which are measured at transaction price as defined in MFRS 15 – Revenue from Contracts with Customers at Inception). Transaction costs that are directly attributable to the acquisition or issue of the financial instrument (other than a financial instrument at fair values through profit or loss) are added to/deducted from the fair value on initial recognition, as appropriate. Transaction costs on the financial instrument at fair value through profit or loss are recognised immediately in profit or loss.

Financial instruments recognised in the statements of financial position are disclosed in the individual policy statement associated with each item.

(a) Financial Assets

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value (through profit or loss, or other comprehensive income), depending on the classification of the financial assets.

Debt Instruments

(i) Amortised Cost

The financial asset is held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest. Interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset. When the asset has subsequently become credit-impaired, the interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts), excluding expected credit losses, through the expected life of the financial asset or a shorter period (where appropriate).

(ii) Fair Value through Other Comprehensive Income

The financial asset is held for both collecting contractual cash flows and selling the financial asset, where the asset's cash flows represent solely payments of principal and interest. Movements in the carrying amount are taken through other comprehensive income and accumulated in the fair value reserve, except for the recognition of impairment, interest income and foreign exchange difference which are recognised directly in profit or loss. Interest income is calculated using the effective interest rate method.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONT'D)

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.5 Financial Instruments (Cont'd)

(a) Financial Assets (Cont'd)

Debt Instruments (Cont'd)

(iii) Fair Value through Profit or Loss

All other financial assets that do not meet the criteria for amortised cost or fair value through other comprehensive income are measured at fair value through profit or loss.

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

Equity Instruments

All equity investments are subsequently measured at fair value with gains and losses recognised in profit or loss except where the Group has elected to present the subsequent changes in fair value in other comprehensive income and accumulated in the fair value reserve at initial recognition.

The designation at fair value through other comprehensive income is not permitted if the equity investment is either held for trading or is designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise.

Dividend income from this category of financial assets is recognised in profit or loss when the Group's right to receive payment is established unless the dividends clearly represent a recovery of part of the cost of the equity investments.

(b) Financial Liabilities

(i) Financial Liabilities at Fair Value through Profit or Loss

Fair value through profit or loss category comprises financial liabilities that are either held for trading or are designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. The changes in fair value of these financial liabilities are recognised in profit or loss except for the amount of change in the fair value that is attributable to changes in the credit risk of that liability is recognised directly in other comprehensive income and is not subsequently reclassified to profit or loss upon the derecognition of the financial liability.

(ii) Other Financial Liabilities

Other financial liabilities are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts), through the expected life of the financial liability or a shorter period (where appropriate).

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONT'D)

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.5 Financial Instruments (Cont'd)

(c) *Equity Instruments*

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

(i) *Ordinary Shares*

Ordinary shares are classified as equity and recorded at the proceeds received, net of directly attributable transaction costs.

Dividends on ordinary shares are recognised as liabilities when approved for appropriation.

(ii) *Treasury Shares*

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

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

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

(d) *Derecognition*

A financial asset or part of it is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. On derecognition of a financial asset measured at amortised cost, the difference between the carrying amount of the asset and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of a debt instrument classified as fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the fair value reserve is reclassified from equity to profit or loss. In contrast, there is no subsequent reclassification of the fair value reserve to profit or loss following the derecognition of an equity investment.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expired. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(e) *Financial Guarantee Contracts*

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specific debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONT'D)

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.5 Financial Instruments (Cont'd)

(e) *Financial Guarantee Contracts (Cont'd)*

Financial guarantee contracts are recognised initially as liabilities at fair value, net of transaction costs. Subsequent to initial recognition, financial guarantee contracts are recognised as income in profit or loss over the period of the guarantee or, when there is no specific contractual period, recognised in profit or loss upon discharge of the guarantee. If the debtor fails to make payment relating to a financial guarantee contract when it is due and the Company, as the issuer, is required to reimburse the holder for the associated loss, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period and the amount initially recognised less cumulative amortisation.

Accounting Policies Applied Until 30 June 2018

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

- Financial assets were designated at fair value through profit or loss when the financial asset was either held for trading or was designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. Derivatives were also classified as held for trading unless they were designated as hedges. Fair value through profit or loss category also comprises contingent consideration in a business combination. Financial assets at fair value through profit or loss were stated at fair value at each reporting date with any gain or loss arising on remeasurement recognised in profit or loss.
- Unquoted trade receivables and other receivables with fixed or determinable payments were classified as loans and receivables financial assets, measured at amortised cost using the effective interest method, less any impairment loss. Interest income was recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

5.6 Investment in Subsidiaries

Investments in subsidiaries including the share options granted to employees of the subsidiaries are stated at cost in the statement of financial position of the Company, and are reviewed for impairment at the end of the reporting period if events or changes in circumstances indicate that the carrying values may not be recoverable. The cost of the investments includes transaction costs.

On the disposal of the investments in subsidiaries, the difference between the net disposal proceeds and the carrying amount of the investments is recognised in profit or loss.

5.7 Joint Arrangements

Joint arrangements are arrangements of which the Group has joint control, established by contracts requiring unanimous consent for decisions about the activities that significantly affect the arrangements returns.

Investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONT'D)

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.7 Joint Arrangements (Cont'd)

A joint venture is a joint arrangement whereby the Group has rights only to the net assets of the arrangement. The investment in a joint venture is accounted for in the consolidated financial statements using the equity method, based on the financial statements of the joint venture made up to 30 June 2019. The Group's share of the post-acquisition profits and other comprehensive income of the joint venture is included in the consolidated statement of profit or loss and other comprehensive income, after adjustments if any, to align the accounting policies with those of the Group, from the date that joint control commences up to the effective date when the investment ceases to be a joint venture or when the investment is classified as held for sale. The Group's interest in the joint venture is carried in the consolidated statement of financial position at cost plus the Group's share of the post-acquisition retained profits and reserves. The cost of investment includes transaction costs.

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

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

The Group discontinues the use of the equity method from the date when the investment ceases to be a joint venture or when the investment is classified as held for sale. When the Group retains an interest in the former joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as the initial carrying amount of the financial asset in accordance with MFRS 9 (2018: MFRS 139). Furthermore, the Group also reclassifies its share of the gain or loss previously recognised in other comprehensive income of that joint venture to profit or loss when the equity method is discontinued. However, the Group will continue to use the equity method when an investment in a joint venture becomes an investment in an associate. Under such change in ownership interest, the retained investment is not remeasured to fair value but a proportionate share of the amounts previously recognised in other comprehensive income of the joint venture will be reclassified to profit or loss where appropriate. All dilution gains or losses arising in investments in joint ventures are recognised in profit or loss.

5.8 Investments in Associates

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

The investment in an associate is accounted for in the consolidated financial statements using the equity method, based on the financial statements of the associate made up to 30 June 2019. The Group's share of the post-acquisition profits and other comprehensive income of the associate is included in the consolidated statement of profit or loss and other comprehensive income, after adjustment if any, to align the accounting policies with those of the Group, from the date that significant influence commences up to the effective date on which significant influence ceases or when the investment is classified as held for sale. The Group's interest in the associate is carried in the consolidated statement of financial position at cost plus the Group's share of the post-acquisition retained profits and reserves. The cost of investment includes transaction costs.

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONT'D)

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.8 Investments in Associates (Cont'd)

When the Group ceases to have significant influence over an associate and the retained interest in the former associate is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as the initial carrying amount of the financial assets in accordance with MFRS 9 (2018: MFRS 139). Furthermore, the Group also reclassifies its share of the gain or loss previously recognised in other comprehensive income of that associate to profit or loss when the equity method is discontinued.

5.9 Property, Plant and Equipment

All items of property, plant and equipment are initially measured at cost. Cost includes expenditure that are directly attributable to the acquisition of the asset and other costs directly attributable to bringing the asset to working condition for its intended use.

Subsequent to initial recognition, all property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when the cost is incurred and it is probable that the future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. The carrying amount of parts that are replaced is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

Freehold land is not depreciated. Depreciation on other property, plant and equipment is charged to profit or loss (unless it is included in the carrying amount of another asset) on a straight-line method to write off the depreciable amount of the assets over their estimated useful lives. Depreciation of an asset does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated. The principal annual rates used for this purpose are:

Leasehold land	45 to 87 years
Factory and shoplot buildings	5 to 50 years
Plant and machinery	1 to 20 years
Motor vehicles	4 to 10 years
Office equipment, furniture and fittings	2 to 10 years

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

The depreciation method, useful lives and residual values are reviewed and adjusted if appropriate, at the end of each reporting period to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment. Any changes are accounted for as a change in estimate.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising from derecognition of the asset, being the difference between the net disposal proceeds and the carrying amount, is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONT'D)

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.10 Investment Properties

Investment properties are properties which are owned or held under a leasehold interest to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment properties are initially measured at cost. Cost includes expenditure that is directly attributable to the acquisition of the investment property.

Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and impairment losses, if any.

Depreciation is charged to profit or loss on the straight-line method over the estimated useful lives of the investment properties. Freehold land is not depreciated whilst leasehold land is amortised over its lease period of 74 to 99 years. The principal annual rates used for buildings are 2% per annum.

Investment properties are derecognised when they have either been disposed of or when the investment property is permanently withdrawn from use and no future benefit is expected from its disposal.

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

Transfers are made to or from investment property only when there is a change in use. All transfers do not change the carrying amount of the property reclassified.

5.11 Research and Development Expenditure

Research expenditure is recognised as an expense when it is incurred.

Development expenditure is recognised as an expense except that costs incurred on development projects are capitalised as non-current assets to the extent that such expenditure is expected to generate future economic benefits. Development expenditure is capitalised if, and only if, an entity can demonstrate all of the following:-

- (a) its ability to measure reliably the expenditure attributable to the asset under development;
- (b) the product or process is technically and commercially feasible;
- (c) its future economic benefits are probable;
- (d) its intention to complete and the ability to use or sell the developed asset; and
- (e) the availability of adequate technical, financial and other resources to complete the asset under development

Capitalised development expenditure is measured at cost less accumulated amortisation and impairment losses, if any. Development expenditure initially recognised as an expense is not recognised as assets in the subsequent period.

The development expenditure is amortised on a straight-line method over a period of 5 years when the products are ready for sale or use. In the event that the expected future economic benefits are no longer probable of being recovered, the development expenditure is written down to its recoverable amount.

The amortisation method, useful life and residual value are reviewed, and adjusted if appropriate, at the end of each reporting period.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONT'D)

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.12 Leased Assets

(a) *Finance Lease*

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incidental to ownership. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. The corresponding liability is included in the statement of financial position as hire purchase payables.

Minimum lease payments made under finance leases are apportioned between the finance costs and the reduction of the outstanding liability. The finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are recognised in the profit or loss and allocated over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each accounting period.

Leasehold land which in substance is a finance lease is classified as property, plant and equipment.

(b) *Operating Lease*

All leases that do not transfer substantially to the Group all the risks and rewards incidental to ownership are classified as operating leases and, the leased assets are not recognised on the statement of financial position of the Group and of the Company.

Payments made under operating leases are recognised as an expense in the profit or loss on a straight-line method over the term of the lease. Lease incentives received are recognised as a reduction of rental expense over the lease term on a straight-line method. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

5.13 Inventories

Inventories are stated at the lower of cost and net realisable value.

The cost of inventories is measured based on weighted average cost and first-in-first-out formula, where appropriate, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred and bringing them to their existing location and condition. The cost of conversion includes cost directly related to the units of production, and a proportion of fixed production overheads based on normal capacity of the production facilities.

Net realisable value represents the estimated selling price less the estimated costs of completion and the estimated costs necessary to make the sale.

5.14 Contract Costs

(a) *Incremental Costs of Obtaining a Contract*

The Group recognises incremental costs of obtaining contracts with customers as an asset when the Group expects to recover these costs. When the amortisation period of the asset is one year or less, such costs are recognised as an expense immediately when incurred.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONT'D)

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.14 Contract Costs (Cont'd)

(b) Costs to Fulfill a Contract

The Group recognises costs that relate directly to a contract (or an anticipated contract) with customer as an asset when the costs generate or enhance resources of the Group, will be used in satisfying performance obligation in the future and are recovered.

The contract costs are initially measured at cost and amortised on a systematic basis that is consistent with the pattern of revenue recognition to which the asset relates.

An impairment loss is recognised in the profit or loss when the carrying amount of the contract cost exceeds the expected revenue less expected cost that will be incurred. Any impairment loss recovered shall be reversed to the extent of the carrying amount of the contract cost does not exceed the amount that would have been recognised had there been no impairment loss recognised previously.

5.15 Contract Asset and Contract Liability

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

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

5.16 Cash and Cash Equivalents

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value with original maturity periods of three months or less. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts.

5.17 Impairment

(a) Impairment of Financial Assets

The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost, trade receivables and contract assets, as well as on financial guarantee contracts.

The expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument. The Group always recognises lifetime expected credit losses for trade receivables and contract assets (other than inter-company balances) using the simplified approach. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience and are adjusted for forward-looking information (including time value of money where appropriate).

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONT'D)

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.17 Impairment (Cont'd)

(a) *Impairment of Financial Assets (Cont'd)*

For all other financial instruments, the Group recognises lifetime expected credit losses when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at fair value through other comprehensive income, for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

Accounting Policy Applied Until 30 June 2018

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

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

(b) *Impairment of Non-financial Assets*

The carrying values of assets, other than those to which MFRS 136: Impairment of Assets does not apply, are reviewed at each reporting period for impairment when an annual impairment assessment is compulsory or there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts, the asset is written down to its recoverable amount and an impairment loss shall be recognised. The recoverable amount of an asset is the higher of the asset's fair value less cost to sell and its value-in-use, which is measured by reference to discounted future cash flows using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where it is not possible to estimate the recoverable amount of an individual asset, the Group determines the recoverable amount of the cash-generating unit to which the asset belongs.

An impairment loss is recognised in profit or loss.

In respect of assets other than goodwill, and when there is a change in the estimates used to determine the recoverable amount, a subsequent increase in the recoverable amount of an asset is treated as a reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in profit or loss immediately.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONT'D)

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.18 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate of the amount can be made. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the provision is the present value of the estimated expenditure required to settle the obligation. The discount rate shall be a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as interest expense in profit or loss.

5.19 Employee Benefits

(a) Short-term Benefits

Wages, salaries, paid annual leave and bonuses are measured on an undiscounted basis and are recognised in profit or loss in the period in which the associated services are rendered by employees of the Group.

(b) Defined Contribution Plans

The Group's contributions to defined contribution plans are recognised in profit or loss in the period to which they relate. Once the contributions have been paid, the Group has no further liability in respect of the defined contribution plans.

(c) Share-based Payment Transactions

The Group operates an equity-settled share-based compensation plan, under which the Group receives services from employees as consideration for equity instruments of the Company (known as "share options").

At grant date, the fair value of the share options is recognised as an expense on a straight-line method over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding credit to employees' share option reserve in equity. The amount recognised as an expense is adjusted to reflect the actual number of the share options that are expected to vest. Service and non-market performance conditions attached to the transaction are not taken into account in determining the fair value.

In the Company's separate financial statements, the grant of the share options to the subsidiaries' employees is not recognised as an expense. Instead, the fair value of the share options measured at the grant date is accounted for as an increase to the investment in subsidiary undertaking with a corresponding credit to the employees' share option reserve.

Upon expiry of the share option, the employees' share option reserve is transferred to retained profits.

When the share options are exercised, the employees' share option reserve is transferred to share capital if new ordinary shares are issued, or to treasury shares if the share options are satisfied by the reissuance of treasury shares.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONT'D)

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.20 Income Taxes

(a) Current Tax

Current tax assets and liabilities are expected amount of income tax recoverable or payable to the taxation authorities.

Current taxes are measured using tax rates and tax laws that have been enacted or substantively enacted at the end of the reporting period and are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss (either in other comprehensive income or directly in equity).

(b) Deferred Tax

Deferred tax are recognised using the liability method for all temporary difference other than those that arise from goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. The carrying amounts of deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that the related tax benefits will be realised.

Current and deferred tax items are recognised in correlation to the underlying transactions either in profit or loss, other comprehensive income or directly in equity. Deferred tax arising from a business combination is adjusted against goodwill or negative goodwill.

Current tax assets and liabilities or deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same taxable entity (or on different tax entities but they intend to settle current tax assets and liabilities on a net basis) and the same taxation authority.

5.21 Contingent Liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that an outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements, unless the probability of outflow of economic benefits is remote. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONT'D)

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.22 Operating Segments

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

5.23 Earnings per Ordinary Share

Basic earnings per ordinary share is calculated by dividing the consolidated profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the reporting period, adjusted for own shares held.

Diluted earnings per ordinary share is determined by adjusting the consolidated profit or loss attributable to ordinary shareholders of the Company and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise convertible preference shares and share options granted to employees.

5.24 Borrowing Costs

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of those assets, until such time as the assets are ready for their intended use or sale. The capitalisation of borrowing costs is suspended during extended periods in which active development is interrupted. The capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation is the weighted average of the borrowing costs applicable to borrowings that are outstanding during the financial year, other than borrowings made specifically for the purpose of financing a specific project-in-progress, in which case the actual borrowing costs incurred on that borrowings less any investment income on temporary investment of that borrowings will be capitalised.

All other borrowing costs are recognised in profit or loss as expenses in the period in which they are incurred.

5.25 Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using a valuation technique. The measurement assumes that the transaction takes place either in the principal market or in the absence of a principal market, in the most advantageous market. For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONT'D)

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.25 Fair Value Measurements (Cont'd)

For financial reporting purposes, the fair value measurements are analysed into level 1 to level 3 as follows:

- Level 1 : Inputs are quoted prices (unadjusted) in active markets for identical assets or liability that the entity can access at the measurement date;
- Level 2 : Inputs are inputs, other than quoted prices included within level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 : Inputs are unobservable inputs for the asset or liability.

The transfer of fair value between levels is determined as of the date of the event or change in circumstances that caused the transfer.

5.26 Revenue from Contracts with Customers

Revenue from contracts with customers is recognised by reference to each distinct performance obligation in the contract with customer. Revenue from contracts with customers is measured at its transaction price, being the amount of consideration which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, net of sales and service tax, returns, rebates and discounts. Transaction price is allocated to each performance obligation on the basis of the relative standalone selling prices of each distinct goods or services promised in the contract.

The Group recognises revenue when (or as) it transfers control over a product or service to customer. An asset is transferred when (or as) the customer obtains control of that asset.

Depending on the substance of the contract, revenue is recognised when the performance obligation is satisfied, which may be at a point of time or over time. The Group transfers control of a goods or service at a point in time unless one of the following over time criteria is met:

- The customer simultaneously receives and consumes the benefits provided as the Group performs.
- The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced.
- The Group's performance does not create an asset with an alternative use and the Group has an enforceable right to payment for performance completed to date.

(a) *Sale of Transformer, Lighting Products and Process Equipment*

Revenue from sale of transformer, lighting products and process equipment is recognised when the Group has transferred control of the goods to the customer, being when the goods have been delivered to the customer and upon its acceptance. Following delivery, the customer has full discretion over the manner of distribution and price to sell the goods, and bears the risks of obsolescence and loss in relation to the goods.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONT'D)

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.26 Revenue from Contracts with Customers (Cont'd)

(b) Rendering of Services

Revenue from providing maintenance and shutdown services is recognised over time in the period in which the services are rendered. As a practical expedient, the Group recognises revenue on a straight-line method over the period of service.

(c) Construction Services

Revenue from construction services is recognised over time in the period in which the services are rendered using the input method, determined based the proportion of construction costs incurred for work performed to date over the estimated total construction costs. Transaction price is computed based on the price specified in the contract and adjusted for any variable consideration such as incentives and penalties. Past experience is used to estimate and provide for the variable consideration, using expected value method and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur.

A receivable is recognised when the construction services are rendered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due. If the construction services rendered exceed the payment received, a contract asset is recognised. If the payments exceed the construction services rendered, a contract liability is recognised.

5.27 Revenue from Other Sources and Other Operating Income

(a) Interest Income

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

(b) Dividend Income

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

(c) Rental Income

Rental income is accounted for on a straight-line method over the lease term.

(d) Management Fee Income

Management fee income from subsidiaries is recognised on accrual basis.

(e) Government Grants

Government grants are recognised at their fair value when there is reasonable assurance that they will be received and all conditions attached will be met.

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

Grants that compensate the Group for the costs of an asset are recognised in profit or loss on a systematic basis over the expected life of the related asset.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONT'D)

6. INVESTMENTS IN SUBSIDIARIES

	Company	
	2019 RM	2018 RM
At Cost		
Unquoted shares		
At 1 July	70,125,041	70,125,041
Addition	398,119	-
Share options granted to employees of subsidiaries	490,370	-
Capital reduction (Note d)	(1,275,000)	-
At 30 June	69,738,530	70,125,041
Quoted Shares		
At 30 June	31,718,980	31,718,980
	101,457,510	101,844,021
Less : Accumulated Impairment Losses		
At 1 July	4,221,680	1,527,457
Addition	7,950,362	2,694,223
At 30 June	12,172,042	4,221,680
Carrying Amount		
At 30 June	89,285,468	97,622,341
Represented by:-		
Unquoted shares in Malaysia	58,683,691	60,421,634
Unquoted shares outside Malaysia	4,831,381	5,481,727
Quoted shares in Malaysia	25,770,396	31,718,980
	89,285,468	97,622,341
Market value of quoted shares as at end of the year	23,400,000	17,680,000

During the financial year, the Company has carried out a review of its investments in certain subsidiaries that had been persistently making losses. A total impairment losses of RM 7,950,362 (2018: RM 2,694,223) was recognised in "Other Expenses" line item of the statement of profit or loss and other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONT'D)

6. INVESTMENTS IN SUBSIDIARIES (CONT'D)

(a) Details of the subsidiaries are as follows:

Name of subsidiaries	Principal place of business/ Country of incorporation	Percentage of issued share capital held by parent		Principal activities
		2019	2018	
Success Electronics & Transformer Manufacturer Sdn. Bhd. ("SETM")	Malaysia	100%	100%	Manufacture of electrical apparatus and industrial lighting.
Success Transformer Marketing Sdn. Bhd. ("STMKT")	Malaysia	100%	100%	Trading, sales and marketing of electrical apparatus and industrial lighting.
Success Transformer Manufacturer Sdn. Bhd. ("STM")	Malaysia	100%	100%	Investment holding.
SES Property Sdn. Bhd. ("SESP")	Malaysia	100%	100%	Property investment holding.
Aruanmota Sdn. Bhd. ("ASB")	Malaysia	100%	100%	Property investment holding.
Nikkon LED Sdn. Bhd. ("NLED")	Malaysia	80%	80%	Manufacturing of LED lighting.
Daiichi Steel Sdn. Bhd. ("DS")	Malaysia	95%	95%	Manufacture of metal products focusing on metal stamping parts.
Omega Metal Industries Sdn. Bhd. ("OMI")	Malaysia	95%	95%	Manufacture of metal products focusing on metal casing.
ILCS Technologies Sdn. Bhd. ("ILCS") (formerly known as EOS Lighting Sdn. Bhd.)	Malaysia	60%	60%	Ceased business operations.
Nikkon Lighting Pty. Ltd. ("NLPL") #	Australia	100%	100%	Marketing and distributing of electrical apparatus and industrial lighting.
Success Transformer Pte. Ltd. ("STPL") #	Singapore	100%	100%	Investment holding and to carry on business of electricians, mechanical engineers of any other of alike nature.
Seremban Engineering Berhad ("SEB")	Malaysia	65%	65%	Fabrication of process equipment and metal structures and the provision of maintenance, repair and shutdown works.
Boxon Industries Hardware (M) Sdn. Bhd. ("BIH")	Malaysia	60%	60%	Supplier and dealer in metal enclosure and accessories and ceased business operation during the year.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONT'D)

6. INVESTMENTS IN SUBSIDIARIES (CONT'D)

(a) Details of the subsidiaries are as follows: (Cont'd)

Name of subsidiaries	Principal place of business/ Country of incorporation	Percentage of issued share capital held by parent		Principal activities
		2019	2018	
Ningbo Success Zhenye Luminaire Limited Liabilities Company ("NSZ") #	People's Republic of China	60%	60%	Design, manufacture and trading of industrial light fittings and fixtures.
Nikken Success Kenya Limited ("NSK") #	Republic of Kenya	91%	91%	Marketing and distributing of electrical apparatus and industrial lighting.
Nikken Lighting (Thailand) Co., Ltd. ("NLT") *	Thailand	49% ^	49% ^	Distribution of lighting and electrical products.
PT. Boxon Nikkon Jayaindo ("BNJ") #	Indonesia	50% (Direct) @ 30% (Indirect)	30% (Direct) @ 30% (Indirect)	Wholesale for lighting, mechanical and electrical products, metal enclosure and accessories.
Subsidiary of STMKT				
A.B.U Hayat Lighting Sdn. Bhd. ("AHL")	Malaysia	60%	-	Provision of general consultancy and contractor services relating to electrical and electronics and to engage in trading, sales and marketing of electrical apparatus and industrial lighting.
Subsidiaries of SEB				
SEB Construction Sdn. Bhd. ("SEB")	Malaysia	100%	100%	Dormant.
Seremban Mechanical Services Sdn. Bhd. ("SMS")	Malaysia	100%	100%	Dormant.
Subsidiaries of NSZ				
Ningbo Success Zhenye Casting Limited Liabilities Company ("NSC") #	People's Republic of China	60%	60%	Aluminium die-casting, light fittings assembly and mould.
Ningbo Success Gushi International Trading Co. Ltd ("NSG") #	People's Republic of China	100%	-	Trading of industrial light fittings and fixtures.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONT'D)

6. INVESTMENTS IN SUBSIDIARIES (CONT'D)

(a) Details of the subsidiaries are as follows: (Cont'd)

Name of subsidiaries	Principal place of business/ Country of incorporation	Percentage of issued share capital held by parent		Principal activities
		2019	2018	
Subsidiary of STPL				
Nikkon Lighting & Electrical Pte. Ltd. ("NLE") #	Singapore	75%	55%	Marketing and distribution of electrical appliances and industrial lighting.
Subsidiaries of BIH				
Boxon Industries Hardware ("BIHJ")	Malaysia	100%	100%	Ceased business operations.

* *Not a legal requirement to be audited.*

Audited by firms other than Crowe Malaysia PLT.

^ *In accordance with the Memorandum of Articles of Association of NLT, one voting right is attached to every one ordinary share and one voting right is attached to every ten preferred shares. Based on existing total issued and paid-up share capital of NLT of 9,800 ordinary shares of THB 100 each and 10,200 preferred shares of THB 100 each, the total voting rights are 10,820 comprising 9,800 voting rights for ordinary shares and 1,020 voting rights for preferred shares. Success Transformer Corporation Berhad ("STC") holds 9,800 ordinary shares which carry with them 9,800 voting rights or 90.6% of the total voting rights in NLT. As STC has control over NLT, the account of NLT is consolidated into the Group's financial statements.*

@ *The indirect percentage of issued share capital held by parent is held through a subsidiary of the Company, namely BIH.*

- (b) On 6 August 2018, the Company acquired an additional 20% equity interest in PT. Boxon Nikkon Jayaindo ("BNJ") from its non-controlling interest for a total cash consideration of RM 398,119. Following the completion of the acquisition, BNJ became 80% owned indirect subsidiary of the Company.
- (c) On 23 January 2019, Success Transformer Marketing Sdn. Bhd., a wholly-owned subsidiary of the Company, subscribed 60 ordinary shares in A.B.U Hayat Lighting Sdn. Bhd. ("AHL"), representing a 60% of the total issued and paid-up capital of AHL for a total cash consideration of RM 60 upon incorporation. As a result, AHL became a 60% owned subsidiary of the Company.
- (d) On 8 May 2019, Boxon Industries Hardware (M) Sdn. Bhd. ("BIH"), a 60% owned subsidiary of the Company, reduced its issued and paid-up share capital from RM 4,125,000 to RM 2,000,000 and that such reduction be effected by cancelling 2,125,000 issued shares that are in excess of the needs of BIH. The credit of RM 2,125,000 arising there from has been returned to shareholders in proportion to their shareholdings of BIH.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONT'D)

6. INVESTMENTS IN SUBSIDIARIES (CONT'D)

(e) In the last financial year, the following transactions occurred:-

- (i) On 22 January 2018, Success Transformer Pte. Ltd., a wholly-owned subsidiary of the Company, acquired an additional 20% equity interest in Nikkon Lighting & Electrical Pte. Ltd. ("NLE") from its non-controlling interest for a total cash consideration of RM 178,902. Following the completion of the acquisition, NLE became 75% owned indirect subsidiary of the Company.
- (ii) On 7 February 2018, Ningbo Success Zhenye Luminaire Limited Liabilities Company, a 60% owned subsidiary of the Company, incorporated a wholly-owned subsidiary, Ningbo Success Gushi International Trading Co., Ltd ("NSG"). The registered capital of NSG is RMB 2,000,000 which is equivalent to RM 1,249,400.
- (iii) On 18 April 2018, the Company's dormant indirect subsidiary, Boxon Industries Hardware (S) Pte. Ltd., has submitted an application to the Accounting and Corporate Regulatory Authority ("ACRA") of Singapore to strike off from the register of the ACRA and has received the approval from ACRA within the same date.

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

	Effective Equity Interest		Group	
	2019 %	2018 %	2019 RM	2018 RM
SEB	35	35	8,600,657	10,394,963
NSZ	40	40	16,643,549	14,905,569
Other individually immaterial subsidiaries	-	-	2,983,082	3,401,173
			28,227,288	28,701,705

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONT'D)

6. INVESTMENTS IN SUBSIDIARIES (CONT'D)

- (g) The summarised financial information (before intra-group elimination) for each subsidiary that has non-controlling interests that are material to the Group is as follows:

	SEB	
	2019	2018
	RM	RM
At 30 June		
Non-current assets	53,598,976	55,702,707
Current assets	30,540,820	40,117,774
Non-current liabilities	(12,871,546)	(12,935,091)
Current liabilities	(46,694,945)	(53,185,497)
Net assets	24,573,305	29,699,893
Financial year ended 30 June		
Revenue	65,922,097	70,728,104
Loss and total comprehensive expenses for the financial year	(4,318,248)	(4,926,876)
Total comprehensive expenses attributable to non-controlling interests	(1,511,387)	(1,724,407)
Net cash flows from operating activities	5,646,378	2,998,076
Net cash flows for investing activities	(157,079)	(616,875)
Net cash flows from/(for) financing activities	2,340,761	(8,239,982)

	NSZ	
	2019	2018
	RM	RM
At 30 June		
Non-current assets	12,077,777	12,144,835
Current assets	51,683,511	46,148,586
Current liabilities	(22,152,416)	(21,029,498)
Net assets	41,608,872	37,263,923
Financial year ended 30 June		
Revenue	103,966,443	93,873,476
Profit and total comprehensive income for the financial year	8,527,498	2,424,744
Total comprehensive income attributable to non-controlling interests	3,410,999	969,898
Dividends paid to non-controlling interests	1,441,200	-
Net cash flows from operating activities	5,204,551	2,304,791
Net cash flows for investing activities	(3,038,787)	(4,189,676)
Net cash flows for financing activities	(3,644,400)	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONT'D)

7. INVESTMENT IN JOINT VENTURE

	Group	
	2019 RM	2018 RM
At Cost		
Unquoted shares		
At 30 June	1	1
Less: Accumulated Impairment Losses		
At 30 June	(1)	(1)
Carrying Amount		
At 30 June	-	-

Details of joint venture are as follows:

Name of joint venture	Country of incorporation	Equity interest		Principle activities
		2019	2018	
Groupage SEB Sdn. Bhd.	Malaysia	50%	50%	Dormant.

8. INVESTMENT IN ASSOCIATES

	Group	
	2019 RM	2018 RM
At Carrying Amount		
At 1 July	593,061	651,382
Share of post-acquisition loss	(183,620)	(35,006)
Exchange differences	(6,243)	(23,315)
At 30 June	403,198	593,061
Represented by:		
Unquoted shares outside Malaysia	403,198	593,061

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONT'D)

8. INVESTMENT IN ASSOCIATES (CONT'D)

(a) Details of the investment in associates are as follows:

Name of associates	Country of incorporation	Equity interest		Principal activities
		2019	2018	
Nine Energy Sdn. Bhd. ("NESB")	Malaysia	40%	40%	Dormant.
Shenyang Success Zhenye Luminaire Limited Liabilities Company ("SSZ") *	People's Republic of China	40%	40%	Sales of lighting, plastics, glassess, molds, electric and electronic equipments and parts.
Zhongshan Success Zhenye Luminaire Limited Liabilities Company ("ZSZ") *	People's Republic of China	-	40%	Research and development and sales of lighting fixtures, lamps and offer electrical accessories and lighting equipment.
Success Zhenye Luminaire Beijing Limited Liabilities Company ("BSZ") *	People's Republic of China	40%	40%	Sales of lighting and decorative materials.

* Not a legal requirement to be audited.

- (b) In January 2019, Ningbo Success Zhenye Luminaire Limited Liabilities Company ("NSZ"), a 60% owned subsidiary of the Company, has disposed its entire 40% equity interest in Zhongshan Success Zhenye Luminaire Limited Liabilities Company ("ZSZ") for a total cash consideration of RM 1. Subsequent to the disposal, ZSZ ceased to be an associate of NSZ.
- (c) The summarised unaudited financial information for all associates that are individually immaterial to the Group is as follows:

	Other individually Immaterial Associates	
	2019 RM	2018 RM
Financial year ended 30 June		
Group's share of loss for the financial year	(183,620)	(35,006)
Group's share of total comprehensive expense	(183,620)	(35,006)
Aggregate carrying amount of the Group's interests in these associates	403,198	593,061

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

9. PROPERTY, PLANT AND EQUIPMENT

Group – 2019	Freehold land RM	Leasehold land RM	Factory buildings RM	Plant and machinery RM	Motor vehicles RM	Office equipment, furniture and fittings RM	Capital work-in-progress RM	Total RM
At Cost								
At 1 July 2018	20,547,652	9,703,437	66,254,173	65,105,011	11,000,136	11,340,170	628,299	184,578,878
Additions	-	-	453,539	4,105,076	1,124,999	995,310	596,617	7,275,541
Transfer to investment properties	(1,675,367)	-	(2,793,943)	(255,000)	-	-	-	(4,724,310)
Reclassification	-	-	543,132	680,932	-	-	(1,224,064)	-
Disposals	-	-	-	(296,192)	(822,798)	(1,246)	-	(1,120,236)
Write off	-	-	-	(289,815)	-	(25,889)	-	(315,704)
Exchange differences	-	-	215,771	(276,836)	19,160	3,294	(852)	(39,463)
At 30 June 2019	18,872,285	9,703,437	64,672,672	68,773,176	11,321,497	12,311,639	-	185,654,706
Less : Accumulated Depreciation								
At 1 July 2018	-	1,252,350	10,034,585	39,675,006	5,382,572	7,704,461	-	64,048,974
Charge for the financial year	-	119,690	1,719,236	6,160,893	1,339,139	1,219,551	-	10,558,509
Transfer to investment properties	-	-	(367,969)	(167,875)	-	-	-	(535,844)
Disposals	-	-	-	(281,771)	(635,103)	(690)	-	(917,564)
Write off	-	-	-	(283,578)	-	(19,786)	-	(303,364)
Exchange differences	-	-	27,844	(158,318)	22,325	4,925	-	(103,224)
At 30 June 2019	-	1,372,040	11,413,696	44,944,357	6,108,933	8,908,461	-	72,747,487
Less : Impairment Loss								
At 1 July 2018	-	-	38,933	207,986	-	-	-	246,919
Addition	-	-	412,382	304,126	-	15,489	-	731,997
Reclassification	-	-	(38,933)	-	-	38,933	-	-
At 30 June 2019	-	-	412,382	512,112	-	54,422	-	978,916
Carrying Amount								
At 30 June 2019	18,872,285	8,331,397	52,846,594	23,316,707	5,212,564	3,348,756	-	111,928,303

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

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

Group – 2018	Freehold land RM	Leasehold land RM	Factory buildings and shoplot RM	Plant and machinery RM	Motor vehicles RM	Office equipment, furniture and fittings RM	Capital work-in-progress RM	Total RM
At Cost								
At 1 July 2017	20,802,052	15,106,107	74,035,979	59,065,739	10,471,458	9,570,285	-	189,051,620
Additions	-	-	342,104	8,642,800	1,993,766	2,079,491	630,793	13,688,954
Transfer to investment properties	(254,400)	(5,402,670)	(8,472,805)	-	-	-	-	(14,129,875)
Reclassification	-	-	772,157	-	-	-	-	772,157
Disposals	-	-	-	(1,391,617)	(1,270,032)	(96,337)	-	(2,757,986)
Write off	-	-	-	(430,647)	(2,500)	(118,949)	-	(552,096)
Exchange differences	-	-	(423,262)	(781,264)	(192,556)	(94,320)	(2,494)	(1,493,896)
At 30 June 2018	20,547,652	9,703,437	66,254,173	65,105,011	11,000,136	11,340,170	628,299	184,578,878
Less : Accumulated Depreciation								
At 1 July 2017	-	1,132,660	8,420,137	34,825,870	4,860,188	6,599,306	-	55,838,161
Charge for the financial year	-	123,813	1,771,527	5,986,586	1,363,596	1,372,547	-	10,618,069
Transfer to investment properties	-	(4,123)	(105,000)	-	-	-	-	(109,123)
Disposals	-	-	-	(425,020)	(736,701)	(90,828)	-	(1,252,549)
Write off	-	-	-	(323,315)	(2,500)	(110,112)	-	(435,927)
Exchange differences	-	-	(52,079)	(389,115)	(102,011)	(66,452)	-	(609,657)
At 30 June 2018	-	1,252,350	10,034,585	39,675,006	5,382,572	7,704,461	-	64,048,974
Less : Impairment Loss								
At 1 July 2017	-	-	343,856	391,393	-	-	-	735,249
Impairment loss	-	-	38,933	207,986	-	-	-	246,919
Transfer to investment properties	-	-	(343,856)	-	-	-	-	(343,856)
Disposal	-	-	-	(391,393)	-	-	-	(391,393)
At 30 June 2018	-	-	38,933	207,986	-	-	-	246,919
Carrying Amount								
At 30 June 2018	20,547,652	8,451,087	56,180,655	25,222,019	5,617,564	3,635,709	628,299	120,282,985

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONT'D)

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

- (a) The following property, plant and equipment of the Group are charged against loans and borrowings (Note 26):

	Group	
	2019	2018
	RM	RM
At Carrying Amount		
Freehold land	18,402,285	20,077,651
Leasehold land	8,167,915	8,305,201
Factory and shophouse buildings	47,450,385	54,170,323
	74,020,585	82,553,175

- (b) The following property, plant and equipment of the Group are subject to hire purchase agreements (Note 27):

	Group	
	2019	2018
	RM	RM
At Carrying Amount		
Motor vehicles	1,574,999	2,158,699
Plant and machinery	1,022,218	1,272,667
Furniture, fittings and office equipment	188,705	-
	2,785,922	3,431,366

- (c) Included in plant and machinery and capital work-in-progress of the Group with carrying amount of RM 2,759,583 (2018: RM 1,376,187) are held in trust by supplier.
- (d) There is no property, plant and equipment in the Company throughout the current and previous financial year.

NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONT'D)

10. INVESTMENT PROPERTIES

	Group	
	2019	2018
	RM	RM
At Cost		
At 1 July	43,238,501	29,108,626
Additions	1,549,142	-
Disposal	(700,000)	-
Transfer from property, plant and equipment	4,724,310	14,129,875
	<hr/>	<hr/>
At 30 June	48,811,953	43,238,501
Less : Accumulated Depreciation		
At 1 July	1,170,498	871,879
Charge for the financial year	453,530	189,496
Disposal	(113,653)	-
Transfer from property, plant and equipment	535,844	109,123
	<hr/>	<hr/>
At 30 June	2,046,219	1,170,498
Less : Impairment losses		
At 1 July	343,856	-
Transfer from property, plant and equipment	-	343,856
	<hr/>	<hr/>
At 30 June	343,856	343,856
Carrying Amount		
At 30 June	46,421,878	41,724,147
	<hr/>	<hr/>
Fair Value		
At 30 June	69,973,703	57,446,042
	<hr/>	<hr/>

- (a) Investment properties of the Group with carrying amount of RM 17,229,623 (2018: RM 13,248,689) are charged against loans and borrowings (Note 26).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONT'D)

10. INVESTMENT PROPERTIES (CONT'D)

(b) The fair values hierarchy profile of the Group's investment properties not carried at fair value are analysed as follows:

	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
2019				
Investment properties	-	3,390,610	66,583,093	69,973,703
2018				
Investment properties	-	3,132,000	54,314,042	57,446,042

- (i) The level 2 fair value of the investment properties are arrived at by reference to recent market evidence of transaction prices for similar properties on a price per square foot basis without any adjustment.
- (ii) The level 3 fair value of investment properties are arrived at by reference to market evidence of transaction prices for similar properties and are either recommended by directors or performed by registered valuers having appropriate recognised professional qualification and recent experience in the locations and category of properties being valued. The most significant input into this valuation approach is the price per square foot of comparable properties. Adjustments are then made for differences in location, size, facilities available, market conditions and other factors in order to arrive at a common basis.
- (c) Rental income and direct operating expenses arising from investment properties during the financial year are as follows:

	2019 RM	2018 RM
Rental income	552,667	342,650
Direct operating expenses		
– generating rental income	390,417	311,849
– non-generating rental income	188,045	163,370

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONT'D)

10. INVESTMENT PROPERTIES (CONT'D)

(d) The carrying amount of investment properties held by the Group as at the end of the reporting period are as follows:

Name of Property	Description	Tenure of Land	Group	
			2019 RM	2018 RM
Bandar Sunway, Petaling Jaya, Selangor	1 unit of 1 1/2 storey light industrial terrace factory	99 years lease expiring on 28 December 2096 (77 years remaining)	683,545	693,768
Taman Industri Integrasi, Rawang	1 unit of 1 storey factory building	Freehold	4,024,824	-
Mukim Ulu Yam	Industrial land	Freehold	5,340,513	5,340,513
Bandar Kundang Selangor	Agricultural land	99 years lease expiring on 3 November 2108 (90 years remaining)	5,935,021	6,002,084
Taman Industri, Sg. Buloh, Selangor	2 units of 1 1/2 storey terrace factory	99 years lease expiring on 24 March 2091 (72 years remaining)	1,849,614	343,142
Mukim Pasir Panjang	Agricultural land	Freehold	6,294,399	6,294,399
Pekan Subang, Selangor	3 pieces of leasehold land	99 years lease expiring on 18 July 2111 (93 years remaining)	8,716,077	8,809,882
Bandar Bukit Puchong, Selangor	1 unit of condominium	99 years lease expiring on 9 October 2106 (88 years remaining)	551,666	563,462
Mukim of Senai	1 1/2 storey semi detached factory	Freehold	848,546	860,673
Mukim of Cheras	1 1/2 storey factory	99 years expiring on 30 December 2098 (79 years remaining)	-	590,877
Kawasan Perusahaan Kampung Acheh, Sitiawan, Perak	1 unit of detached factory	99 years expiring on 7 July 2105 (86 years remaining)	12,177,673	12,225,347
			46,421,878	41,724,147

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONT'D)

11. GOODWILL ON CONSOLIDATION

	Group	
	2019 RM	2018 RM
At Cost		
At 1 July/At 30 June	7,616,238	7,616,238
Less : Accumulated Impairment Losses		
At 1 July	695,000	-
Impairment during the financial year	-	695,000
At 30 June	695,000	695,000
	6,921,238	6,921,238

The goodwill is allocated to a cash-generating unit ("CGU"), i.e. a subsidiary namely Seremban Engineering Berhad ("SEB").

In the last financial year, an impairment losses of RM 695,000 was recognised on SEB, who was in the loss position for the financial year, in "Other Expense" line item of the statements of profit or loss and other comprehensive income based on recoverable amount of RM 6,921,238. This goodwill was attributed to the Group's Process Equipment reportable segment.

The Group has assessed the recoverable amount of goodwill allocated and determined that no additional impairment is required. The recoverable amount of this CGU are determined using the value in use approach and this is derived from the present value of the future cash flows from this CGU computed based on the projections of financial budgets approved by management covering a period of 5 years (2018: 5 years). The key assumptions used in the determination of the recoverable amounts are as follows:

- Discount rates used for cash flows discounting purpose are the pre-tax discount rate which reflects specific risks relating to the relevant operating segments. The discount rate applied for cash flow projection is 8.7% (2018: 7.0%).
- Growth rate for the CGU is determined based on the management's estimate of the industry trends and past performances of the CGU.

The directors estimate that a decrease in the revenue growth by 17.5% would result in the carrying amount of SEB exceeding its recoverable amount by approximately RM109,000. The directors believe that any reasonably possible change in the other key assumptions on which the recoverable amounts are based would not cause the carrying amount of SEB's cash generating units to exceed its recoverable amounts.

NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONT'D)

12. AMOUNT DUE FROM/(TO) SUBSIDIARIES

	Company	
	2019	2018
	RM	RM
Amount Due from Subsidiaries		
<i>Non-Current</i>		
Non-trade balances	4,766,652	4,766,628
Less: Allowance for impairment losses	(725,526)	(725,526)
	4,041,126	4,041,102
<i>Current</i>		
Trade balances	-	5,270,834
Non-trade balances	9,688,253	3,933,210
	9,688,253	9,204,044
	13,729,379	13,245,146
Allowance for impairment losses on receivables:-		
<i>Non-current</i>		
At 1 July / At 30 June	725,526	725,526
Amount Due to Subsidiaries		
<i>Current</i>		
Non-trade balances	(7,658,005)	(7,454,652)

- (a) The non-trade amount due from a subsidiary of the Company, Seremban Engineering Berhad ("SEB") amounting to RM 9,605,949 (2018: RM 3,393,237) is subject to interest bearing at 4.91% (2018: 4.91%) per annum. The balance of the amount due from subsidiaries are unsecured, interest free and repayable on demand.
- (b) The amount due to subsidiaries of the Company are unsecured, interest free and repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONT'D)

13. AMOUNT DUE FROM/(TO) RELATED PARTIES

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Amount due from related parties				
<i>Non-current</i>				
Trade balance	2,693,124	-	-	-
<i>Current</i>				
Trade balances	385,173	301,884	-	-
Less : Allowance for impairment losses	(25,964)	(25,991)	-	-
	359,209	275,893	-	-
Non-trade balances	7,205	7,052	7,205	7,052
	366,414	282,945	7,205	7,052
	3,059,538	282,945	7,205	7,052
Allowance for impairment losses:				
At 1 July				
- As previously reported	25,991	26,046	-	-
- Effects on adoption of MFRS 9	-	-	-	-
Amount reported under MFRS 9 (2018: MFRS 139)	25,991	26,046	-	-
Exchange differences	(27)	(55)	-	-
At 30 June	25,964	25,991	-	-
Amount due to related parties				
<i>Current</i>				
Trade balances	(646,611)	(1,039,906)	-	-
Non-trade balances	(165,000)	-	-	-
	(811,611)	(1,039,906)	-	-

- (a) The trade amount due from a related party amounting to RM 2,847,405 (2018: RM NIL) is repayable by 180 monthly instalments and measured at amortised cost at imputed rate of 3.1% per annum. The remaining trade amount due from related parties are non-interest bearing and are generally on credit terms of 90 - 120 days (2018: 90 - 120 days) from invoice date or the first day of the immediate following month after sales invoices date, whichever applicable.
- (b) The non-trade amount due from related parties is unsecured, interest free and repayable on demand.
- (c) The trade amount due to related parties is on credit terms of 30 - 120 days (2018: 30 - 120 days) from invoice date or the first day of the immediate following month after purchases invoice date, whichever applicable.
- (d) The non-trade amount due to a related party is subject to a credit term of 30 days (2018: NIL).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONT'D)

14. DEFERRED TAX ASSETS/(LIABILITIES)

Deferred tax assets and liabilities are offset where there is a legally enforceable right to set off current tax assets against current tax liabilities and where the deferred taxes relate to the same tax authority. The following amounts determined after appropriate offsetting, are shown in the statements of financial position:

	Group	
	2019	2018
	RM	RM
At 1 July	(618,988)	(1,727,551)
Recognised in profit or loss		
– Accelerated capital allowance	(53,928)	71,006
– Allowance for impairment loss on receivables	5,351	(1,024)
– Others	(118,315)	275,997
– Exchange differences	6,952	(34,293)
– Over/(Under)provision in prior years	(154,387)	796,877
At 30 June	(933,315)	(618,988)
Presented after appropriate offsetting as follow:		
Deferred tax assets	348,176	323,428
Deferred tax liabilities	(1,281,491)	(942,416)
At 30 June	(933,315)	(618,988)

15. INVENTORIES

	Group	
	2019	2018
	RM	RM
Raw materials	69,078,923	64,937,872
Work-in-progress	6,745,531	10,298,922
Finished goods	40,888,103	32,122,020
	116,712,557	107,358,814
Recognised in Profit or Loss		
Inventories recognised as cost of sales	235,979,415	242,968,361
Write down of inventories	-	812,425
Reversal of write down of inventories	(2,411,452)	-
Inventories written off	69,362	122,945

The reversal of write-down was in respect of inventories sold above their carrying amounts (i.e. written down value).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONT'D)

16. TRADE RECEIVABLES

	Group	
	2019 RM	2018 RM
Trade receivables	75,227,231	93,018,451
Less : Allowance for impairment losses	(3,226,717)	(2,950,121)
	72,000,514	90,068,330
Allowance for Impairment Losses:		
At 1 July		
– As previously reported	2,950,121	5,137,515
– Effects on adoption of MFRS 9	-	-
	2,950,121	5,137,515
– Amount reported under MFRS 9 (2018: MFRS 139)	2,950,121	5,137,515
Addition during the financial year (Note 32)	618,469	646,359
Reversal during the financial year (Note 32)	(215,511)	(2,681,817)
Written off during the financial year	(128,150)	(71,371)
Exchange differences	1,788	(80,565)
	3,226,717	2,950,121

- (a) The Group's trade receivables are non-interest bearing and are generally on trade terms of cash - 180 days (2018: cash - 180 days) credit from invoice date or the first day of the immediate following month after sales invoice date, whichever applicable. Other credit terms are assessed and approved on a case-by-case basis.
- (b) Included in trade receivables are retention sums of RM 1,401,684 (2018: RM 2,205,112). The retention sums are generally on credit terms up to 365 days (2018: 365 days).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONT'D)

17. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Other Receivables				
<i>Current</i>				
Sundry receivables	3,620,071	3,037,739	-	152
Less: Allowance for impairment losses	(418,491)	(418,491)	-	-
	3,201,580	2,619,248	-	152
Deposits to suppliers	4,156,904	2,126,778	-	-
Deposits	861,675	955,565	1,000	1,000
Prepayments	1,967,420	2,314,746	-	-
Sales tax/goods and services tax recoverable	2,218,636	2,679,464	2,589	-
	12,406,215	10,695,801	3,589	1,152
Allowance for Impairment Losses:				
At 1 July				
- As previously reported	418,491	423,361	-	-
- Effects on adoption of MFRS 9	-	-	-	-
	418,491	423,361	-	-
- Amount reported under MFRS 9 (2018: MFRS 139)	418,491	423,361	-	-
Reversal during the financial year (Note 32)	-	(4,870)	-	-
	418,491	418,491	-	-
At 30 June				
	418,491	418,491	-	-

The deposits to suppliers are unsecured and interest-free. The amount owing will be offset against future purchases from the suppliers.

18. CONTRACT ASSETS/(LIABILITIES)

	Group	
	2019 RM	2018 RM
Contract Assets		
Contract assets		
- relating to construction contracts ((a)(i))	8,557,537	4,113,894
- relating to sales of goods ((a)(ii))	1,167,018	-
	9,724,555	4,113,894
Contract Liabilities		
Contract liabilities relating to construction contracts	(652,529)	(652,425)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONT'D)

18. CONTRACT ASSETS/(LIABILITIES) (CONT'D)

- (a) The contract assets primarily relate to the Group's right to consideration for:
- (i) Construction work completed on construction contracts but not yet billed as at the reporting date. The amount will be invoiced within 180 days (2018: 180 days).
 - (ii) Work completed on contracts but not yet billed as at the reporting date. The amount will be invoiced within 365 days (2018: NIL).

The contract assets relating to construction contracts were presented as 'amount due from contract customers' (Note 17) in the last financial year.

- (b) The contract liabilities primarily relates to advance considerations received from few customers for construction work of which the revenue will be recognised over the remaining contract term of the specific contract it relates to, within 180 days (2018: 180 days).

The contract liabilities were presented as 'amount due to contract customers' (Note 17) in the last financial year.

- (c) The changes to contract asset and contract liability balances during the financial year are summarised below:

	Group	
	2019 RM	2018 RM
At 1 July		
– As previously reported	3,461,470	11,844,999
– Changes in accounting policies (Note 48)	(2,184,770)	-
	1,276,700	11,844,999
– As restated	1,276,700	11,844,999
Revenue recognised in profit or loss during the financial year	42,520,414	23,590,745
Billings to customers during the financial year	(34,734,558)	(31,974,275)
Exchange differences	9,470	-
	9,072,026	3,461,469
At 30 June	9,072,026	3,461,469
Represented by:		
Contract assets	9,724,555	4,113,894
Contract liabilities	(652,529)	(652,425)
	9,072,026	3,461,469

NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONT'D)

19. AMOUNT DUE FROM JOINT VENTURE

	Group	
	2019	2018
	RM	RM
<i>Current</i>		
Non-trade balances	-	81,586

In the last financial year, the amount due from joint venture is unsecured, interest free and repayable on demand.

20. AMOUNT DUE FROM/(TO) ASSOCIATES

	Group	
	2019	2018
	RM	RM
Amount due from associates		
<i>Current</i>		
Trade balances	1,300,997	1,432,673
Non-trade balances	29,290	21,523
	1,330,287	1,454,196
Amount due to an associate		
<i>Current</i>		
Non-trade balances	(327,144)	(284,570)

(a) The trade amount due from associates are non-interest bearing and generally on credit terms of 7 - 180 days (2018: 45 - 90 days) from invoice date or the first day of the immediate following month after sales invoice date, whichever applicable.

(b) The non-trade amount due from associates is unsecured, interest free and repayable on demand.

21. SHORT-TERM INVESTMENTS

	Group	
	2019	2018
	RM	RM
At Fair Value		
Money market fund (Note 40(c))	15,224,299	17,257,003
Market value of short-term investments	15,224,299	17,257,003

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONT'D)

22. DEPOSITS WITH LICENSED BANK

	Group	
	2019 RM	2018 RM
Fixed deposits with licensed banks	125,366	121,477
Short-term deposits with licensed banks	5,400	5,252
	130,766	126,729

- (a) The fixed deposits with licensed banks of the Group at the end of the reporting period amounting to RM 125,366 (2018: RM 121,477) are pledged to licensed banks as security for banking facilities which has been granted to the Group (Note 26).
- (b) The effective interest rates (per annum) of deposits with licensed banks at the end of the reporting period are as follows:

	Group	
	2019 %	2018 %
Fixed deposits	2.9	3.1
Short term deposits	2.8	2.9

- (c) The maturity period at the end of the reporting period are as follows:

	Group	
	2019 Days	2018 Days
Fixed deposits	30 - 365	30 - 365
Short term deposits	30	30

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONT'D)

23. SHARE CAPITAL

	Group and Company			
	2019		2018	
	Number of shares	RM	Number of shares	RM
Issued and Fully Paid-up:				
Ordinary shares				
At 1 July	248,498,200	69,966,469	122,693,900	65,145,349
Issuance of shares pursuant to dividend reinvestment scheme	-	-	1,555,200	4,821,120
Share split	-	-	124,249,100	-
Transfer from share premium in accordance with Section 618(2) of the Companies Act 2016	-	1,267,803	-	-
New shares issued under the employees' share option scheme for cash (Note 25 (c))	456,800	280,247	-	-
At 30 June	248,955,000	71,514,519	248,498,200	69,966,469

- (a) In the last financial year, the Company undertook a share split involving the subdivision of every existing one ordinary share into two ordinary shares which involved issuance of 124,249,100 additional shares. The split shares were listed and quoted on the Main Market of Bursa Malaysia Security Berhad on 20 December 2017.
- (b) The holders of ordinary shares (except treasury shares) are entitled to receive dividends as and when declared by the Company, and are entitled to one vote per ordinary share at meetings of the Company. The ordinary shares have no par value.

24. TREASURY SHARES

	Group and Company			
	2019		2018	
	Number of shares	RM	Number of shares	RM
At Cost				
At 1 July	11,755,154	8,198,255	5,876,577	8,195,531
Buy back	2,616,300	1,681,748	1,000	2,724
Share split	-	-	5,877,577	-
At 30 June	14,371,454	9,880,003	11,755,154	8,198,255

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONT'D)

24. TREASURY SHARES (CONT'D)

During the financial year, the Company repurchased its treasury shares in its issued ordinary shares from the open market as follows:

Buy Back	No. of Shares	Cost RM	Highest RM	Lowest RM	Average purchase price per share
					RM
September 2018	1,057,900	742,821	0.70	0.69	0.70
October 2018	518,000	363,745	0.70	0.70	0.70
December 2018	740,400	408,133	0.55	0.53	0.55
January 2019	300,000	167,049	0.56	0.56	0.56
	<u>2,616,300</u>	<u>1,681,748</u>			

The transactions of share buy back were financed by internally generated funds. The shares bought back are held as treasury shares in accordance with Section 127(6) of the Companies Act 2016. None of the treasury shares held was cancelled during the financial year ended 30 June 2019.

Out of total 248,955,000 (2018: 248,498,200) issued and fully paid ordinary shares at 30 June 2019, 14,371,454 (2018: 11,755,154) ordinary shares are held as treasury shares by the Company. Therefore, the number of outstanding ordinary shares in issue and fully paid is 234,583,546 (2018: 236,743,046).

25. RESERVES

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Non-Distributable				
Share premium	-	1,267,803	-	1,267,803
Translation reserve	2,925,985	3,175,690	-	-
Capital reserve	7,789,739	7,789,739	-	-
Employees' share option reserve	456,795	-	456,795	-
Distributable				
Retained profits	247,968,213	236,394,735	33,579,736	40,610,237
	<u>259,140,732</u>	<u>248,627,967</u>	<u>34,036,531</u>	<u>41,878,040</u>

(a) Translation Reserve

The translation reserve arose from the translation of the financial statements of foreign subsidiaries and is not distributable by way of dividends. It is also used to record the exchange differences arising from monetary items which form part of the Group's net investment in foreign subsidiaries, where the monetary item is denominated in either the functional currency of the reporting entity or the foreign subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONT'D)

25. RESERVES (CONT'D)

(b) Capital Reserve

The capital reserve comprises the equity portion of bonus shares issued by a subsidiary.

(c) Employees' Share Option Reserve

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

The Employees' Share Option Scheme of the Company ("ESOS") is governed by the ESOS By- Laws and was approved by shareholders on 2 July 2018. The ESOS is to be in force for a period of 5 years effective from 3 July 2018.

The main features of the ESOS are as follows:

- (i) The maximum number of new share under the ESOS shall not in aggregate exceed 15% of the total number of issued and paid-up share capital of the Company (excluding treasury shares) or any limit prescribed by any guidelines, rules and regulations of the relevant authorities at any point of time during the duration of the ESOS.
- (ii) Eligible persons are employees and/or directors of the Group, who as at the date of offer, have been confirmed in service and has served at least one year in the employment of the Group (excluding dormant subsidiary companies) or where the executive director or employee is under an employment contract, the contract is for a duration of at least two years and shall have not expired within six months from the date of offer.
- (iii) Not more than 10% of the total number of new share to be issued under the ESOS shall be allocated to employee who, either singly or collectively through person connected to him/her, holds 20% or more in the issued and paid-up capital of the Company (excluding treasury shares).
- (iv) Not more than 50% of the total number of new share to be issued under the ESOS shall be allocated in aggregate to the executive directors and senior management of the Group (excluding dormant subsidiary companies).
- (v) The option price shall be determined based on the 5-day weighted average market price of ordinary shares of the Company immediately preceding the date of offer; with a discount of not more than 10% or such other percentage of discount as may be permitted by Bursa Malaysia Securities Berhad or any other relevant authorities from time to time during the duration of the ESOS.
- (vi) All new ordinary shares issued upon exercise of the options granted under the ESOS will rank pari passu in all respects with the existing ordinary shares of the Company, except that new ordinary shares so acquired and issued, will not be entitled to any dividends, rights, allotments and/or other distributions declared, where the entitlement date of which is prior to date of allotment and issuance of the new shares.
- (vii) The unexercised option granted to eligible employees will lapse when they are no longer in employment with the Group unless a claim was made that is subjected to the discretion of the Option Committee.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONT'D)

25. RESERVES (CONT'D)

(c) Employees' Share Option Reserve (Cont'd)

The option prices and the details in the movement of the options granted are as follows:

Date of offer	Exercise Price	Remaining Contractual Life of Options	Number of Options over Ordinary Shares			
			At 01.07.2018	Granted	Exercised	At 30.06.2019
16 November 2018	0.54	5 years	-	6,771,200	(456,800)	6,314,400

No person to whom the share option has been granted above has any right to participate by virtue of the option in any share issue of the any other company.

During the financial year, the Company has granted 6,771,200 (2018: NIL) share options under the ESOS. These options expire on 26 December 2023 and are exercisable if the employee remains in service for one year from the date of grant.

The fair values of the share options granted were estimated using a black scholes option pricing model, taking into account the terms and conditions upon which the options were granted. The fair value of the share options measured at grant date and the assumptions used are as follows:

	Group and Company	
	2019	2018
Fair value of share options at the grant date based on vesting date (RM) – 27 December 2018	0.0735	-
Weighted average ordinary share price (RM)	0.59	-
Exercise price of share option (RM)	0.54	-
Expected volatility (%)	58.08	-
Expected life (years)	5	-
Risk free rate (%)	3.77	-
Expected dividend yield (%)	2.60	-

NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONT'D)

26. LOANS AND BORROWINGS

		Group	
		2019	2018
		RM	RM
Current			
Secured	– Bank overdraft	-	6,326,872
	– Revolving credit	12,002,641	10,000,000
	– Trade bills	11,635,032	16,554,995
	– Term loans	2,681,719	2,060,847
		26,319,392	34,942,714
Non-Current			
Secured	– Term loans	13,520,615	13,680,884
		39,840,007	48,623,598

- (a) Loans and borrowings of the Group are secured by way of:
- (i) Registered charge over certain property, plant and equipment (Note 9(a)) and certain investment properties of the Group (Note 10(a));
 - (ii) Corporate guarantee provided by the Company;
 - (iii) Fixed deposits with licensed banks of the Group (Note 22(a)).
- (b) The effective interest rates (per annum) of loans and borrowings at the end of the reporting period were as follows:

		Group	
		2019	2018
		%	%
Bank overdraft		-	7.5 - 8.7
Revolving credit		4.3 - 5.6	4.5 - 5.6
Trade bills		3.5 - 7.7	3.5 - 7.7
Term loans		4.1 - 6.7	4.8 - 6.7

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONT'D)

27. HIRE PURCHASE PAYABLES

At the end of the reporting period, the outstanding hire purchase obligations are repayable as follow:

	Group	
	2019 RM	2018 RM
Minimum Hire Purchase Payments:		
Not later than one year	908,078	1,081,834
Later than one year and not later than five years	1,368,543	1,664,802
	2,276,621	2,746,636
Less : Future finance charges	(177,158)	(233,777)
	2,099,463	2,512,859
Present Value of Hire Purchase Payables		
Analysed by:		
Current liabilities	810,183	975,952
Non-current liabilities	1,289,280	1,536,907
	2,099,463	2,512,859

The effective interest rates of the hire purchase obligations at the end of the reporting period are 4.0% - 7.4% (2018: 4.0% - 6.4%) per annum.

28. TRADE PAYABLES

The normal trade terms granted to the Group are cash - 150 days (2018: cash - 150 days) credit from invoice date or the first day of the immediate following month after purchases invoice date, whichever applicable.

29. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Advance payment from customers	2,369,012	5,921,061	-	-
Amount due to a director	9,169	-	-	-
Accruals	12,484,430	13,839,645	104,597	90,498
Deposit received	10,755	119,255	-	-
Sales tax/goods and services tax payable	1,544,997	1,114,678	-	21,506
Sundry payables	3,319,097	4,028,669	4,664	71,710
	19,737,460	25,023,308	109,261	183,714

- (a) The amount due to a director is unsecured, interest free and repayable on demand.
- (b) Included in sundry payables of RM 877,977 (2018: RM 379,394) is for purchase of property, plant and equipment (Note 40(a)).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONT'D)

30. REVENUE

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Revenue recognised at a point in time				
Dividend income	-	-	2,161,800	6,000,000
Management fee income	-	-	2,400,000	2,400,000
Sales of transformer, industrial lighting and related products	258,864,075	255,415,109	-	-
Sales of process equipment	26,502,210	44,403,377	-	-
Maintenance and shutdown services	757,966	2,733,982	-	-
	286,124,251	302,552,468	4,561,800	8,400,000
Revenue recognised overtime				
Sales of process equipment	38,661,921	23,590,745	-	-
	324,786,172	326,143,213	4,561,800	8,400,000

31. FINANCE COSTS

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Interest on:				
Bank overdraft	237,911	163,938	-	-
Hire purchase	138,046	145,273	-	-
Term loans	849,597	989,275	-	-
Trade bills	841,772	910,409	-	-
Revolving credit	526,823	486,837	-	-
	2,594,149	2,695,732	-	-
Commitment fee	266,434	294,777	120,004	120,000
	2,860,583	2,990,509	120,004	120,000

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONT'D)

32. NET IMPAIRMENT (LOSSES)/GAIN ON FINANCIAL ASSETS

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Allowance for impairment losses during the financial year:				
– Individually impaired under MFRS 139	-	(646,359)	-	-
– Additions under MFRS 9	(618,469)	-	-	-
Reversal of allowance for impairment losses on receivables	215,511	2,686,687	-	-
	(402,958)	2,040,328	-	-

33. PROFIT BEFORE TAX

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
This is arrived at after charging:				
Auditors' remuneration:				
– statutory audit fee	362,484	373,382	75,000	75,000
– under/(over)provision in prior year	7,016	31,833	(5,300)	-
– non-audit fee:				
– Crowe Malaysia PLT	27,200	29,200	22,200	24,200
Bad debts written off	206,817	1,112,817	-	-
Depreciation of investment properties	453,530	189,496	-	-
Depreciation of property, plant and equipment	10,558,509	10,618,069	-	-
Impairment loss of goodwill	-	695,000	-	-
Impairment loss of investment in subsidiaries	-	-	7,950,362	2,694,223
Impairment loss of property, plant and equipment	731,997	246,919	-	-
Inventories written off	69,362	122,945	-	-
Loss on disposal of property, plant and equipment	-	410,548	-	-
Loss on foreign exchange				
–unrealised	-	3,432,912	-	-
Loss on strike-off of subsidiary	-	3,052	-	-
Property, plant and equipment written off	12,340	116,169	-	-

NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONT'D)

33. PROFIT BEFORE TAX (CONT'D)

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
This is arrived at after charging (Cont'd):				
Rental expenses:				
– office	339,119	512,222	-	-
– hostel	439,622	301,028	-	-
– factory, building and land	1,239,177	776,168	-	-
Research and development expenses	3,917,428	6,812,962	-	-
Share of loss of associate	183,620	35,006	-	-
Waiver of debts	937	11,626	-	-
Write down of inventories	-	812,425	-	-
Write off of amount due from subsidiaries	-	-	6,996	-
and crediting:				
Total interest income of financial assets measured at fair value through profit or loss	(853,647)	(424,627)	-	-
Total interest income of financial assets measured at amortised cost	(217,317)	(201,644)	(385,335)	(156,460)
Gain on disposal of an associate	(1)	-	-	-
Gain on disposal of property, plant and equipment	(75,323)	-	-	-
Gain on disposal of investment property	(613,653)	-	-	-
Gain on foreign exchange:				
– realised	(1,153,755)	(2,061,760)	-	-
– unrealised	(116,935)	-	-	(63,078)
Government grants	(258,330)	(353,190)	-	-
Rental income	(562,467)	(387,650)	-	-
Reversal of write down of inventories	(2,411,452)	-	-	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONT'D)

34. DIRECTORS' REMUNERATION

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Directors of the Company				
Executive Directors:				
Fees	88,167	19,500	-	-
Salaries and other emoluments	3,128,014	2,736,492	-	-
Defined contribution plan ("EPF")	412,432	386,436	-	-
Employees' share option scheme expenses	16,852	-	-	-
Bonus and incentive	2,961,933	2,185,400	-	-
	6,607,398	5,327,828	-	-
Benefits-in-kind	76,150	58,750	-	-
	6,683,548	5,386,578	-	-
Non-executive Directors:				
Fees	460,000	390,000	400,000	390,000
Other emoluments	8,400	-	8,400	-
Bonus and incentive	150,000	150,000	-	-
	618,400	540,000	408,400	390,000
	7,301,948	5,926,578	408,400	390,000
Directors of the subsidiaries				
Fees	269,218	395,902	-	-
Salaries and other emoluments	2,365,271	2,452,557	-	-
EPF	220,632	179,965	-	-
Employees' share option scheme expense	45,661	-	-	-
Bonus and incentive	616,767	445,254	-	-
	3,517,549	3,473,678	-	-
Benefits-in-kind	67,885	56,040	-	-
	3,585,434	3,529,718	-	-
Total Directors Remunerations	10,887,382	9,456,296	408,400	390,000

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONT'D)

35. EMPLOYEE BENEFITS

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Executive Directors' Remuneration (excluding benefits-in-kind) (Note 34)	10,124,947	8,801,506	-	-
Other Staff Costs				
Wages, salaries and bonuses	54,910,384	36,558,041	-	-
EPF	4,694,387	3,184,087	-	-
Employees' share option scheme expense	427,857	-	-	-
Other benefits	5,914,742	5,741,380	880	1,620
	65,947,370	45,483,508	880	1,620
Total Staff Costs	76,072,317	54,285,014	880	1,620

36. INCOME TAX EXPENSE

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
(a) Components of tax expense				
Current tax expense:				
– Malaysian income tax	5,448,959	5,924,387	525,522	480,369
– Foreign income tax	1,505,594	548,265	-	-
Deferred tax expense/(income) relating to origination/(reversal) of temporary differences	166,892	(345,979)	-	-
Withholding tax	216,180	-	216,180	-
Real property gain tax	37,569	2,524	-	-
(Over)/under provision in prior years:				
– current tax	(295,412)	584,705	20,233	21,692
– deferred tax	154,387	(796,877)	-	-
	7,234,169	5,917,025	761,935	502,061

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONT'D)

36. INCOME TAX EXPENSE (CONT'D)

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
(b) Reconciliation of income tax expense				
Profit/(Loss) before tax	24,674,084	11,755,106	(3,916,895)	4,735,844
Tax at statutory income tax rate of 24%	5,916,622	2,822,278	(940,055)	1,136,603
Tax effect of:				
– different tax rates in other countries	(1,213,250)	(60,959)	-	-
– non-deductible expenses	2,661,172	1,758,519	1,984,409	798,905
– expenses available for double deduction	(220,152)	(288,780)	-	-
– non-taxable income	(2,235,426)	(1,011,194)	(518,832)	(1,455,139)
Deferred tax assets not recognised during the year	2,277,204	2,906,809	-	-
Utilisation of deferred tax assets previously not recognised	(64,725)	-	-	-
Withholding tax	216,180	-	216,180	-
Real property gain tax	37,569	2,524	-	-
(Over)/under provision in prior years:				
– current tax	(295,412)	584,705	20,233	21,692
– deferred tax	154,387	(796,877)	-	-
	7,234,169	5,917,025	761,935	502,061

- (c) Subject to the agreement of the Inland Revenue Board, at 30 June, the Group has deferred tax assets not recognised in the financial statements for the following items under the liability method:

	Group	
	2019 RM	2018 RM
Unutilised tax losses	36,124,407	37,841,141
Unabsorbed capital allowances	4,176,000	3,381,200
	40,300,407	41,222,341

NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONT'D)

37. EARNINGS PER ORDINARY SHARE

(a) Basic Earnings per Ordinary Share

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

	Group	
	2019	2018
	RM	RM
Profit after tax attributable to owners of the Company	15,267,540	7,159,451
	Units	Units
Weighted average number of ordinary shares in issue	235,043,334	235,448,594
Basic earnings per ordinary share (sen)	6.50	3.04

(b) Diluted Earnings per Ordinary Share

	Group	
	2019	2018
	RM	RM
Profit after tax attributable to owners of the Company	15,267,540	7,159,451
	Units	Units
Weighted average number of ordinary shares in issue for basic earnings per share	235,043,334	N/A
Shares deemed to be issued for no consideration: Employees' share options in issue	780,025	-
Weighted average number of ordinary shares in issue for diluted earnings per share	235,823,359	-
Diluted earnings per ordinary share (sen)	6.47	N/A

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONT'D)

38. ACQUISITION OF NON-CONTROLLING INTERESTS

(a) On 6 August 2018, the Company acquired an additional 20% equity interest in PT. Boxon Nikkon Jayaindo ("BNJ") for a cash consideration of USD 100,000 (equivalent to RM 398,119); increasing its effective ownership from 60% to 80%. The carrying amount of BNJ's net liabilities in the Group's financial statements on that date was IDR 7,495,431,310, equivalent to RM 2,083,730. The Group recognised an increase in non-controlling interest ("NCI") of RM 416,746; and a decrease in retained profit of RM 814,865.

(b) During the previous financial year, the following transaction occurred:-

On 22 January 2018, the Company acquired an additional 20% equity interest in Nikkon Lighting & Electrical Pte. Ltd. ("NLE") for a cash consideration of SGD 60,000 (equivalent to RM 178,092); increasing its effective ownership from 55% to 75%. The carrying amount of NLE's net assets in the Group's financial statements on that date was SGD 178,094, equivalent to RM 528,619. The Group recognised an increase in NCI of RM 105,723; and a decrease in retained profit of RM 105,723.

39. DIVIDENDS

	Group and Company	
	2019	2018
	RM	RM
In respect of the financial year ended 30 June 2019		
An interim single-tier dividend of 1 sen per ordinary share on 235,167,146 ordinary shares		
– Cash	2,351,671	-
In respect of the financial year ended 30 June 2018		
An interim single-tier dividend of 5 sen per ordinary share on 116,817,320 ordinary shares		
– Dividend reinvestment scheme	-	4,821,120
– Cash	-	1,019,746
A special single-tier dividend of 1.5 sen per ordinary share on 236,743,067 ordinary shares		
	-	3,551,146
	<u>2,351,671</u>	<u>9,392,012</u>

On 12 September 2019, the Company declared a special tax-exempt single-tier dividend of RM 0.035 per ordinary share amounting to RM 8,221,645 in respect of the financial year ending 30 June 2020, paid on 7 October 2019 to shareholders whose names appeared in the Company's Record of Depositors on 30 September 2019. The financial statements for the current financial year do not reflect this special dividend. Such dividend will be accounted for in the equity as an appropriation of retained profits in the financial year ending 30 June 2020.

On 13 September 2019, the Company declared an interim tax-exempt single-tier dividend of RM 0.022 per ordinary share amounting to RM 5,167,890 in respect of the financial year ending 30 June 2020, paid on 7 October 2019 to the shareholders whose names appeared in the Company's Record of Depositors on 30 September 2019. The financial statements for the current financial year do not reflect this interim dividend. Such dividend will be accounted for in the equity as an appropriation of retained profits in the financial year ending 30 June 2020.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONT'D)

40. CASH FLOW INFORMATION

(a) The cash disbursed for the purchase of property, plant and equipment are as follows:

	Group	
	2019	2018
	RM	RM
Aggregate cost of property, plant and equipment acquired	7,275,541	13,688,954
Finance via hire purchase (Note (b) below)	(608,556)	(1,669,712)
Unpaid balance included in sundry payables (Note 29)	(877,977)	(379,394)
Cash paid in respect of acquisition in previous financial year	379,394	657,000
	<hr/>	<hr/>
Cash paid during the financial year	6,168,402	12,296,848

(b) The reconciliation of liabilities arising from financing activities are as follows:

	Term loans	Trade bills	Hire	Revolving	Total
	RM	RM	purchase	credit	RM
	RM	RM	payables	RM	RM
	RM	RM	RM	RM	RM
Group – 2019					
At 1 July 2018	15,741,731	16,554,995	2,512,859	10,000,000	44,809,585
Changes in Financing Cash Flows					
Proceeds from drawdown	6,000,100	50,242,803	-	4,718,641	60,961,544
Repayment of borrowing principles	(5,606,934)	(55,162,766)	(1,029,123)	(2,716,000)	(64,514,823)
Repayment of borrowing interest	(849,597)	(841,772)	(138,046)	(526,823)	(2,356,238)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	(456,431)	(5,761,735)	(1,167,169)	1,475,818	(5,909,517)
Non-cash changes					
New hire purchase	-	-	608,556	-	608,556
Finance charges recognised on profit or loss	849,597	841,772	138,046	526,823	2,356,238
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Exchange differences	849,597	841,772	746,602	526,823	2,964,794
	67,437	-	7,171	-	74,608
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	917,034	841,772	753,773	526,823	3,039,402
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 30 June 2019	16,202,334	11,635,032	2,099,463	12,002,641	41,939,470

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONT'D)

40. CASH FLOW INFORMATION (CONT'D)

(b) The reconciliation of liabilities arising from financing activities are as follows: (Cont'd)

	Term loans RM	Trade bills RM	Hire purchase payables RM	Revolving credit RM	Total RM
Group – 2018					
At 1 July 2017	25,862,648	23,426,710	2,333,085	10,072,500	61,694,943
Changes in Financing Cash Flows					
Proceeds from drawdown	-	40,061,283	-	4,207,500	44,268,783
Repayment of borrowing principles	(10,120,917)	(46,932,998)	(1,489,938)	(4,280,000)	(62,823,853)
Repayment of borrowing interest	(989,275)	(910,409)	(145,273)	(486,837)	(2,531,794)
	(11,110,192)	(7,782,124)	(1,635,211)	(559,337)	(21,086,864)
Non-cash changes					
New hire purchase	-	-	1,669,712	-	1,669,712
Finance charges recognised on profit or loss	989,275	910,409	145,273	486,837	2,531,794
	989,275	910,409	1,814,985	486,837	4,201,506
At 30 June 2018	15,741,731	16,554,995	2,512,859	10,000,000	44,809,585

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONT'D)

40. CASH FLOW INFORMATION (CONT'D)

(c) The cash and cash equivalents comprise the following:

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Cash and bank balances	39,016,151	36,226,737	479,868	443,466
Deposits with licensed banks (Note 22)	130,766	126,729	-	-
Bank overdrafts (Note 26)	-	(6,326,872)	-	-
	39,146,917	30,026,594	479,868	443,466
Add : Cash and cash equivalents included in short-term investment (Note 21)	15,224,299	17,257,003	-	-
Less : Deposits pledged to licensed banks	(125,366)	(121,477)	-	-
	54,245,850	47,162,120	479,868	443,466

41. RELATED PARTY DISCLOSURES

(a) Identities of Related Parties

Parties are considered to be related to the Group or the Company if the Group or the Company has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control.

In addition to the information detailed elsewhere in the financial statements, the Group has related party relationships with its directors, key management personnel and entities within the same group of companies.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONT'D)

41. RELATED PARTY DISCLOSURES (CONT'D)

(b) Significant Related Party Transactions and Balances

Other than those disclosed elsewhere in the financial statements, the Group and the Company also carried out the following significant transactions with the related parties during the financial year:

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Subsidiaries				
– Management fee income	-	-	(2,400,000)	(2,400,000)
– Dividend income	-	-	(2,161,800)	(6,000,000)
– Interest income	-	-	(385,335)	(154,460)
Associates				
– Sale of goods	(2,744,175)	(3,553,565)	-	-
– Purchase of goods	381,535	-	-	-
Other directors' interest				
– Sale of goods	(133,779)	(339,407)	-	-
– Purchase of goods	4,390,819	8,215,490	-	-
– Supply of labour services	-	13,860	-	-
– Rental of factory	1,059,677	644,168	-	-

The significant outstanding balances of the related parties (including the allowance for impairment loss made) together with their terms and conditions are disclosed in the respective notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONT'D)

41. RELATED PARTY DISCLOSURES (CONT'D)

(c) Compensation of Key Management Personnel

Key management personnel (include the Group and the Company's executive and non-executive directors) are defined as those persons having authority and responsibility for planning directly and controlling the activities of the Company whether directly or indirectly.

The remuneration of directors and other members of key management personnel during the financial year were as follows:

	Group	
	2019	2018
	RM	RM
Short-term employee benefits	12,624,585	11,182,572
EPF	938,675	827,276
Employees' share option scheme expenses	87,925	-
	13,651,185	12,009,848
Included in the total key management personnel compensation are :		
– Directors of the Group and of the Company (Note 34)	10,743,347	9,341,506
– Other key management personnel:		
Short-term employee benefits	2,576,815	2,407,467
EPF	305,611	260,875
Employees' share option scheme expenses	25,412	-
	2,907,838	2,668,342
	13,651,185	12,009,848

The remuneration of key management personnel are determined by the remuneration committee having regard to the performance of individuals and market trends.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONT'D)

42. OPERATING SEGMENTS

Operating segments are prepared in a manner consistent with the internal reporting provided to the Group Chief Executive Officer as its chief operating decision maker in order to allocate resources to segments and to assess their performance. For management purposes, the Group is organised into business units based on their products and services provided.

The Group comprises the following business segments as follows:

Business Segments	Business Activities
Transformer, lighting and related products	Manufacturing and marketing of electrical apparatus industrial lighting and metal products focusing on metal casing and stamping parts.
Process equipment	Fabrication of process equipment and metal structures and the provision of maintenance, repair and shutdown works.

The Group Chief Executive Officer assesses the performance of the operating segments based on operating profit or loss which is measured differently from those disclosed in the consolidated financial statements.

Group financing (including finance costs) and income taxes are managed on a group basis and are not allocated to operating segments.

Assets, liabilities and expenses which are common and cannot be meaningfully allocated to the operating segments are presented under unallocated items. Unallocated items comprise mainly deferred tax assets and liabilities, tax recoverable, tax liabilities and corporate assets (primarily the Company's headquarters) and head office expenses.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONT'D)

42. OPERATING SEGMENTS (CONT'D)

(a) Business Segments

	Transformer, lighting and related products RM	Process equipment RM	Eliminations RM	Consolidated RM
2019				
Revenue				
– external sales	258,864,075	65,922,097	-	324,786,172
– inter-segment sales	316,721	-	(316,721)	-
Total revenue	259,180,796	65,922,097	(316,721)	324,786,172
Segment results	29,117,191	(1,683,200)	-	27,433,991
Share of loss of associates	(183,620)	-	-	(183,620)
	28,933,571	(1,683,200)	-	27,250,371
Unallocated corporate expenses				(786,668)
Finance cost				(2,860,583)
Interest income				1,070,964
Profit before tax				24,674,084
Tax expense				(7,234,169)
Profit for the financial year				17,439,915
Attributable to:				
Owners of the Company				15,267,540
Non-controlling interests				2,172,375
				17,439,915
Other information:				
Segment assets	348,878,717	86,400,782	-	435,279,499
Unallocated assets				13,043,812
Consolidated total assets				448,323,311
Segment liabilities	47,662,987	49,774,210	-	97,437,197
Unallocated liabilities				1,883,578
Consolidated total liabilities				99,320,775
Other information:				
Capital expenditure	6,793,608	481,933	-	7,275,541
Depreciation of property, plant and equipment	8,674,547	1,883,962	-	10,558,509
Depreciation of investment properties	218,892	234,638	-	453,530
Non-cash expenses (other than amortisation and depreciation)	(3,399,006)	1,126,288	-	(2,272,718)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONT'D)

42. OPERATING SEGMENTS (CONT'D)

(a) Business Segments (Cont'd)

	Transformer, lighting and related products RM	Process equipment RM	Eliminations RM	Consolidated RM
2018				
Revenue				
– external sales	255,415,109	70,728,104	-	326,143,213
– inter-segment sales	84,860	-	(84,860)	-
Total revenue	255,499,969	70,728,104	(84,860)	326,143,213
Segment results	17,531,103	(2,307,282)	-	15,223,821
Share of loss of associates	(35,006)	-	-	(35,006)
	17,496,097	(2,307,282)	-	15,188,815
Unallocated corporate expenses				(1,069,471)
Finance cost				(2,990,509)
Interest income				626,271
Profit before tax				11,755,106
Tax expense				(5,917,025)
Profit for the financial year				5,838,081
Attributable to:				
Owners of the Company				7,159,451
Non-controlling interests				(1,321,370)
				5,838,081
Other information:				
Segment assets	340,056,389	97,131,077	-	437,187,466
Unallocated assets				11,048,796
Consolidated total assets				448,236,262
Segment liabilities	41,847,350	66,150,702	-	107,998,052
Unallocated liabilities				1,140,324
Consolidated total liabilities				109,138,376
Other information:				
Capital expenditure	12,199,056	1,489,898	-	13,688,954
Depreciation of property, plant and equipment	8,512,964	2,105,105	-	10,618,069
Depreciation of investment properties	189,496	-	-	189,496
Non-cash expenses (other than amortisation and depreciation)	4,422,072	(1,524,741)	-	2,897,331

NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONT'D)

42. OPERATING SEGMENTS (CONT'D)

(b) Geographical Information

	Revenue		Total Assets	
	2019 RM	2018 RM	2019 RM	2018 RM
Malaysia	160,345,098	220,605,535	369,854,032	355,502,361
People's Republic of China	30,746,309	64,570,348	50,870,408	54,598,531
Other countries	133,694,765	40,967,330	27,598,871	38,135,370
Consolidated	324,786,172	326,143,213	448,323,311	448,236,262

The information on the disaggregation of revenue based on geographical region is summarised below:

	At A	Over Time	Group
	Point in Time 2019 RM	2019 RM	2019 RM
Malaysia	143,235,587	17,109,511	160,345,098
People's Republic of China	30,746,309	-	30,746,309
Other countries	112,142,355	21,552,410	133,694,765
Consolidated	286,124,251	38,661,921	324,786,172

No information is presented for the comparative period as the Group has applied MFRS 15 using the modified retrospective application.

(c) Major Customers

There is no single customer that contributed 10% or more to the Group's revenue.

43. CAPITAL COMMITMENT

At the end of the reporting period, the capital expenditure contracted but not provided for in the financial statements are as follows:

	Group	
	2019 RM	2018 RM
Purchase of property, plant and equipment	39,080	1,577,805

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONT'D)

44. CONTINGENT LIABILITIES

No provisions are recognised on the following matters as it is not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement:

	Group	
	2019 RM	2018 RM
Performance guarantee exterted by subsidiary to third party	1,722,879	988,592

45. FINANCIAL INSTRUMENTS

The Group's activities are exposed to variety of market risks (including foreign currency risk, interest rate risk), credit risk and liquidity risk. The Group's overall financial risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

45.1 Financial Risk Management Policies

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

(a) Market Risk

(i) Foreign Currency Risk

The Group is exposed to foreign currency risk on transactions and balances that are denominated in currencies other than the respective functional currencies of entities within the Group. The currencies giving rise to this risk are primarily United States Dollar ("USD"), Singapore Dollar ("SGD") and Chinese Renminbi ("RMB"). Foreign currency risk is monitored closely on an ongoing basis to ensure that the net exposure is at an acceptable level. On occasion, the Group enters into forward foreign currency contracts to hedge against its foreign currency risk. The Group also holds cash and cash equivalents denominated in foreign currencies for working capital purposes.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONT'D)

45. FINANCIAL INSTRUMENTS (CONT'D)

45.1 Financial Risk Management Policies (Cont'd)

(a) Market Risk (Cont'd)

(i) Foreign Currency Risk (Cont'd)

The Group's exposure to foreign currency risk (a currency which is other than the functional currency of the entities within the Group) based on the carrying amounts of the financial instrument at the end of the reporting period is summarised below:

	USD RM	SGD RM	RMB RM	Others RM	RM RM	Total RM
Group						
At 30 June 2019						
Financial Assets						
Trade receivables	7,202,627	5,707,916	9,413,064	4,399,270	45,277,637	72,000,514
Other receivables	-	164,123	2,530,176	136,586	370,695	3,201,580
Amount due from associates	-	-	1,300,997	-	29,290	1,330,287
Amount due from related parties	-	-	204,927	-	2,854,611	3,059,538
Cash and bank balances	5,973,542	6,299,699	6,036,555	2,914,087	17,792,268	39,016,151
	13,176,169	12,171,738	19,485,719	7,449,943	66,324,501	118,608,070
Financial Liabilities						
Loans and borrowings	(2,746,432)	(1,969,650)	-	-	(35,123,925)	(39,840,007)
Hire purchase payables	-	(111,265)	-	(32,822)	(1,955,376)	(2,099,463)
Trade payables	(2,656,886)	(35,264)	(16,577,674)	(226,584)	(14,472,575)	(33,968,983)
Other payables and accruals	-	(205,974)	(4,060,088)	(211,330)	(11,335,304)	(15,812,696)
Amount due to an associate	-	-	(42,574)	-	(284,570)	(327,144)
Amount due to related parties	-	-	(644,046)	-	(167,565)	(811,611)
	(5,403,318)	(2,322,153)	(21,324,382)	(470,736)	(63,339,315)	(92,859,904)
Net financial assets/ (liabilities)	7,772,851	9,849,585	(1,838,663)	6,979,207	2,985,186	25,748,166
Less : Net financial (assets)/ liabilities denominated in the respective entities' functional currency	-	(3,881,330)	1,838,663	(5,624,036)	(2,985,186)	(10,651,889)
Currency exposure	7,772,851	5,968,255	-	1,355,171	-	15,096,277

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONT'D)

45. FINANCIAL INSTRUMENTS (CONT'D)

45.1 Financial Risk Management Policies (Cont'd)

(a) Market Risk (Cont'd)

(i) Foreign Currency Risk (Cont'd)

The Group's exposure to foreign currency risk (a currency which is other than the functional currency of the entities within the Group) based on the carrying amounts of the financial instrument at the end of the reporting period is summarised below: (Cont'd)

	USD RM	SGD RM	RMB RM	Others RM	RM RM	Total RM
Group						
At 30 June 2018						
Financial Assets						
Trade receivables	13,981,140	5,764,802	7,470,003	9,456,213	53,396,172	90,068,330
Other receivables	-	198,191	1,908,310	102,908	409,839	2,619,248
Amount due from associates	-	-	1,432,673	-	21,523	1,454,196
Amount due from related parties	-	-	275,893	-	7,052	282,945
Cash and bank balances	9,372,203	6,050,659	6,875,301	3,151,230	10,777,344	36,226,737
	23,353,343	12,013,652	17,962,180	12,710,351	64,611,930	130,651,456
Financial Liabilities						
Loans and borrowings	-	(2,209,231)	-	-	(46,414,367)	(48,623,598)
Hire purchase payables	-	(196,114)	-	(48,021)	(2,268,724)	(2,512,859)
Trade payables	(1,022,955)	(898,870)	(13,912,942)	(7,477)	(14,019,142)	(29,861,386)
Other payables and accruals	(9,739)	(293,369)	(3,491,916)	(1,106,913)	(12,966,377)	(17,868,314)
Amount due to an associate	-	-	(284,570)	-	-	(284,570)
Amount due to related parties	-	-	(1,039,906)	-	-	(1,039,906)
	(1,032,694)	(3,597,584)	(18,729,334)	(1,162,411)	(75,668,610)	(100,190,633)
Net financial assets/(liabilities)	22,320,649	8,416,068	(767,154)	11,547,940	(11,056,680)	30,460,823
Less : Net financial (assets)/liabilities denominated in the respective entities' functional currency	-	(3,858,429)	767,154	(11,362,943)	11,056,680	(3,397,538)
Currency exposure	22,320,649	4,557,639	-	184,997	-	27,063,285

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONT'D)

45. FINANCIAL INSTRUMENTS (CONT'D)

45.1 Financial Risk Management Policies (Cont'd)

(a) Market Risk (Cont'd)

(i) Foreign Currency Risk (Cont'd)

The Company does not have any transactions or balances denominated in foreign currencies and hence, is not exposed to foreign currency risk at the end of the current and previous reporting period.

Foreign Currency Risk Sensitivity Analysis

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

	Group Increase	
	2019	2018
	RM	RM
Effects on profit after tax		
USD / RM		
– strengthened by 11%	59,074	169,637
SGD / RM		
– strengthened by 1%	45,359	34,638

A weakening of the above currencies against Ringgit Malaysia at the reporting date would have had the equal but opposite effect on the above currencies to the amounts shown above, with all other variables held constant.

(ii) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises mainly from borrowings with variable rates. The Group's policy is to obtain the most favourable interest rates available and by maintaining a balanced portfolio mix of fixed and floating rate borrowings.

The Group's fixed rate borrowings and deposits with licensed banks are carried at amortised cost. Therefore, they are not subject to interest rate risk as defined in MFRS 7 since neither the carrying amount nor the future cash flows will fluctuate because of a change in market interest rates.

The Group's exposure to interest rate risk based on the carrying amounts of the financial instruments at the end of the reporting period is disclosed below:

	Group	
	2019	2018
	RM	RM
Floating rate instruments		
Financial liabilities	16,202,334	22,068,603

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONT'D)

45. FINANCIAL INSTRUMENTS (CONT'D)

45.1 Financial Risk Management Policies (Cont'd)

(a) Market Risk (Cont'd)

(ii) Interest Rate Risk (Cont'd)

Interest rate Risk Sensitivity Analysis

The following table details the sensitivity analysis to a reasonably possible change in the interest rates at the end of the reporting period, with all other variables held constant:

	Group	
	2019	2018
	RM	RM
Effects on profit after tax		
Increase of 50 basic points (bp)	(59,749)	(73,069)
Decrease of 50 basic points (bp)	59,749	73,069

(iii) Equity Price Risk

The Group does not have any quoted investments and hence, is not exposed to equity price risk.

(b) Credit Risk

The Group's exposure to credit risk, or the risk of counterparties defaulting, arises mainly from trade and other receivables. The Group manages its exposure to credit risk by the application of credit approvals, credit limits and monitoring procedures on an ongoing basis. For other financial assets (including cash and bank balances), the Group minimises credit risk by dealing exclusively with high credit rating counterparties.

The Company's exposure to credit risk arises principally from loans and advances to subsidiaries, and corporate guarantee given to financial institutions for credit facilities granted to certain subsidiaries. The Company monitors the results of these subsidiaries regularly and repayments made by the subsidiaries.

The Company provides financial guarantee to financial institutions for credit facilities granted to certain subsidiaries. The Company monitors the results of these subsidiaries regularly and repayments made by the subsidiaries.

Credit Risk Concentration Profile

The Group does not have any major concentration of credit risk related to any individual customer or counterparty.

NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONT'D)

45. FINANCIAL INSTRUMENTS (CONT'D)

45.1 Financial Risk Management Policies (Cont'd)

(b) Credit Risk (Cont'd)

Credit Risk Concentration Profile (Cont'd)

In addition, the Group also determining concentration of credit risk by monitoring the geographical region of its trade receivables on an ongoing basis. The credit risk concentration profile of trade receivables (including associates and related parties) at the end of the reporting period is as follows:

	Group	
	2019	2018
	RM	RM
By country:		
Malaysia	49,391,007	55,247,584
China	10,393,035	14,692,805
Singapore	5,486,044	5,221,425
Other countries	11,083,758	16,615,082
	76,353,844	91,776,896

Exposure to Credit Risk

At the end of the reporting period, the maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statement of financial position of the Group and of the Company after deducting any allowance for impairment losses (where applicable).

In addition, the Company's maximum exposure to credit risk also includes corporate guarantees provided to its subsidiaries as disclosed under the 'Maturity Analysis' of item (c) below, representing the outstanding banking facilities of the subsidiaries as at the end of the reporting period. These corporate guarantees have not been recognised in the Company's financial statements since their fair value on initial recognition were not material.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONT'D)

45. FINANCIAL INSTRUMENTS (CONT'D)

45.1 Financial Risk Management Policies (Cont'd)

(b) Credit Risk (Cont'd)

Assessment of Impairment Losses

At each reporting date, the Group assesses whether any of the financial assets at amortised cost, contract assets are credit impaired.

The gross carrying amounts of financial assets are written off when there is no reasonable expectation of recovery (i.e. the debtor does not have assets or sources of income to generate sufficient cash flows to repay the debt) despite the fact that they are still subject to enforcement activities.

Trade Balances and Contract Assets

The Group applies the simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. Therefore, the Group concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The Group considers any receivables having financial difficulty or with significant balances outstanding for more than 90 days past due, are deemed credit impaired.

The expected loss rates are based on the payment profiles of sales over a period of 12 months from the measurement date and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle their debts.

For construction contracts, the Group assessed the expected credit loss of each customer individually based on their financial information and past trends of payments as there are only a few customers. All of these customers have low risk of default as they have a strong capacity to meet their debts.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONT'D)

45. FINANCIAL INSTRUMENTS (CONT'D)

45.1 Financial Risk Management Policies (Cont'd)

(b) Credit Risk (Cont'd)

Assessment of Impairment Losses (Cont'd)

Trade Balances and Contract Assets (Cont'd)

The information about the exposure to credit risk and the loss allowances calculated under MFRS 9 for both trade receivables (including associates and related parties) and contract assets are summarised below:

	Gross amount RM	Lifetime loss allowance RM	Carrying amount RM
Group			
2019			
Current (not past due)	57,173,045	-	57,173,045
1 to 30 days past due	8,050,752	-	8,050,752
31 to 60 days past due	6,009,007	-	6,009,007
61 to 90 days past due	1,077,025	-	1,077,025
	72,309,829	-	72,309,829
Credit impaired			
– more than 90 days past due	4,883,885	(839,870)	4,044,015
– individually impaired	2,412,811	(2,412,811)	-
	79,606,525	(3,252,681)	76,353,844
Trade receivables	9,724,555	-	9,724,555
Contract assets			
	89,331,080	(3,252,681)	86,078,399

In the last financial year, the loss allowance on trade receivables was calculated under MFRS 139. The ageing analysis of trade receivables (including associates and related parties) is as follows:

	Gross amount RM	Individual impairment RM	Collective impairment RM	Carrying amount RM
Group				
2018				
Not past due	63,243,223	-	-	63,243,223
Past due but not impaired:				
– 1 - 30 days	13,974,019	(396,537)	-	13,577,482
– 30 - 120 days	7,024,664	(189,420)	-	6,835,244
– more than 120 days	9,679,557	(1,558,610)	-	8,120,947
	93,921,463	(2,144,567)	-	91,776,896

The movements in the loss allowances in respect of all trade receivables and contract assets are disclosed in Notes 13 and 16 to the financial statements respectively.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONT'D)

45. FINANCIAL INSTRUMENTS (CONT'D)

45.1 Financial Risk Management Policies (Cont'd)

(b) Credit Risk (Cont'd)

Assessment of Impairment Losses (Cont'd)

Other Receivables

Other receivables are also subject to the impairment requirements of MFRS 9, the identified impairment loss was immaterial and hence, it is not provided for.

Deposits with Licensed Banks, Cash and Bank Balances

The Group considers these banks and financial institutions have low credit risks. Therefore, the Group is of the view that the loss allowance is immaterial and hence, it is not provided for.

Amount Due From Subsidiaries (Trade and Non-Trade Balances)

The Company applies the 3-stage general approach to measuring expected credit losses for all inter-company balances. Generally, the Company considers amount due from subsidiaries have low credit risks. The Company assumes that there is a significant increase in credit risk when a subsidiary's financial position deteriorates significantly. As the Company is able to determine the timing of payments of the amount due from subsidiaries when they are payable, the Company considers the balances to be in default when the subsidiaries are not able to pay when demanded. The Company considers a subsidiary's balances to be credit impaired when the subsidiary is unlikely to repay its balances in full or the subsidiary is continuously loss making or the subsidiary is having a deficit in its total equity.

The Company determines the probability of default for these balances individually using internal information available.

The information about the exposure to credit risk and the loss allowances calculated under MFRS 9 for amount due from subsidiaries are summarised as below:

	Gross amount RM	12-month Loss Allowance RM	Lifetime Loss Allowance RM	Carrying amount RM
Company				
2019				
Non-trade balances				
Low credit risk	14,427,809	-	(725,526)	13,702,283
redit impaired	27,096	-	-	27,096
	14,454,905	-	(725,526)	13,729,379

In the last financial year, the loss allowance on amount due from subsidiaries was calculated under MFRS 139.

The movements in the loss allowance are disclosed in Note 12 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONT'D)

45. FINANCIAL INSTRUMENTS (CONT'D)

45.1 Financial Risk Management Policies (Cont'd)

(b) Credit Risk (Cont'd)

Assessment of Impairment Losses (Cont'd)

Financial Guarantee Contracts

All of the financial guarantee contracts are considered to be performing, have low risks of default and historically there were no instances where these financial guarantee contracts were called upon by the parties of which the financial guarantee contracts were issued to. Accordingly, no loss allowances were identified based on 12-month expected credit losses.

(c) Liquidity Risk

Liquidity risk arises mainly from general funding and business activities. The Group practices prudent risk management by maintaining sufficient cash balances and the availability of funding through certain committed credit facilities.

Maturity Analysis

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

	Contractual interest rate %	Contractual Carrying amount RM	Contractual undiscounted cash flows RM	Within 1 year RM	1-5 years RM	Over 5 years RM
Group						
2019						
Non-derivative						
Financial Liabilities						
Trade payables	-	33,968,983	33,968,983	33,968,983	-	-
Other payables and accruals	-	15,812,696	15,812,696	15,812,696	-	-
Amount due to an associate	-	327,144	327,144	327,144	-	-
Amount due to related parties	-	811,611	811,611	811,611	-	-
Loans and borrowings	3.5 - 7.7	39,840,007	43,808,715	27,140,430	10,576,639	6,091,646
Hire purchase payables	4.0 - 7.4	2,099,463	2,276,621	908,078	1,368,543	-
		92,859,904	97,005,770	78,968,942	11,945,182	6,091,646

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONT'D)

45. FINANCIAL INSTRUMENTS (CONT'D)

45.1 Financial Risk Management Policies (Cont'd)

(c) Liquidity Risk (Cont'd)

Maturity Analysis (Cont'd)

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

	Contractual interest rate %	Carrying amount RM	Contractual undiscounted cash flows RM	Within 1 year RM	1-5 years RM	Over 5 years RM
Group						
2018						
Non-derivative Financial Liabilities						
Trade payables	-	29,861,386	29,861,386	29,861,386	-	-
Other payables and accruals	-	17,868,314	17,868,314	17,868,314	-	-
Amount due to an associate	-	284,570	284,570	284,570	-	-
Amount due to related parties	-	1,039,906	1,039,906	1,039,906	-	-
Loans and borrowings	3.5 - 8.7	48,623,598	53,127,346	35,698,284	9,414,610	8,014,452
Hire purchase payables	4.0 - 6.4	2,512,859	2,746,636	1,081,834	1,664,802	-
		100,190,633	104,928,158	85,834,294	11,079,412	8,014,452

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONT'D)

45. FINANCIAL INSTRUMENTS (CONT'D)

45.1 Financial Risk Management Policies (Cont'd)

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

Maturity Analysis (Cont'd)

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

	Carrying amount RM	Contractual undiscounted cash flows RM	Within 1 year RM
Company			
2019			
Non-derivative Financial Liabilities			
Other payables and accruals	109,261	109,261	109,261
Amount due to subsidiaries	7,658,005	7,658,005	7,658,005
Financial guarantee contracts in relation to corporate guarantee given to certain subsidiaries*	-	38,936,000	38,936,000
	<u>7,767,266</u>	<u>46,703,266</u>	<u>46,703,266</u>
2018			
Non-derivative Financial Liabilities			
Other payables and accruals	162,208	162,208	162,208
Amount due to subsidiaries	7,454,652	7,454,652	7,454,652
Financial guarantee contracts in relation to corporate guarantee given to certain subsidiaries*	-	41,492,000	41,492,000
	<u>7,616,860</u>	<u>49,108,860</u>	<u>49,108,860</u>

* The contractual undiscounted cash flows represent the outstanding credit facilities of the subsidiaries at the end of the reporting period. The financial guarantees have not been recognised in the financial statements since their fair value on initial recognition were not material.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONT'D)

45. FINANCIAL INSTRUMENTS (CONT'D)

45.2 Capital Risk Management

The Group manages its capital to ensure that entities within the Group will be able to maintain an optimal capital structure so as to support its businesses and maximise shareholders value. To achieve this objective, the Group may make adjustments to the capital structure in view of changes in economic conditions, such as adjusting the amount of dividend payment, returning of capital to shareholders or issuing new shares.

The Group manages its capital based on debt-to-equity ratio. The debt-to-equity ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings from financial institutions less cash and cash equivalents. Total equity includes equity attributable to the owners of the parent and non-controlling interest.

The debt-to-equity ratio of the Group as at the end of the reporting period was as follows:

	2019 RM	2018 RM
Loans and borrowings	39,840,007	48,623,598
Hire purchase payables	2,099,463	2,512,859
	41,939,470	51,136,457
Less : Cash and cash equivalents (Note 40(c))	(54,245,850)	(47,162,120)
Net debt	(12,306,380)	3,974,337
Total equity	349,002,536	339,097,886
Debt-to-equity ratio	N/A	0.01

The debt-to-equity ratio of the Group at the end of the current reporting period is not presented as its cash and cash equivalents exceeded the total external borrowings.

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

NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONT'D)

45. FINANCIAL INSTRUMENTS (CONT'D)

45.3 Classification of Financial Instruments

	Group 2019 RM	Company 2019 RM
Financial Assets		
Mandatorily at fair value through profit or loss		
Short-term investments	15,224,299	-
Amortised cost		
Trade receivables	72,000,514	-
Other receivables	3,201,580	-
Amount due from subsidiaries	-	13,729,379
Amount due from associates	1,330,287	-
Amount due from related parties	3,059,538	7,205
Deposits with licensed banks	130,766	-
Cash and bank balances	39,016,151	479,868
	118,738,836	14,216,452
Financial Liabilities		
Amortised cost		
Loans and borrowings	39,840,007	-
Hire purchase payables	2,099,463	-
Trade payables	33,968,983	-
Other payables and accruals	15,812,696	109,261
Amount due to subsidiaries	-	7,658,005
Amount due to an associate	327,144	-
Amount due to related parties	811,611	-
	92,859,904	7,767,266

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONT'D)

45. FINANCIAL INSTRUMENTS (CONT'D)

45.3 Classification of Financial Instruments (Cont'd)

	Group 2018 RM	Company 2018 RM
Financial Assets		
Loan and receivables		
Trade receivables	90,068,330	-
Other receivables	2,619,248	152
Amount due from subsidiaries	-	13,245,146
Amount due from joint venture	81,586	-
Amount due from associates	1,454,196	-
Amount due from related parties	282,945	7,052
Deposits with licensed banks	126,729	-
Cash and bank balances	36,226,737	443,466
	130,859,771	13,695,816
Fair value through profit or loss		
Short-term investments	17,257,003	-
Financial Liabilities		
Other financial liabilities		
Loans and borrowings	48,623,598	-
Hire purchase payables	2,512,859	-
Trade payables	29,861,386	-
Other payables and accruals	17,868,314	162,208
Amount due to subsidiaries	-	7,454,652
Amount due to an associate	284,570	-
Amount due to related parties	1,039,906	-
	100,190,633	7,616,860

NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONT'D)

45. FINANCIAL INSTRUMENTS (CONT'D)

45.4 Gains or Losses Arising from Financial Instruments

	Group 2019 RM	Company 2019 RM
Financial Assets		
Fair value through profit or loss		
Net gains recognised in profit or loss	853,647	-
Amortised cost		
Net gains recognised in profit or loss	1,177,976	385,335
Financial Liabilities		
Amortised cost		
Net losses recognised in profit or loss	(1,454,436)	-
Financial Assets		
Loans and receivables financial assets		
Net gains recognised in profit or loss	353,312	219,538
Fair value through profit or loss		
Net gains recognised in profit or loss	424,627	-
Financial Liabilities		
Other financial liabilities		
Net losses recognised in profit or loss	(2,695,732)	-

NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

45. FINANCIAL INSTRUMENTS (CONT'D)

45.5 Fair value information

The fair values of the financial assets and financial liabilities of the Group and of the Company which are maturing within the next 12 months approximate their carrying amounts due to the relatively short-term maturity of the financial instruments or repayable on demand term.

The following table sets out the fair value profile of financial instruments that are carried at fair value and those not carried at fair value at the end of the reporting period:

	Fair Value of Financial Instruments Carried at Fair Value			Fair Value of Financial Instruments Not Carried at Fair Value			Total Fair Value RM	Carrying Amount RM
	Level 1 RM	Level 2 RM	Level 3 RM	Level 1 RM	Level 2 RM	Level 3 RM		
Group 2019								
Financial Asset								
Short-term investments	-	15,224,299	-	-	-	-	15,224,299	15,224,299
Amount due from a related party	-	-	-	-	-	2,847,405	2,847,405	2,847,405
Financial Liabilities								
Hire purchase payables	-	-	-	-	2,087,189	-	2,087,189	2,099,463
Term Loans	-	-	-	-	16,202,334	-	16,202,334	16,202,334
2018								
Financial Asset								
Short-term investments	-	17,257,003	-	-	-	-	17,257,003	17,257,003
Financial Liabilities								
Hire purchase payables	-	-	-	-	2,507,381	-	2,507,381	2,512,859
Term Loans	-	-	-	-	15,741,731	-	15,741,731	15,741,731
The Company								

At the end of the reporting period, there were no financial instruments carried at fair values in the statement of financial position.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONT'D)

45. FINANCIAL INSTRUMENTS (CONT'D)

45.5 Fair value information (Cont'd)

Fair Value of Financial Instruments Carried at Fair Value

The fair values above have been determined using the following basis:

- (a) The fair values of short term investments (money market fund) are determined by reference to statements provided by the respective financial institution, with which the investments were entered into.

There were no transfer between level 1 and level 2 during the financial year.

Fair Value of Financial Instruments not Carried at Fair Value

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

- (a) The fair values of hire purchase payables are determined by discounting the relevant future contractual cash flows using current market interest rates for similar instruments at the end of the reporting period. The interest rates used to discount the estimated cash flows are as follows:

	Group	
	2019	2018
	%	%
Hire purchase payables	4.4 - 6.2	2.4 - 6.3

- (b) The fair value of the Group's term loans that carrying floating interest rates approximate their carrying amount as they are repriced to market interest rates on or near the reporting date.
- (c) The fair value of amount due from a related party (non-current) is calculated based on the present value of the projected repayment instalments using discount rates equal to the current market interest rates.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONT'D)

46. SIGNIFICANT EVENTS DURING THE REPORTING PERIOD

- (a) On 23 April 2018, Boxon Industries Hardware (M) Sdn. Bhd. ("BIH"), a 60% owned subsidiary of the Company entered into sales and purchase agreement to dispose a piece of leasehold land and factory building for a total cash consideration of RM 1,200,000. The disposal was completed on 23 November 2018.
- (b) On 1 June 2018, Success Electronics & Transformer Manufacturer Sdn. Bhd., a wholly-owned subsidiary of the Company entered into sales and purchase agreement to acquire a piece of 99 years leasehold land and 1 ½ storey factory building for a total cash consideration of RM 1,480,000. The transaction was completed during the financial year.
- (c) On 6 August 2018, the Company acquired an additional 20% equity interest in PT. Boxon Nikkon Jayaindo ("BNJ") from its non-controlling interest for a total cash consideration of RM 398,119. Following the completion of the acquisition, BNJ became 80% owned indirect subsidiary of the Company.
- (d) In January 2019, Ningbo Success Zhenye Luminaire Limited Liabilities Company ("NSZ"), a 60% owned subsidiary of the Company, has disposed its entire 40% equity interest in Zhongshan Success Zhenye Luminaire Limited Liabilities Company ("ZSZ") for a total cash consideration of RM 1. Subsequent to the disposal, ZSZ ceased to be an associate of NSZ.
- (e) On 23 January 2019, Success Transformer Marketing Sdn. Bhd., a wholly-owned subsidiary of the Company subscribed 60 ordinary shares in A.B.U Hayat Lighting Sdn. Bhd. ("AHL"), representing a 60% of the total issued and paid up capital of AHL for a cash consideration of RM 60 upon incorporation. As a result, AHL became a 60% owned indirect subsidiary of the Company.
- (f) On 8 May 2019, BIH reduced its issued and paid-up share capital from RM 4,125,000 to RM 2,000,000 and that such reduction be effected by cancelling 2,125,000 issued shares that are in excess of the needs of BIH. The credit of RM 2,125,000 arising therefrom has been returned to shareholders in proportion to their shareholdings of the BIH.
- (g) During the financial year, the issued and paid-up share capital of the Company has been increased by RM 280,247 pursuant to the issuance of 456,800 ordinary shares from the exercise of options under the Company's Employees' Share Option Scheme ("ESOS").

47. SIGNIFICANT EVENT OCCURRING AFTER THE REPORTING PERIOD

- (a) On 31 July 2019, BIH disposed its entire 50% equity interest in BNJ, comprising 138,000 ordinary shares to the Company for a cash consideration of RM387,777; and 12,000 ordinary shares to a director of the Company, Tan Chung Ling for a cash consideration of RM 33,720. Subsequent to the completion of the disposal, BNJ became a 96% owned subsidiary of the Company.
- (b) On 3 September 2019, the Company entered into Sale and Purchase Agreement ("SPA") with MIE Industrial Sdn. Bhd. ("MIE") to dispose entire 65% equity interest in a subsidiary, namely, Seremban Engineering Berhad ("SEB"), comprising 52,000,000 ordinary shares for a total cash consideration of RM 26,000,000 ("Disposal"). The Disposal was completed on even date.

SEB is belonged to the Group's Process Equipment reportable segment and the disposal decision is consistent with the Group's strategy to focus on the growth of its existing transformer and industrial lighting business. Subsequent to the Disposal, SEB ceased to be a subsidiary of the Company.

- (c) Since the end of the current financial year up to the date of this report, the issued and paid-up share capital of the Company has been increased by RM 180,430 pursuant to the issuance of 320,600 new ordinary shares from the exercise of options under the Company's ESOS.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONT'D)

48. CHANGES IN ACCOUNTING POLICIES

As mentioned in Note 4.1, the Group and the Company have adopted MFRS 9 and MFRS 15 during the financial year. The financial impacts upon the adoption of MFRS 15 are summarised below:

Statements of Financial Position

	At previously reported RM	At 1 July 2018 MFRS 15 adjustments RM	As restated RM
The Group			
<u>Assets</u>			
Inventories	107,358,814	4,631,360	111,990,174
Contract assets	4,113,894	(2,445,095)	1,668,799
<u>Liabilities</u>			
Other payables	(25,023,308)	(3,254,930)	(28,278,238)
Contract liabilities	(652,425)	260,325	(392,100)
<u>Equity</u>			
Retained profits	236,394,735	(527,526)	235,867,209
Non-controlling interests	28,701,705	(280,814)	28,420,891

Initial application of MFRS 15

The Group has adopted MFRS 15 with modified retrospective application using the following practical expedients of which the cumulative financial impacts are recognised in the opening statements of financial position on 1 July 2018 (date of initial application of MFRS 15).

The Group has chosen to apply MFRS 15 retrospectively only to contracts that were not completed at the date of initial application. Some of these contracts were identified with performance obligations which are not meet the criteria for revenue to be recognised over time. A decrease in revenue of the Group by RM 5,439,700 would have otherwise been recognised in profit or loss for the current financial year, had the last financial year's accounting policy been applied.

The potential impacts to the (a) basic and diluted loss per share and (b) statements of cash flows for the last financial year are not presented as the Group has adopted the new accounting standards without restating any comparative information.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONT'D)

49. COMPARATIVE FIGURES

The following figures have been reclassified to conform with the presentation of the current financial year:

	Group		Company	
	As previously reported RM	As restated RM	As previously reported RM	As restated RM
Statements of financial position				
Amount due from contract customers	4,113,894	-	-	-
Contract assets	-	4,113,894	-	-
Amount due to contract customers	652,425	-	-	-
Contract liabilities	-	652,425	-	-
Statements of profit or loss and other comprehensive income				
Other income	5,945,386	3,258,699	-	-
Administrative expenses	(43,411,967)	(43,753,539)	(1,067,078)	(1,069,471)
Other expenses	(10,721,736)	(10,075,377)	-	-
Finance costs	(3,332,081)	(2,990,509)	(122,393)	(120,000)
Net impairment gain on financial assets	-	2,040,328	-	-

LIST OF PROPERTIES

The summary of the information on the landed properties of the STC Group is as follows:

Location/ Postal Address	Description/ Existing use	Land Area/ Built Up Area	Tenure (years)	Age of Buildings (years)	Carrying Amount as at 30.06.2019 RM	Date of Revaluation/ Acquisition
1. Title no. Geran 205577 Lot 19042, Seksyen 20, Bandar Rawang <i>Address</i> Lot. 102, Jalan Industri ¾, Taman Industri Integrasi Rawang, 48000 Rawang, Selangor Darul Ehsan.	Industrial premises comprising a 1-storey factory/ warehouse/ office building annexed with a guardhouse	24,490 square meters / 16,444 square meters	Freehold	19	9,421,027 (Land) 8,990,065 (Building)	7 September 2011
2. PN 296071 Lot 15516 Mukim Lumut Daerah Manjung Negeri Perak <i>Address</i> Lot 15516, (PT10441/ Plot F1), L/K Kawasan Perusahaan Kampung Acheh, 32000 Sitiawan, Perak Darul Ridzuan	Industrial premises with an attached single storey open-sided factory together with a manual blast yard, painting chamber, compressor room and store	28,430 square meters / 7,142 square meters	Leasehold interest for 99 years expiring on 9 July 2105, leaving an unexpired term of about 86 years	7	12,177,673	17 December 2012
3. Title No. PM 1272 (Formerly HSM 7615), Lot No. 30890 (Formerly Lot P.T. No. 20047), Locality of Bt 16 Jalan Subang, Mukim of Sungai Buloh, District of Petaling, State of Selangor <i>Address</i> No. 7, Jalan TSB 8, Taman Industri Sungai Buloh, 47000 Sungai Buloh, Selangor Darul Ehsan.	Industrial premises comprising a 4-storey detached factory/ warehouse/ office building with one basement level and a guardhouse	4,213 square metres / 11,051 square metres	Leasehold interest for 99 years expiring on 24 March 2091, leaving an unexpired term of about 72 years	15	1,109,483 (Land) 7,814,127 (Building)	31 December 2009

LIST OF PROPERTIES (CONT'D)

Location/ Postal Address	Description/ Existing use	Land Area/ Built Up Area	Tenure (years)	Age of Buildings (years)	Carrying Amount as at 30.06.2019 RM	Date of Revaluation/ Acquisition
4. Title no. HSD 283454 PT 689, HSD 283453 PT 690 and HSD 283455 PT691, Pekan Subang, Daerah Petaling Negeri Selangor.	Leasehold Industrial land	4,045 square meters / 4,046 square meters / 2,697 square meters	Leasehold interest for 99 years expiring on 18 July 2111, leaving an unexpired term of about 93 years	N/A	8,716,077 (Land)	25 March 2013
5. Title No. GRN 114865 (Lot 32554), Pekan Senawang District of Seremban, State of Negeri Sembilan <i>Address</i> 75 & 76 Persiaran Bunga Tanjung 2, Kawasan Senawang Industrial Park, 70400 Seremban, Negeri Sembilan	Industrial premises with an attached single storey open-sided factory (Fasa 1) annexed together with a guardhouse	16,664 square metres / 7,631 square metres	Freehold	8	3,621,257 (Land) 4,494,947 (Building)	28 February 2011
6. Title No. GRN 162853 & GRN 97654 (Lot Nos. 1662 & 32563), Pekan Senawang District of Seremban, State of Negeri Sembilan <i>Address</i> Lot 1A & 1B, Lorong Bunga Tanjung 1/3, Senawang Industrial Park, 70400 Seremban, Negeri Sembilan.	Industrial premises comprising a 3-storey office with an attached single storey open-sided factory annexed together with a guardhouse	14,144 square metres / 7,296 square metres	Freehold	23	2,260,000 (Land) 7,000,124 (Building)	22 July 2009

LIST OF PROPERTIES (CONT'D)

Location/ Postal Address	Description/ Existing use	Land Area/ Built Up Area	Tenure (years)	Age of Buildings (years)	Carrying Amount as at 30.06.2019 RM	Date of Revaluation/ Acquisition
7. No. PT 2086, Jalan Batu Arang, Bandar Kundang, Daerah Gombak, State of Selangor.	Agriculture Land	44,300 square metres	Leasehold interest for 99 years expiring on 3 November 2108, leaving an unexpired term of about 90 years	N/A	5,935,021 (Land)	21 February 2012
8. Title No. PM 1304 (Formerly HSM 7554) Lot 30614 (Formerly Lot P.T. No. 19971), Locality of Bt 16 Jalan Subang, Mukim of Sungai Buloh, District of Petaling, State of Selangor <i>Address</i> No. 9, Jalan TSB 9, Taman Industri Sungai Buloh, 47000 Sungai Buloh, Selangor Darul Ehsan.	Industrial premises comprising two 1 ½ storey factory/ warehouse/ office annexed with a guardhouse	4,435 square metres / 2,376 square metres	Leasehold interest for 99 years expiring on 24 March 2091, leaving an unexpired term of about 72 years	18	3,848,846 (Land) 2,546,943 (Building)	20 September 2010
9. Title No. GRN 97653 (Lot 32564), Pekan Senawang District of Seremban, State of Negeri Sembilan <i>Address</i> Lot 1C, Lorong Bunga Tanjung 1/3, Senawang Industrial Park, 70400 Seremban, Negeri Sembilan.	Industrial premises comprising two single storey detached factories with mezzanine floor offices and a single storey store	8,786 square metres / 4,654 square metres	Freehold	12	1,490,000 (Land) 4,319,000 (Building)	22 July 2009

LIST OF PROPERTIES (CONT'D)

Location/ Postal Address	Description/ Existing use	Land Area/ Built Up Area	Tenure (years)	Age of Buildings (years)	Carrying Amount as at 30.06.2019 RM	Date of Revaluation/ Acquisition
10. Title No. GRN 19765, Lot 821, Mukim of Pasir Panjang, District of Port Dickson, Negeri Sembilan.	Agriculture Land	8.3972 hectares	Freehold	N/A	6,294,399	16 February 2015

The above list of properties are only disclosed the top 10 properties in terms of highest net book value as at the end of financial year.

ANALYSIS OF SHAREHOLDINGS
 AS AT 30 SEPTEMBER 2019

Class of shares : Ordinary shares
 Voting Rights : One vote per ordinary share

A) DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	% of Total Shareholders	# No. of Shares Held	% of Issued Capital
Less than 100	192	7.62	7,488	-
100 to 1000	427	16.95	148,098	-
1,001 to 10,000	1,041	41.31	5,558,448	2
10,001 to 100,000	716	28.41	22,726,110	10
100,001 to less than 5% of issued shares	143	5.67	101,085,854	43
5% and above of issued shares	1	0.04	105,378,148	45
TOTAL	2,520	100.00	234,904,146	100

Excluding 14,371,454 shares bought back and retained by the Company as treasury shares.

B) LIST OF SUBSTANTIAL SHAREHOLDERS

No.	Name of Shareholders	No. of Shares	Direct		Deemed Interest in Share	
				%	No. of Shares	%
1.	Omega Attraction Sdn. Bhd. ("OASB")	105,378,148		44.86	-	-
2.	Tan Ah Bah @ Tan Ah Ping	209,300		0.09	105,742,428 ⁽¹⁾	45.02
3.	Pan Kim Foon	209,300		0.09	105,742,428 ⁽²⁾	45.02
4.	Tan Chung Ling	154,980		0.07	105,796,748 ⁽³⁾	45.04
5.	Tan Chung Chiah	-		-	105,796,748 ⁽³⁾	45.04
6.	Tan Chung Chay	-		-	105,796,748 ⁽³⁾	45.04
6.	Lim Chai Beng	12,228,500		5.21	-	-

Notes:

- ⁽¹⁾ Deemed interest by virtue of his wife, Pan Kim Foon's and his direct interests in OASB, and his wife and daughter, Tan Chung Ling's direct interests in the Company.
- ⁽²⁾ Deemed interest by virtue of her husband, Tan Ah Bah @ Tan Ah Ping's and her direct interests in OASB, and her husband and daughter, Tan Chung Ling's direct interests in the Company.
- ⁽³⁾ Deemed interest by virtue of her parents, Tan Ah Bah @ Tan Ah Ping's and Pan Kim Foon's direct interests in the Company and OASB.

ANALYSIS OF SHAREHOLDINGS (CONT'D)

AS AT 30 SEPTEMBER 2019

C) LIST OF DIRECTORS' SHAREHOLDINGS

The Company

No.	Name of Shareholders	No. of Shares	Direct		Deemed Interest in Share	
				%	No. of Shares	%
1.	Dato' Chua Tia Guan	-	-	-	-	-
2.	Tan Ah Bah @ Tan Ah Ping	209,300	0.09	105,742,428 ⁽¹⁾	45.02	
3.	Tan Chung Ling	154,980	0.07	105,796,748 ⁽³⁾	45.04	
4.	Pan Kim Foon	209,300	0.09	105,742,428 ⁽²⁾	45.02	
5.	Tan Wei Neng	90,200	0.04	69,100 ⁽⁴⁾	0.03	
6.	Chan Foong Ping	-	-	-	-	
7.	Ng Chee Keong	-	-	-	-	
8.	Yeoh Kim Wah	1,292,100	0.55	-	-	
9.	Tan Chung Chay	-	-	105,796,748 ⁽³⁾	45.04	
10.	Tan Chung Chiah <i>(Alternate Director to Pan Kim Foon)</i>	-	-	105,796,748 ⁽³⁾	45.04	

Notes:

- ⁽¹⁾ Deemed interest by virtue of his wife, Pan Kim Foon's and his direct interests in OASB, and his wife and daughter, Tan Chung Ling's direct interests in the Company.
- ⁽²⁾ Deemed interest by virtue of her husband, Tan Ah Bah @ Tan Ah Ping's and her direct interests in OASB, and her husband and daughter, Tan Chung Ling's direct interests in the Company.
- ⁽³⁾ Deemed interest by virtue of her parents, Tan Ah Bah @ Tan Ah Ping's and Pan Kim Foon's direct interests in the Company and OASB.
- ⁽⁴⁾ Deemed interest by virtue of his wife, Chew Yoke Ying's direct interest in the Company.

Holding Company – OASB

No.	Name of Shareholders	No. of Shares	Direct		Deemed Interest in Share	
				%	No. of Shares	%
1.	Tan Ah Bah @ Tan Ah Ping	51,000	51.00	49,000 ⁽¹⁾	49.00	
2.	Pan Kim Foon	49,000	49.00	51,000 ⁽²⁾	51.00	
3.	Tan Chung Ling	-	-	100,000 ⁽³⁾	100.00	
4.	Tan Chung Chiah	-	-	100,000 ⁽³⁾	100.00	
5.	Tan Chung Chay	-	-	100,000 ⁽³⁾	100.00	

Notes:

- ⁽¹⁾ Deemed interest by virtue of his wife, Pan Kim Foon's direct interest in OASB.
- ⁽²⁾ Deemed interest by virtue of her husband, Tan Ah Bah @ Tan Ah Ping's direct interest in OASB.
- ⁽³⁾ Deemed interest by virtue of her parents, Tan Ah Bah @ Tan Ah Ping and Pan Kim Foon's direct interests in OASB.

By virtue of their shareholdings in OASB and the Company, Tan Ah Bah @ Tan Ah Ping, Pan Kim Foon, Tan Chung Ling, Tan Chung Chay and Tan Chung Chiah are deemed to have an interest in shares of the Company and its related corporations during this financial year to the extent that OASB has an interest, in accordance with Section 8 of the Companies Act 2016.

ANALYSIS OF SHAREHOLDINGS (CONT'D)
AS AT 30 SEPTEMBER 2019

D) TOP THIRTY (30) LARGEST SHAREHOLDERS

No.	Name of Shareholders	No. of Shares Held	Percentage % of Issued Share Capital
1.	Omega Attraction Sdn. Bhd.	105,378,148	44.860
2.	Cartaban Nominees (Asing) Sdn Bhd <i>SSBT Fund F9EX for Fidelity Northstar Fund</i>	11,469,800	4.882
3.	AllianceGroup Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Lim Chai Beng</i>	8,785,500	3.740
4.	Citigroup Nominees (Tempatan) Sdn Bhd <i>Great Eastern Life Assurance (Malaysia) Berhad (LBF)</i>	5,375,400	2.288
5.	Citigroup Nominees (Tempatan) Sdn Bhd <i>Universal Trustee (Malaysia) Berhad for CIMB Islamic Small Cap Fund</i>	5,008,700	2.132
6.	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad <i>Exempt an for Kumpulan Sentiasa Cemerlang Sdn Bhd (TSTAC/CLNT)</i>	4,110,000	1.749
7.	Maybank Nominees (Tempatan) Sdn Bhd <i>Maybank Trustees Berhad for CIMB-Principal Small Cap Fund (240218)</i>	4,009,900	1.707
8.	CGS-CIMB Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Cheng Hee Long (Kuchai L-CL)</i>	2,812,300	1.197
9.	Maybank Nominees (Tempatan) Sdn Bhd <i>Mtrustee Berhad for Pacific Pearl Fund (UT-PM-PPF) (419471)</i>	2,464,900	1.049
10.	Susy Ding	2,029,000	0.863
11.	CGS-CIMB Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account Ffor Mak Tian Meng (MY0343)</i>	1,983,200	0.844
12.	HLB Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Lim Chai Beng</i>	1,939,600	0.825
13.	Goh Thong Beng	1,894,000	0.806
14.	Lim Swee Fun	1,783,600	0.759
15.	DB (Malaysia) Nominee (Asing) Sdn Bhd <i>BNYM SA/NV for KAF Asia Equities Fund</i>	1,776,500	0.756
16.	CGS-CIMB Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Tay Hock Soon (MY1055)</i>	1,739,000	0.740
17.	HLB Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Wong Yee Hui</i>	1,679,000	0.714
18.	Tan Lee Hwa	1,643,000	0.699
19.	RHB Capital Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Lim Chai Beng (CEB)</i>	1,503,400	0.640
20.	AllianceGroup Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Accountfor Lim Ann Lie</i>	1,285,600	0.547

ANALYSIS OF SHAREHOLDINGS (CONT'D)
AS AT 30 SEPTEMBER 2019

D) TOP THIRTY (30) LARGEST SHAREHOLDERS (Cont'd)

No.	Name of Shareholders	No. of Shares Held	Percentage % of Issued Share Capital
21.	Universal Trustee (Malaysia) Berhad <i>KAF Tactical Fund</i>	1,210,800	0.515
22.	CGS-CIMB Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Mak Tian Meng (MY3136)</i>	1,100,000	0.468
23.	Yeoh Kim Wah	1,042,400	0.443
24.	HSBC Nominees (Tempatan) Sdn Bhd <i>HSBC (M) Trustee Bhd for RHB Small Cap Opportunity Unit Trust</i>	1,000,000	0.425
25.	Public Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Goh Kiang Kian (E-BPJ)</i>	894,500	0.380
26.	RHB Nominees (Asing) Sdn Bhd <i>Pledged Securities Account for Robert Wing-Yee Snashall</i>	868,400	0.369
27.	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad <i>Deutsche Trustees Malaysia Berhad for Eastspring Investments Small-Cap Fund</i>	838,700	0.357
28.	Tokio Marine Life Insurance Malaysia Bhd <i>As Beneficial Owner (PF)</i>	832,000	0.354
29.	CIMB Group Nominees (Asing) Sdn. Bhd. <i>Exempt an for DBS Bank Ltd (SFS)</i>	830,000	0.353
30.	Au Yong Mun Yue	750,000	0.319
	Total	178,037,348	75.791

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Fifteenth Annual General Meeting of the Company will be held at Ballroom III, Main Wing, Tropicana Golf & Country Resort, Jalan Kelab Tropicana, Tropicana Golf & Country Resort, 47410 Petaling Jaya, Selangor Darul Ehsan on Wednesday, 04 December 2019 at 11 a.m for the following purposes:

As Ordinary Business:

1. To receive the Audited Financial Statements for the financial year ended 30 June 2019 together with the Reports of Directors and Auditors thereon.
2. To approve the payment of Directors' fees and allowances up to RM500,000 for the financial year ending 30 June 2020 payable monthly in arrears after each month of completed service of the Directors during the subject financial year. **(Ordinary Resolution 1)**
3. To re-elect the following Directors who retire in accordance with Article 96 of the Company's Article of Association:-
 - 1) Mr. Yeoh Kim Wah **(Ordinary Resolution 2)**
 - 2) Dato' Chua Tia Guan **(Ordinary Resolution 3)**
 - 3) Ms. Chan Foong Ping **(Ordinary Resolution 4)**
4. To approve the re-appointment of the retiring Auditors, Messrs Crowe Malaysia PLT as Auditors of the Company and to authorise the Directors to fix their remuneration. **(Ordinary Resolution 5)**

AS SPECIAL BUSINESS

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

5. **Authority for Directors to allot and issue shares pursuant to Sections 75 and 76 of the Companies Act 2016 ("the Act")** **(Ordinary Resolution 6)**

"THAT pursuant to Sections 75 and 76 of the Act and subject always to the approval of the relevant authorities (where applicable), the Directors of the Company be hereby empowered to allot and issue shares in the Company, from time to time and upon such terms and conditions and for such purposes and to such persons whomsoever the Directors may, in their absolute discretion deem fit and expedient in the interest of the Company, provided that the aggregate number of shares to be issued during the preceding twelve (12) months does not exceed ten percent (10%) of the total number of the issued shares of the Company for the time being AND THAT the Board of Directors be hereby also empowered to obtain approval for the listing of and quotation for the additional ordinary shares so issued in Bursa Malaysia Securities Berhad and such authority shall continue in force until the conclusion of the next annual general meeting of the Company"

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

6. **Proposed renewal of Shareholders' Mandate for Recurrent Related Party (Ordinary Resolution 7) Transactions of a Revenue or Trading Nature ("RRPT")**

"THAT pursuant to paragraph 10.09 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"), approval be hereby given for the renewal of the shareholders' mandate for the Company and its subsidiaries ("STC Group") to enter into and to give effect to specified RRPT and with specified class of the Related Parties as stated in Section 2.4 of the Circular to Shareholders dated 31 October 2019, which are necessary for its day-to-day operations, to be entered into by the STC Group on the basis that these transactions are entered into on terms which are not more favourable to the Related Parties involved than generally available to the public and are not detrimental to the minority shareholders of the Company (hereinafter referred to as the "Proposed Renewal of Shareholders' Mandate");

THAT the Proposed Renewal of Shareholders' Mandate is subject to annual renewal. In this respect, any authority conferred by the Proposed Renewal of Shareholders' Mandate shall only continue to be in force until:-

- a) the conclusion of the next Annual General Meeting ("AGM") of the Company following the general meeting at which time the Proposed Renewal of Shareholders' Mandate has been passed, at which time they will lapse, unless by a resolution passed at the meeting, the authority is renewed; or
- b) the expiration of the period within which the next AGM after the date it is required to be held pursuant to Section 340(2) of the Companies Act 2016 ("the Act") (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or
- c) revoked or varied by a resolution passed by the shareholders in general meeting,

whichever is the earlier;

AND FURTHER THAT the Directors of the Company and/or any of them be hereby authorised to complete and do all such acts and things (including executing such documents as may be required) to give effect to the Proposed Renewal of Shareholders' Mandate."

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

7. Proposed renewal of Share Buy-Back Authority

(Ordinary Resolution 8)

“THAT, subject to the Companies Act 2016 (“the Act”), rules, regulations and orders made pursuant to the Act, provisions of the Company’s Articles of Association and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”) and any other relevant authority, the Company be hereby unconditionally and generally authorised, to the extent permitted by the laws to purchase such amount of ordinary shares in the Company (“Shares”) through Bursa Securities upon such terms and conditions as the Directors may deem fit in the interest of the Company provided that:

- a) the aggregate number of Shares so purchased and/or held pursuant to this resolution (“Purchased Shares”) does not exceed ten percent (10%) of the total issued and paid-up capital of the Company; and
- b) the maximum amount of funds to be allocated for the Purchased Shares shall not exceed the retained profits of the Company;

THAT the Directors be hereby unconditionally and generally authorised to decide at their discretion either to retain the Purchased Shares as treasury shares (as defined in Section 127 of the Act) and/ or to cancel the Purchased Shares and/ or to retain the Purchased Shares as treasury shares for distribution as share dividends to the shareholders of the Company and/ or be resold through Bursa Securities in accordance with the relevant rules of Bursa Securities and/ or cancelled subsequently and/ or to retain part of the Purchased Shares as treasury shares and/ or cancel the remainder and to deal with the Purchased Shares in such other manner as may be permitted by the Act, rules, regulations, guidelines, requirements and/ or orders of Bursa Securities and any other relevant authorities for the time being in force;

AND THAT such approval and authorisation shall only continue to be force until:

- a) the conclusion of the next Annual General Meeting (“AGM”) of the Company following the general meeting at which such resolution was passed at which time it shall lapse unless by an ordinary resolution passed at that meeting, the authority is renewed, either unconditionally or subject to conditions; or
- b) the expiration of the period within which the next AGM after that date is required by law to be held; or
- c) revoked or varied by a resolution passed by the shareholders of the Company in a general meeting,

whichever occurs first;

AND FURTHER THAT the Directors of the Company be hereby unconditionally and generally authorised to do all such acts and things (including, without limitation executing all such documents as may be required) as they may consider expedient or necessary to implement, finalise and give full effect to this mandate.”

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

8. **Proposed renewal of authority for the Company to allot and issue parts in the Company ("STC Shares") for the purpose of Dividend Reinvestment Scheme ("DRS") that provides shareholders of the Company the option to elect and reinvest their cash dividend entitlements into new STC Shares** (Ordinary Resolution 9)

"THAT pursuant to the DRS as approved by the shareholders of the Company at the Extraordinary General Meeting of the Company held on 21 November 2016, approval be hereby given to the Company to allot and issue such number of new STC Shares pursuant to the DRS from time to time until the conclusion of the next Annual General Meeting upon such terms and conditions and to such persons as the Directors, may in their absolute discretion deem fit and in the best interest of the Company PROVIDED THAT the issue price of the new STC Shares shall be fixed by the Directors at a discount of not more than ten percent (10%) to the five (5)-day volume weighted average market price ("VWAMP") of the STC Shares immediately prior to the price-fixing date, of which the VWAMP shall be adjusted ex-dividend before applying the aforementioned discount in fixing the issue price.

AND THAT the Directors of the Company be hereby authorised to do all such acts and enter into all such transactions, arrangements, deeds, undertakings and documents as may be necessary or expedient in order to give full effect to the DRS with full power to assent to any conditions, modifications, variations and/or amendments to the terms of the DRS as may be imposed or agreed to by any relevant authorities or consequent upon the implementation of the said conditions, modifications, variations and/or amendments by the Directors as they may in their absolute discretion deem fit, necessary and/or expedient in the best interest of the Company."

9. **Proposed adoption of new Constitution of the Company to replace the existing Memorandum and Articles of Association** (Special Resolution 1)

"THAT the existing Memorandum and Articles of Association of the Company be hereby replaced in its entirety with a new Constitution as set out in Appendix II of the Circular to Shareholders dated 31 October 2019."

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

By Order of the Board

PANG KAH MAN (MIA 18831)
Company Secretary

Kuala Lumpur
31 October 2019

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

NOTES:

1. Only depositors whose names appear in the Record of Depositors as at 27 November 2019 shall be regarded as members and be entitled to attend, participate, speak and vote at the Fifteenth Annual General Meeting ("AGM").
2. A member shall be entitled to appoint another person as his/her proxy to exercise all or any of his/her rights to attend, participate, speak and vote in his/her stead pursuant to Section 334 of the Companies Act 2016. There shall be no restriction as to the qualification of the proxy.
3. Where a member of the Company is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("Omnibus Account"), there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each Omnibus Account it holds.
4. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he/she specifies the proportion of his/her shareholdings to be represented by each proxy.
5. The instrument appointing a proxy shall be in writing under the hand of the appointer or his/her attorney duly authorised in writing. If the appointer is a corporation, the instrument must be executed under its Common Seal or under the hand of an attorney so authorised.
6. The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power of attorney, must be deposited at the Registered Office of the Company at 37-2, 2nd Floor, Jalan Radin Bagus, Bandar Baru Sri Petaling, 57000 Kuala Lumpur not less than twenty-four (24) hours before the time appointed for holding this meeting or any adjournment thereof as Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad requires all resolutions set out in the Notice of Fifteenth AGM to vote by poll.

EXPLANATORY NOTES TO THE AGENDA:

7. **Item 1 of the Agenda**

This Agenda item is meant for discussion only as the provision of Section 340(1) (a) of the Companies Act 2016 ("the Act") does not require a formal of the shareholders and hence, is not put forward for voting.

8. **Item 2 of the Agenda – Ordinary Resolution no. 1 Approval of Directors' fees for the financial year ending 30 June 2020**

Directors' fees and benefits (including meeting allowance) approved for the financial year ended 30 June 2019 was RM408,400. The Directors' fees proposed for the financial year ending 30 June 2020 are calculated based on the number of scheduled Board and Committee Meetings for 2020 and assuming that all Non-Executive Directors will hold office until the conclusion of the next annual general meeting.

This resolution is to facilitate payment of Directors' fees on monthly basis and/or when required. In the event the Directors' fees proposed is insufficient (e.g. due to more meetings), approval will be sought at the next annual general meeting for additional fees to meet the shortfall.

9. **Item 5 of the Agenda - Ordinary Resolution no. 6 Authority to Allot and Issue Shares pursuant to the Companies Act 2016**

- a) *The proposed resolution, if passed, will grant a mandate ("General Mandate") empowering the Directors of the Company, from the date of the Fifteenth Annual General Meeting to allot and issue new ordinary shares in the Company up to an amount not exceeding in total of ten percent (10%) of the issued capital of the Company (excluding treasury shares, if any) for the time being for such purposes as they may think fit and in the interest of the Company. This authority, unless revoked or varied at a general meeting, shall continue to be in full force until the conclusion of the next annual general meeting of the Company.*
- b) *The General Mandate is a renewal from the previous mandate obtained at the last annual general meeting held on 03 December 2018 which will expire at the conclusion of the Fifteenth Annual General Meeting of the Company.*
- c) *As at the date of this Notice, the Company did not issue any new ordinary shares based on the previous mandate obtained at the last annual general meeting.*
- d) *The General Mandate, if granted will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placement of shares, for purpose of funding current and/or future investment project(s), working capital and/or payment of bank borrowings and acquisition.*

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

EXPLANATORY NOTES TO THE AGENDA (Cont'd):

10. **Item 6 of the Agenda – Ordinary Resolution no. 7**
Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("RRPT")

The proposed Ordinary Resolution 7, if passed, will authorise the Company and/or its subsidiaries ("STC Group") to enter into RRPT which are necessary for the STC Group's day-to-day operations with the respective specified class of the Related Parties, subject to the transactions are entered into on terms which are not more favorable to the Related Parties involved than generally available to the public and are not detrimental to the minority shareholders of the Company.

Further details are set out in the Circular to Shareholders dated 31 October 2019.

11. **Item 7 of the Agenda – Ordinary Resolution no. 8**
Proposed Renewal of Share Buy-Back Authority

The proposed resolution, if passed, will allow the Directors of the Company to exercise the power of the Company to purchase not more than ten percent (10%) of the issued and paid-up share capital of the Company at any time within the time period stipulated in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. This authority, unless revoked or varied by the Company at a general meeting, shall continue to be in full force until the conclusion of the next annual general meeting of the Company.

Further details are set out in the Statement to Shareholders dated 31 October 2019.

12. **Item 8 of the Agenda – Ordinary Resolution no. 9**
Proposed renewal of authority for the Company to allot and issue shares pursuant the Dividend Reinvestment Scheme ("DRS")

The proposed resolution, if passed, will empower the Directors of the Company to allot and issue new ordinary shares in the Company in respect of dividends to be declared, if any, under the DRS. This authority, unless revoked or varied by the Company at a general meeting, shall continue to be in full force until the conclusion of the next annual general meeting of the Company.

13. **Item No. 9 of the Agenda - Special Resolution 1**
Proposed adoption of new Constitution

The proposed adoption of new Constitution is intended to align the Constitution of the Company with the Act which came into force on 31 January 2017, the updated provisions of the Main Market Listing Requirements of Bursa Securities and the prevailing statutory and regulatory requirements as well as to provide clarity and consistency with the amendments that may arise from the Act and the Main Market Listing Requirements. Please refer to Appendix II of the Circular to Shareholders dated 31 October 2019 for further information.

14. **Annual Report**

The Annual Report for the financial year ended 30 June 2019 is in CD-ROM format. For request a hardcopy of the Annual Report please forward the Request Form to our Share Registrar, Tricor Investor & Issuing House Services Sdn Bhd at fax no. : 603-2783 9222 or e-mail at is.enquiry@my.tricorglobal.com. Alternatively, you may request at <https://tjih.online> by selecting "Request for Annual Report" under the "Investor Services". The hardcopy of the annual report shall be provided to you soonest possible from the date of receipt of the verbal or written request. The Annual Report can also be downloaded at the Company's corporate website, www.stcgroup.com.my. Shareholders who wish to receive the printed Annual Report and/or require assistance in viewing the CD-ROM, kindly contact our Share Registrar at Tel no. 03-27839299 or email to is.enquiry@my.tricorglobal.com.

**STATEMENT ACCOMPANYING NOTICE OF
ANNUAL GENERAL MEETING**
(PURSUANT TO PARAGRAPH 8.27(2) OF THE MAIN MARKET LISTING
REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD)

DETAILS OF INDIVIDUAL WHO IS STANDING FOR ELECTION AS DIRECTOR

No individual is seeking election as a Director at the Fifteenth Annual General Meeting of the Company.

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SUCCESS TRANSFORMER CORPORATION BERHAD

(200301034518) (636939-W)
(Incorporated in Malaysia under the Companies Act, 1965)

PROXY FORM

I/We.....

of
(Full Address)

being (a) member(s) of Success Transformer Corporation Berhad hereby appoint(s).....

of.....

or failing him/her.....

of.....

or failing him/her*, the CHAIRMAN OF THIS MEETING as my/our proxy to vote for me/us and on my/our behalf at the Fifteenth Annual General Meeting of the Company to be held at at Ballroom III, Main Wing, Tropicana Golf & Country Resort, Jalan Kelab Tropicana, Tropicana Golf & Country Resort, 47410 Petaling Jaya, Selangor Darul Ehsan on Wednesday, 04 December 2019 at 11 a.m. and at any adjournment thereof.

No.	Ordinary Resolutions	For	Against
1	Approval of Directors fees and allowances for the financial year ending 30 June 2020		
2	Re-election of Mr. Yeoh Kim Wah who retires in accordance with Article 96 of the Constitution of the Company		
3	Re-election of Dato' Chua Tia Guan who retires in accordance with Article 96 of the Constitution of the Company		
4	Re-election of Ms. Chan Foong Ping who retires in accordance with Article 96 of the Constitution of the Company		
5.	Re-appointment of Messer Crowe Malaysia PLT as Auditors		
6.	Authority for Directors to allot and issue shares pursuant to the Companies Act 2016		
7.	Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transaction of a Revenue or Trading Nature		
8.	Proposed Renewal of Share Buy-Back Authority		
9.	Proposed Renewal of Authority for the Company to issue Shares pursuant to the Dividend Reinvestment		
No.	Special Resolution	For	Against
1	Proposed adoption of new Constitution		

Please indicate with an "X" in the appropriate box against each Resolution how you wish your proxy to vote if no instruction is given, this form will be taken to authorise the proxy to vote at his/her discretion.

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

	No. of Shares	Percentage
Proxy A		
Proxy B		
Total		100%

CDS Account No.	
Number of Ordinary Shares Held	

Signature of Shareholder(s) or Common Seal

Signed this.....day of.....2019

STAMP

The Company Secretary

SUCCESS TRANSFORMER CORPORATION BERHAD (200301034518) (636939-W)

37-2, 2nd Floor, Jalan Radin Bagus

Bandar Baru Sri Petaling

57000 Kuala Lumpur

Please fold along this line

Notes:

1. Only depositors whose names appear in the Record of Depositors as at 27 November 2019 shall be regarded as members and be entitled to attend, participate, speak and vote at the Fifteenth Annual General Meeting ("AGM").
2. A member shall be entitled to appoint another person as his/her proxy to exercise all or any of his/her rights to attend, participate, speak and vote in his/her stead pursuant to Section 334 of the Companies Act 2016. There shall be no restriction as to the qualification of the proxy.
3. Where a member of the Company is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("Omnibus Account"), there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each Omnibus Account it holds.
4. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he/she specifies the proportion of his/her shareholdings to be represented by each proxy.
5. The instrument appointing a proxy shall be in writing under the hand of the appointer or his/her attorney duly authorised in writing. If the appointer is a corporation, the instrument must be executed under its Common Seal or under the hand of an attorney so authorised.
6. The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power of attorney, must be deposited at the Registered Office of the Company at 37-2, 2nd Floor, Jalan Radin Bagus, Bandar Baru Sri Petaling, 57000 Kuala Lumpur not less than twenty-four (24) hours before the time appointed for holding this meeting or any adjournment thereof as Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad requires all resolutions set out in the Notice of Fifteenth AGM to vote by poll.

Personal Data Privacy

By submitting the proxy form, the member or proxy accepts and agrees to the collection, use and disclosure of their personal data by the Company (or its agents or service providers) for the purpose of preparation and compilation of documents relating to the Fifteenth AGM (including any adjournment thereof).

Please glue and seal along this edge

Accreditations & Certifications

UKAS accredited ISO 9001 Quality Management System
 Compliance with Electromagnetic Compatibility (EMC) certified by TÜV SÜD and SIRIM QAS International
 Compliance with Low Voltage Directive (LVD) certified by TÜV SÜD and SIRIM QAS International
 Product Type Testing performed by TÜV SÜD and SIRIM QAS International for conformity assessment
 SIRIM Product Type Test Certification for ballast, ignitor, street lighting and floodlights
 TÜV SÜD Certification
 JKR approval
 TNB approval
 European Norms Electrical Certificate (ENEC Mark)
 Thai Industrial Standards Institute (TISI Mark)



ISO 9001:2015 BV UKAS



CE marking



TÜV SÜD marking



CE marking for transformer



ISO 9001:2015



TNB Approval



SIRIM Certificate



JKR Approval



ENEC Mark
(European Norms
Electrical Certification)



TISI Mark
(Thai Industrial
Standards Institute)



LM 82 Product
Performance Testing



Forbes 'Best Under A Billion'
2008/2009



More Trees , Less Waste

“LET’S CONSERVE THE ENVIRONMENT”
 More green,
 more sustainable
 and be thoughtful.”

SUCCESS TRANSFORMER CORPORATION BERHAD (200301034518) (636939-W)

No. 3, 5 & 7, Jalan TSB 8,
 Taman Industri Sungai Buloh,
 47000 Sungai Buloh,
 Selangor Darul Ehsan,
 West Malaysia.

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 Email : ses@success.com.my
 Enquiries : marketing@success.com.my