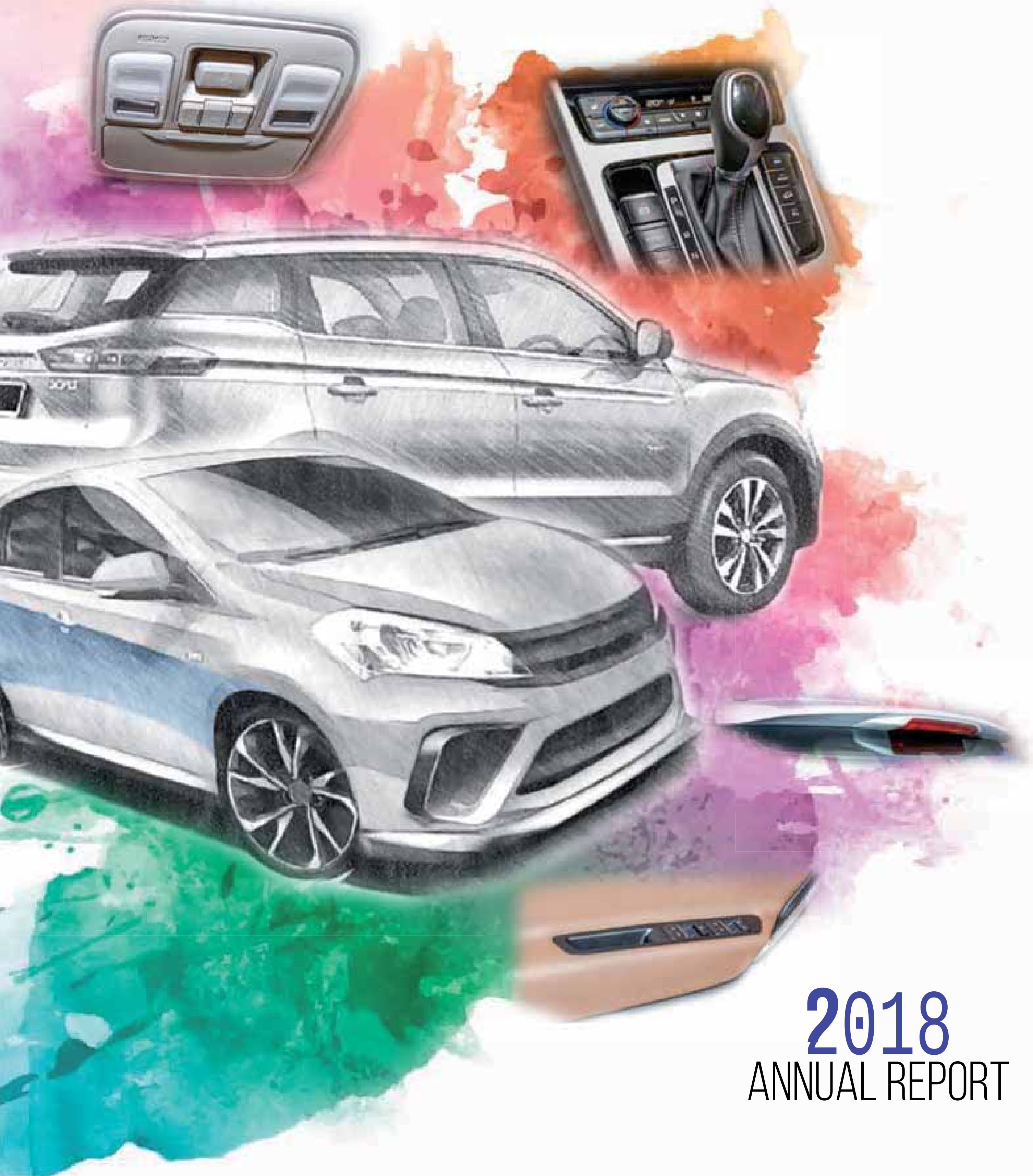
MCE HOLDINGS BERHAD
(1158341-K)



2018 ANNUAL REPORT

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Notice of 3rd Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the 3rd Annual General Meeting of MCE Holdings Berhad will be held at the Hop Sing II Hall, Ponderosa Golf & Country Club, No. 3, Jalan Ponderosa 1, Taman Ponderosa, 81100 Johor Bahru, Johor on Thursday, the 27th day of December, 2018 at 9.30 am for the following purposes:

AGENDA

AS ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial year ended 31 July 2018 together with the Reports of the Directors and Auditors thereon. ***(See Explanatory Note 1)***

2. To re-elect MR LOO SHEN CHANG, a Director retiring by rotation pursuant to Article 76 of the Company's Constitution. ***Ordinary Resolution 1***

3. To re-elect MS GOH ANNE, a Director retiring pursuant to Article 82 of the Company's Constitution. ***Ordinary Resolution 2***

4. To appoint Crowe Malaysia as Auditors of the Company for the financial year ending 31 July 2019 and to authorise the Directors to fix their remuneration. ***Ordinary Resolution 3***

AS SPECIAL BUSINESS

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

5. ***ORDINARY RESOLUTION***
   PROPOSED DIRECTORS' FEE

   "THAT the payment of Directors' Fees of RM263,500 for the financial year ending 31 July 2019 payable quarterly in arrears after each month of completed service of the Directors during the financial year be and is hereby approved." ***Ordinary Resolution 4 (See Explanatory Note 9)***

6. ***ORDINARY RESOLUTION***
   PROPOSED DIRECTORS' BENEFIT

   "THAT the payment of Directors' Benefit amounting to RM33,000 for the period commencing after the date of this Annual General Meeting to the date of the next Annual General Meeting be and is hereby approved." ***Ordinary Resolution 5 (See Explanatory Note 10)***

7. ***ORDINARY RESOLUTION***
   PROPOSED RETENTION OF INDEPENDENT DIRECTORS

   i. "That MR TAI LAM SHIN who has served as an Independent Non-Executive Director for a cumulative term of more than 9 years be retained and remain as Independent Director of the Company. ***Ordinary Resolution 6 (See Explanatory Note 11)***

   ii. That ENCIK SHAMSUDIN @ SAMAD BIN KASSIM who has served as an Independent Non-Executive Director for a cumulative term of more than 9 years be retained and remain as Independent Director of the Company." ***Ordinary Resolution 7 (See Explanatory Note 11)***

8. **ORDINARY RESOLUTION**
   AUTHORITY TO ISSUE SHARES PURSUANT TO SECTIONS 75 AND 76 OF THE COMPANIES ACT 2016

   "THAT subject always to the Companies Act 2016, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the Constitution of the Company and the approvals of the relevant government and/or regulatory authorities, the Directors be and are hereby empowered pursuant to Sections 75 and 76 of the Companies Act 2016 to issue and allot new shares in the Company at any time at such price, upon such terms and conditions, for such purposes and to such person(s) whomsoever as the Directors may in their absolute discretion deem fit and expedient in the interest of the Company, provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10 percent of the total number of issued shares of the Company for the time being and THAT the Directors be and are also empowered to obtain the approval from Bursa Malaysia Securities Berhad for the listing of and quotation for the additional shares so issued and THAT such authority shall continue to be in force until the conclusion of the next annual general meeting of the Company." ***Ordinary Resolution 8 (See Explanatory Note 12)***

Notice of 3rd Annual General Meeting (cont'd)

9. **SPECIAL RESOLUTION**
PROPOSED ADOPTION OF THE NEW CONSTITUTION OF THE COMPANY

"THAT approval be and is hereby given to revoke the existing Constitution of the Company with immediate effect and in place thereof, the proposed new Constitution of the Company as set out in Appendix I accompanying the Company's Annual Report for the financial year ended 31 July 2018, be and is hereby adopted as the Constitution of the Company, AND THAT the Directors of the Company be and are hereby authorised to assent to any modifications, variations and/or amendments as may be required by the relevant authorities and to do all acts and things and take all such steps as may be considered necessary to give full effect to the foregoing."

Special Resolution 1
(See Explanatory Note 13)

10. To transact any other business for which due notice shall have been given in accordance with the Company's Constitution and/or the Companies Act, 2016.

BY ORDER OF THE BOARD

LEE WEE HEE (MAICSA 0773340)
HEW JING SIAN (MAICSA 7065968)
Secretaries
Date : 28 November 2018

NOTE :

1. *This Agenda item is meant for discussion only and does not require a formal approval of the shareholders and hence, is not put forward for voting.*

2. *Pursuant to Section 334 of the Companies Act, 2016, a member shall be entitled to appoint another person as his proxy to exercise all or any of his rights to attend, participate, speak and vote in his stead.*

3. *A member may appoint more than one (1) proxy to attend the meeting provided that the member specifies the proportion of the members shareholdings to be represented by each proxy, failing which, the appointments shall be invalid.*

4. *A member entitled to attend and vote at the Meeting is entitled to appoint one or more proxies to attend and vote in his stead. A proxy may but need not be a member of the Company. Notwithstanding this, a member entitled to attend and vote at the Meeting is entitled to appoint any person as his proxy to attend and vote instead of him at the Meeting. There shall be no restriction as to the qualification of the proxy. A proxy appointed to attend and vote at the Meeting shall have the same rights as the member to speak at the Meeting.*

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

6. *The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing or, if the appointer is a corporation, either under Seal or under the hand of an officer or attorney duly authorised.*

7. *To be valid, the form of proxy must be deposited at the Registered Office of the Company situated at Suite 5.11 & 5.12, 5th Floor, Menara TJB, No. 9, Jalan Syed Mohd. Mufti, 80000 Johor Bahru, Johor not less than 48 hours before the time for holding the meeting or any adjournment thereof or in the case of a poll, not less than 24 hours before the time appointed for the taking of the poll.*

8. *In respect of deposited securities, only members whose names appear on the Record of Depositors on 20 December 2018, shall be eligible to attend the meeting or appoint proxy(ies) to attend and/or* vote on his behalf.

Notice of 3rd Annual General Meeting (cont'd)

STATEMENT REGARDING EFFECT OF RESOLUTIONS UNDER SPECIAL BUSINESS

9. ***Proposed Directors' Fees***

The Proposed Ordinary Resolution 4, if passed, will authorise the payment of Directors' fees pursuant to Article 84 of the Constitution of the Company on a quarterly basis in arrears after each month of completed service of the Directors for the financial year ending 31 July 2019.

10. ***Proposed Directors' Benefit***

The Proposed Ordinary Resolution 5, if passed, will authorise and approve of the payment of Directors' benefits comprised of allowances pursuant to the requirements of Section 230 of the Companies Act, 2016 for the period commencing after the date of this Annual General Meeting to the date of the next Annual General Meeting.

11. ***Proposed Retention of Independent Directors***

The Proposed Ordinary Resolutions 6 and 7 in Agenda 7, if passed, will allow Mr Tai Lam Shin and Encik Shamsudin @ Samad Bin Kassim to be retained and continue acting as Independent Directors to fulfill the requirements of Paragraph 3.04 of Bursa Malaysia's Main Market Listing Requirements and in line with the recommendation No 4.2 of the Malaysian Code of Corporate Governance. The full details of the Board's justification and recommendations for the retention of Mr Tai Lam Shin and Encik Shamsudin @ Samad Bin Kassim as Independent Directors are set out on Page 15 of the Board's Corporate Governance Overview Statement in the 2018 Annual Report.

12. ***Authority to Issue Shares pursuant to Sections 75 and 76 of the Companies Act 2016***

The Proposed Ordinary Resolution 8 is to seek a new general mandate from the shareholder of the Company at the Third Annual General Meeting held on 27 December 2018.

The general mandate, if passed, will provide flexibility for the Company and empower the Directors to allot and issue new shares in the Company for any fund raising activities, including but not limited to the placing of shares, for working capital, funding future investments and/or funding of strategic development of the Group. The new general mandate is sought to avoid any delay arising from and cost in convening a general meeting to obtain approval of the shareholders for such issuance of shares, up to an amount not exceeding in total 10 percent of the issued and paid-up share capital of the Company, as the Directors consider appropriate in the best interest of the Company. The authority, unless revoked or varied by the Company at a general meeting, will expire at the next Annual General Meeting of the Company.

At as the date of this Notice, there is no decision to issue new shares. Should there be a decision to issue new shares after the authorisation is sought, the Company will make an announcement of the actual purpose and utilisation of proceeds arising from such issuance of shares.

13. ***Proposed Adoption of the New Constitution of the Company***

The Special Resolution 1, if passed, will bring the Company's Constitution in line with the Companies Act, 2016 which came into force on 31 January 2017, the updated provisions of the Main Market Listing Requirements and the prevailing statutory and regulatory requirements, details of which are set out in Appendix I accompanying the Company's Annual Report 2018. Pursuant to Section 36 of the Companies Act, 2016, the proposed adoption of the new Constitution of the Company, if passed as a Special Resolution by a majority of not less than 75% of the members who are entitled to vote, and do vote in person or by proxy, shall take immediate effect and it shall bind the Company and the members accordingly.

Voting by Poll

Pursuant to Paragraph 8.29A of Bursa Malaysia Securities Berhad's Main Market Listing Requirements, all resolutions set out in this notice is to be voted by poll.

Corporate Information

BOARD OF DIRECTORS

Chairman	Shamsudin @ Samad Bin Kassim *(Independent Non-Executive Director)*
Group Managing Director	Dr Goh Kar Chun *(Non-Independent Executive Director)*
Group Executive Director	Goh Anne *(Non-Independent Executive Director)*
Directors	Tai Lam Shin *(Senior Independent Non-Executive Director)* Loo Shen Chang *(Independent Non-Executive Director)*

AUDIT AND RISK MANAGEMENT COMMITTEE

Chairman	Loo Shen Chang *(Independent Non-Executive Director)*
Members	Tai Lam Shin *(Senior Independent Non-Executive Director)*
	Shamsudin @ Samad Bin Kassim *(Independent Non-Executive Director)*

NOMINATION AND REMUNERATION COMMITTEE

Chairman	Tai Lam Shin *(Senior Independent Non-Executive Director)*
Members	Loo Shen Chang *(Independent Non-Executive Director)*
	Shamsudin @ Samad Bin Kassim *(Independent Non-Executive Director)*

SECRETARIES

Lee Wee Hee (MAICSA 0773340)
Hew Jing Sian (MAICSA 7065968)

REGISTERED OFFICE

Suite 5.11 & 5.12, 5th floor, Menara TJB,
No. 9, Jalan Syed Mohd. Mufti,
80000 Johor Bahru, Johor, Malaysia.
Tel : 07-224 2823
Fax : 07-223 0229

REGISTRAR

Shareworks Sdn Bhd (229948-U)
No. 2-1, Jalan Sri Hartamas 8,
Sri Hartamas,
50480 Kuala Lumpur.
Tel : 03-6201 1120
Fax : 03-6201 3121/6201 5959

Corporate Information (cont'd)

AUDITORS

Crowe Malaysia (AF1018)
E-2-3 Pusat Komersial Bayu Tasek
Persiaran Southkey 1, Kota Southkey
80150 Johor Bahru, Johor, Malaysia.

PRINCIPAL PLACE OF BUSINESS

No. 2 & 4, Jalan Waja 7,
Kawasan Perindustrian Pandan,
81100 Johor Bahru,
Johor, Malaysia.

PRINCIPAL BANKERS

AmBank (M) Berhad
HSBC Amanah Malaysia Berhad

SUBSIDIARY COMPANIES

Multi-Code Electronics Industries (M) Bhd (193094-K)
Beaucar Accessories (M) Sdn Bhd (102803-P)
Multi-Code Technologies (M) Sdn Bhd (903828-P)
Vantage Realm Sdn Bhd (1046342-M)
Vantage Medical Centre Sdn Bhd (1110357-D)

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia Securities Berhad

WEBSITE

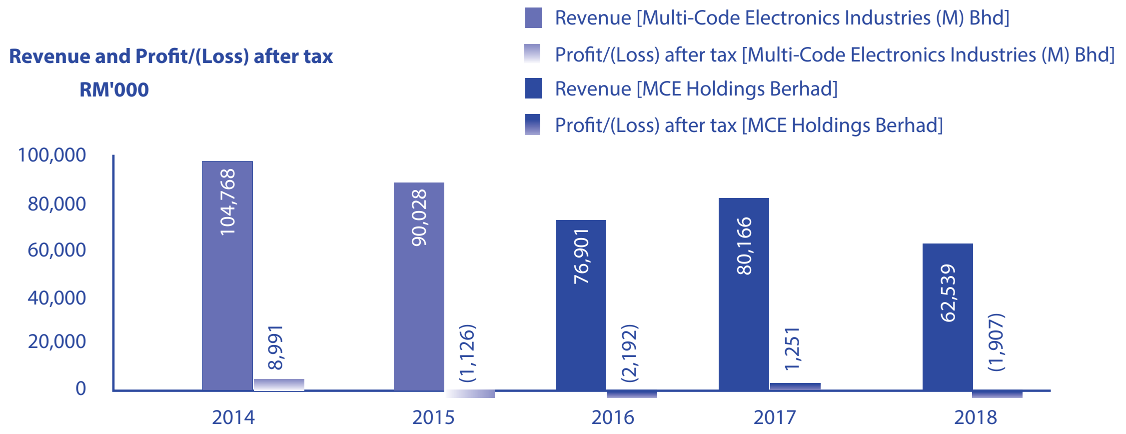
http://www.multicode.com.my

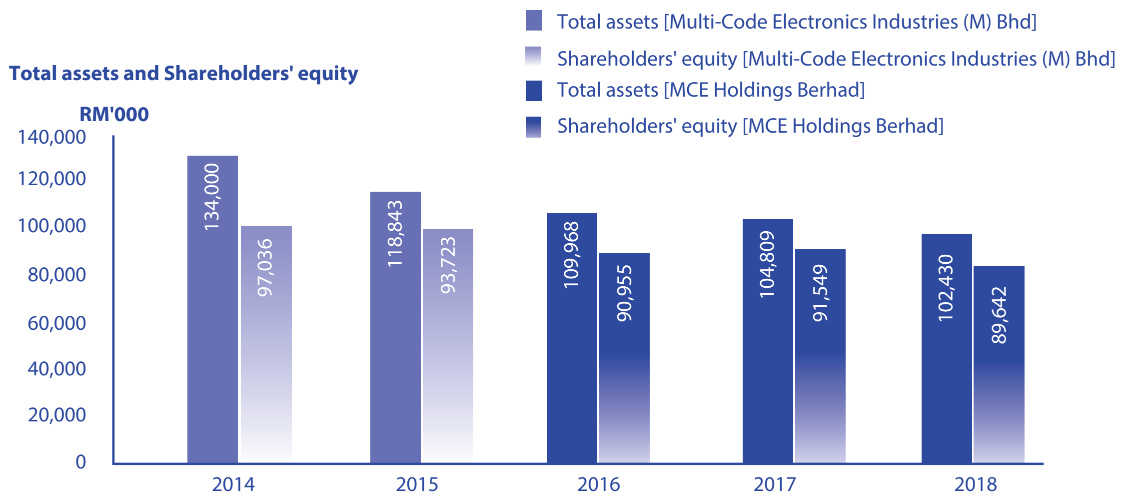
5 Years Group Financial Highlights

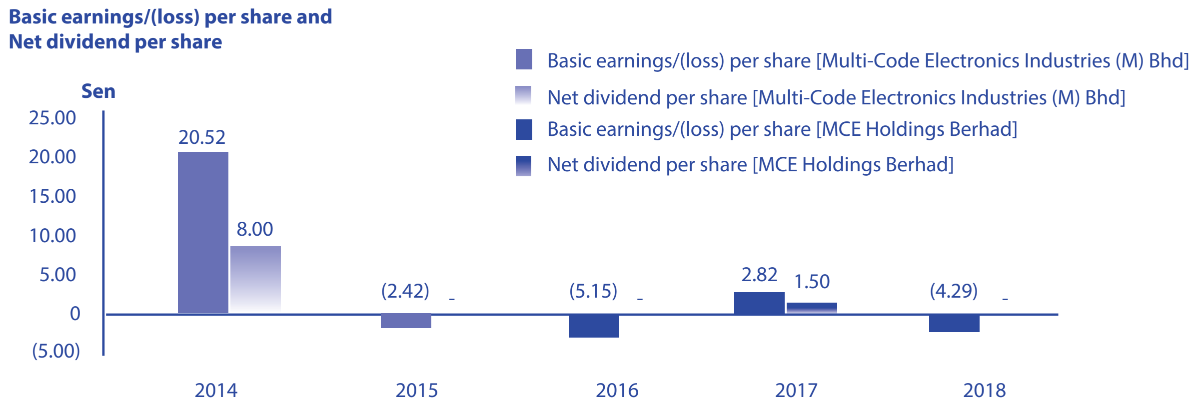
RESULTS	Multi-Code Electronics Industries (M) Berhad 2014 (RM'000)	2015 (RM'000)	MCE Holdings Berhad 2016 (RM'000)	2017 (RM'000)	2018 (RM'000)
Revenue	104,768	90,028	76,901	80,166	62,539
Profit / (Loss) before tax	10,172	(229)	(2,535)	1,967	(2,098)
Profit / (Loss) after tax	8,991	(1,126)	(2,192)	1,251	(1,907)
Net profit/ (loss) attributable to owners of the parent	9,113	(1,075)	(2,287)	1,251	(1,907)
KEY CONSOLIDATED STATEMENTS OF FINANCIAL POSITION DATA					
Total assets	134,000	118,843	109,968	104,809	102,430
Shareholders' equity	97,036	93,723	90,955	91,549	89,642
Share capital	44,405	44,405	44,405	44,405	44,405
Current assets	41,934	32,559	27,633	28,064	23,806
Total borrowings	12,169	9,169	5,578	3,129	1,112
KEY FINANCIAL STATISTICS / INDICATORS					
Basic earnings/ (loss) per share (sen)	20.52	(2.42)	(5.15)	2.82	(4.29)
Net dividend per share (sen)	8.00	-	-	1.50	-
Net assets per stock unit attributable to ordinary equity holders of the Company (RM)	2.19	2.11	2.05	2.06	2.02
Return on shareholding equity (%)	9.39	(1.15)	(2.51)	1.37	(2.13)
Price earning ratio	7.60	N/A*	N/A*	28.37	N/A*
Gearing ratio	0.13	0.10	0.06	0.03	0.01

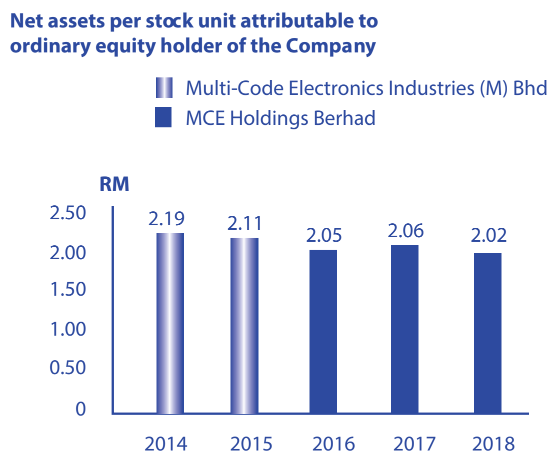
* N/A - Not applicable

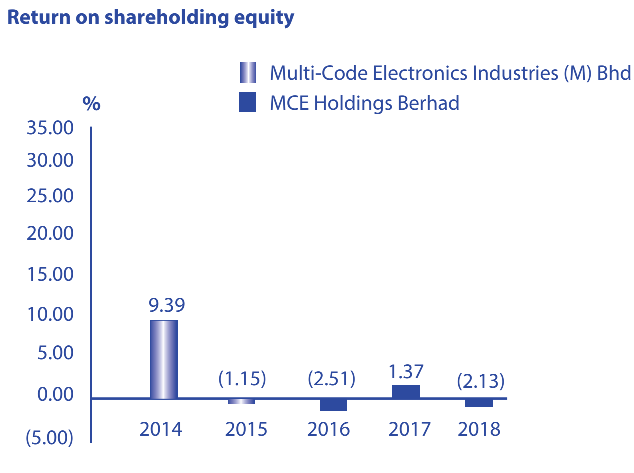
5 Years Group Financial Highlights (cont'd)











Profile of Directors

SHAMSUDIN @ SAMAD BIN KASSIM

Nationality : Malaysian   Gender : Male   Age : 72

Shamsudin @ Samad Bin Kassim was appointed to the Board on 10th June 2016 and is the Chairman of the Board and an Independent Non-Executive Director of the Company. He is a member of the Nomination and Remuneration Committee and the Audit and Risk Management Committee. He holds a Bachelor of Economics from University of Malaya and a Master in Public and International Affairs (MPIA) from University of Pittsburg, USA.

He started his career as an Assistant Secretary in Ministry of Works in 1970 and later as an Economist in the Highway Planning Unit in 1973. In 1974, he was appointed as Assistant Director of the Services Division in the Public Services Department. He left the Public Services Department in 1979 and took up the position of Senior Assistant Secretary in Ministry of International Trade and Industry (MITI). In 1989, he was posted to Vienna, Austria as the Trade Commissioner of MITI. In 1996, he was appointed as the Director of MITI (Industry Division) in Kuala Lumpur. In 2000, he was appointed as Chief Executive Officer of Small and Medium Industries Development Corporation (SMIDEC) until his retirement in 2001.

He sits on the Board of Ingress Corporation Berhad and Mastec Tec Holdings Berhad, both non-listed public companies.

He has no family relationship with any directors and/or major shareholders of the Company and does not have any conflict of interest with the Company. He has had no convictions for any offences within the past 5 years. He directly holds 249,600 ordinary shares in the Company.

DR GOH KAR CHUN

Nationality : Malaysian   Gender : Male   Age : 42

Dr Goh Kar Chun was appointed to the Board on 10th June 2016 and is the Group Managing Director of the Company. He holds a degree in Bachelor of Medicine, Bachelor of Surgery and Bachelor of Obstetrics from the Faculty of Medicine, University College Dublin, Ireland. Subsequently he obtained a Master of Business Administration from Victoria University, Australia.

In year 2000, he worked as a medical doctor at ST. Vincent University Hospital, Ireland. He joined Multi-Code Electronics Industries (M) Berhad as a management staff responsible for marketing function in 2002. With his experience garnered in the automotive industry, he was appointed as Executive Director of Multi-Code Electronics Industries (M) Berhad in year 2008 primarily responsible for the overall group business development, marketing and sales. As at November 2010, his scope of work had been expanded to include direct responsibility on production, engineering and quality assurance functions. He was then appointed as the Group Managing Director on 30th June 2016.

He does not hold any directorship in any other public Company.

He has no family relationship with any directors of the Company and does not have any conflict of interest with the Company. He has had no convictions for any offences within the past 5 years.

He is a major shareholder of the Company holding 9,997,240 ordinary shares and is a nephew of Mr. Goh Chai Siong, a major shareholder of the Company. He has deemed interest in 350,000 ordinary shares in the Company held by his spouse, Chuah Sai Ling, pursuant to Section 59 (11) (c) of the Companies Act 2016.

Profile of Directors (cont'd)

TAI LAM SHIN

Nationality : Malaysian   Gender : Male   Age : 61

Tai Lam Shin was appointed to the Board on 10th June 2016 and is an Independent Non-Executive Director of the Company. He is the Chairman of the Nomination and Remuneration Committee and a member of the Audit anf Risk Management Committee. He was identified by the Board as the Senior Independent Non-Executive Director of the Company. He is a Chartered Accountant of the Malaysian Institute of Accountants (MIA) and Fellow of The Association of Chartered Certified Accountants (FCCA), United Kingdom.

He is exposed and experience in areas of audit assurance, financial and corporate advisory, due diligence review and reporting accountants to public listed corporations, multinationals and private companies.

He sits as an Independent Non-Executive Director on the Board of Keck Seng (Malaysia) Berhad, a public company listed on Bursa Malaysia Securities Berhad and is a Council Member of Kiwanis Down Syndrome Foundation, a public company limited by guarantee.

He has no family relationship with any directors and/or major shareholders of the Company and does not have any conflict of interest with the Company. He has had no convictions for any offences within the past 5 years. He directly holds 20,000 ordinary shares in the Company.

LOO SHEN CHANG

Nationality : Malaysian   Gender : Male   Age : 53

Loo Shen Chang was appointed to the Board on 10th June 2016 and is an Independent Non-Executive Director of the Company. He is the Chairman of the Audit and Risk Management Committee and a member of the Nomination and Remuneration Committee. He is an accountant by profession and a member of Malaysian Institute of Certified Public Accountants (MICPA) and Malaysia Institute of Accountants (MIA). He began his career in 1986 as an articled clerk in an accounting firm and has since accumulated more than 25 years of post-qualifying experience in the field of accounting and corporate finance activities, having held senior positions in several private and public listed companies. Currently, he is the Chief Operating Officer of LYL Group of Companies, which has vast interest in property development activities and real estate investments.

He does not hold any directorship in any other public company.

He has no family relationship with any directors and/or major shareholders of the Company and does not have any conflict of interest with the Company. He has had no convictions for any offences within the past 5 years. He does not hold any shares of the Company.

GOH ANNE

Nationality : Malaysian   Gender : Female   Age : 37

Goh Anne is the Group Executive Director of the Company. She holds a degree in Bachelor of Business from University of Technology Sydney, Australia. She is a member of Certified Practising Accountants (CPA Australia) and the Malaysian Institute of Accountants (MIA).

She started her career as an Internal Auditor in a public accounting firm in 2005. She left the firm in 2013 and took up position of Finance Manager in a public listed company. In July 2015, she joined the Group as the Group Financial Controller overseeing the Finance, Human Resources /Administrative and IT Departments. She was re-designated to Chief Financial Officer of the Group since 20 January 2016. She was appointed as the Group Executive Director on 1st Oct 2018.

She does not hold any directorship in any other public Company.

She has no family relationship with any directors and/or major shareholders of the Company and does not have any conflict of interest with the Company. She has had no convictions for any offences within the past 5 years. She does not hold any shares of the Company.

Profile of Key Senior Management

LIM CHERN TIN

Nationality : Malaysian   Gender : Male   Age : 51

Lim Chern Tin is the Operations General Manager of Multi-Code Electronics Industries (M) Berhad. He holds an engineering diploma from Federal Institute of Technology. He joined Multi-Code Electronics Industries (M) Berhad in August 1999 as its Quality Assurance (QA) Manager and was promoted to the position of Group Engineering and QA Manager in May 2008, and subsequently re-designated to the Group Operations Manager in December 2015. He was promoted to the Operations General Manager in February 2017. He has more than 28 years of working experience in areas of quality assurance, engineering and production.

Save as disclosed, none of the Key Senior Management have:-

1. *any directorship in public companies and listed issuers;*
2. *any family relationship with any directors and/or major shareholders of the Company;*
3. *any conflict of interest with the Company;*
4. *any conviction for offences within the past 5 years other than traffic offences, and*
5. *any public sanction or penalty imposed by the relevant regulatory bodies during the financial year.*

The Group's Key Senior Management comprises of the Group Managing Director, Group Executive Director and Group Operations General Manager.

Corporate Governance Overview Statement

The Board of Directors ('the Board') of MCE Holdings Berhad ("MCE" or "Company") recognises the importance of good corporate governance and continues to be committed to ensure that high standards and appropriate practices are in place throughout MCE Holdings Berhad and its subsidiaries ("MCE Group" or "Group") to protect, enhance and support the sustainability of its business affairs and financial performance of the Group with the ultimate objective of safeguarding shareholders' investment and enhancing shareholders' value.

This statement is to provide shareholders and investors with an overview of the application of the Principles set out in the Malaysian Code on Corporate Governance ("MCCG") by MCE and should be read together with the Corporate Governance Report 2018 of MCE ("CG Report") which accompanies this Annual Report and is also available on MCE's website at http://www.multicode.com.my.

The CG Report provides the details on how MCE has applied each Practice as set out in the MCCG during the financial year 2018 ("FY2018"). Other than Practice 4.2, 7.2, 11.2, 12.1 and 12.3, the Board is of the view that MCE has substantially complied with the recommendations of MCCG.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

I. BOARD RESPONSIBILITIES

The roles and responsibilities of the Board and Management, the Board Committees and the individual Directors are set out in the Board Charter which is accessible through MCE's website. The Board Charter will be reviewed on an annual basis.

The Board had on 1 November 2018 reviewed and enhanced its Board Charter and revised the Board's existing policies and practices which includes the following which are available on the Group's website at http://www.multicode.com.my as follows:

- Code of Business Conduct and Ethics
- Corporate Disclosure Policy
- Stakeholders Communication Policy
- Remuneration Policy for Directors and Senior Management
- Board Diversity Policy (adopted on 1 November 2018)
- Whistle-Blowing Policy (adopted on 1 November 2018)

It is the primary governance responsibilities of the Board to lead and control the Group. The Board plans the strategic direction, development and control of the Group and has taken initiatives to embrace the responsibilities listed in the MCCG, which facilitate the discharge of the Board's stewardship responsibilities. When implementing the strategic plan, the Group Executive Directors (comprised of Group Managing Director and Group Executive Director) are responsible for making and implementing operational and corporate decisions while the Non-Executive and Independent Directors ensure corporate accountability by providing unbiased and independent views, advice and judgement in safeguarding the interests of the shareholders.

The Board has defined the roles and responsibilities for the Board and its Executive Directors. In discharging its fiduciary responsibilities, the Board emphasises strongly during its Board meetings on the deliberation and review of the financial performance of the Group, the execution of strategic plan by the Executive Directors, the principal risks faced by the Group and effectiveness of management mitigation plan, the appraisal of executive management and senior management succession plans as well as the integrity of the management information and systems of internal control of the Group.

The Board maintains specific Board Committees namely Audit and Risk Management Committee ('ARMC') and Nomination and Remuneration Committee ('NRC'). These Committees ensure greater attention, objectivity and independence are provided in the deliberations of specific board agenda. The Board has defined the terms of reference for each Committee and the Chairman of these respective committees would report to the Board during the Board meetings on significant matters and salient matters deliberated in the Committees.

The positions of Chairman and Group Managing Director are separately held ensuring balance of power, accountability and division of roles and responsibilities of the Board and the management of the Group's business and operations. The Board has developed descriptions for responsibilities of the Board Chairman, Group Managing Director, Group Executive Director, the individual board members, as well as the Chief Financial Officer. The details of these responsibilities are articulated in the Board Charter.

Corporate Governance Overview Statement (cont'd)

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

I. BOARD RESPONSIBILITIES (cont'd)

The Directors allocate sufficient time to discharge their responsibilities effectively and attend Board and Board Committee meetings with sufficient regularity to deliberate on matters under their purview. Board meetings are held at quarterly intervals with additional meetings convened for particular matters, when necessary. During the year, the Board has deliberated on annual budget, significant acquisitions and disposals, financial results, key performance indicators and other matters reserved for Board.

During the financial year, five (5) Board meetings were held and these meetings were attended by members of the Board during their tenure in office with the Company Secretary in attendance as follows: -

Name of Director	Position	Attendance
Encik Shamsudin @ Samad Bin Kassim	Independent Non-Executive Director	5/5
Dr. Goh Kar Chun	Non-Independent Executive Director	5/5
Mr. Tai Lam Shin	Senior Independent Non-Executive Director	5/5
Mr. Loo Shen Chang	Independent Non-Executive Director	5/5
Ms Goh Anne (Appointed on 1 October 2018)	Non-Independent Executive Director	NIL

Directors' Trainings

Each Director is expected to attend at least one (1) full day continuing education programme each year. The extent and subject matter which may vary, is left to each individual director's discretion.

In order to encourage continuing director education, the Company will reimburse directors for all costs of attending two (2) programmes each financial year. However, directors are allowed to attend more than two (2) programmes in a year at the Company's expense with the consent of the Chairman of the NRC.

Annually, the Chairman of the NRC is, based on the annual assessment of each director, authorised to make recommendations for each individual director's continuing education requirements to meet the intentions and purposes of this policy.

During the financial year, the directors had attended/participated the following trainings and briefings:

Training Attended	Director	Date	Duration (No. of Days)
Driving Financial Integrity & Performance - Enhancing Financial Literacy	SBK & LSC	03 Aug 2017	1
Decoding Transaction And Related Party Transaction (RPT)Rules & Key Disclosure Obligations of a Listed Company	TLS	24 Aug 2017	1
Conference on Industries 4.0	GKC	05 & 06 Sept 2017	2
Advocacy Session on Corporate Disclosure for Directors and Principal Officers of Listed Issuers	TLS	31 Oct 2017	1
Leading in a Volatile, Uncertain, Complex, Ambiguous (VUCA) World	LSC	13 Oct 2017	0.5
2017 Business & Tax Seminar	TLS	14 Nov 2017	1
2018 Budget Seminar : Updates & Insights for Corporate Accountants	TLS	15 Nov 2017	1

Corporate Governance Overview Statement (cont'd)

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

I. BOARD RESPONSIBILITIES (cont'd)

Directors' Trainings (cont'd)

Training Attended	Director	Date	Duration (No. of Days)
2018 Budget Seminar : Encompassing TN50 Aspirations	GKC	20 Nov 2017	1
Corporate Governance Briefing Sessions : MCCG Reporting & CG Guide	LSC	01 Mar 2018	0.5
Overview of Development Process and Rezoming, KSM Property Division Updates for 2018, Surrender Back and Re-alienation (SBKS) - The Current Practice in Johor	TLS	30 May 2018	0.5
Blockchain Technology: Why It's Time for Accountants to Get on Board	LSC	05 July 2018	0.5

Note :
SBK - Encik Shamsudin @ Samad Bin Kassim, Independent Non-Executive Director
TLS - Mr. Tai Lam Shin, Senior Independent Non-Executive Director
LSC - Mr. Loo Shen Chang, Independent Non-Executive Director
GKC - Dr. Goh Kar Chun, Group Managing Director

Ms Goh Anne who was appointed on 1 October 2018 as the Group Executive Director will be attending the Mandatory Accreditation Programme within the prescribed time frame required under Bursa Malaysia Securities Berhad Main Market Listing Requirements ("MMLR").

II. BOARD COMPOSITION

The MCCG emphasises the importance of right board composition in enhancing the Board decision making process and the transparency of policies and procedures in selection and evaluation of board members.

The present Board composition comprises Executive and Non-Executive Directors with a mix of suitably qualified and experienced professionals enabling the Board to carry out its responsibilities effectively. In accordance with Article 75 of the Company's Constitution, unless otherwise determined by General Meeting, the number of directors shall not be less than two (2) nor more than twelve (12). Presently, the Board consists of five (5) members, two (2) Executive Directors and three (3) Independent Non-Executive Directors.

Descriptions of the background of each director are presented on pages 9 and 10.

The Board has adopted a Board Diversity Policy which acknowledges the importance placed by the Board on diversity which includes, but is not limited to, business experience, geography, age, gender, and ethnicity and aboriginal status. In particular, the Board has set a policy that at least one (1) member of the Board will be of the female gender.

On 1 October 2018, the Board had appointed a female director as Group Executive Director of the Company based on the recommendation of NRC after assessing the candidate's criteria such as qualification, skills, experience, professionalism, integrity and diversity.

During FY 2018, the NRC had carried out an assessment of the Board, the Board Committees and the individual contribution of each member based on the approved process together with an evaluation of the Performance of Chairman of the Board, the Chairman of the ARMC and NRC and the Senior Independent Director.

The NRC also assessed the independence of Independent Directors annually and the tenure of an Independent Director should not exceed a cumulative term of nine (9) years. When the Board retains an Independent Director, who has served in that capacity for more than nine (9) years, the Board would justify its decision and seek shareholders' approval.

Corporate Governance Overview Statement (cont'd)

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

II. BOARD COMPOSITION (cont'd)

All Independent Non-Executive Directors are independent of management and have no family or business relationships with the Group Executive Directors and major shareholders which would interfere with the exercise of their independent judgement. The Chairman of the Board is an Independent Non-Executive Director while the number of independent directors maintained by the Board currently represents a majority and is above the prescribed composition of one-third (1/3) requirement and number of independent directors recommended under the MMLR.

Tenure of Independent Directors

As at the reporting date both Encik Shamsudin @ Samad Bin Kassim and Mr Tai Lam Shin will have served more than nine (9) years as Independent Directors. The Board through its NRC had conducted an assessment of the independence of all its Independent Directors and is satisfied that the Independent Directors have fulfilled the criteria under the definition of Independent Director as stated in the MMLR and are able to provide objective and independent judgment in deliberation of the Board's agenda. Based on the Board's assessment, the Board is recommending to put forward a resolution at the forthcoming Annual General Meeting ('AGM') to retain both Encik Shamsudin @ Samad Bin Kassim and Mr. Tai Lam Shin as Independent Directors notwithstanding that their tenure as Independent Directors has exceeded the nine (9) years limit as recommended under the MCCG.

The Board's and NRC's justification to retain Encik Shamsudin @ Samad Bin Kassim and Mr Tai Lam Shin is premised on the following:-

- Both Encik Shamsudin and Mr Tai continues to fulfil the criteria and definition of an Independent Director as set out under Paragraph 1.01 of Bursa Malaysia Listing Requirements;
- During their tenure in office, both Encik Shamsudin and Mr Tai have not developed, established or maintained any significant personal or social relationship whether direct or indirect with the Executive Director(s), major shareholders or management of the Company (including their family members) other than normal engagements and interactions on a professional level consistent and expected of them to carry out their respective duties. Encik Shamsudin is the Chairman of the Board and member of the ARMC and NRC whilst Mr Tai is the Senior Independent Non-Executive Director , Chairman of the NRC and member of the ARMC;
- During their tenure in office, both Encik Shamsudin and Mr Tai have never transacted or entered into any transactions with, nor provided any services to the Company and its subsidiaries, the Executive Director(s), major shareholders or management of the Company (including their family members) within the scope and meaning as set forth under Paragraph 5 of Practice Note 13 of the Listing Requirements;
- During their tenure in office as Independent Non-Executive Directors in the Company, both Encik Shamsudin and Mr Tai have not been offered or granted any options by the Company. Other than directors' fees and allowances paid which had been the norm and been duly disclosed in the annual reports, no other incentives or benefits of whatsoever nature had been paid to them by the Company;
- During their tenure in office, both Encik Shamsudin and Mr Tai have demonstrated consistently their integrity, commitment and contributed effectively to the Board's decision-making process; and
- During their tenure in office, both Encik Shamsudin and Mr Tai have gained significant and detailed understanding and insights into the business operations, and industry sectors in which the Group operates in. This includes an understanding of the peculiarities, strengths and weaknesses of the industry sectors thereby enabling them to offer a different perspective during the decision-making process which a fresh appointee or a director holding office for a short length of time would not be able to offer.

Director's Retirement

The re-election of Directors provides an opportunity for shareholders to renew their mandate conferred to the Directors.

The Constitution of the Company provides that all directors shall retire by rotation once in every three (3) years or at least one-third (1/3) of the Board shall retire but shall be eligible to offer themselves for re-election at the AGM.

The above provisions are adhered to by the Board in every AGM. Information on Directors standing for re-election are outlined in the respective Profile of Directors covering their details of profession, directorships in other public companies and shareholdings in the Company and their attendance of the Board meetings are set forth on pages 10 and 13 of this Annual Report.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

II. BOARD COMPOSITION (cont'd)

At the forthcoming 2018 AGM, Mr Loo Shen Chang is due to retire by rotation under Article 76 of the Constitution and being eligible have offered himself for re-election. Following the NRC's review on the performance of the Director and having noted his significant and valued contributions to the Board, the NRC had recommended his re-election to the Board and the Board had concurred with such recommendation and are recommending that shareholders re-elect Mr Loo Shen Chang at the forthcoming 2018 AGM.

Pursuant to Article 82 of the Company's Constitution, Ms Goh Anne who was appointed on 1 October 2018 is subject to retirement at the forthcoming 3rd AGM. The NRC had recommended her re-election to the Board and the Board had also concurred with such recommendation and is recommending that shareholders re-elect Ms Goh Anne at the forthcoming 3rd AGM.

In compliance with the provision of Paragraph 15.08A(3) of the MMLR the activities of the NRC for the FY2018 are set out in Practices 4.4, 4.6 & 5.1 of the CG Report.

III. REMUNERATION

The NRC and Board are mindful of the need to remunerate and retain its Directors to ensure that their commitment remains and therefore their remuneration package is directly linked to their performance, service, seniority, experience and scope of responsibilities.

The NRC is responsible to establish, recommend and constantly review a formal and transparent remuneration policy framework and terms of employment for the Board to attract and retain directors which should be aligned with the business strategy and long term objectives of the Company taking into consideration that the remuneration of the Board should reflect the Board's responsibilities, expertise and complexity of the Company's activities.

The NRC had reviewed the Director's fees and benefits and the Executive Directors' remuneration for the financial year ending 31 July 2019 and recommended to the Board for approval.

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

I. AUDIT AND RISK MANAGEMENT COMMITTEE

The Board had opted to combine the functions of a Risk Management Committee with the functions of the Audit Committee ("AC") on 1 November 2018 and AC has been appropriately renamed as the Board's Audit and Risk Management Committee ("ARMC").

The ARMC is chaired by an Independent Director who is distinct from the Chairman of the Board. The Chairman of the ARMC is a member of the Malaysian Institute of Certified Public Accountants (MICPA) and Malaysia Institute of Accountants (MIA). The ARMC has full access to both the internal and external auditors who, in turn, have access at all times to the Chairman of the ARMC.

The detailed Terms of Reference of the ARMC outlining the composition, duties and functions, authority and procedures of the ARMC are published and available on the Company's website at http://www.multicode.com.my.

Further information on the composition and summary of work of the ARMC are set out on pages 19 to 21 of this Annual Report.

Corporate Governance Overview Statement (cont'd)

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT (cont'd)

II. RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

During FY 2018, the Board and ARMC were assisted by the Group Executive Directors and the Risk Management Working Committee to maintain its risk management system, which is reviewed and updated constantly to safeguard shareholders' investments and the Group's assets.

The Group's internal audit function has been outsourced to a professional internal audit services company which reports directly to the ARMC. During FY2018, the Board on the recommendation of the ARMC opted to change the outsourced internal audit service provider in order to refresh its internal audit function.

The Board acknowledges that risk management and internal control are an integral part of good governance. Risk is inherent in all business activities. It is however, not the Group's objective to eliminate risk totally but to provide structural means to identify, prioritise and manage the risks involved in all the Group's activities and to balance between the costs and benefits of managing and treating risks, and the anticipated returns that will be derived from.

Further details of the Group's systems of risk management and internal control and the function of the Internal Auditors are reported in the Audit and Risk Management Committee Report on page 21 and the Statement on Risk Management and Internal Control on pages 29 to 32.

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

I. COMMUNICATION WITH STAKEHOLDERS

MCE is committed to upholding high standards of transparency and promotion of investor confidence through the provision of comprehensive, accurate and quality information on a timely and even basis.

The Board had in place the Stakeholders Communication Policy and Corporate Disclosure Policy which were reviewed on 1 November 2018 the details of which are available on the MCE's website at http://www.multicode.com.my.

II. CONDUCT OF GENERAL MEETINGS

As stated earlier, the Board recognises the importance of communications with its shareholders and will take additional measures to encourage shareholders' participation at general meetings as recommended by the MCCG.

This includes the Chairman highlighting to shareholders and proxy holders, their right to speak up at general meetings, the conduct of poll voting for all resolutions tabled at general meetings and a review of the performance of the Group during AGMs.

To ensure effective participation of and engagement with shareholders at the AGM in year 2017, all Directors, including members of ARMC and NRC, attended and participated in said AGM.

The Notice of the 3rd AGM and Annual Report are sent out to shareholders at least 21 days prior to the date of the meeting in accordance with the provision of the Constitution and Companies Act 2016 which the Board is of the opinion already allows sufficient time for the shareholders to consider the proposed resolutions to be tabled at the AGM.

This Corporate Governance Overview Statement was approved by the Board of Directors of MCE on 1 November 2018.

Additional Compliance Information

OTHER INFORMATION REQUIRED BY THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

In compliance with the Listing Requirements, the following additional information are provided:-

1. **Audit and Non-Audit Fees**

During the financial year, the audit fee and non-audit fees paid or payable by MCE Holdings Berhad and its subsidiaries ("Group") to the External Auditors for the financial year ended 31st July 2018 were as follows:

Audit Services	2018	
	Group	Company
Statutory audit fees	104,500	29,500
Non-audit fees	5,000	5,000
TOTAL	**109,500**	**34,500**

2. **Utilisation of Proceeds**

There were no proceeds raised from any corporate proposals by the Company during the financial year.

3. **Material Contracts**

To the best of the Board's knowledge, there were no material contracts involving the Group with any of the directors, chief executive who is not a director and/or major shareholders during the financial year ended 31st July 2018.

4. **Contract relating to Loan**

There were no contracts relating to loan by the Company and its subsidiaries in respect of the preceding item.

This Additional Compliance Information was approved by the Board on 1 November 2018.

Audit and Risk Management Committee Report

COMPOSITION OF AUDIT AND RISK MANAGEMENT COMMITTEE

In compliance with Paragraph 15.09(1)(a) of the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ('Bursa Securities') the Audit Committee ('AC') during the financial year ended 31st July 2018 was comprised wholly of Independent Non-Executive Directors as follows:-

Loo Shen Chang
(Chairman, Independent Non-Executive Director)

Shamsudin @ Samad Bin Kassim
(Member, Independent Non-Executive Director)

Tai Lam Shin
(Member, Senior Independent Non-Executive Director)

Subsequent to the financial year end 31st July 2018, the Board opted to combine the functions and responsibilities of a Risk Management Committee, [recommended under the Malaysian Code of Corporate Governance ("MCCG")] with the functions of the AC. The AC has been re-named as the Audit and Risk Management Committee ("ARMC").

SECRETARY

The Secretaries to the ARMC are the Company Secretaries of the Company.

TERMS OF REFERENCE

The detailed Terms of Reference of the ARMC outlining the composition, duties and functions, authority and procedures of the ARMC are published and available on the Company's website at http://www.multicode.com.my.

MEETINGS

The attendance record of all members of the ARMC during the financial year ended 31st July 2018 are as follows: -

	Name of Director	Attendance
Chairman:	Mr Loo Shen Chang, Independent Non-Executive Director	5/5
Members:	Mr Tai Lam Shin, Senior Independent Non-Executive Director	5/5
	Encik Shamsudin @ Samad Bin Kassim, Independent Non-Executive Director	5/5

The agenda for meetings, the relevant reports and papers were furnished to ARMC members by the Secretary after consultation with the ARMC Chairman in advance to facilitate effective deliberation and decision making at the respective meetings.

During its scheduled quarterly meetings, the ARMC reviewed the risk management and internal control processes, the interim and year-end financial reports, the internal and external audit plans and reports, Related Party Transaction ('RPT'), and all other areas within the scope of responsibilities of the ARMC under its Terms of Reference.

All issues were adequately deliberated during ARMC meetings before arriving at any decisions, conclusions or recommendations and brought to the attention of the Board. The minutes of these deliberations and its resultant decisions, conclusions or recommendations at each ARMC meeting were properly recorded by the Company Secretary and subsequently accelerated to the Board for review and notation.

The Chief Financial Officer ("CFO") was invited to attend all ARMC meetings to facilitate direct communication and interaction as well as provide clarifications on audit, financial and operational issues. The relevant heads of department were also invited to the ARMC meetings during the presentation of Internal Audit Report to provide first hand feedback to the ARMC members.

The External Auditors of the Company represented by the Partner and Audit Manager of the engagement attended ARMC meetings to present their External Audit Planning Memorandum and External Auditors' Report.

Similarly, the representatives of the outsourced Internal Audit Function attended the ARMC meetings to table their respective Internal Audit reports.

Audit and Risk Management Committee Report (cont'd)

SUMMARY OF WORK

During the financial year ended 31st July 2018, the ARMC in discharging its duties and functions, has carried out the following activities.

a) Financial Reporting

Reviewed the financial positions, quarterly interim financial reports and announcements for the respective financial quarters prior to submission to the Board for consideration and approval. In reviewing these financial results, the ARMC ensured the quarterly reports and Audited Financial Statements ('AFS') were prepared in compliance with the Malaysian Financial Reporting Standard ('MFRS') while the quarterly reports were produced in accordance with Paragraph 9.22 and Appendix 9B of the Listing Requirements;

b) Reports from External Auditors

i. Reviewed the External Auditors' Audit Planning Memorandum for the financial year;
ii. Reviewed the AFS and the External Auditors' findings and recommendations;
iii. Reviewed other significant matters and unusual events or transaction highlighted by the External Auditors as well as how these significant matters are addressed;
iv. Conducted two (2) private meeting session with the External Auditors without the presence of executive board members and management personnel;
v. Assessed the co-operation extended by the Management to the External Auditors, their attitude and readiness to provide documentation and explanations, as well as the adequacy of resources in the Group's financial department;
vi. Evaluated the performance of External Auditor and recommended for appointment. The ARMC has considered and reviewed the External Auditors' experience, resources availability, independence, non-audit services, timing for fieldwork and delivery of reports, working relationship with Management, appropriateness of audit fees and their willingness to continue in office for the next financial year; and
vii. Obtained confirmation and declaration from External Auditors that they were independent and would be independent throughout their engagement.

c) Reports from Internal Auditors

i. Evaluated the performance of the Internal Auditors and recommended the change of the external service provider in order to re-fresh the Internal Audit function;
ii. Reviewed the periodic progress and achievement of Internal Audit Plan;
iii. Reviewed and discussed the Internal Audit Reports with the recommendations made by the Internal Auditors on the areas of improvement;
iv. Invited the relevant Heads of Department to attend the ARMC Meeting during the presentation of Internal Audit Report and seek their clarification on specified issues relating to their department raised by the Internal Auditors; and
v. Evaluated the performance of the new Internal Auditor based on their skill & experience, resources availability, independence, timing for fieldwork and delivery of reports, working relationship with Management and appropriateness of audit fees.

d) Overall Governance Practices in the Group

i. Reviewed the disclosures made in respect of the financial results and Annual Report of the Company in line with the Bursa Securities' MMLR, principles of the MCCG, other applicable laws, rules, directives and guidelines;
ii. Reviewed the Statement on Risk Management and Internal Control, Corporate Governance Report, Corporate Governance Overview Statement and Audit and Risk Management Committee Report together with the Internal Auditors and External Auditors;
iii. Reviewed the Director's Responsibility, Other Compliance Information and Other Governance Disclosure and Financial indicators;
iv. Considered any related party transaction in order to ensure that they were not detrimental to the interests of the minority shareholders; and
v. Reviewed the Budget for the financial year ending 31st July 2018 prepared by management and ensured that the assumptions and estimates were reasonable and prudent.

Audit and Risk Management Committee Report (cont'd)

e) Assurance from Group Managing Director ("GMD") and Chief Financial Officer ("CFO") on Group's Risk Management and Internal Control

Received assurance from the GMD and CFO that the Group's risk management and internal control systems are operating adequately and effectively in all material aspects before recommending the Statement to the Board of Directors. The GMD and CFO assured that: -

- Appropriate accounting policies had been adopted and applied consistently;
- The going concern basis applied in the Annual Consolidated Financial Statements was appropriate;
- Prudent judgements and reasonable estimates had been made in accordance with the requirements set out in the MFRSs;
- Adequate controls and processes were in place for effective and efficient financial reporting and relevant disclosures under MFRSs and Bursa Malaysia's MMLR; and to mitigate key risks faced by the Group; and
- The Annual Consolidated Financial Statements and the Quarterly Condensed Consolidated Financial Statements did not contain material misstatements and gave a true and fair view of the financial position.

INTERNAL AUDIT FUNCTION

The MCE Group has outsourced its internal audit function to a professional service firm and as disclosed earlier the Group opted to change its outsource firm to Axcelasia Columbus Sdn Bhd. The number of staff deployed for the internal audit reviews ranges from 4 to 5 staff per visit including the engagement Executive Director. The staff involved in the internal audit reviews possesses professional qualification and/or a university degree. Most of them are members of the Institute of Internal Auditors Malaysia. The internal audit staff on the engagement are free from any relationships or conflicts of interest, which could impair their objectivity and independence.

The internal audit was conducted using a risk based approach and was guided by the International Professional Practice Framework ("IPPF"). The primary responsibility of this internal audit function is to assist the Board and the ARMC in reviewing and assessing the effectiveness of the et systems of internal control and to provide recommendations to strengthen the internal control procedures.

This annual internal audit plan was developed in consideration of the Group's risk profile as well as Board's and management's concerns. Upon review and approval of this plan by the ARMC, internal audit reviews were carried in accordance with this approved plan and thereafter at 2 of the quarterly meetings, the ARMC reviewed the internal auditor reports and the progress of internal audit plan. This review is to ensure that the audit direction remains relevant and is in line with the ARMC's expectations.

Prior to the presentation of reports and findings to the ARMC, the findings of the reviews were discussed with Senior Management and comments from the management were obtained and incorporated into the internal audit findings and reports. Follow-up reviews were carried out to ascertain the status of management's implementation of recommendations in the internal audit reports. The results of the follow-up reviews were also reported to the ARMC.

The Internal Auditors had attended two (2) ARMC meetings during the financial year. The functional areas and operating processes reviewed by the Internal Auditors were as follows: -

i. Production Management;
ii. Procurement;
iii. Human Resource Management;
iv. Inventory Management; and
v. Follow-up on the status of implementation for previously highlighted findings.

The total cost incurred during the current financial year for the internal audit function of the Group was RM57,366 (2017:RM84,577).

This Report was approved by the Board on 1 November 2018.

Sustainability Statement

MCE Holdings Berhad ("MCE") and its subsidiaries ("the MCE Group" or "the Group") has a history of over 28 years and sustainability has always been an integrated pillar of the Group's corporate strategy to develop itself into an enduring and long lasting entity.

Although this is the first year that MCE is issuing a Sustainability Statement, the MCE Group has long recognised that the Group does not operate in a vacuum and that its business and operations have an impact on the economy, environment and society.

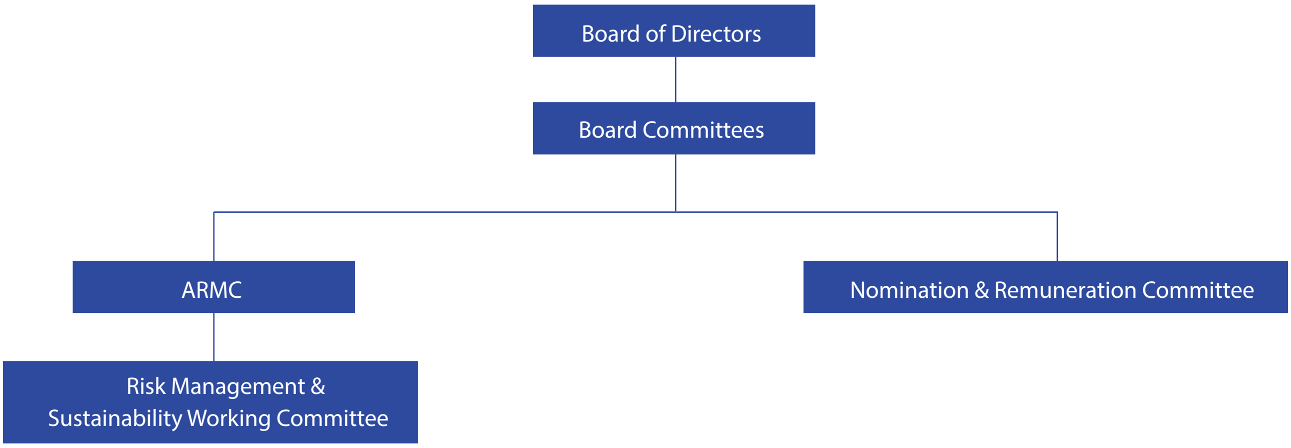
The Board of MCE recognises the importance of building a sustainable business taking into consideration all factors that will affect the sustainability of the Group's business, the management and how these factors are addressed in order to create long term shareholder value and to safeguard the interest of all stakeholders.

The Group is mindful that its activities should be carried out with the highest standards of corporate and social responsibility as it strives to align its business operations while balancing this to minimize the environmental impact arising from its operations and actions while at the same time improving the social and economic conditions for all its stakeholders including its employees and the communities that it operates in.

Establishment of Sustainability Governance Structure

Currently the Board oversees the Group's sustainability agenda with the Group Managing Director, Group Executive Director assisted by the respective heads of Departments. The Board has on 1 November 2018 integrated the responsibilities in respect of business sustainability with its Risk Management Working Committee which reports to the Audit Risk Management Committee ("ARMC") before matters are escalated to the Board of Directors.

The sustainability Governance Structure put in place is as follows:



The Risk Management & Sustainability Working Committee ("RMSWC") is chaired by the Group Managing Director and in his absence the Group Executive Director and comprised of all heads of Department.

To ensure and create greater awareness, the Group Executive Director together with several key senior executives attended seminars/workshops on Sustainability Reporting whilst some Board members have also attended sustainability forum/workshop.

The Board views sustainability as an ongoing continuous journey moving in tandem alongside its business and as the Group grows and develops, the Board intends to continuously engage with all stakeholders to ascertain that the Group's development takes into consideration all stakeholders concerns on sustainability.

Stakeholder Engagement

MCE recognises that close engagement with stakeholders will be key towards achieving results and making better progress in our sustainability journey, in particular, understanding their expectations and responding to their concerns. MCE Group's initiatives on stakeholder engagement are briefly illustrated in the table below:

Stakeholders	Engagement Method
Customers	• Monthly Vendor Briefing conducted by customers; • Annual Customer Satisfaction Survey conducted by the Group; • Business meetings; • Customer's field audit; and • Information shared through the Group's website.
Employees	• Daily Morning Market Meetings; • Various morning briefing/ departmental meetings conducted by the head of departments with their subordinate; • Monthly Head of Department Meetings; • Coffee Break/ Lunch Session between employee and Group Managing Director; • Social activities organized by the Group's Corporate Social Responsibility ("CSR") Committee; • Training programmes; and • Communication/ feedback through the Group's social media account.
Shareholders	• Annual General Meeting; • Annual Report; • Quarterly Report; • Media releases; • Feedback through the Group's website and email.
Government regulators	• Meetings and events; and • Forum.
Suppliers	• Business meetings; and • Field audit on suppliers.
Local community	• Social activities organized by the Group's CSR Committee; and • Media releases.

ECONOMIC

Sustainable Business Growth

Sustainability is integral to the way we conduct our business activities.

Our manufacturing plants located at Johor Bahru and Telok Gong, Shah Alam provides employment opportunities to the local communities. The Group currently employs over 340 employees including more than 50 engineers.

The Group strongly believes that its human capital and resources is its greatest asset and the corporate values adopted by the Board and Management emphasises:

- Practice teamwork and Respect;
- Stay Happy and Healthy;
- Take ownership and Accountability;
- Continuous Learning; and
- Be Honest.

Sustainability Statement (cont'd)

The Group, strives to ensure it is an exemplary corporate citizen to comply with all applicable laws, regulations and rules conducting its business in accordance with established best practices.

The Group has always adopted a consistent and focused approach in operational excellence, emphasising on product quality and management of our cost effectively. The Group's wholly owned subsidiary Multi-Code Electronics Industries (M) Berhad ("MCEI"), its main manufacturing arm, is certified with IATF 16949:2016 which demonstrate MCEI's ability to produce high quality product and continuously strives for improvement and saving of resources. As a result, this has improved our customer's satisfaction on our product and services. During the financial year, MCEI received a few awards from its customers i.e. Best Corporate Award, Proton Supplies Award and Excellent Cost Reduction Contribution Vendor Award.

Geely – Best Corporation Award

Proton – Proton Supplies Award

Perodua – Excellent Cost Reduction Contribution Vendor

The RMSWC is tasked with the following responsibilities:

- Advising the Board and recommending the strategies in respect of sustainability and sustainability related policies for adoption;
- Monitoring the implementation of sustainability strategies as approved by the Board;
- Overseeing the overall management of stakeholder engagement, including ensuring grievance mechanisms are in place;
- Overseeing the management of sustainability matters, with particular focus on matters material to the Group organization; and
- Overseeing the preparation of sustainability disclosures as required by laws and/or rules, and recommending it for the Board's approval.

In formulating and making recommendations on sustainability the RMSWC will be guided by the Group's Vision and Mission and the Corporate Philosophy adopted by the Group as follows:

Vision

To be the main driving force in flourishing the regional automotive industry.

Mission

To be the leading regional supplier of automotive electronics and mechatronics parts.

Corporate Philosophy

- Human Capital is our greatest asset;
- Effective execution is of highest priority; and
- Leading by example is our belief.

ENVIRONMENTAL

Environmental Compliance

As a responsible corporate citizen, the Group recognises that its actions have a significant impact on the environment and supports pollutions prevention and environmental protection in all its business operations.

The Group has always committed to comply with the legal and regulatory requirements of the Malaysia Department of Environment ("DOE") and other regulators and authorities and its's main manufacturing arm, MCEI is in compliance with ISO14001:2015 Environmental Management System. By complying strictly to the legal requirements and international standard, MCEI mitigates any adverse impact on environment through programmes that reduce impact of emission and waste materials. Waste materials produced by the Group which include solder dross, printed circuit board waste, flux waste, paint sludge and others scheduled waste are safely disposed through licensed waste transporter and contractor.

SOCIAL

The MCE Group's Key Management philosophy is "Human capital is our greatest asset". Employee's performance, commitment and loyalty to the job are critical not only in achieving the company's goals and objective, but also for its long-term survival and sustainability. MCE Group also strictly follows and is in compliance with local labour regulations and had ensured the minimum wage policy is implemented accordingly across the Group.

Employee Development

MCE Group have dedicated training and development programmes for each segment of the Group's employees, targeting employees at different stage of their career. For financial year 2018, total training hours increased to 288 hours from 234 in financial year 2017, an increase of 23%. The number of employees attending training increased by 113 person as a result of Management's continued emphasis and focus during the year.

Employee and Communities Engagement

(a) Blood donations

In November 2017, the Group had organized a blood donation campaign in collaboration with Hospital Tengku Ampuan Rahimah, Klang and Hospital Sultan Ismail, Johor Bahru. A total of 68 bags of blood were donated by MCE Group's employees.

JohorBahru Plant with Hospital Sultan Ismail, Johor Bahru (Nov 2017)

Klang Plant with Hospital Tengku Ampuan Rahimah, Klang (Nov 2017)

Sustainability Statement (cont'd)

(b) Charity Visit to Special Children Care Centre

In the Group's 2018 Charity Drive, the Group reached out to disabled individuals at Persatuan Kebajikan Orang Kurang Upaya Xi Le Er Malaysia. The Group employees and families visited and donated food and basic necessities to the association.

Charity Drive to Special Children Care Centre, Xi Le Er (Feb 2018)

(c) Occupational Safety and Health

The Group places great importance on safety and health aspects for its employees. Necessary precautions are in place and safety procedures take precedence in its daily operations. Besides having Emergency Response Teams to deal with emergencies, concerted efforts are made to prevent accidents and injuries at its workplace. An in-house Safety, Health and Environmental Committee ("SHEC") oversees and ensures that safety and health are appropriately adhered to by all employees. Regular meetings and activities have been structured into the Group's safety work schedules and are rigorously carried out and monitored by SHEC. During the year under review, staff participated in fire safety trainings conducted by Jabatan Bomba, Tebrau Branch and Lembah Klang Branch at Johor Bahru and Telok Gong premises respectively.

Basic First Aid and Cardiopulmonary Resuscitation (CPR) Training (Sept 2017)

Fire Safety Training at Johor Bahru Plant (Apr 2018)

Fire Safety Training at Klang Plant (July 2018)

Sustainability Statement (cont'd)

(d) Sport Activities and Healthy Campaign

To promote healthier lifestyle among employees, the Group have initiated various activities including sponsorship of weekly sporting activities such as badminton, organized an annual in-house sports badminton tournament, conducted Healthy Week Campaign to share information on healthy diet and sponsored employees with fruits and vegetables. The Group's CSR Committee also organised 'Body Mass Index (BMI) Competition' to encourage employees to reduce their body weight and fat.

Stay Happy and Healthy Week Campaign (Sept 2017)

Badminton Tournament (Oct 2017)

(e) Other Employees welfare

The Group strives to create a happy and caring environment for our employees. The Group's annual dinner was organised and held at a leading golf club to pamper its employees with games, shows and activities to cultivate cohesion, camaraderie, team spirit and inclusiveness.

Annual Dinner (Jan 2018)

Birthday celebrations are held on monthly basis and special celebration for festival was organised to nurture a sense of togetherness and belonging.

Staff Monthly Birthday Celebration

Hari Raya Celebration (Jun 2018)

The Group also acknowledges the importance of healthy and balanced lifestyle of its employees. Employees are encouraged to take annual medical health screening which are sponsored by the Group.

Health Screening (Sept 2017)

(f) Employee Engagement

The Group issues a half yearly "MCE Bulletin" for internal circulation for its employees headed by an in house editorial team comprised of employees from its various Departments. The Bulletin has been issued since 2012 and contain news, company related information, articles and creativity, motivation and technical news to keep all employees informed and foster the spirit of the "MCE Big Family". This foster understanding, teamwork, togetherness, appreciation and employee loyalty to the MCE Family.

Plan are also in the pipeline to launch a blog for the MCE Family to eventually replace the Bulletin.

This Statement was approved by the Board on 1 November 2018.

Statement on Risk Management and Internal Control

The Board of Directors ('the Board') is pleased to present its Statement on Risk Management and Internal Control for the financial year ended 31st July 2018 ("FY 2018"). This Statement is prepared pursuant to Paragraph 15.26(b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ('Bursa Malaysia') and guided by the latest "Statement on Risk Management and Internal Control – Guidelines for Directors of Listed Issuers" ('the Guidelines') endorsed by Bursa Malaysia.

Board Responsibility

The Board acknowledges that it is imperative for the Group to have on-going process for identifying, evaluating and managing its principal risks and to maintain adequate and effective risk management and systems of internal control to manage its risks. The Board reviews the processes, responsibilities and assesses for reasonable assurance that risk have been managed within the Group's risk appetite and tolerable ranges and to ensure that the system is viable and robust. Notwithstanding, the Group's system are designed to manage rather than eliminate risk of failure to achieve corporate objectives. Accordingly, such systems can only provide a reasonable but not absolute assurance against material misstatement.

Risk Management Reviews

During FY 2018, the Group's existing Enterprise Risk Management ("ERM") framework was overseen by a Risk Management Working Committee ("RMWC") which is chaired and led by the Group Managing Director ("GMD"). The members of this RMWC comprise of selected heads of department and other management personnel as deemed appropriate by the GMD. With such composition of members in RMWC, it helps to ensure that the responsibilities on risk management are cascaded down and shared across management personnel at operational level. The key mandates of the RMWC are:

a) To formulate and carry out strategies and actions needed to manage risks;
b) To promote organisational risk awareness associated in the delivery of products and services to customers;
c) To ensure adequate knowledge, infrastructure, resources and systems are in place for risk management;
d) To report to the Board periodically on the emerging risks and their impacts on operations, profitability and business plan and the status of management actions to manage these risks; and
e) To minimise high dependency areas and ensure business continuity.

The identification, evaluation and management of risks were carried out continuously by the RMWC during the quarterly meetings. In these quarterly meetings, all new and existing risks as well as internal and external factors are brainstormed and discussed while risk exposures are measured and mitigation action plan are formulated according to the magnitude of each risk. The process is important in order to prioritise management focus and resources and to balance the cost and benefits for managing each risk. All identified actions and measures are recorded in the quarterly RMWC meeting minutes. Each risk mitigation action and measure will be followed up every quarter during the quarterly meetings by RMWC and reported by the respective HODs. This is to ensure that these actions and measures are effective and relevant to contain or reduce the risks to satisfactory level.

During the financial year, RMWC has updated its detailed action plan for the various key challenges identified previously on Research & Development, Product Range, Market Place, Production Methodology, Internal Work Culture and Suppliers Capabilities. The following are the key risk areas identified by RMWC:

- **Managing the Exposure of Foreign Currency**

  The Group engages in business activities in foreign currencies. Hence, any adverse fluctuation of Ringgit Malaysia will impact on the Group's financial performance. The Group will continue the monitoring of the trend and make the necessary arrangements to minimise the exchange rate risk.

- **Enhancing the Information Technology ("IT") System Recovery Process**

  The Group's business management software, confidential files and intellectual property information are stored and protected in the Group's servers located in Malaysia. Disaster such as fire, flood, etc. is one of the risk that is faced by the Group.

  The Group has taken precautionary measures to reduce the disruption to business operations by having the data backup at another location and using hardware which can be easily replaced in order to shorten the restoration time.

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

- **Innovating New Technology and Products**

  The automotive industry has always been one of the most receptive industries to emerging technologies. Hence, the Group is facing the challenge that its existing products and/ or technology are out-dated and replace by competitor's product. In order to maintain its competitiveness, the Group took various measures to keep abreast on the latest development on the product technology, benchmarking its existing products against competitor's product and expanding its existing product range.

- **Managing the Manpower and Competency**

  Similar to other companies, the Group faces a common challenge in the form of inadequate competent workforce. To mitigate this risk, various measures and welfare scheme are implemented to attract and retain employees to meeting existing and future needs. These include:

  - Benchmark remuneration packages and staff benefits against market and make necessary adjustment;
  - Provide training and development programme to employee;
  - Expand the recruitment channel and manpower source; and
  - Enhance the interview process by providing assessment guideline to the interviewer and brief the candidate on the working environment and benefits.

- **Enhancing Stock Control**

  The sales and production volume of the Group are mainly driven by the car maker's demand. Hence, the Group is exposed to the risk of over or under stock of inventories in the event that forecast given by customers are volatile.

  To mitigate the risk, the Group have taken various measures which including shortening the purchase lead time and make other necessary arrangements to have better production planning.

  The outcome of the RMWC meetings are then reported to the Board during the board's quarterly meeting.

  At the board level, the Board deliberated strategic business issues and action plans in its periodic board meetings and noted various management review meetings covering status of action plans held at the management level. By doing so, the Board ensures that their decisions are communicated, understood and managed effectively by management. In addition, this also serve as a reinforcement of Board's monitoring and supervision on line management. All issues deliberated in these meetings are recorded in minutes for reference in the future.

  The abovementioned risk management practice is the on-going process used to identify, assess and mitigate risks during the financial year under review and up to the date of approval of this Statement.

Other Key Internal Controls

The Group continues to maintain and retain its generic control framework in its operations. These generic internal controls which have been embedded in the business processes and activities are the management reporting structure, authority and approval limits and procedures, segregation of duties, budgeting, management review procedures as well as the periodic reporting and review of performance.

In addition, the manufacturing arm of the Group is certified under the ISO 14001: 2015 Environmental Management System Certification and the new International Automotive Task Force (IATF) 16949, the harmonised standard for automotive supply chain. These management systems formed the basis of operational procedures in the production processes. Internal quality audits are carried out on quarterly basis while annual surveillance audits are conducted by external certification body to provide assurance of compliance with the ISO and IAFT requirements.

During the financial year, the respective departments have also identified and defined their functional objectives and responsibilities to manage the risk in their respective departments in order to assist the organisation to achieve its goals.

Details of the Internal Audit Function are set out in the Audit and Risk Management Committee Report on pages 19 to 21 of the Annual Report.

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

Management Responsibilities and Assurance

In accordance to the Guidelines, Management is responsible to the Board for: -

- identifying risks relevant to the business of the Group's objectives and strategies implementation;
- designing, implementing and monitoring the risk management framework in accordance with the Group's strategic vision and overall risk appetite; and
- identifying changes to risks or emerging risks, taking action as appropriate and promptly bringing these to the attention of the Board.

As reported under the Risk Management section above, Management has addressed the above responsibilities outlined in the Guidelines. Additionally, the Board has received assurance from the GMD and Chief Financial Officer that, to the best of their knowledge the risk management and internal control systems of the Group are operating adequately and effectively, in all material aspects before producing this Statement.

Board Review and Oversight Mechanism

The Board recognises that the Group is operating in a dynamic business environment. Accordingly, the Board views that risk management and systems of internal control are integral parts of the Group and believes that the way it oversees risk at the Board is critical and will influence the tone and culture for effective risk management at management level.

Presently, the primary risk oversight role of the Group resides in the Board. When reviewing and deliberating risk issues in the Group, the Board is assisted by the Audit and Risk Management Committee ("ARMC") and RMWC in assessing whether the present systems of risk management and internal control provide reasonable assurance that risk is managed appropriately. Quarterly, the RMWC will re-assess, summarise and report the existing and emerging risks and the management progress in managing risks to the Board.

On bi-annual basis and in accordance with the approved internal audit plan, the Internal Auditors conducted the review on the operating processes to assess their effectiveness and adequacy of the internal control and provide their recommendation for improvement accordingly.

Thereafter, the ARMC will support the Board during its review of risk management by reporting to the Board the audit issues highlighted by the Internal and External Auditors. Based on evaluation of the information provided by the ARMC and RMWC, the Board will then deliberate the actions and options needed and delegate the decided actions to GMD for execution.

Management also supplements the Board consideration on effectiveness of the Group risk management systems when reporting their quarterly financial performance and results to the Board and ARMC. With management inputs on the interim financial performance results, the Board and ARMC are able to cross examine the effectiveness of risk management and internal control systems as well as deliberate the integrity of the financial results.

Through the above review processes, the Board has formed its opinion on the state of internal controls and risk management in the Group and make appropriate decision for policies needed in consultation with the executive directors and management in order to better manage the risk faced by the Group.

In light of the step up recommendations under Malaysian Code of Corporate Governance for the establishment of a Risk Management Committee which comprises a majority of independent directors to oversee the Company's risk management framework and policies, the Board had opted to combine the functions of a Risk Management Committee with the functions of the Audit Committee on 1 November 2018 and AC has been appropriately renamed as the Board's Audit and Risk Management Committee.

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

The Board's Conclusion

Based on the review process undertaken, the Board is satisfied that there is an ongoing process for identifying, evaluating and managing significant risks faced by the Group and the existing level of systems of risk management and internal control are effective to enable the Group to achieve its business objectives. The Board also took cognisance that there were no reported material losses resulting from significant control weaknesses.

The Board and Management will continue to ensure that risk management and internal control systems of the Group are continuously improved consistent with the evolving business development. Nonetheless, all stakeholders shall note that all systems of risk management and internal control are designed to manage rather than eliminate the risk threatening the achievement of business objectives. Hence, these systems can only provide reasonable but not absolute assurance against material misstatement and records, or against financial losses or fraud.

Review of Statement on Risk Management and Internal Control by External Auditors

Pursuant to Paragraph 15.23 of the Main Market Listing Requirements, the external auditors have reviewed this Statement on Risk Management and Internal Control for inclusion in the annual report for the financial year ended 31 July 2018. Their review was performed in accordance with Audit and Assurance Practice Guide 3 ("AAPG 3") issued by the Malaysian Institute of Accountants.

Though AAPG 3 does not require the external auditors to consider whether this statement covers all risks and controls or to form an opinion on the effectiveness of the Group's risk management and internal control systems, the external auditors have reported to the Board that nothing has come to their attention that causes them to believe that this Statement is inconsistent with their understanding of the processes the Board has adopted in reviewing the adequacy and effectiveness of the risk management and internal control systems of the Group.

This Statement is made in accordance with the resolution of the Board dated 1 November 2018.

Statement of Directors' Responsibility in Relation to the Financial Statements

This statement is prepared as required by the Listing Requirements of Bursa Malaysia Securities Berhad.

The directors are required by the Companies Act 2016 ("the Act") to prepare financial statements for each financial year so as to give a true and fair view of the financial position of the Group and of the Company and the results and cash flows of the Group and of the Company as at end of the financial year.

During the preparation of the financial statements for the financial year ended 31 July 2018, the directors have ensured that :

- the Group and the Company have adopted appropriate accounting policies and are consistently applied;
- judgements and estimates that are prudent and reasonable have been used;
- all applicable Malaysian Financial Reporting Standards and International Financial Reporting Standards in Malaysia have been complied with;
- the accounting and other records required by the Act are properly kept and disclosed with reasonable accuracy at any time, the financial position of the Group and of the Company which enable them to ensure the financial statements comply with the Act; and
- the financial statements have been prepared on the going concern basis.

The directors have general responsibilities for taking such steps that are reasonably available to them to safeguard the assets of the Group, and to prevent and detect fraud and other irregularities and material misstatements, as described more fully in the corporate governance section of this report. Such system, by their nature, can only provide reasonable and not absolute assurance against material misstatement, loss and fraud.

Chairman's Statement

On behalf of the Board of Directors, I take great pleasure to present the Annual Report and Audited Financial Statements of MCE Holdings Berhad ('Group') for the financial year ended 31 July 2018 ("FY2018").

FY2018 turned out to be a year of upheaval with the automotive market remaining soft and total industry volume recording a marginal decline for the calender year 2017. Management and ownership changes in Proton, a key customer for the Group brought about uncertainties during the period of change.

The Group's Management led by our Group Managing Director had to respond and adapt to these challenges quickly and re-focus the Group's strategies during FY2018 to ensure that the Group remained relevant and able to capitalise on opportunities as and when they arose.

The soft market conditions in the automotive market in which the Group is reliant upon, continued while weak consumers' sentiment and business confidence still prevail. Tight lending rules from financial institution exacerbated the situation.

Against this backdrop, the Group recorded lower revenue of RM62.5 million against RM80.17 million in financial year 2017. For more details on the Group financial performance, please refer to Management Discussion and Analysis on page 35 to 39.

Although car sales volume picked up toward the end of FY18 arising from the declaration of zero rated GST effective from 1st June 2018 to 31st August 2018 the impact of this temporary spike in sales in terms of the Group's business was not felt.

During FY2018, the Management remained focused on implementing strategies to improve efficiency, upgrading of our facilities and equipment to ensure better quality control and other measures deemed necessary to improve the Group's competitive edge.

I believe that with the Management's continuous efforts at implementing cost-reduction initiatives, adoption of process optimisation measures to eliminate wastage while focusing on improving and strengthening on our product quality range and customer satisfaction levels, our competitive advantage will be enhanced and ensure the Group's continued relevance in the industry.

On behalf of the Board, I would like to express my sincere appreciation to the Management and staff for their hard work and dedication during the past year and all customers, suppliers, bankers, business associates and shareholders for their continued support and confidence to the Group.

Finally, I would like to welcome Ms Goh Anne to the Board and thank my fellow Board members for their advice, commitment and guidance in the past year and look forward to their continued support in the future.

SHAMSUDIN @ SAMAD BIN KASSIM
Chairman

Management Discussion and Analysis

OVERVIEW OF GROUP'S BUSINESS

MCE Holdings Berhad ("MCE") and its subsidiaries ("MCE Group" or "Group") is a leading Original Equipment Manufacturer ("OEM") specialising in the full spectrum of design, manufacture and supply of automotive electronics and mechatronic parts for the Malaysian and regional markets.

MCE Group currently has two operational facilities employing over 340 full-time employees, including more than 50 engineers.

The main facility located in Johor Bahru, Johor serves as its core manufacturing hub fully equipped with the latest design and testing facilities as well as doubling as its headquarters and the other in Port Klang, Selangor with its extended manufacturing and warehousing facilities, business development, marketing and customer support office providing extensive warehouse and logistics services directly to its customers.

Both operational facilities is logistically well located to enable MCE Group to stay connected with domestic customers as well as supporting overseas business and export activities via the major air and sea ports in Malaysia.

During the financial year 2014, the MCE Group embarked on a diversification exercise whereby the Group acquired a parcel of freehold commercial land at Mukim Bukit Raja, Daerah Petaling, Negeri Selangor Darul Ehsan ('property') which had been earmarked for a healthcare facility.

The property is strategically located within the commercial hub of Setia Alam township known as Setia City and was acquired at a purchase consideration of RM29,270,000.

The Board had identified the property to allow the Group to diversify into the provision of healthcare services by way of owning, constructing and operating a medical centre/facility and medical related services.

The Group's plans and strategies in this direction is still currently a work-in-progress taking into consideration, the specialised nature of the healthcare industry, the prevailing subdued economic environment and the existing prevailing challenges in the automotive industry in which the Group's main core principle activities is centred upon.

MCE Group strives to provide the best support to all its valuable and esteemed customers and is committed to its mission statement 'to be the leading regional supplier of automotive electronics and mechatronics parts' and its Vision 'to be the main driving force in flourishing the regional automotive industry'.

To achieve its stated – Vision and Mission, the MCE Group is guided by the following Philosophy adopted by Management:

- Human Capital is our greatest asset
- Effective execution is of highest priority
- Leading by example is our belief

For the financial year ended 31 July 2018, the MCE Group's principal activities were organised into 2 main reportable segments as follows: -

Automotive parts	-	involved in manufacturing and trading of automotive parts.
Healthcare services	-	involved in providing health care services. (The Group's healthcare services has not yet commenced business).

The Group operates predominantly in Malaysia. Accordingly, the information by geographical segments is not presented.

OVERVIEW OF GROUP'S BUSINESS AND OPERATIONS DURING THE YEAR

<u>Operating Environment</u>

In year 2017, the Malaysian economy recorded a robust growth of 5.9% (2016: 4.2%) supported by faster expansion in both private and public sector spending. However, the growth rate slowed down in first and second quarter of year 2018 to 5.4% and 4.5% respectively mainly attributed by supply distributions in the mining sector and lower agriculture production *(Source: Bank Negara Malaysia's Annual Report 2017 and Quarterly Bulletin – Second Quarter 2018).*

Management Discussion and Analysis (cont'd)

Despite the robust growth in Malaysian economy in year 2017, the local automotive market had stayed soft. The Total Industry Volume ('TIV') of new vehicles for year 2017 recorded a marginal decline of 3,450 units or 0.6% to reach a total of 576,635 units compared to 580,085 units in year 2016 *(Source: Malaysia Automotive Association's Market Review for 2017 and Outlook for 2018).*

In the first half of year 2018, the TIV of new motor vehicles was 289,714 units against 284,453 units registered in the corresponding period, representing an increase of 1.8%. The higher sales volume can be attributed mainly to the overwhelming demand from consumers particularly in the month of Jun 2018 following the announcement of zero rated Goods and Services Tax *("GST"). (Source: Malaysia Automotive Association's Market Review for 1st Half 2018 Compared to 1st Half 2017).*

In term of the vehicle sales, Perodua maintained its position as the market leader followed by Honda while Proton maintained its' ranking at 3rd but decrease in market shares by 3.4% for period from July 2017 to June 2018. The details are as follows:

Make	**Jul'16-Jun'17**		**Jul'17 – Jun'18**	
	Unit	**%**	**Unit**	**%**
Perodua	209,415	39.8%	222,310	42.8%
Honda	104,703	19.9%	108,338	20.8%
Proton	75,956	14.5%	58,704	11.3%
Others	135,843	25.8%	130,622	25.1%
Total	525,917	100.0%	519,974	100.0%

(Source: Malaysian Automotive Association's Market Review for Year 2016, 1st Half 2017, Year 2017 and 1st Half 2018)

FINANCIAL REVIEW

	FY2018 (RM'000)	**FY2017 (RM'000)**
Revenue	62,539	80,166
(Loss) / Profit before tax	(2,098)	1,967
Finance costs	(292)	(274)
Net (loss) / profit after tax	(1,907)	1,251
Shareholders' equity	89,642	91,549
Total assets	102,430	104,809
Gearing ratio	0.01	0.03
Basic (loss) / earning per share (sen)	(4.29)	2.82
Net assets per stock unit attributable to ordinary equity holders of the Company (RM)	2.02	2.06
Net dividend per share (sen)	-	1.50

The financial year ended 31 July 2018 as anticipated proved to be another difficult and a challenging year for the Group. The significant reduction in revenue of RM 17.63 million were mainly due to the combination of the following:

- Reduction in orders from our key customer Proton in view of the decline in their sales volume; and
- Cost down exercise carried out by all our customers.

The reduction in the revenue had an overall negative effect on the efficient scale of production. This was further exacerbated with RM 0.73 million of cost incurred on account of inventory written off, write down of inventory value and trade financing interest resulting in MCE Group registering an unfavorable performance of RM 2.1 million during financial year 2018.

Management Discussion and Analysis (cont'd)

Capital Structure and Significant Changes to Assets

	FY2018		FY2017	
	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Share Capital		44,405		44,405
Equity attributable to equity holders of the company		89,642		91,549
• Trade Receivable	11,562		14,531	
• Inventories	12,297		13,730	
• Cash and cash equivalents	11,725		13,009	
• Others	1,336		1,383	
Current Assets		36,920		42,653
Non-Current Liabilities		232		960
• Trade and other payables	11,209		8,547	
• Borrowings	1,003		2,313	
• Others	344		1,440	
Current Liabilities		12,556		12,300
Total Liabilities		12,788		13,260
Total Equity and Liabilities		102,430		104,809
Net assets per stock unit attributable to ordinary equity holders of the company (RM)		2.0187		2.0617

Proton Holdings Bhd ('Proton') which is a key customer, saw ownership and management changes during the financial year 2018 following the entry of Zhejiang Geely Holding Group Co. Ltd ('Geely') as a major shareholder with 49.9% equity in DRB-Hicom Bhd, the holding Company for Proton.

Arising from these changes, the Management especially the Group Managing Director spent considerable and significant time in networking, nurturing and building up relationship with the new Key Management of Proton including visits to Geely's headquarters in Zhejiang, China to understand the culture, philosophy, work ethics and plans that Geely has for Proton.

MCE believes that the participation of Geely in Proton is positive and that the strategic turnaround plan implemented by Geely for Proton will in the long term strengthen and improve the fortunes and performance of Proton and ultimately benefit the MCE Group.

The strong commitment towards improving Proton's performance includes the widely known upcoming launch of Proton X70 sport utility vehicle and two yet to be launched new models, including a multipurpose vehicle to replace Proton Exora.

Accordingly, during the financial year 2018, the Group has concentrated on cost cutting measures and prepared for the expected increase in the Government's minimum wage requirement by taking the following measures:

- improvements on efficiency;
- reduction in development lead time;
- considered options to revamp our supply chain;
- upgraded our facilities and equipment to ensure better quality control; and
- semi-automated various processes to reduce the number of workers, cut out human error and improve precision.

All these measures taken and implemented are to ensure the MCE Group builds up its competency, capabilities and efficiency to capitalize on the expected improvements and opportunities that will arise when Proton's strategic turnaround plans crystalises and hopefully translates to improved sales and demand for the Group's products.

Management Discussion and Analysis (cont'd)

The Management believes that with improvements in efficiency and quality, this will result in less rejections and warranty claims and ultimately will translate to its ability to secure more contracts and orders from its customers.

MCE Group continues its effort to improve on sales collection and inventory management as evidenced from the decrease in trade receivables and inventory holding cost by RM 2.97 million and RM 1.43 million respectively. The higher trade payables were derived from increase in raw material purchases which was the consequential effect in the aftermath of increase in car sales volume after declaration of zero rated GST effective from 1 June 2018 by new government.

As stated earlier in respect of its efforts to diversify its income stream, into the healthcare services the Group has thus far proceeded with the preliminary planning and design of the medical centre and are currently exploring the various viable options in respect of this new business.

KNOWN RISKS EXPOSURE

The MCE Group's risks and its mitigation plans are disclosed in detail in the Statement on Risk Management and Internal Control on pages 29 to 32 of this Annual Report.

NEW CONTRACTS SECURED

During the year, the Group had successfully secured contracts to supply various electronic and mechatronic components and parts for PROTON new car models. These contracts are expected to generate total revenue of approximately RM167 million for the Group over a ten-year period.

BUSINESS OUTLOOK AND PROSPECTS

Based on the Malaysian Automotive Association's outlook for the 1st half of 2018, released on 18 July 2018, the following economic and environmental factors were taken into account in their forecast for the TIV 2018:-

a) According to Bank Negara, Malaysia's economy is projected to grow between 5.5% and 6% this year, driven by private domestic and exports expansion as global trade is expected to rise. Similarly, the World Bank, in its latest report on Malaysia, has forecasted the country's economic growth to remain steady at 5.4% for this year.

b) Improved consumer sentiments after the announcement of the zero GST rate and introduction of fuel subsidies by the Pakatan Harapan Government post General Election-14. Consumers spending will increase especially for those in the middle and lower income group. This is expected to boost vehicle sales especially during the period of June to August 2018.

c) Bank Negara's decision at its Monetary Policy Committee (MPC) meeting on 11 July 2018 to the benchmark Overnight Policy Rate (OPR) at 3.25% was seen as supportive of the economic activities. According to Bank Negara, at the current level of the OPR, the degree of monetary accommodativeness was consistent with the policy stance to ensure that the domestic economy continues on a steady growth path.

d) Introduction of new models with latest additional specifications, designs and at very competitive prices can assist to sustain buying interest.

e) Ongoing and more aggressive promotional campaigns by car companies for the rest of the year.

f) The heightened trade tension between the Unites States of America and China could affect sentiments and weigh on trade, investment and consumption.

g) The impact from the re-introduction of Sales and Services Tax on consumers' spending particularly towards the last quarter of the year.

h) Stringent hire purchase lending rules is expected to continue.

Management Discussion and Analysis (cont'd)

For the first six months of 2018, the TIV achieved 289,714 units. This was equivalent to 49.1% of Malaysia Automotive Association (MAA)'s original 2018 forecast of 590,000 units, which was announced during MAA press conference on 23 January 2018.

In view of the above economic and environmental factors, MAA have decided to revise 2018 TIV forecast to 585,000 units.
(Source : Malaysia Automotive Association Press Release on 18 July 2018)

In order to maintain the competitiveness in the local and global automotive market, the Group will continue to enhance its product technology by upgrading its existing production facilities and also mitigate increasing costs through its various cost reduction initiatives which includes improvement of production processes and productivity together with realignment of its supply chain.

The Group is also looking for strategic partners to expand its product range to broaden its existing customer base and capitalise on operational synergies. Subsequent to the financial year end, MCE Group had entered into:

a) Memorandum of Understanding with Suzhou Prachtig Electronic Material Co., Ltd. for the purpose of better managing the Group's supply chain as well as to expand its product range into plastic related automotive parts.

b) Technical Assistance Agreement ("TAA") with Shanghai SIIC Transportation Electric Co., Ltd. ("STEC") where during the term of this TAA, STEC shall grant MCE the right and license to use STEC technology for the development, manufacturing, production, sale, marketing and/or distribution of power window regulators.

The Board is confident that with the strategies and measures put in place, and management's preparedness to knuckle down, the MCE Group's prospects going forward for financial year 2019 barring any unforeseen circumstances should be brighter in the long term.

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 31 July 2018.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding, whilst the principal activities of the subsidiary companies are set out in Note 5 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

RESULTS

	The Group RM	The Company RM
Loss after tax for the financial year	(1,906,559)	(466,343)

DIVIDENDS

No dividend was recommended by the directors for the financial year.

RESERVES AND PROVISIONS

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

ISSUES OF SHARES AND DEBENTURES

During the financial year:-

(a) there were no changes in the issued and paid-up share capital of the Company; and

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

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.

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 there are no known bad debts 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 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.

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.

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

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

Dr Goh Kar Chun
Shamsudin @ Samad Bin Kassim
Loo Shen Chang
Tai Lam Shin
Goh Anne (Appointed on 1.10.2018)

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

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 of the Company and its related corporations during the financial year are as follows:-

	← Number of Ordinary Shares			→
	At 1.8.2017	Bought	Sold	At 31.7.2018
The Company				
Direct Interests				
Dr Goh Kar Chun	9,997,240	-	-	9,997,240
Shamsudin @ Samad Bin Kassim	100,000	-	-	100,000
Tai Lam Shin	20,000	-	-	20,000
Loo Shen Chang	-	-	-	-
Indirect Interest				
Dr Goh Kar Chun^	350,000	-	-	350,000

^ *Deemed interested through spouse's shareholding in the Company.*

By virtue of his shareholdings in the Company, Dr Goh Kar Chun is deemed to have interests in shares in the Company and its related corporations during the financial year to the extent of the Company's interests, in accordance with Section 8 of the Companies Act 2016.

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 receivables 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 31 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.

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 30 to the financial statements.

INDEMNITY AND INSURANCE COST

During the financial year, Directors and Officers of the Group were covered under the Corporate Liability Insurance in respect of liabilities arising from acts committed in their respective capacity as, inter alia, Directors and Officers of the Group subject to the terms of the policy. The aggregate limit of Corporate Liability Insurance effected for the Directors and Officers of the Group was RM3 million. The total amount of premium paid for the Corporate Liability Insurance by the Group was RM14,000. There was no indemnity given to or insurance effected for auditor of the Group.

Directors' Report (cont'd)

SUBSIDIARIES

The details of the Company's subsidiaries are disclosed in Note 5 to the financial statements.

AUDITORS

The auditors, Messrs. Crowe Malaysia (formerly known as Crowe Horwath), have expressed their willingness to continue in office.

The auditors' remuneration are disclosed in Note 25 to the financial statements.

Signed in accordance with a resolution of the directors dated 1 November 2018.

Dr Goh Kar Chun

Shamsudin @ Samad Bin Kassim

Statement By Directors
Pursuant to Section 251(2) of the Companies Act 2016

We, Dr Goh Kar Chun and Shamsudin @ Samad Bin Kassim, being two of the directors of MCE Holdings Berhad, state that, in the opinion of the directors, the financial statements set out on pages 48 to 103 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 31 July 2018 and of their financial performance and cash flows for the financial year ended on that date.

Signed in accordance with a resolution of the directors dated 1 November 2018.

Dr Goh Kar Chun **Shamsudin @ Samad Bin Kassim**

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

I, Goh Anne, MIA Membership Number: 36898, being the officer primarily responsible for the financial management of MCE Holdings Berhad, do solemnly and sincerely declare that the financial statements set out on pages 48 to 103 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
Goh Anne
at Johor Bahru
in the State of Johor
on this 1 November 2018

Goh Anne

Before me

Nur Amreeta Kaur Gubachen Singh
No. J276
Commissioner for Oaths
Johor Bahru

Independent Auditors' Report
To The Members Of MCE Holdings Berhad (Incorporated In Malaysia)
Company No: 1158341 - K

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of MCE Holdings Berhad, which comprise the statements of financial position of the Group and of the Company as at 31 July 2018 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 48 to 103.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 July 2018 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 of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key Audit Matters

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

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

The impairment losses on slow moving and obsolete inventory
Refer to Note 10 in the financial statements

Key Audit Matter	How our audit addressed the Key Audit Matter
The balance of inventories as at 31 July 2018 was RM12,297,041. The carrying value of inventories is stated at the lower of cost and net realisable value. The write-down or write-off of slow moving or obsolete inventories are based on estimates by the management, which have been derived based on specific assessment by the management that involved judgement about the ageing, design and future demand of the inventories. We focused on the sufficiency of the impairment loss provided as the estimation of impairment loss partly depends on the future demand of the respective products which required judgement.	Our procedures included, amongst others:- • performing testing of the operating effectiveness of controls around the inventory business cycle; • attending inventory count at warehouses enables us to assess management's processes for monitoring inventory; • performing audit analytics on inventories holding and movement data to identify inventory with indicators of low inventory turnover or significant levels of aged inventory; • testing the expected volume and price of future sales of inventory by reviewing the price of inventory sold subsequent to the financial year end; • reviewing the historical accuracy of impairment loss on inventory and the level of inventory write-offs during the financial year; and • performing aging test on inventories aging report by selecting samples and checking to the date of stock-in (purchase date and production date) to the appropriate age bracket.

Independent Auditors' Report (cont'd)

To The Members Of MCE Holdings Berhad (Incorporated In Malaysia)
Company No: 1158341 - K

Information Other than the Financial Statements and Auditors' Report Thereon

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

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

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

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

Responsibilities of 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 skepticism 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 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.

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

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 skepticism throughout the audit. We also (cont'd):-

- 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.

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 subsidiary of which we have not acted as auditors, is disclosed in Note 5 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
Firm No.: AF 1018
Chartered Accountants

Piong Yew Peng
Approval No: 03070/06/2019 J
Chartered Accountant

1 November 2018

Johor Bahru

Statements of Financial Position

At 31 July 2018

	Note	The Group 2018 RM	The Group 2017 RM	The Company 2018 RM	The Company 2017 RM
ASSETS					
NON-CURRENT ASSETS					
Investments in subsidiaries	5	-	-	90,910,855	90,910,855
Property, plant and equipment	6	62,920,048	59,758,284	-	-
Investment property	7	1,974,474	1,990,855	-	-
Intangible assets	8	-	349,569	-	-
Deferred tax assets	9	615,301	57,499	-	-
		65,509,823	62,156,207	90,910,855	90,910,855
CURRENT ASSETS					
Inventories	10	12,297,041	13,730,000	-	-
Trade receivables	11	11,562,046	14,530,567	-	-
Other receivables, deposits and prepayments	12	1,020,106	851,846	14,225	14,225
Short-term investments	13	9,307,956	7,663,968	-	-
Amount owing by a subsidiary	14	-	-	-	666,070
Cash and bank balances		2,416,751	5,345,090	216,654	185,793
Current tax assets		316,039	531,450	-	-
		36,919,939	42,652,921	230,879	866,088
TOTAL ASSETS		102,429,762	104,809,128	91,141,734	91,776,943
EQUITY AND LIABILITIES					
EQUITY					
Share capital	15	44,404,702	44,404,702	44,404,702	44,404,702
Reserves	16	45,237,663	47,144,222	46,605,171	47,071,514
TOTAL EQUITY		89,642,365	91,548,924	91,009,873	91,476,216
NON-CURRENT LIABILITIES					
Hire purchase payables	17	108,997	54,117	-	-
Term loan	18	-	762,734	-	-
Deferred tax liabilities	9	122,514	143,271	-	-
		231,511	960,122	-	-
CURRENT LIABILITIES					
Trade payables	19	8,366,953	5,964,121	-	-
Other payables and accruals	20	2,841,644	2,582,704	131,861	300,727
Short-term borrowings	21	1,003,395	2,312,535	-	-
Current tax liabilities		-	95,499	-	-
Provision for warranties	22	343,894	1,345,223	-	-
		12,555,886	12,300,082	131,861	300,727
TOTAL LIABILITIES		12,787,397	13,260,204	131,861	300,727
TOTAL EQUITY AND LIABILITIES		102,429,762	104,809,128	91,141,734	91,776,943

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 31 July 2018

	Note	The Group 2018 RM	The Group 2017 RM	The Company 2018 RM	The Company 2017 RM
REVENUE	23	62,539,164	80,166,007	-	1,776,188
OTHER INCOME		805,649	617,882	3,631	-
CHANGES IN INVENTORIES OF FINISHED GOODS AND WORK-IN-PROGRESS		445,791	(2,904,544)	-	-
RAW MATERIAL AND CONSUMABLES USED		(41,706,582)	(49,309,021)	-	-
PURCHASE OF TRADING INVENTORIES		(344,702)	3,027	-	-
DEPRECIATION AND AMORTISATION		(3,235,800)	(4,823,220)	-	-
EMPLOYEE BENEFITS	24	(15,499,580)	(16,391,946)	(41,500)	(63,000)
OTHER OPERATING EXPENSES		(4,809,608)	(5,116,728)	(428,474)	(339,420)
(LOSS)/PROFIT FROM OPERATIONS		(1,805,668)	2,241,457	(466,343)	1,373,768
FINANCE COSTS		(292,475)	(274,185)	-	-
(LOSS)/PROFIT BEFORE TAX	25	(2,098,143)	1,967,272	(466,343)	1,373,768
TAX INCOME/(EXPENSE)	26	191,584	(715,860)	-	-
(LOSS)/PROFIT AFTER TAX		(1,906,559)	1,251,412	(466,343)	1,373,768
OTHER COMPREHENSIVE INCOME		-	-	-	-
TOTAL COMPREHENSIVE (EXPENSES)/INCOME FOR THE FINANCIAL YEAR		(1,906,559)	1,251,412	(466,343)	1,373,768
(LOSS)/EARNINGS PER SHARE (SEN)	27				
Basic / Diluted		(4.29)	2.82		

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

Statements of Changes in Equity
For the financial year ended 31 July 2018

		Non-Distributable				Distributable			
	Note	Share Capital RM	Share Premium RM	Share Buy-back RM	Foreign Exchange Translation Reserve RM	Retained Profits RM	Attributable to Owners of the Company RM	Non-controlling Interest RM	Total Equity RM
The Group									
Balance as at 1.8.2016		44,404,702	654,456	352,000	(22,346)	45,565,832	90,954,644	8,938	90,963,582
Profit after tax/Total comprehensive income for the financial year		-	-	-	-	1,251,412	1,251,412	-	1,251,412
Contributions by and distributions to owners of the Company:									
- Derecognition of foreign exchange translation reserve upon deconsolidation of foreign subsidiary		-	-	-	22,346	(22,346)	-	-	-
- Derecognition of non-controlling interest upon deconsolidation of foreign subsidiary		-	-	-	-	8,938	8,938	(8,938)	-
- Dividend	28	-	-	-	-	(666,070)	(666,070)	-	(666,070)
		-	-	-	22,346	(679,478)	(657,132)	(8,938)	(666,070)
Balance as at 31.7.2017/1.8.2017		44,404,702	654,456	352,000	-	46,137,766	91,548,924	-	91,548,924
Loss after tax/Total comprehensive expenses for the financial year		-	-	-	-	(1,906,559)	(1,906,559)	-	(1,906,559)
Balance as at 31.7.2018		44,404,702	654,456	352,000	-	44,231,207	89,642,365	-	89,642,365

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

Statements of Changes in Equity (cont'd)
For the financial year ended 31 July 2018

	Note	← Non-Distributable → Share Capital RM	Capital Reserve RM	Distributable (Accumulated Loss)/ Retained profit RM	Total Equity RM
The Company					
Balance as at 1.8.2016		44,404,702	46,506,155	(142,339)	90,768,518
Profit after tax/Total comprehensive income for the financial year		-	-	1,373,768	1,373,768
Distributions to owners of the Company:					
- Dividend	28	-	-	(666,070)	(666,070)
Balance as at 31.7.2017/1.8.2017		44,404,702	46,506,155	565,359	91,476,216
Loss after tax/Total comprehensive expenses for the financial year		-	-	(466,343)	(466,343)
Balance as at 31.7.2018		44,404,702	46,506,155	99,016	91,009,873

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

Statements of Cash Flows

For the financial year ended 31 July 2018

	Note	The Group 2018 RM	The Group 2017 RM	The Company 2018 RM	The Company 2017 RM
Cash flows from operating activities					
(Loss)/Profit before tax		(2,098,143)	1,967,272	(466,343)	1,373,768
Adjustments for:-					
Amortisation of golf club membership		1,941	1,941	-	-
Amortisation of intangible assets		349,569	734,833	-	-
Depreciation of property, plant and equipment		2,867,909	4,070,066	-	-
Depreciation of investment property		16,381	16,381	-	-
Dividend income		-	-	-	(1,776,188)
Loss on disposal of property, plant and equipment		16,362	147,889	-	-
(Gain)/Loss on foreign exchange					
- unrealised		(14,927)	52,245	-	-
Impairment losses on other receivables		4,000	-	-	-
Inventories written down to net realisable value		80,854	14,771	-	-
Inventories written off		468,484	606,087	-	-
Property, plant and equipment written off		13,773	33,015	-	-
Provision for warranties		32,226	191,904	-	-
Reversal of provision of warranties		(582,433)	(645,943)	-	-
Short term accumulated compensated absences		105,810	184,827	-	-
Interest income		(65,200)	(113,730)	(3,631)	-
Fair value gain on short-term investments		(359,181)	(173,303)	-	-
Interest expense		292,475	274,185	-	-
Operating profit/(loss) before working capital changes		1,129,900	7,362,440	(469,974)	(402,420)
Decrease in inventories		883,621	2,283,686	-	-
Decrease/(Increase) in trade and other receivables		2,794,320	(251,658)	-	3,883
Increase/(Decrease) in trade and other payables		2,570,889	(2,791,638)	(168,866)	220,371
Warranty paid		(451,122)	(525,039)	-	-
Cash generated from/(used in) operations					
Balance carried forward		6,927,608	6,077,791	(638,840)	(178,166)
Interest paid		(292,475)	(274,185)	-	-
Income tax paid		(534,849)	(397,139)	-	-
Income tax refunded		267,786	52,404	-	-
Net cash generated from/(used in) operating activities		6,368,070	5,458,871	(638,840)	(178,166)

Statements of Cash Flows (cont'd)
For the financial year ended 31 July 2018

	Note	The Group 2018 RM	The Group 2017 RM	The Company 2018 RM	The Company 2017 RM
Cash flows from investing activities					
Dividend received		-	-	666,070	1,110,118
Interest income received		65,200	113,730	3,631	-
Net changes in investment securities		359,181	173,303	-	-
Purchase of property, plant and equipment	29(a)	(5,880,091)	(2,628,716)	-	-
Proceeds from disposal of property, plant and equipment		20,283	171,901	-	-
Net cash (used in)/generated from investing activities		(5,435,427)	(2,169,782)	669,701	1,110,118
Cash flows from financing activities					
Drawdown of bankers' acceptance	29(b)	121,000	-	-	-
Dividend paid		-	(666,070)	-	(666,070)
Repayment to a subsidiary		-	-	-	(90,091)
Repayment of hire purchase obligations	29(b)	(130,851)	(358,851)	-	-
Repayment of term loan	29(b)	(2,207,143)	(2,090,456)	-	-
Net cash used in financing activities		(2,216,994)	(3,115,377)	-	(756,161)
Net (decrease)/increase in cash and cash equivalents		(1,284,351)	173,712	30,861	175,791
Cash and cash equivalents at beginning of the financial year		13,009,058	12,835,346	185,793	10,002
Cash and cash equivalents at end of the financial year	29(c)	11,724,707	13,009,058	216,654	185,793

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

Notes to the Financial Statements
For the financial year ended 31 July 2018

1. GENERAL INFORMATION

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

Registered office	: Suite 5.11 & 5.12 5th Floor, Menara TJB No. 9, Jalan Syed Mohd. Mufti 80000 Johor Bahru Johor
Principal place of business	: No. 2 & 4, Jalan Waja 7 Kawasan Perindustrian Pandan 81100 Johor Bahru Johor

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors dated 1 November 2018.

2. PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding, whilst the principal activities of the subsidiary companies are set out in Note 5 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

3. BASIS OF PREPARATION

The financial statements of the Group are prepared under the 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 ("IFRSs") and the requirements of the Companies Act 2016 in Malaysia.

3.1 During the current financial year, the Group has adopted the following applicable new accounting standards (including the consequential amendments, if any):-

MFRSs (Including The Consequential Amendments)
Amendments to MFRS 107: Disclosure Initiative
Amendments to MFRS 112: Recognition of Deferred Tax Assets for Unrealised Losses
Annual Improvements to MFRS Standards 2014 – 2016 Cycles: Amendments to MFRS 12: Clarification of the Scope of the Standard

The adoption of the above accounting standards (including the consequential amendments, if any) did not have any material impact on the Group's financial statements.

3. BASIS OF PREPARATION (CONT'D)

3.2 The Group has not applied in advance the following applicable accounting standards and/or interpretations (including the consequential amendments, if any) that have been issued by the Malaysian Accounting Standards Board (MASB) but are not yet effective for the current financial year:-

MFRSs and/or IC Interpretations (Including The Consequential Amendments)	Effective Date
MFRS 9 Financial Instruments (IFRS 9 as issued by IASB in July 2014)	1 January 2018
MFRS 15 Revenue from Contracts with Customers	1 January 2018
MFRS 16 Leases	1 January 2019
IC Interpretation 22 Foreign Currency Transactions and Advance Consideration	1 January 2018
IC Interpretation 23 Uncertainty over Income Tax Treatments	1 January 2019
Amendments to MFRS 9: Prepayment Features with Negative Compensation	1 January 2019
Amendments to MFRS 15: Effective Date of MFRS 15	1 January 2018
Amendments to MFRS 15: Clarifications to MFRS 15 'Revenue from Contracts with Customers'	1 January 2018
Amendments to MFRS 140 – Transfers of Investment Property	1 January 2018
Amendments to References to the Conceptual Framework in MFRS Standards	1 January 2020
Annual Improvements to MFRS Standards 2015 – 2017 Cycles	1 January 2019

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:-

MFRS 9 Financial Instruments

MFRS 9 (IFRS 9 issued by IASB in July 2014) replaces the existing guidance in MFRS 139 Financial Instruments: Recognition and Measurement and introduces a revised guidance on the classification and measurement of financial instruments, including a single forward-looking "expected loss" impairment model for calculating impairment on financial assets, and a new approach to hedge accounting. Under this MFRS 9, the classification of financial assets is driven by cash flow characteristics and the business model in which a financial asset is held.

Furthermore, pursuant to MFRS 9, it will no longer be necessary for a loss event to occur before an impairment loss is recognised. Instead, the Group is required to recognise and measure a lifetime expected credit loss ("ECL") on its debt instruments. This application will result in earlier recognition of credit losses. The impact from implementation of MFRS 9 and the determination of ECL is expected to be immaterial to the Group.

MFRS 15 Revenue from Contracts with Customers

MFRS 15 establishes a single comprehensive model for revenue recognition and will supersede the current revenue recognition guidance and other related interpretations when it becomes effective. Under MFRS 15, an entity shall recognise revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the distinct promised goods or services underlying the particular performance obligation is transferred to the customers. The amendments to MFRS 15 further clarify the concept of 'distinct' for the purposes of this accounting standard. In addition, extensive disclosures are also required by MFRS 15 about the nature, amount, timing and uncertainty of revenue and cash flows from contracts with customers.

The adoption of MFRS 15 is expected to have no material impact on the financial statements of the Group upon its initial application.

Notes to the Financial Statements
For the financial year ended 31 July 2018 (cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Key Sources of Estimation of Uncertainties

Management believes that there are no key assumptions made concerning the future, and other key sources of estimation of uncertainties 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) Depreciation of Property, Plant and Equipment

The estimates for the residual values, useful lives and related depreciation charges for the property, plant and equipment are based on commercial factors which could change significantly as a result of technical innovations and competitors' actions in response to the market conditions. Changes in the expected level of usage and technological development could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised. The carrying amount of property, plant and equipment as at the reporting date is disclosed in Note 6 to the financial statements.

(b) Amortisation of Intangible Assets

The estimates for the useful lives and related amortisation charges for the intangible assets are based on commercial factors which could change significantly as a result of technical innovations and competitors' actions in response to the market conditions. Changes in the expected level of usage and technological development could impact the economic useful lives of these assets, therefore future amortisation charges could be revised.

(c) Impairment of Other Non-Financial Assets

The Group determines whether its property, plant and equipment and investment properties are 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 and investment properties as at the reporting date are disclosed in Note 6 and Note 7 to the financial statements.

(d) Income Taxes

There are certain transactions and computations for which the ultimate tax determination may be different from the initial estimate. The Group recognises tax liabilities based on its understanding of the prevailing tax laws and estimates of whether such taxes will be due in the ordinary course of business. Where the final outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax expense and deferred tax balances in the year in which such determination is made.

(e) Deferred Tax Assets

Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unabsorbed capital allowances to the extent that it is probable that future taxable profits would be available against which the deductible temporary differences, unused tax losses and unabsorbed capital allowances could be utilised. Management judgement is required to determine the amount of deferred tax assets that can be recognised, based on the assessment of the probability of the future taxable profits. The carrying amount of deferred tax assets as at the reporting date is disclosed in Note 9 to the financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

Key Sources of Estimation of Uncertainties (Cont'd)

(f) 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 10 to the financial statements.

(g) Impairment of Trade Receivables

An impairment loss is recognised when there is objective evidence that a financial asset is impaired. Management specifically reviews its trade receivables and analyses their historical bad debts, customer concentrations, customer creditworthiness, current economic trends and changes in the customer payment terms when making a judgment to evaluate the adequacy of the allowance for impairment losses. Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. If the expectation is different from the estimation, such difference will impact the carrying value of receivables.

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:-

(a) 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.

Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as investment property.

(b) Classification of Leasehold Land

The classification of leasehold land as a finance lease or an operating lease requires the use of judgement in determining the extent to which risks and rewards incidental to its ownership lie. Despite the fact that there will be no transfer of ownership by the end of the lease term and that the lease term does not constitute the major part of the indefinite economic life of the land, management considered that the present value of the minimum lease payments approximated to the fair value of the land at the inception of the lease. Accordingly, management judged that the Group has acquired substantially all the risks and rewards incidental to the ownership of the land through a finance lease.

Notes to the Financial Statements
For the financial year ended 31 July 2018 (cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

Critical Judgements Made in Applying Accounting Policies (Cont'd)

(c) Fair Value Estimates for Certain Financial Assets and Financial Liabilities

The Group carries certain financial assets and financial liabilities at fair value, which requires extensive use of accounting estimates and judgement. While significant components of fair value measurement were determined using verifiable objective evidence, the amount of changes in fair value would differ if the Group uses different valuation methodologies. Any changes in fair value of these assets and liabilities would affect profit and/or equity.

(d) Provision for Warranties

Judgement is involved in estimating the extent of the Group's liability on products under warranty. Factors considered include historical levels of warranty claims, stability of production process and product defect rate. The warranty provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Such adjustments will impact the profit or loss in the period in which the estimates are revised.

4.2 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 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 consideration 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 statement of financial position, separately from the 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.

Notes to the Financial Statements
For the financial year ended 31 July 2018 (cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.2 BASIS OF CONSOLIDATION (CONT'D)

(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.

(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 139 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

4.3 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.

(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.

Notes to the Financial Statements
For the financial year ended 31 July 2018 (cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.3 FUNCTIONAL AND FOREIGN CURRENCIES (CONT'D)

(c) Foreign Operations (Cont'd)

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 operation and are recognised in other comprehensive income.

4.4 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. Interest, 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. Transaction costs that are directly attributable to the acquisition or issue of the financial instrument (other than a financial instrument at fair value 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.4 FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Assets

On initial recognition, financial assets are classified as either financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables financial assets, or available-for-sale financial assets, as appropriate.

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

Financial assets are classified as financial assets at fair value through profit or loss when the financial asset is either held for trading or is designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. Derivatives are also classified as held for trading unless they are designated as hedges.

Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. Dividend income from this category of financial assets is recognised in profit or loss when the Group's right to receive payment is established.

Financial assets at fair value through profit or loss could be presented as current assets or non-current assets. Financial assets that are held primarily for trading purposes are presented as current assets whereas financial assets that are not held primarily for trading purposes are presented as current assets or non-current assets based on the settlement date.

(ii) Held-to-maturity Investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the management has the positive intention and ability to hold to maturity. Held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment loss, with interest income recognised in profit or loss on an effective yield basis.

Held-to-maturity investments are classified as non-current assets, except for those having maturity within 12 months after the reporting date which are classified as current assets.

(iii) Loans and Receivables Financial Assets

Trade receivables and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables financial assets. Loans and receivables financial assets are measured at amortised cost using the effective interest method, less any impairment loss. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

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) through the expected life of the financial asset, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Loans and receivables financial assets are classified as current assets, except for those having settlement dates later than 12 months after the reporting date which are classified as non-current assets.

Notes to the Financial Statements
For the financial year ended 31 July 2018 (cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.4 FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Assets (Cont'd)

(iv) Available-for-sale Financial Assets

Available-for-sale financial assets are non-derivative financial assets that are designated in this category or are not classified in any of the other categories.

After initial recognition, available-for-sale financial assets are remeasured to their fair values at the end of each reporting period. Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the fair value reserve, with the exception of impairment losses. On derecognition, the cumulative gain or loss previously accumulated in the fair value reserve is reclassified from equity into profit or loss.

Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive payments is established.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less accumulated impairment losses, if any.

Available-for-sale financial assets are classified as non-current assets unless they are expected to be realised within 12 months after the reporting date.

(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. Derivatives are also classified as held for trading unless they are designated as hedges.

(ii) Other Financial Liabilities

Other financial liabilities are initially measured at fair value plus directly attributable transaction costs and 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 through the expected life of the financial liability, or, where appropriate, a shorter period.

Financial liabilities are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

(c) Equity Instruments

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

Notes to the Financial Statements
For the financial year ended 31 July 2018 (cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.4 FINANCIAL INSTRUMENTS (CONT'D)

(d) Derecognition

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

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. 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.

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 Group, 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.

4.5 INVESTMENTS IN SUBSIDIARIES

Investments in 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.

4.6 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, other than freehold land, are stated at cost less accumulated depreciation and any impairment losses. Freehold land is stated at cost less 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.6 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

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	95 years
Buildings	2%
Moulds	6% - 20%
Plant and machinery	10% - 17%
Motor vehicles	20%
Equipment, air-conditioner, signboard and furniture and fittings	2% - 20%
Renovation	2% - 10%
Electrical Installation	2% - 10%
Computer and loose tools	10% - 20%

Capital work-in-progress included in property, plant and equipment are 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 amounts, method and periods of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of the 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.

4.7 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. The buildings are depreciated at annual rate of 2%. Freehold land is not depreciated.

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.

Notes to the Financial Statements
For the financial year ended 31 July 2018 (cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.8 INTANGIBLE ASSETS

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.

4.9 IMPAIRMENT

(a) Impairment of Financial Assets

All financial assets (other than those categorised at fair value through profit or loss and investments in subsidiaries), are assessed at the end of each reporting period whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. For an equity instrument, a significant or prolonged decline in the fair value below its cost is considered to be an objective evidence of impairment.

An impairment loss in respect of loans and receivables financial assets is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

An impairment loss in respect of unquoted equity instrument that is carried at cost is recognised in profit or loss and is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.9 IMPAIRMENT (CONT'D)

(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 the end of each reporting period for impairment when 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. When the carrying amount of an asset exceeds its recoverable amount, 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 costs 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 estimates the recoverable amount of the cash-generating unit to which the asset belongs.

An impairment loss is recognised in profit or loss.

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.

4.10 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.

Notes to the Financial Statements
For the financial year ended 31 July 2018 (cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.11 INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost of raw material is determined on the weighted average cost method and comprises the purchase price and incidentals incurred in bringing the inventories to their present location and condition. Cost of finished goods and work-in-progress includes costs of materials and labour and an appropriate proportion of production overheads based on normal operating capacity.

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

4.12 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.

4.13 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 unwinding of the discount is recognised as interest expense in profit or loss.

Warranties

A provision for warranties is recognised based on the best estimated liabilities to repair or replace products when the underlying products are sold. The estimated liabilities are based on historical warranty data and a weighting of all possible outcome against their associated probabilities.

4.14 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.

4.15 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).

Notes to the Financial Statements
For the financial year ended 31 July 2018 (cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.15 INCOME TAXES (CONT'D)

(b) Deferred Tax

Deferred tax is recognised using the liability method for all temporary differences other than those that arise 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.

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.

4.16 OPERATING SEGMENT

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 to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

4.17 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.

4.18 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.

Notes to the Financial Statements
For the financial year ended 31 July 2018 (cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.19 FAIR VALUE MEASUREMENT

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, 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.

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.

4.20 REVENUE AND OTHER INCOME

Revenue is measured at the fair value of the consideration received or receivable, net of returns, goods and services tax, cash and trade discounts.

(a) Sale of Goods

Revenue from sale of goods is recognised when significant risks and rewards of ownership of the goods have been transferred to the buyer and where the Group does not have continuing managerial involvement and effective control over the goods sold.

(b) Interest Income

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

(c) Dividend Income

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

(d) Rental Income

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

Notes to the Financial Statements
For the financial year ended 31 July 2018 (cont'd)

5. INVESTMENTS IN SUBSIDIARIES

	The Company	
	2018 RM	2017 RM
Unquoted shares, at cost	90,910,855	90,910,855

The details of the subsidiaries are as follows:-

Name of Subsidiary	Principal Place of Business/ Country of Incorporation	Percentage of Issued Share Capital Held by Parent 2018 %	Percentage of Issued Share Capital Held by Parent 2017 %	Principal Activities
Multi-Code Electronics Industries (M) Berhad	Malaysia	100	100	Investment holding, manufacture and assembly of automotive parts
Subsidiaries of Multi-Code Electronics Industries (M) Berhad				
Beaucar Accessories (M) Sdn. Bhd.	Malaysia	100	100	Trading in auto accessories
Multi-Code Technologies (M) Sdn. Bhd.	Malaysia	100	100	Manufacture and assembly of automotive lightings
Vantage Realm Sdn. Bhd.	Malaysia	100	100	Investment holding and provide healthcare services
Multi-Code Electronics Industries (India) Pvt Ltd ("MCE India")^	India	60	60	Dormant
Subsidiary of Vantage Realm Sdn. Bhd.				
Vantage Medical Centre Sdn. Bhd.	Malaysia	100	100	Dormant

^ *In previous financial year, Board of Directors of the Company resolved to apply to strike off MCE India. The financial statements of MCE India were not audited as it is in the process of striking off and it does not have material impact on the Group's earnings and net assets.*

6. PROPERTY, PLANT AND EQUIPMENT

The Group	At 1.8.2017 RM	Additions RM	Adjustment (Note (c) below) RM	Reclassification RM	Disposal RM	Written Off RM	Depreciation Charges RM	At 31.7.2018 RM
2018								
Carrying Amount								
Freehold land	34,952,985	-	-	-	-	-	-	34,952,985
Leasehold land	2,405,546	-	-	-	-	-	(27,285)	2,378,261
Buildings	10,590,363	-	-	-	-	-	(311,808)	10,278,555
Moulds, plant and machinery	3,418,345	1,745,693	(231,176)	-	-	-	(1,565,638)	3,367,224
Motor vehicles	850,616	526,656	-	-	(36,645)	-	(129,909)	1,210,718
Other assets*	3,677,960	1,343,041	(8,784)	29,440	-	(13,773)	(833,269)	4,194,615
Capital work-in-progress	3,862,469	2,704,661	-	(29,440)	-	-	-	6,537,690
	59,758,284	6,320,051	(239,960)	-	(36,645)	(13,773)	(2,867,909)	62,920,048

The Group	At 1.8.2016 RM	Additions RM	Disposal RM	Written Off RM	Depreciation Charges RM	At 31.7.2017 RM
2017						
Carrying Amount						
Freehold land	34,952,985	-	-	-	-	34,952,985
Leasehold land	2,432,830	-	-	-	(27,284)	2,405,546
Buildings	10,726,947	164,275	-	-	(300,859)	10,590,363
Moulds, plant and machinery	5,600,943	570,505	-	-	(2,753,103)	3,418,345
Motor vehicles	1,349,399	47,000	(319,520)	-	(226,263)	850,616
Other assets*	3,829,010	644,792	(270)	(33,015)	(762,557)	3,677,960
Capital work-in-progress	2,660,325	1,202,144	-	-	-	3,862,469
	61,552,439	2,628,716	(319,790)	(33,015)	(4,070,066)	59,758,284

Notes to the Financial Statements
For the financial year ended 31 July 2018 (cont'd)

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

The Group	At Cost RM	Accumulated Depreciation and Impairment Losses RM	Carrying Amount RM
2018			
Freehold land	35,372,985	(420,000)	34,952,985
Leasehold land	2,587,440	(209,179)	2,378,261
Buildings	12,530,186	(2,251,631)	10,278,555
Moulds, plant and machinery	29,483,672	(26,116,448)	3,367,224
Motor vehicles	2,160,692	(949,974)	1,210,718
Other assets*	15,474,236	(11,279,621)	4,194,615
Capital work-in-progress	6,537,690	-	6,537,690
	104,146,901	(41,226,853)	62,920,048
2017			
Freehold land	35,372,985	(420,000)	34,952,985
Leasehold land	2,587,440	(181,894)	2,405,546
Buildings	12,530,186	(1,939,823)	10,590,363
Moulds, plant and machinery	27,969,155	(24,550,810)	3,418,345
Motor vehicles	1,730,344	(879,728)	850,616
Other assets*	14,290,903	(10,612,943)	3,677,960
Capital work-in-progress	3,862,469	-	3,862,469
	98,343,482	(38,585,198)	59,758,284

* Other assets comprise air-conditioner, equipment, furniture and fittings, renovation, electrical installation, signboard, computers and loose tools.

(a) Included in the property, plant and equipment of the Group at the end of the reporting period were motor vehicles with a total carrying amount of RM556,837 (2017: RM252,257), which were acquired under hire purchase terms. These leased assets have been pledged as security for the related finance lease liabilities of the Group as disclosed in Note 17 to the financial statements.

Notes to the Financial Statements
For the financial year ended 31 July 2018 (cont'd)

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

(b) The land and buildings of the Group have been pledged to licensed banks as security for banking facilities granted to the Group as disclosed in Notes 18 and 21 to the financial statements are as follows:-

	The Group	
	2018 RM	2017 RM
Leasehold land	2,378,261	2,405,545
Freehold land	3,710,000	3,710,000
Buildings	9,566,934	9,855,044
	15,655,195	15,970,589

(c) The Group have sold some tooling and moulds to a customer and the cost of tooling and moulds have been adjusted to "Purchase of Trading Inventories" line item of the statement of profit or loss and other comprehensive income.

7. INVESTMENT PROPERTY

	The Group	
	2018 RM	2017 RM
Cost	2,057,140	2,057,140
Accumulated depreciation and impairment losses:-		
At beginning of the financial year	(66,285)	(49,904)
Depreciation during the financial year	(16,381)	(16,381)
At end of the financial year	(82,666)	(66,285)
	1,974,474	1,990,855
Represented by:-		
Freehold land	1,240,000	1,240,000
Buildings	734,474	750,855
At end of the financial year	1,974,474	1,990,855
Fair value	2,500,000	2,500,000
Recognised in profit or loss:-		
Rental income	72,000	132,000
Direct operating expenses		
- income generating investment properties	19,999	24,685

(a) The freehold land and buildings have been pledged to a licensed bank as securities for banking facilities granted to the Group as disclosed in Note 21 to the financial statements.

(b) The fair values of the investment property are within level 2 of the fair value hierarchy and are arrived at by reference to market evidence of transaction prices for similar properties and are performed by registered valuers having appropriate recognised professional qualification and recent experience in the locations and category of properties being valued.

Notes to the Financial Statements
For the financial year ended 31 July 2018 (cont'd)

8. INTANGIBLE ASSETS

	The Group 2018 RM	The Group 2017 RM
Cost	5,441,602	5,441,602
Accumulated amortisation:-		
At beginning of the financial year	(5,092,033)	(4,357,200)
Amortisation for the financial year	(349,569)	(734,833)
At end of the financial year	(5,441,602)	(5,092,033)
	-	349,569

The intangible assets represent development costs which were incurred in respect of new automotive lighting projects secured from a major customer and amortised over the estimated useful life of five years. Their amortisation charges are recognised in profit or loss under the "Depreciation and Amortisation" line item.

9. DEFERRED TAX ASSETS/(LIABILITIES)

The Group	At 1.8.2017 RM	Recognised in Profit or Loss (Note 26) RM	At 31.7.2018 RM
2018			
Deferred Tax Assets			
Provisions	532,801	(227,718)	305,083
Unabsorbed capital allowance	543,237	621,566	1,164,803
Unutilised tax incentives	28,037	11,708	39,745
Unused tax losses	35,813	363,335	399,148
Unrealised foreign exchange	991	(78)	913
	1,140,879	768,813	1,909,692
Deferred Tax Liabilities			
Intangible assets	(83,896)	83,896	-
Investment property	(180,205)	3,931	(176,274)
Property, plant and equipment	(962,550)	(278,081)	(1,240,631)
	(1,226,651)	(190,254)	(1,416,905)
	(85,772)	578,559	492,787

9. DEFERRED TAX ASSETS/(LIABILITIES) (CONT'D)

The Group	At 1.8.2016 RM	Recognised in Profit or Loss (Note 26) RM	At 31.7.2017 RM
2017			
Deferred Tax Assets			
Provisions	774,952	(242,151)	532,801
Unabsorbed capital allowance	854,500	(311,263)	543,237
Unutilised tax incentives	-	28,037	28,037
Unused tax losses	77,300	(41,487)	35,813
Unrealised foreign exchange	-	991	991
	1,706,752	(565,873)	1,140,879
Deferred Tax Liabilities			
Intangible assets	(260,257)	176,361	(83,896)
Investment property	-	(180,205)	(180,205)
Property, plant and equipment	(1,197,453)	234,903	(962,550)
Unrealised foreign exchange	(2,900)	2,900	-
	(1,460,610)	233,959	(1,226,651)
	246,142	(331,914)	(85,772)

Certain deferred tax assets and deferred tax liabilities have been offset in accordance with the Group's accounting policy. The following is an analysis of the deferred tax balances for statements of financial position purposes:

	The Group 2018 RM	The Group 2017 RM
Deferred tax assets	615,301	57,499
Deferred tax liabilities	(122,514)	(143,271)
	492,787	(85,772)

Notes to the Financial Statements
For the financial year ended 31 July 2018 (cont'd)

10. INVENTORIES

	The Group	
	2018 RM	2017 RM
Raw materials	7,647,176	10,504,399
Finished goods	3,153,051	2,707,260
Goods-in-transit	1,496,814	518,341
	12,297,041	13,730,000
Recognised in profit or loss:-		
Inventories recognised as cost of sales	56,403,328	68,287,124
Inventories written off	468,484	606,087
Amount written down to net realisable value	80,854	14,771

11. TRADE RECEIVABLES

The Group's normal trade credit terms range from 30 to 90 (2017: 30 to 90) days.

12. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	The Group		The Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Other receivables:-				
Third parties	36,560	264,137	-	-
Partial payments to suppliers for services not yet rendered	134,299	42,900	-	-
Goods and services tax recoverable	149,052	5,308	-	-
	319,911	312,345	-	-
Deposits	203,344	212,521	-	-
Prepayments	500,851	326,980	14,225	14,225
	1,024,106	851,846	14,225	14,225
Accumulated impairment losses	(4,000)	-	-	-
	1,020,106	851,846	14,225	14,225
Accumulated impairment losses:-				
At beginning of the financial year	-	-	-	-
Addition during the financial year	4,000	-	-	-
At end of the financial year	4,000	-	-	-

The partial payments to suppliers will be offset against future purchases from the suppliers.

Notes to the Financial Statements
For the financial year ended 31 July 2018 (cont'd)

13. SHORT-TERM INVESTMENTS

The short-term investments represent monies deposited into money market and fixed income fund. These investments are highly liquid which are readily convertible to known amount of cash, and subject to an insignificant risk of change in value.

The weighted average effective interest rate at the end of the reporting period was 3.42% (2017: 3.18%). There is no maturity period for the invested fund as these monies are callable on demand.

14. AMOUNT OWING BY A SUBSIDIARY

In previous financial year, the amount owing represents a dividend receivable from a subsidiary which was paid during the financial year.

15. SHARE CAPITAL

	The Group / The Company			
	2018	2017	2018	2017
	Number Of Shares		RM	RM
Issued and Fully Paid-Up				
Ordinary Shares with No Par Value	44,404,702	44,404,702	44,404,702	44,404,702

The holders of ordinary 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.

16. RESERVES

	The Group		The Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
Non-distributable reserves				
- Share premium	654,456	654,456	-	-
- Share buy-back reserves	352,000	352,000	-	-
- Capital reserve	-	-	46,506,155	46,506,155
	1,006,456	1,006,456	46,506,155	46,506,155
Distributable reserve				
- Retained profits	44,231,207	46,137,766	99,016	565,359
	45,237,663	47,144,222	46,605,171	47,071,514

Notes to the Financial Statements
For the financial year ended 31 July 2018 (cont'd)

16. RESERVES (CONT'D)

(a) Share Premium

The Company has adopted the transitional provisions set out in Section 618(3) of the Companies Act 2016 ("Act") where the sum standing to the credit of the share premium may be utilised within twenty four (24) months from the commencement date of 31 January 2017 in the manner as allowed for under the Act. Therefore, the Group has not consolidated the share premium into share capital until the expiry of the transitional period.

(b) Share Buy-back Reserves

The share buy-back reserves arose from the purchase of own shares by the subsidiary namely Multi-Code Electronics Industries (M) Berhad when it was listed on Bursa Malaysia.

(c) Capital Reserve

The capital reserve arose from the internal reorganisation.

17. HIRE PURCHASE PAYABLES (SECURED)

	The Group	
	2018	**2017**
	RM	**RM**
Minimum hire purchase payments:		
- not later than 1 year	126,218	109,644
- later than 1 year and not later than 5 years	113,053	54,806
	239,271	164,450
Less: Future finance charges	(11,279)	(5,607)
Present value of hire purchase payables	227,992	158,843
Analysed by:-		
Current liabilities (Note 21)	118,995	104,726
Non-current liabilities	108,997	54,117
	227,992	158,843

(a) The hire purchase payables of the Group are secured by the Group's motor vehicles under finance leases as disclosed in Note 6(a) to the financial statements. The hire purchase arrangements are expiring between 1 to 3 (2017: 1 to 2) years.

(b) The hire purchase payables of the Group at the end of the reporting period bore effective interest rates ranging from 4.52% - 4.58% (2017: 4.58%). The interest rates are fixed at the inception of the hire purchase arrangements.

18. TERM LOAN (SECURED)

	The Group	
	2018	2017
	RM	RM
Current liabilities (Note 21)	763,400	2,207,809
Non-current liabilities	-	762,734
	763,400	2,970,543

(a) The term loan is secured by:-

(i) first party first and second fixed legal charges over leasehold land and factory building of the Group as disclosed in Note 6 to the financial statements; and

(ii) corporate guarantee provided by the Company.

(b) The interest rate profile of the term loan is summarised below:-

	Effective interest rate		The Group	
	2018	2017	2018	2017
	%	%	RM	RM
Floating rate term loan	5.70%	5.40%	763,400	2,970,543

19. TRADE PAYABLES

The normal trade credit term granted to the Group ranging from 30 to 90 (2017: 30 to 90) days.

20. OTHER PAYABLES AND ACCRUALS

	The Group		The Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
Other payables:-				
Third parties	908,641	554,058	-	-
Goods and services tax payable	-	163,502	-	-
	908,641	717,560	-	-
Deposits received	246,662	35,000	-	-
Accruals	1,686,341	1,830,144	131,861	300,727
	2,841,644	2,582,704	131,861	300,727

Notes to the Financial Statements
For the financial year ended 31 July 2018 (cont'd)

21. SHORT-TERM BORROWINGS

	The Group	
	2018 RM	2017 RM
Bankers' acceptance	121,000	-
Hire purchase payables (Note 17)	118,995	104,726
Term loan (Note 18)	763,400	2,207,809
	1,003,395	2,312,535

The bankers' acceptance of the Group are drawn for a period of up to 21 days and bore interest at 3.35% per annum.

The bankers' acceptance is secured by:-

(i) first party legal charges over freehold land and factory buildings of the Group as disclosed in Notes 6 and 7 to the financial statements; and

(ii) corporate guarantee provided by the Company.

22. PROVISION FOR WARRANTIES

	The Group	
	2018 RM	2017 RM
At beginning of the financial year	1,345,223	2,324,301
Provision made during the financial year (Note 25)	32,226	191,904
Warranties claimed during the financial year	(451,122)	(525,039)
Provision reversed during the financial year (Note 25)	(582,433)	(645,943)
At end of the financial year	343,894	1,345,223

The provision for warranties relates to automotive parts sold. The provision is based on estimates made from historical warranty data of the automotive parts sold.

23. REVENUE

	The Group		The Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Sale of goods	62,539,164	80,166,007	-	-
Dividend income	-	-	-	1,776,188
	62,539,164	80,166,007	-	1,776,188

24. EMPLOYEE BENEFITS

	The Group		The Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
Salaries, allowance and bonuses	13,356,480	14,176,396	-	-
Contribution to a defined contribution plan	1,470,145	1,609,444	-	-
Social security contributions	132,794	145,727	-	-
EIS contributions	8,766	-	-	-
Short term compensated absences	105,810	184,827	-	-
Directors' fee - executive directors	41,500	63,000	41,500	63,000
Others	384,085	212,552	-	-
	15,499,580	16,391,946	41,500	63,000

Included in employee benefits is key management personnel compensation as disclosed in Note 30 to the financial statements.

25. (LOSS)/PROFIT BEFORE TAX

	The Group		The Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
(Loss)/Profit before tax for the financial year is arrived at after charging:-				
Amortisation of golf club membership	1,941	1,941	-	-
Amortisation of intangible assets	349,569	734,833	-	-
Auditors' remuneration				
- Statutory audit				
- current financial year	102,000	99,500	28,000	26,500
- underprovision in the previous financial year	2,500	-	1,500	-
- Non-statutory audit	5,000	5,000	5,000	5,000
Depreciation of investment property (Note 7)	16,381	16,381	-	-
Depreciation of property, plant and equipment (Note 6)	2,867,909	4,070,066	-	-
Inventories written off (Note 10)	468,484	606,087	-	-
Inventories written down to net realisable value (Note 10)	80,854	14,771	-	-
Impairment losses on other receivables (Note 12)	4,000	-	-	-

25. (LOSS)/PROFIT BEFORE TAX (CONT'D)

	The Group		The Company	
	2018 RM	2017 RM	2018 RM	2017 RM
(Loss)/Profit before tax for the financial year is arrived at after charging (Cont'd):-				
Interest expense on financial liabilities that are not at fair value through profit or loss				
- bank overdraft	8	-	-	-
- bankers' acceptance	233	-	-	-
- hire purchase	8,548	15,050	-	-
- term loan	98,658	211,668	-	-
- trade financing interest	185,028	47,467	-	-
Loss on disposal of property, plant and equipment	16,362	149,709	-	-
Loss on foreign exchange				
- realised	-	209,418	-	-
- unrealised	3,805	52,245	-	-
Property, plant and equipment written off (Note 6)	13,773	33,015	-	-
Provision for warranties (Note 22)	32,226	191,904	-	-
Rental expenses on:				
- premises	4,400	26,400	-	-
- hostel	79,649	85,658	-	-
and crediting:-				
Dividend income from subsidiary	-	-	-	(1,776,188)
Gain on disposal of property, plant and equipment	-	(1,820)	-	-
Gain on foreign exchange				
- realised	(145,566)	-	-	-
- unrealised	(18,732)	-	-	-
Interest income on financial assets that are not at fair value through profit or loss and not impaired	(65,200)	(113,730)	(3,631)	-
Fair value gain on short-term investments	(359,181)	(173,303)	-	-
Rental income from investment property	(72,000)	(132,000)	-	-
Reversal of provision for warranties (Note 22)	(582,433)	(645,943)	-	-

26. TAX (INCOME)/EXPENSE

	The Group		The Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Income tax:				
- current year	403,829	406,011	-	-
- overprovision in the previous financial year	(16,854)	(22,065)	-	-
	386,975	383,946	-	-
Deferred tax (Note 9):				
- origination and reversal of temporary differences	(667,858)	354,561	-	-
- under/(over)provision in the previous financial year	89,299	(22,647)	-	-
	(578,559)	331,914	-	-
	(191,584)	715,860	-	-

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

	The Group		The Company	
	2018 RM	2017 RM	2018 RM	2017 RM
(Loss)/Profit before tax	(2,098,143)	1,967,272	(466,343)	1,373,768
Tax at the statutory tax rate of 24% (2017: 24%)	(503,554)	472,145	(111,922)	329,704
Tax effects of:-				
Non-deductible expenses	331,520	346,686	111,922	96,581
Non-taxable income	(91,995)	(58,259)	-	(426,285)
Overprovision of income tax in the previous financial year	(16,854)	(22,065)	-	-
Under/(Over)provision of deferred tax in the previous financial year	89,299	(22,647)	-	-
Tax (income)/expense for the financial year	(191,584)	715,860	-	-

Notes to the Financial Statements
For the financial year ended 31 July 2018 (cont'd)

27. (LOSS)/EARNINGS PER SHARE

	The Group 2018	The Group 2017
Basic		
Net (loss)/profit attributable to owners of the Company (RM)	(1,906,559)	1,251,412
Weighted average number of ordinary shares in issue	44,404,702	44,404,702
Basic (loss)/earnings per share (Sen)	(4.29)	2.82

The Company has not issued any dilutive potential ordinary shares and hence, the dilutive earnings per share is equal to basic earnings per share.

28. DIVIDEND

	The Group/The Company 2018 RM	The Group/The Company 2017 RM
Interim dividend of 1.5 sen per ordinary share in respect of the financial year ended 31 July 2017	-	666,070

29. CASH FLOW INFORMATION

(a) The cash disbursed for the purchase of property, plant and equipment is as follows:-

	The Group 2018 RM	The Group 2017 RM
Cost of property, plant and equipment purchased (Note 6)	6,320,051	2,628,716
Amount financed through hire purchase (Note (b) below)	(200,000)	-
Adjustment (Note 6(c))	(239,960)	-
Cash disbursed for purchase of property, plant and equipment	5,880,091	2,628,716

29. CASH FLOW INFORMATION (CONT'D)

(b) The reconciliations of liabilities arising from financing activities are as follows:-

The Group	Bankers' Acceptance RM	Hire Purchase RM	Term Loan RM	Others # RM	Total RM
2018					
At 1 August	-	158,843	2,970,543	-	3,129,386
Changes in Financing Cash Flows					
Proceeds from drawdown	121,000	-	-	-	121,000
Repayment of borrowing principal	-	(130,851)	(2,207,143)	-	(2,337,994)
Repayment of borrowing interests	(233)	(8,548)	(98,658)	(185,036)	(292,475)
	120,767	(139,399)	(2,305,801)	(185,036)	(2,509,469)
Non-cash Changes					
New hire purchase (Note (a) above)	-	200,000	-	-	200,000
Finance charges recognised in profit or loss (Note 25)	233	8,548	98,658	185,036	292,475
	233	208,548	98,658	185,036	492,475
At 31 July	121,000	227,992	763,400	-	1,112,392

Others comprise trade financing interest and bank overdraft interest.

Comparative information is not presented by virtue of the exemption given in MFRS 107.

(c) The cash and cash equivalents comprise the following:-

	The Group		The Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Short-term investments	9,307,956	7,663,968	-	-
Cash and bank balances	2,416,751	5,345,090	216,654	185,793
	11,724,707	13,009,058	216,654	185,793

Notes to the Financial Statements
For the financial year ended 31 July 2018 (cont'd)

30. KEY MANAGEMENT PERSONNEL COMPENSATION

The key management personnel of the Group and of the Company include executive directors and non-executive directors of the Company and certain members of senior management of the Group and of the Company.

The key management personnel compensation during the financial year are as follows:-

	The Group		The Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Directors				
Directors of the Company				
Executive Directors				
Short-term employee benefits:				
- fees	41,500	63,000	41,500	63,000
- salaries, bonuses and other benefits	948,730	1,604,697	-	-
	990,230	1,667,697	41,500	63,000
Defined contribution benefits	180,091	305,740	-	-
	1,170,321	1,973,437	41,500	63,000
Non-executive Directors				
Short-term employee benefits:				
- fees	187,000	164,000	187,000	164,000
- other benefits	18,000	25,500	18,000	25,500
	205,000	189,500	205,000	189,500
	1,375,321	2,162,937	246,500	252,500
Directors of the Subsidiaries				
Executive Directors				
Short-term employee benefits	494,143	387,499	-	-
Defined contribution benefits	59,301	46,355	-	-
	553,444	433,854	-	-
Total directors' remuneration	1,928,765	2,596,791	246,500	252,500

The estimated monetary value of benefits-in-kind provided by the Group to the directors of the Group were RM39,716 (2017: RM80,181).

30. KEY MANAGEMENT PERSONNEL COMPENSATION (CONT'D)

	The Group		The Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
Other Key Management Personnel				
Short-term employee benefits	552,597	394,493	-	-
Defined contribution benefits	66,113	47,215	-	-
Total compensation for other key management personnel	618,710	441,708	-	-

31. RELATED PARTY DISCLOSURES

(a) Identities of Related Parties

Parties are considered to be related to the Group 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 Company has related party relationships with its directors, key management personnel, entities in which certain directors have substantial financial interests and entities within the same group of companies.

(b) Significant Related Party Transactions and Balances

Other than those disclosed elsewhere in the financial statements, the Company also carried out the following significant transactions with the related parties during the financial year:-

	The Company	
	2018	2017
	RM	RM
Subsidiary		
Payment on behalf by	440,782	178,078
Dividend received/receivable	-	1,776,188

The significant outstanding balances of the related parties together with their terms and conditions are disclosed in statements of financial position and the respective notes to the financial statements.

Notes to the Financial Statements
For the financial year ended 31 July 2018 (cont'd)

32. OPERATING SEGMENTS

Operating segments are prepared in a manner consistent with the internal reporting provided to the Board of Directors and Group Financial Controller 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 is organised into 2 main reportable segments as follows:-

- Automotive parts - involved in manufacturing and trading of automotive parts.
- Healthcare services - involved in providing health care services.

The healthcare services segment has yet to commence business.

(a) The Board of Directors and Group Financial Controller assesses the performance of the reportable segments based on their profit before interest expense and tax. The accounting policies of the reportable segments are the same as the Group's accounting policies.

Investment-related activities are managed on a group basis and not allocated to reportable segments.

(b) Each reportable segment assets is measured based on all assets of the segment.

(c) Each reportable segment liabilities is measured based on all liabilities of the segment.

(d) Assets, liabilities and expenses which are common and cannot be meaningfully allocated to the reportable segments are presented under unallocated items. Unallocated items comprise mainly corporate assets and head office expenses.

Transfer prices between operating segments are at arm's length basis in a manner similar to transactions with third parties. The effects of such inter-segment transaction are eliminated on consolidation.

32.1 BUSINESS SEGMENTS

	Automotive Parts RM	Healthcare Services RM	Group RM
2018			
Revenue			
External and consolidated revenue	62,539,164	-	62,539,164
Results			
Segment loss before interest and tax	(1,162,806)	(176,519)	(1,339,325)
Interest expenses on financial liabilities that are not at fair value through profit or loss			(292,475)
Unallocated expenses			(466,343)
Consolidated loss before tax			(2,098,143)

Notes to the Financial Statements
For the financial year ended 31 July 2018 (cont'd)

32. OPERATING SEGMENTS (CONT'D)

32.1 BUSINESS SEGMENTS (CONT'D)

	Automotive Parts RM	Healthcare Services RM	Group RM
2018 (Cont'd)			
Segment loss before interest and tax includes the followings:-			
Gain on foreign exchange - realised	145,566	-	145,566
- unrealised	18,732	-	18,732
Interest income on financial assets that are not at fair value through profit or loss and not impaired	65,200	-	65,200
Fair value gain on short-term investments	359,181	-	359,181
Reversal of provision for warranties	582,433	-	582,433
Amortisation of golf club membership	(1,941)	-	(1,941)
Amortisation of intangible assets	(349,569)	-	(349,569)
Depreciation of investment properties	(16,381)	-	(16,381)
Depreciation of property, plant and equipment	(2,866,290)	(1,619)	(2,867,909)
Impairment losses on other receivables	(4,000)	-	(4,000)
Inventories written off	(468,484)	-	(468,484)
Inventories written down to net realisable value	(80,854)	-	(80,854)
Loss on disposal of property, plant and equipment	(16,362)	-	(16,362)
Loss on foreign exchange - unrealised	(3,805)	-	(3,805)
Property, plant and equipment written off	(3,162)	(10,611)	(13,773)
Provision for warranties	(32,226)	-	(32,226)
Assets			
Segment assets	103,488,054	33,737,528	137,225,582
Unallocated assets:			
- assets for head office purposes			230,879
Consolidation adjustments			(35,026,699)
Consolidated total assets			102,429,762
Additions to non-current assets other than financial instruments are:-			
Property, plant and equipment	5,777,382	349,901	6,127,283
Consolidation adjustments			(47,192)
Total addition			6,080,091
Liabilities			
Segment liabilities	12,648,656	5,033,579	17,682,235
Unallocated liabilities			
- liabilities for head office purposes			131,861
Consolidation adjustments			(5,026,699)
Consolidated total liabilities			12,787,397

Notes to the Financial Statements
For the financial year ended 31 July 2018 (cont'd)

32. OPERATING SEGMENTS (CONT'D)

32.1 BUSINESS SEGMENTS (CONT'D)

	Automotive Parts RM	Healthcare Services RM	Group RM
2017			
Revenue			
External and consolidated revenue	80,166,007	-	80,166,007
Results			
Segment profit before interest and tax	2,976,409	(332,532)	2,643,877
Interest expenses on financial liabilities that are not at fair value through profit or loss			(274,185)
Unallocated expenses			(402,420)
Consolidated profit before tax			1,967,272
Segment profit before interest and tax includes the followings:-			
Gain on disposal of property, plant and equipment	1,820	-	1,820
Interest income on financial assets that are not at fair value through profit or loss and not impaired	113,730	-	113,730
Fair value gain on short-term investments	173,303	-	173,303
Reversal of provision for warranties	645,943	-	645,943
Amortisation of golf club membership	(1,941)	-	(1,941)
Amortisation of intangible assets	(734,833)	-	(734,833)
Depreciation of investment properties	(16,381)	-	(16,381)
Depreciation of property, plant and equipment	(4,060,360)	(9,706)	(4,070,066)
Inventories written off	(606,087)	-	(606,087)
Inventories written down to net realisable value	(14,771)	-	(14,771)
Loss on disposal of property, plant and equipment	(149,709)	-	(149,709)
Loss on foreign exchange - realised	(209,418)	-	(209,418)
- unrealised	(52,245)	-	(52,245)
Property, plant and equipment written off	(33,015)	-	(33,015)
Provision for warranties	(191,904)	-	(191,904)
Assets			
Segment assets	105,706,075	33,453,724	139,159,799
Unallocated assets:			
- assets for head office purposes			200,018
Consolidation adjustments			(34,550,689)
Consolidated total assets			104,809,128

Notes to the Financial Statements
For the financial year ended 31 July 2018 (cont'd)

32. OPERATING SEGMENTS (CONT'D)

32.1 BUSINESS SEGMENTS (CONT'D)

	Automotive Parts RM	Healthcare Services RM	Group RM
2017 (Cont'd)			
Assets (Cont'd)			
Additions to non-current assets other than financial instruments are:-			
Property, plant and equipment	1,456,012	1,172,704	2,628,716
Liabilities			
Segment liabilities	12,936,910	4,573,256	17,510,166
Unallocated liabilities			
- liabilities for head office purposes			300,727
Consolidation adjustments			(4,550,689)
Consolidated total liabilities			13,260,204

32.2 GEOGRAPHICAL INFORMATION

The Group operates predominantly in Malaysia. Accordingly, the information by geographical segments is not presented.

32.3 MAJOR CUSTOMERS

The following are major customers with revenue equal to or more than 10% of the Group's total revenue:-

	Revenue		Segment
	2018 RM	2017 RM	
Customer A	25,410,538	36,108,719	Automotive parts
Customer B	19,579,969	23,708,907	Automotive parts
Customer C	7,428,339	9,990,125	Automotive parts

33. CAPITAL COMMITMENT

	The Group	
	2018 RM	2017 RM
Purchase of property, plant and equipment	1,480,843	85,898

34. OPERATING LEASE COMMITMENTS

LEASES AS LESSEE

The Group leases staff hostel and office under non-cancellable operating leases.

The future minimum lease payments under the non-cancellable operating leases are as follows:-

	The Group	
	2018	**2017**
	RM	**RM**
Not more than 1 year	-	24,200

35. FINANCIAL INSTRUMENTS

The Group's activities are exposed to a variety of market risk (including foreign currency risk, interest rate risk and equity price 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.

35.1 FINANCIAL RISK MANAGEMENT POLICIES

The Group's policies in respect of the major areas of treasury activity are 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 currency of entities within the Group. The currencies giving rise to this risk are primarily Australia Dollar ("AUD"), United States Dollar ("USD"), Singapore Dollar ("SGD"), Euro Dollar ("EUR"), Chinese Yuan ("CNY") and New Taiwan Dollar ("TWD"). Foreign currency risk is monitored closely on an ongoing basis to ensure that the net exposure is at an acceptable level. The Group also holds cash and cash equivalents denominated in foreign currencies for working capital purposes.

35. FINANCIAL INSTRUMENTS (CONT'D)

35.1 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 entitles within the Group) that based on the carrying amounts of the financial instruments at the end of the reporting period is summarised below:-

Foreign Currency Exposure

The Group	AUD RM	USD RM	SGD RM	EUR RM	CNY RM	TWD RM	Others RM
2018							
Financial Assets							
Trade receivables	-	111,999	-	-	-	-	-
Other receivables	-	79,176	-	-	32,769	-	-
Cash and bank balances	3,643	243,663	103	-	843	-	4,131
	3,643	434,838	103	-	33,612	-	4,131
Financial Liabilities							
Trade payables	(432,847)	(1,093,375)	(113,558)	(2,798,393)	(268,145)	(332,791)	(5,694)
Other payables	-	(76)	(17,069)	-	-	-	-
	(432,847)	(1,093,451)	(130,627)	(2,798,393)	(268,145)	(332,791)	(5,694)
Currency exposure	(429,204)	(658,613)	(130,524)	(2,798,393)	(234,533)	(332,791)	(1,563)

35. FINANCIAL INSTRUMENTS (CONT'D)

35.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Market Risk (Cont'd)

(i) Foreign Currency Risk (Cont'd)

Foreign Currency Exposure (Cont'd)

The Group	AUD RM	USD RM	SGD RM	EUR RM	CNY RM	TWD RM	Others RM
2017							
Financial Assets							
Other receivables	-	47,966	-	-	-	26	1,825
Cash and bank balances	2,889	71,712	294	-	-	1,439	12,234
	2,889	119,678	294	-	-	1,465	14,059
Financial Liabilities							
Trade payables	(87,914)	(1,130,482)	(71,998)	(1,943,508)	(192,673)	-	(4,070)
Other payables	-	-	(4,310)	-	-	-	-
	(87,914)	(1,130,482)	(76,308)	(1,943,508)	(192,673)	-	(4,070)
Currency exposure	(85,025)	(1,010,804)	(76,014)	(1,943,508)	(192,673)	1,465	9,989

35. FINANCIAL INSTRUMENTS (CONT'D)

35.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Market Risk (Cont'd)

(i) Foreign Currency Risk (Cont'd)

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:-

	The Group	
	2018 RM	2017 RM
Effects on (Loss)/Profit After Tax		
AUD/RM		
- strengthened by 14% (2017: 13%)	(45,630)	(8,307)
- weakened by 14% (2017: 13%)	45,630	8,307
USD/RM		
- strengthened by 10% (2017: 12%)	(48,088)	(121,254)
- weakened by 10% (2017: 12%)	48,088	121,254
SGD/RM		
- strengthened by 7% (2017: 7%)	(7,226)	(5,318)
- weakened by 7% (2017: 7%)	7,226	5,318
EUR/RM		
- strengthened by 10% (2017: 12%)	(212,553)	(177,163)
- weakened by 10% (2017: 12%)	212,553	177,163
CNY/RM		
- strengthened by 9% (2017: 8%)	(15,321)	(15,407)
- weakened by 9% (2017: 8%)	15,321	15,407
TWD/RM		
- strengthened by 7% (2017: 15%)	(17,686)	216
- weakened by 7% (2017: 15%)	17,686	(216)

Any reasonably possible change in the foreign currency exchange rates, other than disclosed above, at the end of the reporting period against the respective functional currency of the entities within the Group does not have material impact on the (loss)/profit after tax and other comprehensive (expenses)/income.

Notes to the Financial Statements
For the financial year ended 31 July 2018 (cont'd)

35. FINANCIAL INSTRUMENTS (CONT'D)

35.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Market Risk (Cont'd)

(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 long-term borrowings with variable rates. The Group's policy is to obtain the most favourable interest rates available by maintaining a balanced portfolio mix of fixed and floating rate borrowings.

The Group's fixed rate receivables and borrowings 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 in Note 18 to the financial statements.

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:-

	The Group	
	2018 RM	**2017 RM**
Effects on (Loss)/Profit After Tax		
Increase of 25 (2017: 25) (basis points)	(3,289)	(7,448)
Decrease of 25 (2017: 25) (basis points)	3,289	7,448

(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 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 (inclulding cash and bank balances), the Group minimises credit risk by dealing exclusively with high credit rating counterparties.

The Group uses ageing analysis to monitor the credit quality of the trade receivables. Any receivables having significant balances past due, which are deemed to have higher credit risk, are monitored individually.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of the trade and other receivables as appropriate. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified (where applicable). Impairment is estimated by management based on prior experience and the current economic environment.

The Company provides financial guarantee to financial institutions for credit facilities granted to a subsidiary. The Company monitors the results of the subsidiary regularly and repayments made by the subsidiary.

35. FINANCIAL INSTRUMENTS (CONT'D)

35.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Credit Risk (Cont'd)

(i) Credit Risk Concentration Profile

The Group's major concentration of credit risk relates to the amount owing by 2 (2017: 2) group of customers which constituted approximately 91% (2017: 92%) of its trade receivables at the end of the reporting period.

(ii) 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 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 subsidiary as disclosed under the 'Maturity Analysis' of item (c) below, representing the outstanding banking facilities of the subsidiary as at the end of the reporting period. As at the end of the reporting period, there was no indication that the subsidiary would default on repayment.

(iii) Ageing Analysis

The ageing analysis of trade receivables is as follows:-

The Group	Gross Amount RM	Individual Impairment RM	Carrying Value RM
2018			
Not past due	9,037,224	-	9,037,224
Past due:			
- less than 3 months	2,524,518	-	2,524,518
- 3 to 6 months	121	-	121
- more than 6 months	183	-	183
	11,562,046	-	11,562,046
2017			
Not past due	8,062,204	-	8,062,204
Past due:			
- less than 3 months	2,823,469	-	2,823,469
- 3 to 6 months	3,577,817	-	3,577,817
- more than 6 months	58,075	-	58,075
- more than 1 year	9,002	-	9,002
	14,530,567	-	14,530,567

The Group believes that no impairment allowance is necessary in respect of trade receivables that are past due but not impaired because they are companies with good collection track record and no recent history of default.

Notes to the Financial Statements
For the financial year ended 31 July 2018 (cont'd)

35. FINANCIAL INSTRUMENTS (CONT'D)

35.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(c) Liquidity Risk

Liquidity risk arises mainly from general funding and business activities. The Group practises 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):-

The Group	Contractual Interest Rate %	Carrying Amount RM	Contractual Undiscounted Cash Flows RM	Within 1 Year RM	1 – 5 Years RM
2018					
Non-derivative Financial Liabilities					
Bankers' acceptance	3.35%	121,000	121,000	121,000	-
Hire purchase payables	4.52% - 4.58%	227,992	239,271	126,218	113,053
Term loan	5.70%	763,400	768,877	768,877	-
Trade payables	-	8,366,953	8,366,953	8,366,953	-
Other payables and accruals	-	2,841,644	2,841,644	2,841,644	-
		12,320,989	12,337,745	12,224,692	113,053
2017					
Non-derivative Financial Liabilities					
Hire purchase payable	4.58%	158,843	164,450	109,644	54,806
Term loan	5.40%	2,970,543	3,071,705	2,303,784	767,921
Trade payables	-	5,964,121	5,964,121	5,964,121	-
Other payables and accruals	-	2,419,202	2,419,202	2,419,202	-
		11,512,709	11,619,478	10,796,751	822,727

35. FINANCIAL INSTRUMENTS (CONT'D)

35.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(c) Liquidity Risk (Cont'd)

Maturity Analysis (Cont'd)

The Company	Carrying Amount RM	Contractual Undiscounted Cash Flows RM	Within 1 Year RM
2018			
Non-derivative Financial Liabilities			
Other payables and accruals	131,861	131,861	131,861
Financial guarantee contracts in relation to corporate guarantee given to subsidiaries*	-	884,400	884,400
	131,861	1,016,261	1,016,261
2017			
Non-derivative Financial Liabilities			
Other payables and accruals	300,727	300,727	300,727
Financial guarantee contracts in relation to corporate guarantee given to subsidiary*	-	2,970,543	2,970,543
	300,727	3,271,270	3,271,270

* The contractual undiscounted cash flows represent the outstanding credit facilities of the subsidiary at the end of the reporting period. The financial guarantees have not been recognised since their fair value on initial recognition were not material.

35.2 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 that complies with covenants and regulatory, if any. The debt-to-equity ratio is calculated as net debt divided by total equity plus net debt. The Group includes within net debt, loans and borrowings, trade and other payables less cash and cash equivalents. Capital includes equity attributable to the owner of the Company.

Notes to the Financial Statements
For the financial year ended 31 July 2018 (cont'd)

35. FINANCIAL INSTRUMENTS (CONT'D)

35.2 CAPITAL RISK MANAGEMENT (CONT'D)

The debt-to-equity ratio of the Group at the end of the reporting period was as follows:-

	The Group	
	2018 RM	2017 RM
Bankers' acceptance (Note 21)	121,000	-
Hire purchase payables (Note 17)	227,992	158,843
Term loan (Note 18)	763,400	2,970,543
Trade payables (Note 19)	8,366,953	5,964,121
Other payables and accruals (Note 20)	2,841,644	2,582,704
Provision for warranties (Note 22)	343,894	1,345,223
	12,664,883	13,021,434
Less: Cash and cash equivalents (Note 29(c))	(11,724,707)	(13,009,058)
Net debt	940,176	12,376
Equity attributable to the owners of the Company	89,642,365	91,548,924
Capital and net debt	90,582,541	91,561,300
Debt-to-equity ratio	1.04%	0.01%

As the Company has insignificant debt, the debt-to-equity ratio may not provide a meaningful indicator of the risk of borrowings.

There was no change in the Group's approach to capital management during the financial year.

35.3 CLASSIFICATION OF FINANCIAL INSTRUMENTS

	The Group		The Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Financial Assets				
Loans and Receivables				
Trade receivables (Note 11)	11,562,046	14,530,567	-	-
Other receivables and deposits (Note 12)	370,203	519,558	-	-
Amount owing by a subsidiary (Note 14)	-	-	-	666,070
Cash and bank balances	2,416,751	5,345,090	216,654	185,793
	14,349,000	20,395,215	216,654	851,863
Fair Value through Profit or Loss				
Short-term investments (Note 13)	9,307,956	7,663,968	-	-

35. FINANCIAL INSTRUMENTS (CONT'D)

35.3 CLASSIFICATION OF FINANCIAL INSTRUMENTS (CONT'D)

	The Group		The Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Financial Liabilities				
Other Financial Liabilities				
Bankers' acceptance (Note 21)	121,000	-	-	-
Hire purchase payables (Note 17)	227,992	158,843	-	-
Term loan (Note 18)	763,400	2,970,543	-	-
Trade payables (Note 19)	8,366,953	5,964,121	-	-
Other payables and accruals (Note 20)	2,841,644	2,419,202	131,861	300,727
	12,320,989	11,512,709	131,861	300,727

35.4 GAINS OR LOSSES ARISING FROM FINANCIAL INSTRUMENTS

	The Group		The Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Financial Assets				
Loans and Receivables Financial Assets				
Net losses recognised in profi or loss	(8,890)	(12,138)	-	-
Interest income on financial assets that are not at fair value through profit or loss and not impaired	65,200	113,730	3,631	-
Fair Value through Profit or Loss: Held-for-trading				
Net gains recognised in profit or loss	359,181	173,303	-	-
Financial Liabilities				
Financial Liabilities Measured at Amortised Cost				
Net gains/(losses) recognised in profit or loss	169,383	(249,525)	-	-
Interest expenses on financial liabilities that are not at fair value through profit or loss	(292,475)	(274,185)	-	-

35. FINANCIAL INSTRUMENTS (CONT'D)

35.5 FAIR VALUE INFORMATION

The fair values of the financial assets and financial liabilities of the Group that maturing within the next 12 months approximated their carrying amounts due to the relatively short-term maturity of the financial instruments.

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:-

The Group	Fair Value Of Financial Instruments Carried At Fair Value			Fair Value Of Financial Instruments Not Carried At Fair Value			Total Fair Value	Carrying Amount
	Level 1 RM	Level 2 RM	Level 3 RM	Level 1 RM	Level 2 RM	Level 3 RM	RM	RM
2018								
Financial Asset								
Short-term investments	9,307,956	-	-	-	-	-	9,307,956	9,307,956
Financial Liabilities								
Hire purchase payables	-	-	-	-	226,832	-	226,832	227,992
Term loan	-	-	-	-	763,400	-	763,400	763,400
2017								
Financial Asset								
Short-term investments	7,663,968	-	-	-	-	-	7,663,968	7,663,968
Financial Liabilities								
Hire purchase payables	-	-	-	-	157,671	-	157,671	158,843
Term loan	-	-	-	-	2,970,543	-	2,970,543	2,970,543

35. FINANCIAL INSTRUMENTS (CONT'D)

35.5 FAIR VALUE INFORMATION (CONT'D)

(a) Fair Value of Financial Instruments Carried at Fair Value

(i) The fair value of short-term investments are determined by reference to statements provided by the respective financial institutions, with which the investments were entered into.

(ii) There were no transfer between level 1 and level 2 during the financial year.

(b) Fair Value of Financial Instruments not Carried at Fair Value

The fair values, which are for disclosure purposes, have been determined using the following basis:-

(i) The fair values of hire purchase payables are determined by discounting the relevant future contractual cash flows using current market interest rate for similar instruments at the end of the reporting period. The interest rates used to discount the estimated cash flows are as follows:-

	The Group	
	2018	2017
	%	%
Hire purchase payables	4.94 - 5.38	5.38

(ii) The fair value of the term loan that carry floating interest rates approximated its carrying amounts as it is repriced to market interest rates on or near the reporting date.

List of Properties

Location	Tenure (approximate age of building)	Description	Area in Square Metres (approximate)	Existing Use	Registered Owner	Net Book Value as at 31.07.2018 (RM)	Date of valuation/ purchase
No. 2, Jalan Waja 7, Kawasan Perindustrian Pandan, 81100 Johor Bahru, Johor Darul Takzim.	Freehold (24 years)	2-storey semi-detached factory	1,435 (Floor area)	Factory	Multi-Code Electronics Industries (M) Berhad	1,830,490	14 June 2012*
No. 4, Jalan Waja 7, Kawasan Perindustrian Pandan, 81100 Johor Bahru, Johor Darul Takzim.	Freehold (24 years)	2-storey semi-detached factory	1,642 (Floor area)	Factory	Multi-Code Electronics Industries (M) Berhad	1,803,474	14 June 2012*
No. 6, Jalan Waja 7, Kawasan Perindustrian Pandan, 81100 Johor Bahru, Johor Darul Takzim.	Freehold (26 years)	1½ -storey semi-detached factory	1,441 (Floor area)	Factory	Multi-Code Electronics Industries (M) Berhad	1,333,528	14 June 2012*
No. 8, Jalan Waja 7, Kawasan Perindustrian Pandan, 81100 Johor Bahru, Johor Darul Takzim.	Freehold (26 years)	1½ -storey semi-detached factory	1,474 (Floor area)	Factory	Multi-Code Electronics Industries (M) Berhad	1,974,474	12 April 2018
No. 7, Jalan Waja 8, Kawasan Perindustrian Pandan, 81100 Johor Bahru, Johor Darul Takzim.	Freehold (26 years)	2-storey semi-detached factory	1,651 (Floor area)	Factory	Multi-Code Electronics Industries (M) Berhad	1,986,347	14 June 2012*
No. 9, Jalan Waja 8, Kawasan Perindustrian Pandan, 81100 Johor Bahru, Johor Darul Takzim.	Freehold (26 years)	2-storey semi-detached factory	1,722 (Floor area)	Factory	Multi-Code Electronics Industries (M) Berhad	1,731,660	14 June 2012*
HS(D) 158583 / PTD 4397 Mukim of Tebrau, District of Johor Bahru, State of Johor.	Freehold	Vacant industrial land	1,431 (Land area)	Car park for employees	Multi-Code Electronics Industries (M) Berhad	630,000	14 June 2012*
No. 33, Jalan Permatang 21, Taman Desa Jaya, 81100 Johor Bahru, Johor Darul Takzim.	Freehold (26 years)	2-storey terrace house	153 (Floor area)	Hostel	Multi-Code Electronics Industries (M) Berhad	129,961	14 June 2012*
Lot 68745, Canang Emas 7, Off Jalan Telok Gong, 42000 Klang, Selangor Darul Ehsan.	Leasehold (8 years)	1-storey factory cum 3-storey office building	5,604 (Floor area)	Factory	Multi-Code Technologies (M) Sdn Bhd	8,701,356	19 July 2013*
HS(D) 264382, PT 26533, Mukim Bukit Raja, Daerah Petaling, Selangor Darul Ehsan.	Freehold	Vacant commercial land	13,263 (Land area)	Vacant	Vantage Realm Sdn Bhd	29,462,985	22 Nov 2013

* In financial year ended 31 July 2013, the Group adopted the new accounting standards from Financial Reporting Standards ("FRSs") to Malaysia Financial Reporting Standards ("MFRSs"). At the date of transition to MFRS, the Group elected to regard the fair value of freehold land and buildings as its deemed cost.

Analysis of Shareholdings

SHARE CAPITAL AS AT 25 OCTOBER 2018

Issued and paid up capital	:	RM44,404,702-00 comprised of 44,404,702 ordinary shares fully paid
Class of shares	:	Ordinary shares
Voting rights	:	One (1) vote per ordinary share

DISTRIBUTION OF SHAREHOLDERS ACCORDING TO STATISTICAL SUMMARY OF THE RECORD OF DEPOSITORS AS AT 25 OCTOBER 2018

No. of shareholders	Size of shareholdings	No. of shares held	%
11	Less than 100 shares	277	0.0006
221	100 to 1,000 shares	125,932	0.2836
1,309	1,001 to 10,000 shares	4,130,778	9.3026
250	10,001 to 100,000 shares	7,447,966	16.7729
41	100,001 to less than 5% of issued shares	22,749,409	51.2320
1	5% and above of issued shares	9,950,340	22.4083
1,833	TOTAL	44,404,702	100

LIST OF 30 LARGEST SHAREHOLDERS ACCORDING TO THE RECORD OF DEPOSITORS AS AT 25 OCTOBER 2018

No.	Name of shareholders	No. of shares held	%
1	GOH KAR CHUN	9,950,340	22.41
2	CHUAH SAI WEI	1,889,100	4.25
3	CHANG CHOON CHENG @ CHANG CHU CHEN	1,657,500	3.73
4	GOH CHAI SIONG	1,452,639	3.27
5	LIM KIAN HUAT	1,307,900	2.95
6	KWANG KING CHUAN	1,300,500	2.93
7	TAN JIN TUAN	1,188,000	2.68
8	ENG SAM TIANG	1,154,700	2.60
9	CHUAH SAI YEE	1,018,100	2.29
10	GOH CHAI SIONG	1,000,000	2.25
11	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KOH KOK HOOI	909,200	2.05
12	FEDERLITE HOLDINGS SDN BHD	892,400	2.01
13	SIOW CHIN HOW	852,900	1.92
14	LIM MING KEE	748,100	1.68
15	GOH TONG HUAT	696,673	1.57

Analysis of Shareholdings (cont'd)

LIST OF 30 LARGEST SHAREHOLDERS ACCORDING TO THE RECORD OF DEPOSITORS AS AT 25 OCTOBER 2018 (cont'd)

No.	Name of shareholders	No. of shares held	%
16	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR ANG KOOI PHING (6000914)	533,800	1.20
17	AMBANK (M) BERHAD PLEDGED SECURITIES ACCOUNT FOR ONG TENG KEK (SMART)	514,000	1.16
18	LEE SIEW HONG	438,900	0.99
19	LIM CHIAU HENG	416,300	0.94
20	RHB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR NG HOON HO	360,500	0.81
21	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR GOH CHAI SIONG (E-TSA)	360,497	0.81
22	CHUAH SAI LING	350,000	0.79
23	TAN AI LENG	333,000	0.75
24	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN KEE HOCK	320,000	0.72
25	CHENG, PAO-YUAN	281,600	0.63
26	CIMSEC NOMINEES (ASING) SDN BHD EXEMPT AN FOR CGS-CIMB SECURITIES (SINGAPORE) PTE LTD (RETAIL CLIENTS)	268,000	0.60
27	CONTRARIAN HOLDINGS SDN BHD	262,800	0.59
28	DING TAI MOOI	227,600	0.51
29	ABUL HASAN BIN MOHAMED RASHID	219,800	0.50
30	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR JOSEPHINE SIEW TSE SHIUH (CEB)	180,000	0.41
	TOTAL	31,084,849	70.00

Analysis of Shareholdings (cont'd)

SUBSTANTIAL SHAREHOLDERS AS AT 25 OCTOBER 2018
(As per Register of Substantial Shareholders)

		No. of shares held			
No.	Name of shareholder	Direct Interest	%	Deemed Interest	%
1.	DR. GOH KAR CHUN	9,997,240	22.51	-	-
2.	MR. GOH CHAI SIONG	2,813,136	6.34	-	-

DIRECTORS' SHAREHOLDINGS AS AT 25 OCTOBER 2018
(As per Register of Directors' Shareholdings)

		No. of shares held in MCE Holdings Berhad			
No.	Name of Director	Direct Interest	%	Deemed Interest	%
1.	MR. TAI LAM SHIN	20,000	0.05	-	-
2.	DR. GOH KAR CHUN	9,997,240	22.51	350,000 @	0.79
3.	EN. SHAMSUDIN @ SAMAD BIN KASSIM	249,600	0.56	-	-
4.	MR. LOO SHEN CHANG	-	-	-	-
5.	MS. GOH ANNE	-	-	-	-

@ Deemed interested in shares held by spouse.

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MCE Holdings Berhad (1158341-K)
(Incorporated in Malaysia)

PROXY FORM

I/We ____ (NRIC No. ____________________)

of (full address) ____

a member / members of MCE HOLDINGS BERHAD hereby appoint

Name of Proxy *(Full Name)*	**NRIC No. / Passport No.**	**% of Shareholding to be Represented** *(Refer to Note 2)*
Address		

*and/or failing him/her

Name of Proxy *(Full Name)*	**NRIC No. / Passport No.**	**% of Shareholding to be Represented** *(Refer to Note 2)*
Address		

as *my/our proxy to vote for *me/us and on *my/our behalf at the 3rd Annual General Meeting of the Company to be held on Thursday, the 27th day of December, 2018 at 9.30 a.m. at the Hop Sing II Hall, Ponderosa Golf & Country Club, No. 3, Jalan Ponderosa 1, Taman Ponderosa, 81100 Johor Bahru, Johor and at every adjournment thereof to vote as indicated below in respect of the following Resolutions:-

ORDINARY BUSINESS		**FOR**	**AGAINST**
Ordinary Resolution 1	Re-election of MR LOO SHEN CHANG		
Ordinary Resolution 2	Re-election of MS GOH ANNE		
Ordinary Resolution 3	Appointment of Auditors		
SPECIAL BUSINESS			
Ordinary Resolution 4	Approval of Directors' Fees		
Ordinary Resolution 5	Approval of Directors' Benefit (for the period from 3rd Annual General Meeting to 4th Annual General Meeting)		
Ordinary Resolution 6	Retention of MR. TAI LAM SHIN as Independent Director		
Ordinary Resolution 7	Retention of ENCIK SHAMSUDIN @ SAMAD BIN KASSIM as Independent Director		
Ordinary Resolution 8	Authority to issue share		
Special Resolution 1	Adoption of New Constitution of the Company		

(Please indicate with a "X" in the space provided above on how you wish your vote to be cast. If you do not do so, the proxy will vote or abstain from voting at his discretion.)

____
Signature of member/s

Dated this __________ day of ____________________ 2018

No. of shares held :	

Note:

1. Pursuant to Section 334 of the Companies Act, 2016, a member shall be entitled to appoint another person as his proxy to exercise all or any of his rights to attend, participate, speak and vote in his stead.
2. A member may appoint more than one (1) proxy to attend the meeting provided that the member specifies the proportion of the members shareholdings to be represented by each proxy, failing which, the appointments shall be invalid.
3. A member entitled to attend and vote at the Meeting is entitled to appoint one or more proxies to attend and vote in his stead. A proxy may but need not be a member of the Company. Notwithstanding this, a member entitled to attend and vote at the Meeting is entitled to appoint any person as his proxy to attend and vote instead of him at the Meeting. There shall be no restriction as to the qualification of the proxy. A proxy appointed to attend and vote at the Meeting shall have the same rights as the member to speak at the Meeting.
4. Where a member is an authorised nominee as defined under The Securities Industry (Central Depositories) Act, 1991, it may appoint at least one proxy in respect of each Securities Account it holds with ordinary shares of the Company standing to the credit of the said Securities Account. 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.
5. The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing or, if the appointer is a corporation, either under Seal or under the hand of an officer or attorney duly authorised.
6. To be valid, the form of proxy must be deposited at the Registered Office of the Company situated at Suite 5.11 & 5.12, 5th Floor, Menara TJB, No. 9, Jalan Syed Mohd. Mufti, 80000 Johor Bahru, Johor not less than 48 hours before the time for holding the meeting or any adjournment thereof or in the case of a poll, not less than 24 hours before the time appointed for the taking of the poll.
7. In respect of deposited securities, only members whose names appear on the Record of Depositors on 20 December 2018, shall be eligible to attend the meeting or appoint proxy(ies) to attend and/or vote on his behalf.

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The Company Secretary
MCE HOLDINGS BERHAD
(1158341-K)
Suite 5.11 & 5.12, 5th floor, Menara TJB
No. 9, Jalan Syed Mohd. Mufti
80000 Johor Bahru
Johor, Malaysia

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Together We Excel

MCE HOLDINGS BERHAD
No. 2 & 4, Jalan Waja 7,
Kawasan Perindustrian Pandan,
81100 Johor Bahru, Johor, Malaysia.
Tel: +607-355 3787 Fax: +607-355 2869