MALAYSIAN PACIFIC INDUSTRIES BERHAD

(Company No. 4817-U)
(Incorporated in Malaysia)

AND ITS SUBSIDIARIES

FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

MALAYSIAN PACIFIC INDUSTRIES BERHAD
(Incorporated in Malaysia)

AND ITS SUBSIDIARIES

DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 30 June 2019.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding whilst the principal activities of the significant subsidiaries consist of manufacturing services of semiconductor packaging and testing, and manufacturing and sale of leadframes as disclosed in Note 3 to the financial statements.

There have been no significant changes in these activities during the financial year.

ULTIMATE HOLDING COMPANY

The Company is a subsidiary of Hong Leong Company (Malaysia) Berhad, a company incorporated in Malaysia and regarded by the Directors as the Company's ultimate holding company during the financial year until the date of this report.

SUBSIDIARIES

The details of the Company's subsidiaries are disclosed in Note 3 to the financial statements.

RESULTS

	Group RM'000	Company RM'000
Profit for the year attributable to:		
Owners of the Company	128,328	65,124
Non-controlling interests	31,691	-
	160,019	65,124

RESERVES AND PROVISIONS

There were no material transfers to or from reserves and provisions during the financial year except as disclosed in Note 12 and Note 20 to the financial statements.

DIVIDENDS

Since the end of the previous financial year, the Company paid:

(i) a first interim single tier dividend of 10 sen per share amounting to RM19,889,642 in respect of the financial year ended 30 June 2019 on 12 December 2018; and

(ii) a second interim single tier dividend of 17 sen per share amounting to RM33,812,391 in respect of the financial year ended 30 June 2019 on 27 June 2019.

The Directors do not recommend a final dividend for the financial year ended 30 June 2019.

DIRECTORS OF THE COMPANY

Directors who served during the financial year until the date of this report are:

YBhg Datuk Kwek Leng San, Chairman
Mr Manuel Zarauza Brandulas, Group Managing Director
Ms Lim Tau Kien
Ir. Dennis Ong Lee Khian
YBhg Dato' Mohamad Kamarudin Bin Hassan
Dr Tunku Alina Binti Raja Muhd Alias

The Directors' name and their remuneration details are set out in the subsidiaries' statutory financial statements and the said names and details are deemed incorporated herein by such reference and made a part thereof.

DIRECTORS' INTERESTS

The Directors holding office at the end of the financial year who have beneficial interests in the ordinary shares and/or options over ordinary shares of the Company and/or its related corporations during the financial year ended 30 June 2019 as recorded in the Register of Directors' Shareholdings kept by the Company under Section 59 of the Companies Act 2016 are as follows:

		Number of ordinary shares/ordinary shares to be issued arising from conversion of redeemable convertible unsecured loan stocks#/ ordinary shares to be received arising from vesting of share grant*/ordinary shares to be acquired arising from the exercise of options @			
	Nominal value per share	**At 1.7.2018**	**Acquired**	**Sold**	**At 30.6.2019**
Shareholdings in which Directors have direct interests					
Interests of YBhg Datuk Kwek Leng San in:					
Hong Leong Company (Malaysia) Berhad	(1)	160,895	-	-	160,895
Hong Leong Industries Berhad	(1)	2,300,000	-	-	2,300,000
Malaysian Pacific Industries Berhad ("MPI")	(1)	1,260,000	-	-	1,260,000
Hong Leong Bank Berhad	(1)	536,000	-	-	536,000
Guoco Group Limited	US$0.50	209,120	-	-	209,120
Hong Leong Financial Group Berhad	(1)	654,000	-	-	654,000
The Rank Group Plc	GBP13$^{8/9}$p	45,800	-	-	45,800
Hume Industries Berhad	(1)	3,921,600	-	-	3,921,600
	(1)	-	2,017,142#	-	2,017,142#
Interests of Mr Manuel Zarauza Brandulas in:					
Malaysian Pacific Industries Berhad	(1)	-	50,000(3)	-	50,000
	(1)	3,000,000@	-	-	3,000,000@
		100,000*	100,000*	50,000(3)*	150,000*

DIRECTORS' INTERESTS (CONTINUED)

	Nominal value per share	Number of ordinary shares/ordinary shares to be issued arising from conversion of redeemable convertible unsecured loan stocks#/ ordinary shares to be received arising from vesting of share grant*/ordinary shares to be acquired arising from the exercise of options @ At 1.7.2018	Acquired	Sold	At 30.6.2019
Shareholdings in which Directors have indirect interests					
Interest of YBhg Datuk Kwek Leng San in:					
The Rank Group Plc	GBP13 8/9p	10,661 (2)	-	-	10,661 (2)
Interests of Mr Manuel Zarauza Brandulas in:					
Malaysian Pacific Industries Berhad	(1)	22,500 (2)	-	-	22,500 (2)
Southern Steel Berhad	(1)	10,400 (2)	-	-	10,400 (2)

Legend:

(1) Concept of par value was abolished with effect from 31 January 2017 pursuant to the Companies Act 2016.
(2) Interest pursuant to Section 59(11)(c) of the Companies Act 2016 in shares held by a family member.
(3) The vesting of shares pursuant to the grant of free MPI shares.

DIRECTORS' BENEFITS

No Director of the Company has since the end of the previous financial year received or become entitled to receive any benefit (other than fees, remuneration, other benefits and benefit-in-kind included in the aggregate amount of remuneration received or due and receivable by Directors as shown in Note 24.2 to the financial statements or the fixed salary of full-time employees of the Company or of 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.

There were no arrangements during and at the end of the financial year which has the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

ISSUE OF SHARES AND DEBENTURES

There were no issue of shares and debentures of the Company during the financial year.

OPTIONS GRANTED OVER UNISSUED SHARES

No options were granted to any person to take up unissued shares of the Company during the financial year.

INDEMNITY AND INSURANCE COSTS

During the financial year, Directors and Officers of Hong Leong Manufacturing Group Sdn Bhd, together with its subsidiaries (the "Group" which includes Malaysian Pacific Industries Berhad and its subsidiaries) are covered under the Directors and Officers 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 total amount of Directors and Officers Liability Insurance effected for the Directors and Officers of the Group was RM10 million. The total amount of premium paid for the Directors and Officers Liability Insurance by the Group was RM43,663 and the apportioned amount of the said premium paid by the Company was RM7,114.

OTHER STATUTORY INFORMATION

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that:

(i) all known bad debts have been written off and adequate provision made for doubtful debts; and

(ii) any current assets which were unlikely to be realised in the ordinary course of business 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:

(i) that would render the amount written off for bad debts, or the amount of the provision for doubtful debts, in the Group and the Company inadequate to any substantial extent; or

(ii) that would render the values attributed to the current assets in the financial statements of the Group and of the Company misleading; or

(iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or

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

OTHER STATUTORY INFORMATION (CONTINUED)

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

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

(ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

No contingent liability or other liability of any company in the Group 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 as and when they fall due.

In the opinion of the Directors, the financial performance of the Group and of the Company for the financial year ended 30 June 2019 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

Pursuant to Section 247(7) of the Companies Act 2016, the Registrar of Companies has granted an order authorising Carsem Semiconductor (Suzhou) Co., Ltd to continue its financial year end of 31 December, which does not coincide with that of the Company, its ultimate holding company, in accordance with and as required by the local regulations of its country of incorporation.

AUDITORS

The auditors, KPMG PLT, have indicated their willingness to accept re-appointment.

The auditors’ remuneration is disclosed in Note 17 to the financial statements.

On behalf of the Board,

Manuel Zarauza Brandulas

Lim Tau Kien

Date: 28 August 2019

MALAYSIAN PACIFIC INDUSTRIES BERHAD
(Incorporated in Malaysia)

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STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2019

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
ASSETS					
Property, plant and equipment	4	663,977	646,693	250	371
Investment properties	5	30,639	31,569	-	-
Investments	6	46	46	432,133	432,133
Total non-current assets		694,662	678,308	432,383	432,504
Inventories	8	105,432	118,078	-	-
Trade and other receivables	9	190,536	248,865	742	34,136
Tax recoverable		4,364	2,988	-	-
Cash and cash equivalents	10	713,386	647,621	236,077	199,488
Total current assets		1,013,718	1,017,552	236,819	233,624
TOTAL ASSETS		1,708,380	1,695,860	669,202	666,128
Equity attributable to owners of the Company					
Share capital	11	352,373	352,373	352,373	352,373
Reserves	12	1,080,654	998,989	479,859	476,585
Treasury shares		(163,816)	(163,816)	(163,816)	(163,816)
		1,269,211	1,187,546	668,416	665,142
Non-controlling interests		230,021	217,383	-	-
TOTAL EQUITY		1,499,232	1,404,929	668,416	665,142
LIABILITIES					
Deferred tax liabilities	7	2,082	30	-	-
Employee benefits	13(a)	-	245	-	245
Total non-current liabilities		2,082	275	-	245
Trade and other payables including derivatives	14	194,298	210,558	786	741
Loans and borrowings	15	-	75,030	-	-
Current tax liabilities		12,768	5,068	-	-
Total current liabilities		207,066	290,656	786	741
TOTAL LIABILITIES		209,148	290,931	786	986
TOTAL EQUITY AND LIABILITIES		1,708,380	1,695,860	669,202	666,128

The notes on pages 15 to 77 are an integral part of these financial statements.

MALAYSIAN PACIFIC INDUSTRIES BERHAD
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STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2019

		Group		Company	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Revenue					
- Sale of goods	16	1,480,497	1,535,418	-	-
- Dividend income	16	7,445	6,902	66,445	80,902
Cost of sales		(1,235,442)	(1,300,975)	-	-
Gross profit		252,500	241,345	66,445	80,902
Distribution expenses		(19,420)	(23,989)	-	-
Administrative expenses		(45,349)	(46,766)	(2,870)	(3,209)
Other operating income		35,787	54,144	1,442	156
Other operating expenses		(34,721)	(16,599)	(307)	(2,476)
Results from operations		188,797	208,135	64,710	75,373
Interest income		4,237	2,044	614	356
Finance costs		(3,242)	(3,209)	(2)	(1)
Profit before taxation	17	189,792	206,970	65,322	75,728
Taxation	18	(29,773)	(34,527)	(198)	(146)
Profit for the year		160,019	172,443	65,124	75,582
Profit attributable to:					
Owners of the Company		128,328	142,464	65,124	75,582
Non-controlling interests		31,691	29,979	-	-
		160,019	172,443	65,124	75,582
Earnings per ordinary share (sen)	19	67.53	74.99		

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STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2019 (CONTINUED)

		Group		Company	
	Note	**2019 RM'000**	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Profit for the year		160,019	172,443	65,124	75,582
Other comprehensive (expense)/ income, net of tax					
Items that are or may be reclassified subsequently to profit or loss					
- Foreign currency translation differences for foreign operations		(1,566)	(16,611)	-	-
- Cash flow hedge		4,494	(6,336)	-	-
Total other comprehensive income/(expense) for the year	20	2,928	(22,947)	-	-
Total comprehensive income for the year		162,947	149,496	65,124	75,582
Total comprehensive income attributable to:					
Owners of the Company		130,345	120,953	65,124	75,582
Non-controlling interests		32,602	28,543	-	-
		162,947	149,496	65,124	75,582

The notes on pages 15 to 77 are an integral part of these financial statements.

MALAYSIAN PACIFIC INDUSTRIES BERHAD

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

Group	*Attributable to owners of the Company*										
	Non-distributable							*Distributable*			
	Share capital RM'000	Other reserve RM'000	Hedging reserve RM'000	Exchange fluctuation reserve RM'000	Reserve for own shares RM'000	Executive share scheme reserve RM'000	Treasury shares RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
At 1 July 2017	352,373	19,256	1,177	93,602	(53,833)	1,987	(163,816)	869,246	1,119,992	208,965	1,328,957
Other comprehensive income/(expenses)											
- foreign currency translation differences	-	-	-	(16,611)	-	-	-	-	(16,611)	-	(16,611)
- cash flow hedge	-	-	(4,900)	-	-	-	-	-	(4,900)	(1,436)	(6,336)
Profit for the year	-	-	-	-	-	-	-	142,464	142,464	29,979	172,443
Total comprehensive income/(expense) for the year	-	-	(4,900)	(16,611)	-	-	-	142,464	120,953	28,543	149,496
Dividends (Note 21)	-	-	-	-	-	-	-	(55,104)	(55,104)	(21,000)	(76,104)
Share-based payment	-	-	-	-	-	1,243	-	-	1,243	875	2,118
ESS trust shares exercised	-	-	-	-	790	(103)	-	(225)	462	-	462
Total transactions with owners of the Company	-	-	-	-	790	1,140	-	(55,329)	(53,399)	(20,125)	(73,524)
Transfer to other reserve	-	5,311	-	-	-	-	-	(5,311)	-	-	-
At 30 June 2018	352,373	24,567	(3,723)	76,991	(53,043)	3,127	(163,816)	951,070	1,187,546	217,383	1,404,929
	Note 11	Note 12	Note 12	Note 12	Note 12	Note 12		Note 12			

STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2019 (CONTINUED)

Group	*Attributable to owners of the Company*										
	Non-distributable							*Distributable*			
	Share capital RM'000	Other reserve RM'000	Hedging reserve RM'000	Exchange fluctuation reserve RM'000	Reserve for own shares RM'000	Executive share scheme reserve RM'000	Treasury shares RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
At 1 July 2018	352,373	24,567	(3,723)	76,991	(53,043)	3,127	(163,816)	951,070	1,187,546	217,383	1,404,929
Other comprehensive income/(expenses)											
- foreign currency translation differences	-	-	-	(1,566)	-	-	-	-	(1,566)	-	(1,566)
- cash flow hedge	-	-	3,583	-	-	-	-	-	3,583	911	4,494
Profit for the year	-	-	-	-	-	-	-	128,328	128,328	31,691	160,019
Total comprehensive income/(expense) for the year	-	-	3,583	(1,566)	-	-	-	128,328	130,345	32,602	162,947
Dividends (Note 21)	-	-	-	-	-	-	-	(51,309)	(51,309)	(21,000)	(72,309)
Share-based payment	-	-	-	-	-	2,629	-	-	2,629	1,036	3,665
ESS trust shares vested	-	-	-	-	272	(371)	-	99	-	-	-
Total transactions with owners of the Company	-	-	-	-	272	2,258	-	(51,210)	(48,680)	(19,964)	(68,644)
Transfer to other reserve	-	5,475	-	-	-	-	-	(5,475)	-	-	-
At 30 June 2019	352,373	30,042	(140)	75,425	(52,771)	5,385	(163,816)	1,022,713	1,269,211	230,021	1,499,232
	Note 11	Note 12	Note 12	Note 12	Note 12	Note 12		Note 12			

STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2019 (CONTINUED)

	← *Non-distributable*			→	*Distributable*	
Company	**Share capital RM'000**	**Reserve for own shares RM'000**	**Executive share scheme reserve RM'000**	**Treasury shares RM'000**	**Retained earnings RM'000**	**Total equity RM'000**
At 1 July 2017	352,373	(3,134)	88	(163,816)	461,424	646,935
Profit/Total comprehensive income for the year	-	-	-	-	75,582	75,582
Dividends (Note 21)	-	-	-	-	(57,582)	(57,582)
Share-based payment	-	-	207	-	-	207
Total transactions with owners of the Company	-	-	207	-	(57,582)	(57,375)
At 30 June 2018/1 July 2018	352,373	(3,134)	295	(163,816)	479,424	665,142
Profit/Total comprehensive income for the year	-	-	-	-	65,124	65,124
Dividends (Note 21)	-	-	-	-	(53,403)	(53,403)
Purchase of own shares	-	(8,654)	-	-	-	(8,654)
Share-based payment	-	-	207	-	-	207
Total transactions with owners of the Company	-	(8,654)	207	-	(53,403)	(61,850)
At 30 June 2019	352,373	(11,788)	502	(163,816)	491,145	668,416
	Note 11	Note 12	Note 12		Note 12	

The notes on pages 15 to 77 are an integral part of these financial statements.

MALAYSIAN PACIFIC INDUSTRIES BERHAD
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STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2019

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Cash flows from operating activities				
Profit before taxation	189,792	206,970	65,322	75,728
Adjustments for:				
Depreciation of property, plant and equipment	172,989	180,920	121	121
Depreciation of investment properties	930	930	-	-
Dividend income from unquoted subsidiaries	-	-	(59,000)	(74,000)
Dividend income from other investments				
- Recognised in revenue	(7,445)	(6,902)	(7,445)	(6,902)
- Recognised in other operating income	(9,674)	(7,946)	-	-
Finance costs	3,242	3,209	2	1
Interest income	(4,237)	(2,044)	(614)	(356)
Fair value loss on financial instruments designated as hedging instruments	90	114	-	-
(Gain)/Loss on disposal of property, plant and equipment	(382)	261	-	-
Property, plant and equipment written off	19	15	-	-
Share-based payment	3,665	2,118	-	-
Write back of retirement benefits	(5)	-	(5)	-
Unrealised (gain)/loss on foreign exchange	(7,911)	(15,980)	(1,257)	2,096
Operating profit/(loss) before working capital changes	341,073	361,665	(2,876)	(3,312)
Inventories	14,288	(11,725)	-	-
Trade and other receivables	64,572	24,857	74	(38)
Trade and other payables	(11,210)	15,841	45	247
Cash generated from/(used in) operations	408,723	390,638	(2,757)	(3,103)
Tax paid	(22,580)	(29,985)	(198)	(146)
Retirement benefits paid	(240)	-	(240)	-
Finance costs paid	(3,242)	(3,209)	(2)	(1)
Interest income received	4,237	2,044	614	356
Dividends received	17,119	14,848	66,445	80,902
Net cash generated from operating activities	404,017	374,336	63,862	78,008

STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2019 (CONTINUED)

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Cash flows from investing activities				
Proceeds from disposal of property, plant and equipment	405	731	-	-
Purchase of property, plant and equipment	(194,578)	(170,730)	-	-
Net cash used in investing activities	(194,173)	(169,999)	-	-
Cash flows from financing activities				
Repayment from subsidiaries	-	-	34,784	-
Dividends paid to owners of the Company	(51,309)	(55,104)	(53,403)	(57,582)
Dividends paid to non-controlling shareholder of a subsidiary company	(21,000)	(21,000)	-	-
Repayments of borrowings	(86,086)	(65,270)	-	-
Drawdown from borrowings	12,088	53,066	-	-
Purchase of trust shares	-	-	(8,654)	-
Proceeds from ESS shares exercised	-	462	-	-
Net cash used in financing activities	(146,307)	(87,846)	(27,273)	(57,582)
Net change in cash and cash equivalents	63,537	116,491	36,589	20,426
Effect of exchange rate fluctuation on cash held	2,228	(4,663)	-	-
Cash and cash equivalents as at beginning of year	647,621	535,793	199,488	179,062
Cash and cash equivalents at end of year	713,386	647,621	236,077	199,488

CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the statements of cash flows comprise the following statements of financial position amounts:

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Deposit with licensed banks	621,557	462,900	234,950	198,900
Cash and bank balances	91,829	184,721	1,127	588
	713,386	647,621	236,077	199,488

The notes on pages 15 to 77 are an integral part of these financial statements.

MALAYSIAN PACIFIC INDUSTRIES BERHAD
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NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

Malaysian Pacific Industries Berhad ("the Company") is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad. The addresses of its registered office and principal place of business is as follows:

Registered office
Level 31, Menara Hong Leong,
No. 6, Jalan Damanlela,
Bukit Damansara,
50490 Kuala Lumpur.

Principal place of business
Jalan Lapangan Terbang,
31350 Ipoh ,
Perak Darul Ridzuan.

The immediate and ultimate holding companies of the Company are Hong Leong Manufacturing Group Sdn Bhd and Hong Leong Company (Malaysia) Berhad respectively, both incorporated in Malaysia.

The consolidated financial statements of the Company as at and for the financial year ended 30 June 2019 comprise the Company, its subsidiaries and special purpose entities (together referred to as "the Group"). The financial statements of the Company as at and for the financial year ended 30 June 2019 do not include other entities.

The Company is an investment holding company whilst the principal activities of the subsidiaries are as disclosed in Note 3 to the financial statements.

The financial statements were approved and authorised for issue by the Board of Directors on 28 August 2019.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements of the Group and of the Company have been prepared on the historical cost basis, other than those disclosed in Note 2.2 to the financial statements.

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs") and the requirements of the Companies Act 2016 in Malaysia.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

The preparation of the financial statements in conformity with MFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgement in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than as disclosed in the following notes:

Note 9 – Trade and other receivables

The management reviews the adequacy of allowance for impairment losses for trade and other receivables. This review requires management to apply judgement and assumptions to determine the recoverable amount of these trade and other receivables.

These financial statements are presented in Ringgit Malaysia (“RM”), which is the functional currency of the Company and all values are rounded to the nearest thousand (“RM’000”), unless otherwise stated.

2.2 Summary of significant accounting policies

The accounting policies set out below have been applied consistently to the periods presented in these financial statements, unless otherwise stated.

Arising from the adoption of MFRS 15, *Revenue from Contracts with Customers*, there are changes to the accounting policies of revenue recognition as compared to those adopted in previous financial statements. The adoption of MFRS 15 does not have any material impact to the financial statements.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities, including structured entities, controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The Group controls an entity when it is exposed, 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(a) Basis of consolidation (continued)

(i) Subsidiaries (continued)

Investments in subsidiaries are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investments includes transaction costs.

(ii) Business combinations

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group.

For new acquisitions, the Group measures the cost of goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

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

For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

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

(iii) Acquisitions of non-controlling interests

The Group accounts for all changes in its ownership interest in a subsidiary that do not result in a loss of control as equity transactions between the Group and its non-controlling interest holders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserves.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(a) Basis of consolidation (continued)

(iv) Special purpose entities

Special purpose entities ("SPE") are entities defined in MFRS 10, *Consolidated Financial Statements,* which may constitute a corporation, trust, partnership or unincorporated entity created to accomplish a narrow and well defined objective with legal arrangements that impose strict and sometimes permanent limits on the decision-making powers of their governing board, trustee or management over the operations of the SPE. Accordingly, the ESS Trust set up as mentioned in Note 2.2(j)(iii) is amalgamated with the financial statements of the Company for the portion related to the Company and also consolidated in the financial statements of the Group.

(v) Loss of control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statement of financial position. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity accounted investee or as financial asset categorised at fair value through other comprehensive income depending on the level of influence retained.

(vi) Non-controlling interests

Non-controlling interests at the end of the reporting period, being the equity in a subsidiary not attributable directly or indirectly to the equity holders of the Company, are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group is presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of the profit or loss and the comprehensive income for the year between non-controlling interests and owners of the Company.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

(vii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(b) Property, plant and equipment

(i) Recognition and measurement

Property, plant and equipment are stated at cost less any accumulated depreciation and any accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

The cost of property, plant and equipment recognised as a result of a business combination is based on fair value at acquisition date. The fair value of property is the estimated amount for which a property could be exchanged between knowledgeable willing parties in an arm’s length transaction after making proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The fair value of other items of plant and equipment is based on the quoted market prices for similar items.

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.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and is recognised net within “other operating income” or “other operating expenses” respectively in profit or loss.

(ii) Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group or the Company, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised to profit or loss. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(b) Property, plant and equipment (continued)

(iii) Depreciation (continued)

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment from the date they are available for use. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use.

The estimated useful lives for the current and comparative periods are as follows:

Leasehold land	41 - 99 years
Buildings	20 - 50 years
Building improvement	10 years
Plant, equipment and motor vehicles	2 - 10 years

Depreciation methods, useful lives and residual values are reviewed at the end of the reporting period, and adjusted as appropriate.

(c) Investment property

Investment property carried at cost

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. These include freehold land and leasehold land which in substance is a finance lease held for a currently undetermined future use. Investment properties initially and subsequently measured at cost are accounted for similarly to property, plant and equipment.

Investment properties are stated at cost less any accumulated depreciation and any accumulated impairment losses, consistent with the accounting policy for property, plant and equipment as stated in accounting policy Note 2.2(b).

Cost includes expenditure that is attributable to the acquisition of the investment property. The cost of self-constructed investment property includes of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs.

Transfers between investment property, property, plant and equipment and inventories do not change the carrying amount and the cost of the property transferred.

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of 10-50 years for buildings and improvements. Leasehold land is depreciated over the lease term.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(c) Investment property (continued)

Investment property carried at cost (continued)

On disposal of an investment property, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal, it shall be derecognised (eliminated from the statement of financial position). The difference between the net disposal proceeds and the carrying amount is recognised in profit or loss in the period of the retirement or disposal.

(d) Leased assets

(i) Finance lease

Leases in terms of which the Group or the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. 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.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

Leasehold land which in substance is a finance lease is classified as property, plant and equipment, or as investment property if held to earn rental income or for capital appreciation or for both.

(ii) Operating lease

Leases, where the Group or the Company does not assume substantially all the risks and rewards of the ownership are classified as operating leases and, except for property interest held under operating lease, the leased assets are not recognised in the statements of financial position.

Property interest held under an operating lease, which is held to earn rental income or for capital appreciation or both, is classified as investment property.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(e) Financial instruments

(i) Recognition and initial measurement

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

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

(ii) Financial instrument categories and subsequent measurement

The Group and the Company categorise financial instruments as follows:

Financial assets

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

(a) Amortised cost

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

Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets (see Note 2(h)(i)) where the effective interest rate is applied to the amortised cost.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(e) Financial instruments (continued)

(ii) Financial instrument categories and subsequent measurement (continued)

Financial assets (continued)

(b) Fair value through other comprehensive income

i. Debt investments

Fair value through other comprehensive income category comprises debt investment where it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets, and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The debt investment is not designated as at fair value through profit or loss. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets (see note 2(h)(i)) where the effective interest rate is applied to the amortised cost.

ii. Equity investments

This category comprises investment in equity that is not held for trading, and the Group and the Company irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of investment. Other net gains and losses accumulated in other comprehensive income are not reclassified to profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(e) Financial instruments (continued)

(ii) Financial instrument categories and subsequent measurement (continued)

Financial assets (continued)

(c) Fair value through profit or loss

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

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

All financial assets, except for those measured at fair value through profit or loss and equity investments measured at fair value through comprehensive income, are subject to impairment assessment (see Note 2.2(h)(i)).

Financial liabilities

All financial liabilities are subsequently measured at fair value through profit or loss or at amortised cost.

(a) Fair value through profit or loss

Fair value through profit or loss category comprises financial liabilities that are derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument), contingent consideration in a business combination and financial liabilities that are specifically designated into this category upon initial recognition.

Financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair value with gains or losses, including any interest expense are recognised in the profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(e) Financial instruments (continued)

(ii) Financial instrument categories and subsequent measurement (continued)

Financial liabilities (continued)

(a) Fair value through profit or loss (continued)

For financial liabilities where it is designated as fair value through profit or loss upon initial recognition, the Group and the Company recognised the amount of change in fair value of the financial liability that is attributable to change in credit risk in the other comprehensive income, unless the treatment of the effect of changes in the own credit risk would create or enlarge an accounting mismatch, and remaining amount of the change in fair value in the profit or loss.

(b) Amortised cost

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

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

(iii) Regular way purchase or sale of financial assets

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

Trade date accounting refers to:

(a) the recognition of an asset to be received and the liability to pay for it on the trade date, and

(b) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

Settlement date accounting refers to:

(a) the recognition of an asset on the day it is received by the entity, and

(b) derecognition of an asset and recognition of any gain or loss on disposal on the day that is delivered by the entity.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(e) Financial instruments (continued)

(iii) Regular way purchase or sale of financial assets (continued)

Any change in the fair value of the asset to be received during the period between the trade date and the settlement date is accounted in the same way as it accounts for the acquired asset.

Generally, the Group or the Company applies settlement date accounting unless otherwise stated for the specific class of asset.

(iv) Hedge accounting

At inception of a designated hedging relationship, the Group and the Company document the risk management objective and strategy for undertaking the hedge. The Group and the Company also document the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged item and hedging instrument are expected to offset each other.

(a) Fair value hedge

A fair value hedge is a hedge of the exposure to changes in fair value of a recognised asset or liability or an unrecognised firm commitment, or an identified portion of such an asset, liability or firm commitment, that is attributable to a particular risk and could affect the profit or loss.

In a fair value hedge, the gain or loss on the hedging instrument shall be recognised in profit or loss (or other comprehensive income, if the hedging instrument hedges an equity instrument which the Group or the Company has elected to present the subsequent changes in fair value of the investment in equity in other comprehensive income).

The hedging gain or loss on the hedged item shall adjust the carrying amount of the hedged item and be recognised in profit or loss. If the hedged item is a financial asset (or a component thereof) that is measured at fair value through other comprehensive income, the hedging gain or loss on the hedged item shall be recognised in profit or loss. However, if the hedged item is an equity instrument for which an entity has elected to present changes in fair value in other comprehensive income, those amounts shall remain in other comprehensive income. When a hedged item is an unrecognised firm commitment (or a component thereof), the cumulative change in the fair value of the hedged item subsequent to its designation is recognised as an asset or a liability with a corresponding gain or loss recognised in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(e) Financial instruments (continued)

(iv) Hedge accounting (continued)

(b) Cash flow hedge

A cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with all, or a component of, a recognised asset or liability or a highly probable forecast transaction and could affect the profit or loss. In a cash flow hedge, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised in other comprehensive income and accumulated in equity and the ineffective portion is recognised in profit or loss. The effective portion of changes in the fair value of the derivative that is recognised in other comprehensive income is limited to the cumulative change in fair value of the hedged item, determined on a present value basis, from inception of the hedge.

The Group designates only the change in fair value of the spot element of forward contracts as the hedging instrument in cash flow hedging relationships. The change in fair value of the forward element of forward exchange contracts (‘forward points’) is separately accounted for as a cost of hedging; they are recognised in other comprehensive income and accumulated in a cost of hedging reserve as a separate component within equity.

When the hedged forecast transaction subsequently results in the recognition of a non-financial item, the amount accumulated in the hedging reserve and the cost of hedging reserve is included directly in the initial cost of the non-financial item when it is recognised.

For all other hedged forecast transactions, the amount accumulated in the hedging reserve and the cost of hedging reserve is reclassified to profit or loss in the same period or periods during which the hedged expected future cash flows affect profit or loss.

Cash flow hedge accounting is discontinued prospectively when the hedging instrument expires or is sold, terminated or exercised, the hedge is no longer highly effective, the forecast transaction is no longer expected to occur or the hedge designation is revoked. If the hedge is for a forecast transaction, the cumulative gain or loss on the hedging instrument remains in equity until the forecast transaction occurs. When hedge accounting for cash flow hedges is discontinued, the amount that has been accumulated in the hedging reserve and the cost of hedging reserve remains in equity until, for a hedge of a transaction resulting in recognition of a non-financial item, it is included in the non-financial item’s cost on its initial recognition or, for other cash flow hedges, it is reclassified to profit or loss in the same period or periods as the hedged expected future cash flows affect profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(e) Financial instruments (continued)

(iv) Hedge accounting (continued)

(b) Cash flow hedge (continued)

If the hedged future cash flows are no longer expected to occur, then the amounts that have been accumulated in the hedging reserve and the cost of hedging reserve are immediately reclassified to profit or loss.

(v) 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 control of the asset is not retained or substantially all risks and rewards of the financial assets are transferred to another party. 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, cancelled or expires. A financial liability is also derecognised when its terms are modified and the cash flows of the modified liability are substantially different, in which case, a new financial liability based on modified terms is recognised at fair value. 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.

(vi) Offsetting

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

(f) Inventories

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

The cost of inventories is calculated using the weighted average method, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of work-in-progress and finished goods, cost includes an appropriate share of production overheads based on normal operating capacity.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(g) Cash and cash equivalents

Cash and cash equivalents consist of cash in hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in fair value with original maturities of three months or less, and are used by the Group and the Company in the management of their short term commitments. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

(h) Impairment

(i) Financial assets

The Group and the Company recognise loss allowances for expected credit losses on financial assets measured at amortised cost or fair value through other comprehensive income, except for investments in equity instruments and interests in subsidiaries.

The Group and the Company measure loss allowances at an amount equal to lifetime expected credit loss, except for debt securities that are determined to have low credit risk at the reporting date, cash and bank balance and other debt securities for which credit risk has not increased significantly since initial recognition, which are measured as 12 months expected credit loss.

Loss allowances for trade receivable are always measured at an amount equal to lifetime expected credit loss.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of a financial instrument, while 12 months expected credit losses are the portion of expected credit losses that result from default events that are possible within the 12 months after the reporting date.

The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Group and the Company are exposed to credit risk.

Expected credit losses are a probability-weighted estimate of credit losses. The Group and the Company estimate the expected credit losses on trade receivables using a provision matrix with reference to historical credit loss experience.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(h) Impairment (continued)

(i) Financial assets (continued)

An impairment loss in respect of financial assets measured at amortised cost is recognised in profit or loss and the carrying amount of the asset is reduced through the use of an allowance account.

An impairment loss in respect of debt investments measured at fair value through other comprehensive income is recognised in profit or loss and the allowance account is recognised in other comprehensive income.

At each reporting date, the Group and the Company assess whether financial assets carried at amortised cost and debt securities at fair value through other comprehensive income are credit-impaired. A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

The gross carrying amount of a financial asset is written off (either partially or full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group or the Company determine that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's or the Company's procedures for recovery amounts due.

(ii) Other assets

The carrying amounts of other assets (except for deferred tax assets and inventories) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(h) Impairment (continued)

(ii) Other assets (continued)

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units (or a group of cash-generating units) and then to reduce the carrying amount of the other assets in the cash-generating unit (or a group of cash-generating units) on a *pro rata* basis.

Impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(i) Equity instruments

Instruments classified as equity are measured at cost on initial recognition and are not remeasured subsequently.

(i) Issue expenses

Costs directly attributable to issue of instruments classified as equity are recognised as a deduction from equity.

(ii) Ordinary shares

Ordinary shares are classified as equity.

(iii) Repurchase, disposal and reissue of share capital

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares that are not subsequently cancelled are classified as treasury shares or reserve for own shares in the statements of changes in equity.

When treasury shares are distributed as share dividends, the cost of the treasury shares is applied in the reduction of the distributable reserves.

When treasury shares are sold or reissued subsequently, the difference between the sales consideration net of directly attributable costs and the carrying amount of the treasury shares is recognised in retained earnings.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(j) Employee benefits

(i) Short term employee benefits

Short term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short term cash bonus if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

The Group's and the Company's contributions to statutory pension funds are charged to profit or loss in the financial year to which they relate. Once the contributions have been paid, the Group and the Company has no further payment obligations.

(ii) Defined benefit plan

The Group operates an unfunded defined benefit scheme for the eligible employees. The present value of the defined benefit obligation as required by MFRS 119, *Employee Benefits* has not been used in deriving at the provision, as the amount involved is not material to the Group. Accordingly, no further disclosure as required by the standard is made.

(iii) Share-based payments

The Group operates equity-settled share-based compensation plans for the employees of the Group under the Malaysian Pacific Industries Berhad's Executive Share Scheme ("ESS").

In connection with the ESS, trusts have been set up and are administered by an appointed trustee ("ESS Trusts"). The trustee will be entitled, from time to time, to accept advances from the Group, upon such terms and conditions as the Group and the trustee may agree, to purchase the ordinary shares of MPI from the open market for the ESS Trusts ("Trust Shares").

The fair value of the share options or grant offers granted to employees is recognised as an employment cost with a corresponding increase in the executive share scheme reserve over the vesting period. When the share options are exercised or grant offers are completed, the amount from the executive share scheme reserve is transferred to retained earnings. When the share options not exercised or grant offers not completed are expired, the amount from the executive share scheme reserve is transferred to retained earnings.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(j) Employee benefits (continued)

(iii) Share-based payments (continued)

The fair value of the share options or grant offers is measured using Black Scholes model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

The ESS Trust Shares are consolidated into the Group's consolidated financial statements as a deduction from equity and classified as reserve for own shares. Dividends received by the ESS Trusts are eliminated against the Company's dividend payment.

(k) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated to the functional currencies at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of reporting date, except for those that are measured at fair value are retranslated to the functional currencies at the exchange rate at the date that fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of financial assets categorised as equity instruments designated upon initial recognition or a financial instrument designated as a hedge of currency risk, which are recognised in other comprehensive income.

In the consolidated financial statements, when settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented in the exchange fluctuation reserve in equity.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(k) Foreign currency (continued)

(ii) Operations denominated in functional currencies other than Ringgit Malaysia

The assets and liabilities of operations denominated in functional currencies other than RM, including goodwill and fair value adjustments arising on acquisition, are translated to RM at exchange rates at the end of the reporting period, except for goodwill and fair value adjustments arising from business combinations before 1 July 2011 (the date when the Group first adopted MFRS) which are treated as assets and liabilities of the Company. The income and expenses of foreign operations are translated to RM at average exchange rates for the year.

Foreign currency differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve in equity. However, if the operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the exchange fluctuation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation, the relevant proportion of the cumulative amount is reattributed to non-controlling interests.

(l) Provisions

A provision is recognised if, as a result of a past event, the Group or the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

(m) Contingent liabilities

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(n) Revenue and other income

(i) Goods sold

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(n) Revenue and other income (continued)

(i) Goods sold (continued)

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

(a) the customer simultaneously receives and consumes the benefits provided as the Group and the Company performs;

(b) the Group's and the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or

(c) the Group's and the Company's performance does not create an asset with an alternative use and the Group and the Company has an enforceable right to payment for performance completed to date.

(ii) Rental income

Rental income from investment property are recognised in profit or loss on a straight-line basis over the term of the lease.

(iii) Interest income

Interest income is recognised as it accrues using the effective interest method in profit or loss.

(iv) Dividend income

Dividend income is recognised in profit or loss on the date that the Group's or the Company's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

(o) Borrowing costs

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

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(p) Taxation

Taxation comprises current and deferred taxation. Current taxation and deferred taxation are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

Current taxation is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred taxation is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statements of financial position and their tax bases. Deferred taxation is not recognised for the following temporary differences: the initial recognition of goodwill, and the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred taxation is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax assets and liabilities on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

A tax incentive that is not a tax base of an asset is recognised as a reduction of tax expense in profit or loss as and when it is granted and claimed. Any unutilised portion of the tax incentive is recognised as a deferred tax asset to the extent that it is probable that future taxable profits will be available against which the unutilised tax incentive can be utilised.

Unutilised reinvestment allowance and investment tax allowance are treated as tax base of assets and are recognised as a reduction of tax expense as and when they are utilised.

(q) Earnings per ordinary share

The Group presents basic earnings per share (“EPS”) data for its ordinary shares.

Basic EPS is calculated by dividing the profit or loss attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(r) Operating segments

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

(s) Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in profit or loss as incurred.

Expenditure on development activities, whereby the application of research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to and has sufficient resources to complete development and to use or sell the asset.

(t) Fair value measurement

Fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability 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.

When measuring the fair value measurement of an asset or a liability, the Group uses observable market data as far as possible. Fair value are categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

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

The Group recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Statement of compliance

The financial statements of the Group and the Company have been prepared in accordance with MFRSs, IFRSs and the requirements of the Companies Act 2016 in Malaysia.

The following are accounting standards, amendments and interpretations that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been adopted by the Group and the Company:

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2019

- MFRS 16, *Leases*
- IC Interpretation 23, *Uncertainty over Income Tax Treatments*
- Amendments to MFRS 3, *Business Combinations (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 9, *Financial Instruments – Prepayment Features with Negative Compensation*
- Amendments to MFRS 11, *Joint Arrangements (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 112, *Income Taxes (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 119, *Employee Benefits – Plan Amendment, Curtailment or Settlement*
- Amendments to MFRS 123*, Borrowing Costs (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 128, *Investments in Associates and Joint Ventures – Long-term Interests in Associates and Joint Ventures*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2020

- Amendments to MFRS 3, *Business Combinations – Definition of a Business*
- Amendments to MFRS 101, *Presentation of Financial Statements* and MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2021

- MFRS 17, *Insurance Contracts*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after a date yet to be confirmed

- Amendments to MFRS 10, *Consolidated Financial Statements* and MFRS 128, *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Statement of compliance (continued)

The Group and the Company plan to apply the abovementioned accounting standards, amendments and interpretations:

- from the annual period beginning on 1 July 2019 for those accounting standard, amendments and interpretation that are effective for annual periods beginning on or after 1 January 2019, except for amendments and interpretation which are not applicable to the Group and the Company; and

- from the annual period beginning on 1 July 2020 for those amendments that are effective for annual periods beginning on or after 1 January 2020, except for amendments which are not applicable to the Group and the Company.

The Group and the Company do not plan to apply MFRS 17, *Insurance Contracts* that is effective for annual periods beginning on 1 July 2021 as it is not applicable to the Group and the Company.

The initial application of the accounting standards, amendments and interpretations are not expected to have any material financial impacts to the current period and prior period financial statements of the Group and the Company, except as mentioned below:

MFRS 16, *Leases*

MFRS 16 replaces the guidance in MFRS 117, *Leases*, IC Interpretation 4, *Determining whether an Arrangement contains a Lease*, IC Interpretation 115, *Operating Leases – Incentives* and IC Interpretation 127, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

MFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligations to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard which continues to be classified as finance or operating lease.

The Group and the Company are assessing the financial impact that may arise from the adoption of MFRS 16.

3. COMPANIES IN THE GROUP

The principal activities of the companies in the Group, their country of incorporation and the effective interest of Malaysian Pacific Industries Berhad are shown below:

Name of subsidiary	Country of incorporation	Effective interest 2019 %	Effective interest 2018 %	Principal activities
Carsem (M) Sdn Bhd	Malaysia	70	70	Manufacturing services of semiconductor packaging and testing
Carsem Holdings Limited *♦	Bermuda	100	100	Investment holding
• Carsem Holdings (HK) Limited #♦	Hong Kong	100	100	Sale and marketing of semiconductor devices and electronic components and investment holding
• Carsem Semiconductor (Suzhou) Co., Ltd #	The People's Republic of China	100	100	Manufacturing services of semiconductor packaging and testing
Dynacraft Industries Sdn Bhd	Malaysia	100	100	Manufacturing and sale of leadframes
Carter Resources Sdn Bhd	Malaysia	70	70	Investment holding
• Carsem Inc. *♦	United States of America	70	70	Marketing agent for semiconductor devices and electronic components
Technoplex Realty Sdn Bhd	Malaysia	100	100	Dormant

Notes:
- • Sub-subsidiary companies.
- # The financial statements of these subsidiary companies are not audited by KPMG PLT.
- ♦ These subsidiary companies have been consolidated based on unaudited financial statements.
- * These financial statements are not required to be audited in their respective countries of incorporation.

4. PROPERTY, PLANT AND EQUIPMENT

Group	Leasehold land RM'000	Buildings*/ Building improvement RM'000	Plant, equipment and motor vehicles RM'000	Capital work-in-progress RM'000	Total RM'000
Cost					
At 1 July 2017	20,964	390,684	3,159,349	2,407	3,573,404
Additions	-	226	157,975	12,529	170,730
Disposals	-	(654)	(81,024)	-	(81,678)
Write off	-	-	(10,837)	-	(10,837)
Transfers	-	291	5,133	(5,424)	-
Currency translation differences	(146)	(4,771)	(33,912)	-	(38,829)
At 30 June 2018/1 July 2018	20,818	385,776	3,196,684	9,512	3,612,790
Additions	-	1,076	184,309	9,193	194,578
Disposals	-	(390)	(71,159)	-	(71,549)
Write off	-	(551)	(5,313)	-	(5,864)
Transfers	-	1,520	5,800	(7,320)	-
Currency translation differences	(48)	(1,556)	(11,654)	-	(13,258)
At 30 June 2019	20,770	385,875	3,298,667	11,385	3,716,697
Accumulated depreciation and impairment losses					
At 1 July 2017					
Accumulated depreciation	9,520	244,345	2,610,665	-	2,864,530
Accumulated impairment losses	-	-	37,681	-	37,681
	9,520	244,345	2,648,346	-	2,902,211
Charge for the year	244	12,805	167,871	-	180,920
Disposals	-	(654)	(79,321)	-	(79,975)
Write off	-	-	(10,682)	-	(10,682)
Reversal of impairment losses	-	-	(851)	-	(851)
Currency translation differences	(44)	(1,634)	(23,848)	-	(25,526)
At 30 June 2018/1 July 2018					
Accumulated depreciation	9,720	254,862	2,664,685	-	2,929,267
Accumulated impairment losses	-	-	36,830	-	36,830
	9,720	254,862	2,701,515	-	2,966,097
Charge for the year	242	12,623	160,124	-	172,989
Disposals	-	(390)	(67,947)	-	(68,337)
Write off	-	(551)	(5,229)	-	(5,780)
Reversal of impairment losses	-	-	(3,254)	-	(3,254)
Currency translation differences	(15)	(586)	(8,394)	-	(8,995)
At 30 June 2019					
Accumulated depreciation	9,947	265,958	2,743,239	-	3,019,144
Accumulated impairment losses	-	-	33,576	-	33,576
	9,947	265,958	2,776,815	-	3,052,720
Carrying amounts					
At 1 July 2017	11,444	146,339	511,003	2,407	671,193
At 30 June 2018/1 July 2018	11,098	130,914	495,169	9,512	646,693
At 30 June 2019	10,823	119,917	521,852	11,385	663,977

4. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company	**Equipment and motor vehicles RM'000**
Cost	
At 1 July 2017/30 June 2018/1 July 2018/30 June 2019	605
Accumulated depreciation	
At 1 July 2017	113
Charge for the year	121
At 30 June 2018/1 July 2018	234
Charge for the year	121
At 30 June 2019	355
Carrying amounts	
At 1 July 2017	492
At 30 June 2018/1 July 2018	371
At 30 June 2019	250

* The buildings of the Group are situated on leasehold land owned by the Group except for certain buildings with a carrying amount of RM11,923,000 (2018: RM12,902,000) of a subsidiary which are situated on a land classified as an operating lease (Note 23).

5. INVESTMENT PROPERTIES

Leasehold land and building	Group RM'000
Cost	
1 July 2017/30 June 2018/1 July 2018/30 June 2019	46,283
Accumulated depreciation	
1 July 2017	
Accumulated depreciation	13,712
Accumulated impairment losses	72
	13,784
Charge for the year	930
At 30 June 2018/1 July 2018	
Accumulated depreciation	14,642
Accumulated impairment losses	72
	14,714
Charge for the year	930
At 30 June 2019	
Accumulated depreciation	15,572
Accumulated impairment losses	72
	15,644
Carrying amounts	
At 1 July 2017	32,499
At 30 June 2018/1 July 2018	31,569
At 30 June 2019	30,639
Fair value	
At 30 June 2018	70,000
At 30 June 2019	70,000

The followings are recognised in profit or loss in respect of investment properties:

	Group	
	2019 RM'000	**2018 RM'000**
Rental income	7,559	6,300
Direct operating expenses		
- income generating investment properties	1,047	1,046

5. INVESTMENT PROPERTIES (CONTINUED)

Fair value information

Fair value of investment properties are categorised as Level 3:

Level 3 fair values have been determined by Directors' valuation using sales comparison approach. Sales price of comparable properties are adjusted for differences in key attributes such as property size. The significant unobservable input into the Directors' valuation is price per square feet of comparable properties. The estimated fair value would increase/decrease if expected value per square feet of recent sales and listing of similar properties were higher/lower.

6. INVESTMENTS

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Unquoted shares in subsidiaries, at cost	-	-	432,087	432,087
Equity instrument at fair value through other comprehensive income designated upon initial recognition	46	46	46	46
	46	46	432,133	432,133

The subsidiary companies and their principal activities are disclosed in Note 3 of the financial statements.

6.1 Non-controlling interest in subsidiary

The subsidiary that has material non-controlling interests ("NCI") is as follows:

	Carsem (M) Sdn Bhd	
	2019 RM'000	2018 RM'000
NCI percentage of ownership interest and voting Interest	30%	30%
Carrying amount of NCI	225,544	213,435
Profit allocated to NCI	30,748	29,580

Summarised financial information before intra-group elimination

	Carsem (M) Sdn Bhd	
	2019 RM'000	2018 RM'000
Statements of financial position		
Total assets	893,043	860,377
Total liabilities	(108,536)	(105,048)
Net assets	784,503	755,329

6. INVESTMENTS (CONTINUED)

6.1 Non-controlling interest in subsidiary (continued)

Summarised financial information before intra-group elimination (continued)

	Carsem (M) Sdn Bhd 2019 RM'000	2018 RM'000
Statements of profit or loss and other comprehensive income for the year		
Profit for the year	102,494	98,601
Total comprehensive income	98,869	72,404
Statements of cash flows for the financial year ended		
Net cash flow generated from operating, investing and financing activities	43,964	17,282
Dividends paid to NCI	21,000	21,000

7. DEFERRED TAXATION

Recognised deferred tax liabilities

Deferred tax liabilities are attributable to the following:

Group	Assets 2019 RM'000	Assets 2018 RM'000	Liabilities 2019 RM'000	Liabilities 2018 RM'000	Net 2019 RM'000	Net 2018 RM'000
Property, plant and equipment	-	-	(2,611)	(1,777)	(2,611)	(1,777)
Other items	529	1,747	-	-	529	1,747
Deferred tax liabilities	529	1,747	(2,611)	(1,777)	(2,082)	(30)

7. DEFERRED TAXATION (CONTINUED)

Movement in temporary differences during the year

Group	At 1.7.2017 RM'000	Recognised in profit or loss (Note 18) RM'000	Recognised in other comprehensive income (Note 20) RM'000	At 30.6.2018/ 1.7.2018 RM'000	Recognised in profit or loss (Note 18) RM'000	Recognised in other comprehensive income (Note 20) RM'000	At 30.6.2019 RM'000
Property,plant and equipment	(1,426)	(351)	-	(1,777)	(834)	-	(2,611)
Other items	(577)	551	1,773	1,747	-	(1,218)	529
	(2,003)	200	1,773	(30)	(834)	(1,218)	(2,082)

8. INVENTORIES

	Group 2019 RM'000	Group 2018 RM'000
Raw materials	57,905	61,320
Work-in-progress	19,153	19,461
Finished goods	16,345	17,014
Consumable spares	12,029	20,283
	105,432	118,078
Recognised in profit or loss:		
Inventories recognised as cost of sales	1,059,588	1,109,935

9. TRADE AND OTHER RECEIVABLES

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Trade receivables		177,705	217,986	-	-
Allowance for impairment losses		(7,831)	(7,996)	-	-
		169,874	209,990	-	-
Amounts due from subsidiaries	9.1	-	-	-	33,774
Other debtors		7,703	18,543	690	299
Deposits		1,696	1,676	5	5
Prepayments		11,263	18,656	47	58
		190,536	248,865	742	34,136

Note 9.1

Amounts due from subsidiaries were non-trade, unsecured, interest free and repayable on demand.

10. CASH AND CASH EQUIVALENTS

	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Deposits with licensed banks	621,557	462,900	234,950	198,900
Cash and bank balances	91,829	184,721	1,127	588
	713,386	647,621	236,077	199,488

Included in deposits and bank balances are the following balances placed with a related company arising from normal business transactions:

	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Deposits and bank balances	525,495	466,205	236,063	199,475

11. SHARE CAPITAL

	Group and Company			
	2019		2018	
	Number of shares '000	Amount RM'000	Number of shares '000	Amount RM'000
Issued ordinary shares:				
At beginning of year/end of year	209,884	352,373	209,884	352,373

There were no shares bought back from the open market during the financial year (2018: Nil). As at 30 June 2019, the total number of shares bought back was 10,988,000 (2018: 10,988,000) ordinary shares which are being held as treasury shares in accordance with the requirement of Section 127 of the Companies Act 2016.

12. RESERVES

		Group		Company	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Reserves consist of:					
Other reserve	12.1	30,042	24,567	-	-
Exchange fluctuation reserve	12.2	75,425	76,991	-	-
Reserve for own shares	12.3	(52,771)	(53,043)	(11,788)	(3,134)
Executive share scheme reserve	12.4	5,385	3,127	502	295
Hedging reserve	12.5	(140)	(3,723)	-	-
Retained earnings		1,022,713	951,070	491,145	479,424
		1,080,654	998,989	479,859	476,585

Note 12.1
Other reserve comprises mainly of capital reserve.

Capital reserve represents a transfer from revenue reserve to capital reserve by a subsidiary as required by the relevant regulations of its country of incorporation.

Note 12.2
Exchange fluctuation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

Note 12.3
Reserve for own shares represents Trust Shares purchased by the ESS Trusts as disclosed in Note 2.2(j)(iii). As at 30 June 2019, the total number of shares held by the ESS Trusts at the Group level was 8,840,000 (2018: 8,890,000) shares.

At the Group level, during the financial year, a total of 50,000 existing ordinary shares in the Company held in the ESS Trust was transferred to an option holder arising from the vesting of free MPI shares.

As at 30 June 2019, the total number of MPI Shares held by the ESS Trust at the Company level was 1,106,400 (2018: 336,400) shares.

12. RESERVES (CONTINUED)

Note 12.4
Executive share scheme reserve represents fair value of the share options granted to employees as disclosed in Note 2.2(j)(iii).

Note 12.5
Hedging reserve represents the effective portion of the cumulative net change in the fair value of cash flow hedge related to hedged transactions that have not yet occurred.

13. EMPLOYEE BENEFITS

(a) Retirement benefits

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Retirement benefits obligation	-	245	-	245

(b) Executive Share Scheme ("ESS")

The Company has, on 28 February 2014, implemented an executive share grant scheme ("ESGS") of up to 10% of the total number of issued ordinary shares (excluding treasury shares) of the Company for the benefit of eligible executives. The ESGS together with the existing executive share option scheme ("ESOS") which was implemented on 8 March 2013 ("Effective Date") have been renamed as ESS. The ESS would be in force for a period of 10 years from the Effective Date.

The main features of the ESS are, inter alia, as follows:

(i) Eligible executives are those executives of the Group who have been confirmed in service on the date of offer or directors of the Group. The Board may from time to time at its discretion select and identify suitable eligible executives to be offered options or grants.

(ii) The aggregate number of shares comprised in:

(a) exercised options;
(b) unexercised options;
(c) unexpired option offers and unexpired grant offers pending acceptances by the eligible executives;
(d) outstanding grants;
(e) completed grants; and
(f) exercised options, unexercised options, outstanding grants, completed grants and unexpired offers pending acceptances, under any other executive share schemes established by the Company which are still subsisting;

shall not exceed 10% of the total number of issued ordinary shares (excluding treasury shares) of the Company at any one time ("Maximum Aggregate").

(iii) The option price shall not be at a discount of more than 10% (or such discount as the relevant authorities shall permit) from the 5-day weighted average market price of the shares of the Company preceding the date of offer and shall in no event be less than the par value of the shares of the Company.

13. EMPLOYEE BENEFITS (CONTINUED)

(b) Executive Share Scheme (“ESS”) (continued)

(iv) The exercise of the options or vesting of shares may, at the absolute discretion of the Board, be satisfied by way of issuance of new ordinary shares in the Company (unless otherwise adjusted); transfer of existing shares; or a combination of both new shares and existing shares.

(v) At any point in time during the existence of the ESS, the allocation to an eligible executive who, either singly or collectively through persons connected with the eligible executive, holds 20% or more of the total number of issued ordinary shares (excluding treasury shares) of the Company, must not exceed 10% of the Maximum Aggregate.

(vi) The options offered to an option holder under the ESOS is exercisable by the option holder or the shares to be vested to a grant holder under the ESGS will be vested to the grant holder only during his employment or directorship with the Group and within the option exercise period of the ESOS, subject to any maximum limit as may be determined by the Board under the By-Laws of the ESS.

ESOS

During the previous financial years, conditional incentive share options (“Options”) were granted to certain eligible executives of the Group as follows:

- The Company or MPI granted Options over 1,000,000 ordinary shares in MPI (“MPI Shares”) at an exercise price of RM4.30 per MPI Share to an eligible executive of Carsem Semiconductor (Suzhou) Co., Ltd (“Carsem Suzhou”), a wholly-owned subsidiary of the Company, all of which had lapsed.

- Carsem (M) Sdn Bhd (“Carsem”), a 70% subsidiary of the Company, granted Options over 7,900,000 MPI Shares at an exercise price of RM2.61 per MPI Share to certain eligible executives, all of which had lapsed.

- Dynacraft Industries Sdn Bhd (“DCI”), a wholly-owned subsidiary of the Company, granted Options over 1,700,000 MPI Shares at an exercise price of RM5.78 per MPI Share (“DCI Options”) to certain eligible executives, out of which, DCI Options over 200,000 MPI Shares were vested and 80,000 MPI Shares in the ESS Trust were transferred to a DCI Option holder during the financial year ended 30 June 2018 arising from the exercise of DCI Options. The remaining DCI Options over 1,620,000 MPI Shares had lapsed.

- Carsem granted Options over 4,100,000 MPI Shares at an exercise price of RM7.92 per MPI Share (“Carsem Options”) to certain eligible executives subject to the achievement of certain performance criteria by the Carsem Option holders over the option performance period. During the financial year ended 30 June 2019, none of the Carsem Options were vested or exercised. Carsem Options over 3,800,000 MPI shares remain outstanding as at 30 June 2019.

13. EMPLOYEE BENEFITS (CONTINUED)

(b) Executive Share Scheme ("ESS") (continued)

ESOS (continued)

During the previous financial years, conditional incentive share options ("Options") were granted to certain eligible executives of the Group as follows:

- MPI granted Options over 75,000 MPI Shares and 250,000 MPI Shares, at the exercise price of RM7.92 per MPI Share ("MPI Options") to an eligible executive of Carsem Inc., a 70% subsidiary of the Company, and Carsem Suzhou respectively, subject to the achievement of certain performance criteria by the MPI Option holders over the option performance period. During the financial year ended 30 June 2019, none of the MPI Options had been vested or exercised. MPI Options over 250,000 MPI shares remain outstanding as at at 30 June 2019.

During the current financial year ended 2019, there were no Options granted to eligible executives of the Group. There were also no grant or vesting of Options to directors and chief executives of the Group.

Since the commencement of the ESS, the Group had granted a total of 15,025,000 Options, out of which, 200,000 Options had been vested and 80,000 Options had been exercised, with 4,050,000 Options remaining outstanding as at 30 June 2019. The aggregate Options granted to directors/chief executives (including a past director/chief executive) of the Group amounted to 7,150,000 Options, out of which, 3,250,000 Options remain outstanding as at 30 June 2019. The actual percentage of total Options granted to directors (including a past director) and senior management of the Group was 4.98% based on the total number of issued ordinary shares (excluding treasury shares) of the Company as at 30 June 2019.

ESGS

During the previous financial year ended 2018, Carsem granted 100,000 free MPI Shares to an eligible executive of the Group. During the current financial year ended 2019, 50,000 of the said MPI Shares had been vested.

During the current financial year ended 2019, Carsem granted 100,000 free MPI Shares to an eligible executive of the Group. None of the said MPI Shares had been vested.

Since the commencement of the ESS, a total of 200,000 MPI Shares had been granted, out of which 50,000 had been vested with 150,000 MPI Shares remaining outstanding as at 30 June 2019. The aggregate of MPI Shares granted to a director/chief executive amounted to 200,000 MPI Shares, out of which, 50,000 MPI Shares had been vested, with 150,000 MPI Shares remaining outstanding. The actual percentage of total MPI Shares granted to a director/senior management of the Group was 0.10% based on the total number of issued shares (excluding treasury shares) of the Company as at 30 June 2019.

The aggregate allocation of Options and MPI Shares to directors and senior management of the Group pursuant to the ESS is at the discretion of the Board provided that such allocation does not exceed the Maximum Aggregate.

13. EMPLOYEE BENEFITS (CONTINUED)

(b) Executive Share Scheme ("ESS") (continued)

ESGS (continued)

Value of employee services received for issue of share options

	Group	
	2019	**2018**
	RM'000	**RM'000**
Recognised in profit or loss		
Share options granted in 2015	-	(1,005)
Share options granted in 2017	2,812	2,793
Share options granted in 2018	579	330
Share options granted in 2019	274	-
	3,665	2,118

(i) Options - Weighted average fair value and assumptions

	2019	**2018**
Weighted average fair value at grant date	RM2.04	RM2.04
At grant date:		
Weighted average share price	RM8.06	RM8.06
Weighted average exercise price	RM7.92	RM7.92
Expected volatility (weighted average volatility)	30.93%	30.93%
Option life (expected weighted average life)	4 years	4 years
Weighted average expected dividends	3.76%	3.76%
Weighted average risk-free interest rate (based on Malaysian government bonds)	3.69%	3.69%

(ii) MPI Shares granted – Fair value and assumptions

	2018
Fair value at grant date on 30 January 2018	RM10.66
At grant date:	
Weighted average share price	RM10.49
Exercise price	Nil
Expected volatility (weighted average volatility)	28.48%
Weighted average expected dividends	2.73%
Weighted average risk-free interest rate (based on Malaysian government bonds)	3.80%

13. EMPLOYEE BENEFITS (CONTINUED)

(b) Executive Share Scheme (“ESS”) (continued)

(iii) MPI Shares granted – Fair value and assumptions

	2019
Fair value at grant date on 21 February 2019	RM10.37
At grant date:	
Weighted average share price	RM10.26
Exercise price	Nil
Expected volatility (weighted average volatility)	37.50%
Weighted average expected dividends	3.01%
Weighted average risk-free interest rate (based on Malaysian government bonds)	3.68%

14. TRADE AND OTHER PAYABLES INCLUDING DERIVATIVES

		Group		**Company**	
	Note	**2019 RM’000**	**2018 RM’000**	**2019 RM’000**	**2018 RM’000**
Trade payables		75,017	86,836	-	-
Amounts due to:					
- Related companies	14.1	2,057	1,887	-	-
Other payables		52,290	69,468	-	-
Accrued expenses		64,648	46,440	786	741
Derivative used for hedging					
- Forward exchange contracts		286	5,927	-	-
		194,298	210,558	786	741

Note 14.1

Amounts due to related companies are non-trade, unsecured, interest free and repayable on demand.

15. LOANS AND BORROWINGS

	Group	
	2019 RM’000	**2018 RM’000**
Current (unsecured)		
Term loan	-	75,030
	%	**%**
Term loan effective interest rate	-	5.0 - 5.1

15. LOANS AND BORROWINGS (CONTINUED)

(a) Reconciliation of movement of liabilities to cash flow arising from financing activities.

The movement of borrowings in the statement of cash flows is as follows:

		Net changes from financing cash flows			
	At 1 July RM'000	Drawdown RM'000	Repayment RM'000	Foreign exchange movement RM'000	At 30 June RM'000
2019					
Term loan	75,030	12,088	(86,086)	(1,032)	-
2018					
Term loan	92,003	53,066	(65,270)	(4,769)	75,030

16. REVENUE

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Revenue from contracts with customers	1,480,497	1,535,418	-	-
Other revenue				
- Dividend income	7,445	6,902	66,445	80,902
Total revenue	1,487,942	1,542,320	66,445	80,902

16. REVENUE (CONTINUED)

16.1 Disaggregation of revenue

	Asia		USA		Europe		Total	
Group	**2019 RM'000**	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Major products and service								
Manufacturing services of semiconductor packaging and testing, and manufacturing and sale of leadframes	904,314	888,448	224,462	281,197	351,721	365,773	1,480,497	1,535,418
Timing and recognition								
At a point in time	904,314	888,448	224,462	281,197	351,721	365,773	1,480,497	1,535,418
Revenue from contracts with customers	904,314	888,448	224,462	281,197	351,721	365,773	1,480,497	1,535,418
Other revenue	7,445	6,902	-	-	-	-	7,445	6,902
Total revenue	911,759	895,350	224,462	281,197	351,721	365,773	1,487,942	1,542,320

16. REVENUE (CONTINUED)

16.2 Nature of goods and services

The following information reflects the typical transactions of the Group:

Nature of goods or services	Timing of recognition or method used to recognise revenue	Significant payment terms	Variable element in consideration	Obligation for returns or refunds	Warranty
Manufacturing services of semiconductor packaging and testing, and manufacturing and sale of leadframes.	Revenue is recognised when the control of the goods are transferred to the customers.	Credit period of 30 - 60 days from invoice date.	Revision of selling price due to fluctuation of commodity prices.	Obligation for returns if goods are required for reworks.	Not applicable.

17. PROFIT BEFORE TAXATION

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Other than those disclosed elsewhere in the financial statements, profit before taxation is arrived at after charging/(crediting):				
Auditors' remuneration				
Holding company's auditors				
- Statutory audits	155	152	32	31
- Other services	31	29	3	3
Other auditors				
- Statutory audits	62	62	-	-
- Other services	20	21	-	-
Allowance for slow moving inventories	8,362	3,083	-	-
Fair value loss on financial instruments designated as hedging instruments	90	114	-	-
(Gain)/Loss on disposal of property, plant and equipment	(382)	261	-	-
Loss/(Gain) on foreign exchange				
- Realised	24,693	1,097	247	-
- Unrealised	(7,911)	(15,980)	(1,257)	2,096
Dividend income from unquoted subsidiaries	-	-	(59,000)	(74,000)
Dividend income from other investments:				
- Recognised in revenue	(7,445)	(6,902)	(7,445)	(6,902)
- Recognised in other operating income	(9,674)	(7,946)	-	-
Property, plant and equipment written off	19	15	-	-
Personnel expenses (including Directors of the Company):				
- Wages, salaries and others	313,998	343,955	-	-
- Contributions to Employees Provident Fund	42,502	43,693	-	-
- Share-based payment	3,665	2,118	-	-
Rental of property, plant and equipment	2,931	3,068	-	53
Research and development expenditure	35,050	29,550	-	-

18. TAXATION

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Current taxation				
Malaysian				
- Current year	13,508	18,500	198	143
- Prior years	(77)	69	-	3
Overseas				
- Current year	15,557	17,541	-	-
- Prior years	(49)	(1,383)	-	-
	28,939	34,727	198	146
Deferred taxation				
- Current year	834	(200)	-	-
	29,773	34,527	198	146

18. TAXATION (CONTINUED)

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Reconciliation of taxation				
Profit before taxation	189,792	206,970	65,322	75,728
Taxation at Malaysian statutory tax rate of 24%	45,550	49,673	15,677	18,175
Difference of tax rate in foreign jurisdiction	(7,796)	(5,586)	-	-
Non-deductible expenses	9,441	6,935	710	717
Tax exempt income (Note 18.1)	(17,296)	(15,181)	(16,189)	(18,749)
	29,899	35,841	198	143
(Over)/under provision in prior years	(126)	(1,314)	-	3
	29,773	34,527	198	146

Note 18.1

A subsidiary of the Company has been granted 100% pioneer tax exemption on the statutory income for 10 years beginning year of assessment 30 June 2015 in respect of the approved business by the Malaysian Investment Development Authority under the Income Tax (Exemption) (No. 11) Order 2006 [P.U. (A) 112/2006] of the Income Tax Act, 1967.

19. EARNINGS PER ORDINARY SHARE

Basic earnings per ordinary share

The basic earnings per ordinary share is calculated by dividing the Group's profit attributable to owners of the Company of RM128,328,000 (2018: RM142,464,000) by the weighted average number of ordinary shares outstanding during the financial year of 190,025,049 (2018: 189,981,433) as follows:

Weighted average number of ordinary shares

	2019 '000	2018 '000
Issued ordinary shares at beginning of year	209,884	209,884
Less:		
Treasury shares held at beginning of year	(10,988)	(10,988)
Trust shares held at beginning of year	(8,890)	(8,970)
	190,006	189,926
Effect of Trust Shares vested	19	55
Weighted average number of ordinary shares at end of year	190,025	189,981
Basic earnings per ordinary share (sen)	67.53	74.99

Diluted earnings per ordinary share

The Group has no dilution in its earnings per ordinary share in the current and previous financial years as there are no dilutive potential ordinary shares.

20. OTHER COMPREHENSIVE INCOME

2019	Before tax RM'000	Taxation RM'000	Net of tax RM'000
Items that are or may be reclassified subsequently to profit or loss			
Cash flow hedge			
- Gain arising during the year	5,622	(1,150)	4,472
- Reclassification adjustments for gain included in profit or loss	90	(68)	22
	5,712	(1,218)	4,494
Foreign currency translation differences for foreign operations			
- Gain arising during the year	(1,566)	-	(1,566)
	4,146	(1,218)	2,928

2018	Before tax RM'000	Taxation RM'000	Net of tax RM'000
Items that are or may be reclassified subsequently to profit or loss			
Cash flow hedge			
- Loss arising during the year	(8,223)	1,753	(6,470)
- Reclassification adjustments for gain included in profit or loss	114	20	134
	(8,109)	1,773	(6,336)
Foreign currency translation differences for foreign operations			
- Gain arising during the year	(16,611)	-	(16,611)
	(24,720)	1,773	(22,947)

21. DIVIDENDS

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
First interim				
10.0 sen per share single tier (2018: 10.0 sen per share single tier)	19,001	19,001	19,779	19,856
Second interim				
17.0 sen per share single tier (2018: 19.0 sen per share single tier)	32,308	36,103	33,624	37,726
	51,309	55,104	53,403	57,582

Dividends received by the ESS Trusts for the Group and the Company amounting to RM2,393,000 (2018: RM2,576,000) and RM298,728 (2018: RM97,556) respectively are eliminated against the dividend expense of the Company upon consolidation of the ESS Trusts as disclosed in Note 2.2(j)(iii).

22. OPERATING SEGMENTS

The Group's operating and reportable segments are geographical segments by location of customers. For each geographical segment by location of customers, the Board of Directors reviews internal management reports on at least a quarterly basis. The Group's reportable segments are as follows:

- Asia
- The United States of America ("USA"); and
- Europe

These segments are engaged in manufacturing services of semiconductor packaging and testing, and manufacturing and sale of leadframes.

Segment profit

Performance is measured based on segment profit before interest income, finance costs and taxation as included in the internal management reports that are reviewed by the Board of Directors.

Segment assets

Segment assets information is not presented to the Board of Directors and hence no disclosure is made on segment assets.

Segment liabilities

Segment liabilities information is not presented to the Board of Directors and hence no disclosure is made on segment liabilities.

	Asia		**USA**		**Europe**		**Total**	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Segment profit	111,680	124,774	28,050	33,242	42,582	45,353	182,312	203,369
Included in the measure of segment profit are:								
Revenue from external customers	904,314	888,448	224,462	281,197	351,721	365,773	1,480,497	1,535,418
Depreciation and amortisation	113,561	111,805	24,630	32,672	35,594	37,234	173,785	181,711

22. OPERATING SEGMENTS (CONTINUED)

Reconciliations of reportable segment profit

	2019 RM'000	2018 RM'000
Profit		
Reportable segments	182,312	203,369
Non-reportable segments	6,485	4,766
Finance costs	(3,242)	(3,209)
Interest income	4,237	2,044
Consolidated profit before taxation	189,792	206,970

	2019		2018	
	External revenue RM'000	Depreciation & amortisation RM'000	External revenue RM'000	Depreciation & amortisation RM'000
Reportable segments	1,480,497	173,785	1,535,418	181,711
Non-reportable segments	7,445	134	6,902	139
Total	1,487,942	173,919	1,542,320	181,850

Geographical segments

Revenue of the Group by geographical location of the customers is as follows:

	Revenue	
	2019 RM'000	2018 RM'000
Singapore	313,501	348,743
USA	224,462	281,197
Malaysia	265,827	243,730
Ireland	106,593	123,957
Taiwan	182,290	159,706
Switzerland	51,001	52,892
Others	336,823	325,193
	1,480,497	1,535,418

Non-current assets (except for financial assets) of the Group by geographical location of the assets are as follows:

	Non-current assets	
	2019 RM'000	2018 RM'000
Malaysia	383,525	349,017
The People's Republic of China	311,066	329,203
Others	25	42
	694,616	678,262

22. OPERATING SEGMENTS (CONTINUED)

Major customer

During the financial year, revenue from two customers (2018: three customers) amounting to RM361,306,000 (2018: RM514,242,000) contributed to more than 10% of the Group's revenue.

	2019 RM'000	2018 RM'000
Customer A	207,320	185,964
Customer B	153,986	171,033
Customer C	-	157,245
	361,306	514,242

23. COMMITMENTS

	Group	
	2019 RM'000	2018 RM'000
Property, plant and equipment:		
Contracted but not provided for	13,270	25,015
Leases as lessees		
Operating lease commitments:		
Expiring within one year	1,915	1,532
Expiring between one to five years	5,976	7,891
Expiring after five years	22,001	22,001
	29,892	31,424

Group

The Group has lease commitments of RM1,915,000 (2018: RM1,532,000) per annum in respect of three lots of land sub-leased at cost from a third party. The annual rental rate per square foot will increase by 30% every five years and the lease expires on 30 August 2031. The Group has an option to purchase outright from the third party, at market value, the remaining lease tenure of the land, which is exercisable in any of the calendar years 2019, 2024 and 2029. None of the leases include contingent rental.

24. RELATED PARTIES

24.1 The Group has related party transactions with corporations which are related to the Directors and/or major shareholders of the Company and/or related corporations and/or persons connected with them as follows:

(i) Hong Leong Company (Malaysia) Berhad ("HLCM") is a major shareholder of the Company through Hong Leong Manufacturing Group Sdn Bhd ("HLMG"). YBhg Tan Sri Quek Leng Chan is a major shareholder of the Company, and a Director and a major shareholder of HLMG and HLCM. YBhg Datuk Kwek Leng San is a Director of the Company, HLMG and HLCM, and a shareholder of the Company and HLCM. Mr Kwek Leng Beng is a Director of HLCM and a major shareholder of the Company and HLCM. Mr Kwek Leng Kee is a major shareholder of the Company and HLCM. YBhg Tan Sri Quek Leng Chan and YBhg Datuk Kwek Leng San are brothers. HLCM is a person connected with YBhg Tan Sri Quek Leng Chan, YBhg Datuk Kwek Leng San, Mr Kwek Leng Beng and Mr Kwek Leng Kee.

Significant transactions with related parties are as follows:

			Group	
	Transactions	**Related party**	**2019 RM'000**	**2018 RM'000**
(a)	Rental of properties	Subsidiary and associated companies of HLCM	39	53
(b)	Receipt of services	Subsidiary and associated companies of HLCM	45	67
(c)	Receipt of group management and /or support services	Subsidiary and associated companies of HLCM	10,435	11,160
(d)	Payment for usage of the Hong Leong logo and trade mark	Subsidiary and associated companies of HLCM	19	22

24. RELATED PARTIES (CONTINUED)

24.1 Significant transactions with related parties are as follows (continued):

Significant balances with related parties at the reporting date are disclosed in Note 9 and Note 14 to the financial statements.

The above transactions have been carried out on commercial terms consistent with the usual business practices and policies of the Group and of the Company.

24.2 Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel includes all the Directors of the Company.

The fees, remuneration and other benefits of the Directors of the Company are as follows:

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Executive Directors				
Remuneration and other benefits	6,599	6,362	-	-
Non-Executive Directors				
Fees*	502	518	462	478

* This includes fee for a Director which has been assigned in favour of the Company where the Director is appointed.

The estimated monetary value of benefit-in-kind of the Directors of the Company are as follows:

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Executive Directors	272	176	-	-
Non-Executive Directors	28	28	28	28
	300	204	28	28

25. FINANCIAL INSTRUMENTS

25.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised under MFRS 9 as follows:

(a) Fair value through other comprehensive income (“FVOCI”):
- Equity instrument designated upon initial recognition (“EIDUIR”);

(b) Financial assets measured at amortised cost (“FAAC”); and

(c) Financial liabilities measured at amortised cost (“FLAC”).

2019	Carrying amount RM’000	FAAC/ FLAC RM’000	FVOCI- EIDUIR RM’000	Derivatives used for hedging RM’000
Financial assets				
Group				
Other investments	46	-	46	-
Trade and other receivables (excluding prepayments)	179,273	179,273	-	-
Cash and cash equivalents	713,386	713,386	-	-
	892,705	892,659	46	-
Company				
Other investments	46	-	46	-
Trade and other receivables (excluding prepayments)	695	695	-	-
Cash and cash equivalents	236,077	236,077	-	-
	236,818	236,772	46	-
Financial liabilities				
Group				
Trade and other payables including derivatives	194,298	194,012	-	286
Company				
Trade and other payables	786	786	-	-

25. FINANCIAL INSTRUMENTS (CONTINUED)

25.1 Categories of financial instruments (continued)

2018	**Carrying amount RM'000**	**FAAC/ FLAC RM'000**	**FVOCI-EIDUIR RM'000**	**Derivatives used for hedging RM'000**
Financial assets				
Group				
Other investments	46	-	46	-
Trade and other receivables (excluding prepayments)	230,209	230,209	-	-
Cash and cash equivalents	647,621	647,621	-	-
	877,876	877,830	46	-
Company				
Other investments	46	-	46	-
Trade and other receivables (excluding prepayments)	34,078	34,078	-	-
Cash and cash equivalents	199,488	199,488	-	-
	233,612	233,566	46	-
Financial liabilities				
Group				
Loans and borrowings	75,030	75,030	-	-
Trade and other payables including derivatives	210,558	204,631	-	5,927
	285,588	279,661	-	5,927
Company				
Trade and other payables	741	741	-	-

25. FINANCIAL INSTRUMENTS (CONTINUED)

25.2 Net gains and losses arising from financial instruments

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Net (losses)/gains arising from:				
Financial assets measured at amortised cost	11,559	(3,566)	9,069	5,162
Financial liabilities measured at amortised cost	(12,719)	35,166	(2)	(1)
	(1,160)	31,600	9,067	5,161

25.3 Financial risk management

The Group and the Company have exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

25.3.1 Credit risk

Credit risk is the risk of a financial loss to the Group and the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its receivables from customers, short term deposit and bank balances and outstanding forward exchange contracts. The Company's exposure to credit risk arises principally from advances to subsidiaries and bank balances.

Receivables

Risk management objectives, policies and processes for managing the risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount.

At the reporting date, there were no significant concentrations of credit risk. The maximum exposure to credit risk for the Group and the Company is represented by the carrying amount of each financial asset.

25. FINANCIAL INSTRUMENTS (CONTINUED)

25.3 Financial risk management (continued)

25.3.1 Credit risk (continued)

Receivables (continued)

Exposure to credit risk, credit quality and collateral

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

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are measured at their realisable values. A significant portion of these receivables are regular customers that have been transacting with the Group. The Group uses ageing analysis to monitor the credit quality of the receivables. Any receivables having significant balances past due, which are deemed to have higher credit risk, are monitored individually.

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

	Group	
	2019	**2018**
	RM'000	**RM'000**
Singapore	35,604	63,423
USA	14,964	20,404
Malaysia	21,278	27,673
Ireland	7,945	15,276
Taiwan	21,416	20,192
Switzerland	306	486
Others	68,361	62,536
	169,874	209,990

Expected credit loss ("ECL") assessment for trade receivables

The Group uses an allowance matrix to measure the ECL of trade receivables from individual customers.

25. FINANCIAL INSTRUMENTS (CONTINUED)

25.3 Financial risk management (continued)

25.3.1 Credit risk (continued)

Receivables (continued)

Expected credit loss ("ECL") assessment for trade receivables (continued)

To measure the expected credit losses, trade receivables have been grouped based on credit risk and days past due.

Where a trade receivable has a low credit risk, it is excluded from the allowance matrix and its ECL is assessed individually by considering historical payment trends and financial strength of the receivable.

The following table provides information about the exposure to credit risk and ECL for trade receivables as at 30 June 2019.

Group	Gross RM'000	Loss allowance RM'000	Net RM'000
2019			
Current (not past due)	136,606	-	136,606
Past due 1 - 30 days	36,184	(2,916)	33,268
Past due 31 - 60 days	3,312	(3,312)	-
Past due 61 - 90 days	813	(813)	-
Past due more than 90 days	790	(790)	-
	177,705	(7,831)	169,874
2018			
Current (not past due)	153,379	-	153,379
Past due 1 - 30 days	57,926	(1,315)	56,611
Past due 31 - 60 days	5,434	(5,434)	-
Past due 61 - 90 days	861	(861)	-
Past due more than 90 days	386	(386)	-
	217,986	(7,996)	209,990

25. FINANCIAL INSTRUMENTS (CONTINUED)

25.3 Financial risk management (continued)

25.3.1 Credit risk (continued)

Receivables (continued)

Movements in the allowance for impairment in respect of trade receivables

The movements in the allowance for impairment in respect of trade receivables during the year are as follows:

Group	2019 RM'000	2018 RM'000
Balance at beginning of year	7,996	7,765
Impairment loss recognised	-	231
Impairment loss reversed	(165)	-
Balance at end of year	7,831	7,996

The allowance account in respect of receivables is used to record impairment losses. Unless the Group is satisfied that recovery of the amount is possible, the amount considered irrecoverable is written off against the receivable directly.

Expected credit loss of other receivables

Expected credit loss of other receivable is determined individually after considering the financial strength of the other receivable. Based on management's assessment, the probability of the default of these receivables is low and hence, no loss allowance has been made.

Cash and cash equivalents

Risk management objectives, policies and processes for managing the risk

The Group's and the Company's short term deposits are placed as fixed rates investments and upon which management endeavours to obtain the best rate available in the market.

Cash and cash equivalents of the Group and the Company are placed with licensed financial institutions which are mainly placed with a related company licensed financial institutions as disclosed in Note 10 to the financial statements.

25. FINANCIAL INSTRUMENTS (CONTINUED)

25.3 Financial risk management (continued)

25.3.1 Credit risk (continued)

Cash and cash equivalents (continued)

Exposure to credit risk and credit quality

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

Impairment losses

The Group and the Company consider that their cash and cash equivalents have low credit risk.

Outstanding forward exchange contract

Forward exchange contracts are entered into with licensed banks with good credit rating. The maximum exposure to credit risk is represented by the carrying amounts in the statements of financial position.

25.3.2 Liquidity risk

Liquidity risk is the risk that the Group and the Company will not be able to meet their financial obligations as and when they fall due. The Group's and the Company's exposure to liquidity risk arises principally from their various payables, loans and borrowings.

The Group and the Company actively manage their operating cash flows and the availability of fundings so as to ensure that all repayments and funding needs are met. As part of its overall prudent liquidity management, the Group and the Company maintain sufficient levels of cash and cash equivalents and bank facilities to meet their working capital requirements.

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

25. FINANCIAL INSTRUMENTS (CONTINUED)

25.3 Financial risk management (continued)

25.3.2 Liquidity risk (continued)

Maturity analysis

The table below summarises the maturity profile of the Group's and the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments:

	Carrying amount RM'000	Contractual interest rate %	Contractual cash flows RM'000	Under 1 year RM'000
2019				
Group				
Non-derivative financial liabilities				
Trade and other payables	194,012	-	194,012	194,012
Derivative financial liabilities				
Forward exchange contracts				
Outflow	286	-	168,204	168,204
Inflow	-	-	(167,918)	(167,918)
	194,298		194,298	194,298
Company				
Non-derivative financial liabilities				
Trade and other payables	786	-	786	786
2018				
Group				
Non-derivative financial liabilities				
Trade and other payables	204,631	-	204,631	204,631
Loans and borrowings	75,030	5.0 - 5.1	78,362	78,362
Derivative financial liabilities				
Forward exchange contracts				
Outflow	5,927	-	340,051	340,051
Inflow	-	-	(334,124)	(334,124)
	285,588		288,920	288,920
Company				
Non-derivative financial liabilities				
Trade and other payables	741	-	741	741

25. FINANCIAL INSTRUMENTS (CONTINUED)

25.3 Financial risk management (continued)

25.3.3 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, that will affect the Group's and the Company's financial position or cash flows.

Currency risk

The Group and the Company are exposed to foreign currency risk on sales, purchases, cash and cash equivalents and loans and borrowings that are denominated in a currency other than the respective functional currencies of Group entities. The currency giving rise to this risk is primarily USD.

Risk management objectives, policies and processes for managing the risk

Material foreign currency transaction exposures are hedged, mainly with derivative financial instruments such as forward foreign exchange contracts, on a case by case basis.

Exposure to foreign currency risk

The Group's exposure to foreign currency risk, based on carrying amounts (nominal amounts for the forward exchange contracts) as at the end of the reporting period was:

	Denominated in USD	
Group	**2019 RM'000**	**2018 RM'000**
Trade receivables	147,988	185,529
Forward exchange contracts – receivables	(167,918)	(334,124)
Cash and cash equivalents	165,516	164,853
Trade and other payables	(78,960)	(97,889)
Net exposure	66,626	(81,631)

Currency risk sensitivity analysis

A 5% (2018: 5%) strengthening of the Ringgit Malaysia against USD at the end of the reporting period would have (decreased)/increased profit before taxation of the Group by (RM3,331,000) (2018: RM4,082,000). A 5% (2018: 5%) weakening of the Ringgit Malaysia against USD would have had equal but opposite effect on profit or loss. This analysis assumes that all other variables, in particular interest rates, remained constant and ignores any impact of forecasted sales and purchases.

25. FINANCIAL INSTRUMENTS (CONTINUED)

25.3 Financial risk management (continued)

25.3.3 Market risk (continued)

Interest rate risk

The Group and the Company manage their interest rate exposure by maintaining available lines of fixed and floating rate borrowings.

Exposure to interest rate risk

The interest rate profile of the Group's and the Company's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period were:

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Fixed rate instruments				
Deposits with licensed bank	621,557	462,900	234,950	198,900
Floating rate instruments				
Loans and borrowings	-	(75,030)	-	-

Interest rate risk sensitivity analysis

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss and the Group does not designate derivatives as hedging instruments under a fair value hedged accounting model. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

An increase of 50 basis points (bp) (2018: 50 bp) in interest rates at the end of the reporting period would have decreased the profit before taxation and equity of the Group by Nil (2018: RM375,000). A decrease of 50 bp in interest rates would have had equal but opposite effect on profit or loss. This analysis assumes that all other variables remained constant.

25. FINANCIAL INSTRUMENTS (CONTINUED)

25.3 Financial risk management (continued)

25.3.4 Hedging activities

25.3.4.1 Cash flow hedge

The Group has entered into a number of forward exchange contracts to hedge the cash flow risk in relation to the variations of cash flows arising from future forecasted transactions. These forward exchange contracts have a total notional amount of USD40,410,000 (2018: USD84,050,000) and all of the forward exchange contracts have maturities of less than one year after the end of the reporting period.

The following table indicates the periods in which the cash flows associated with the foreign exchange currencies are expected to occur and affect profit or loss:

Group	**Carrying amount RM'000**	**Expected cash flow RM'000**	**Under 1 year RM'000**
2019			
Forward exchange contract	(286)	(286)	(286)
2018			
Forward exchange contract	(5,927)	(5,927)	(5,927)

During the financial year, a gain of RM4,472,000 (2018: a loss of RM6,470,000) was recognised in other comprehensive income and RM22,000 (2018: RM134,000) was reclassified from equity to profit or loss.

Ineffectiveness loss amounting to RM90,000 (2018: loss of RM114,000) was recognised in profit or loss during the financial year in respect of the hedge.

25.3.5 Fair value of financial instruments

The carrying amounts of cash and cash equivalents, short term receivables and payables approximate their fair values due to the relatively short term nature of these financial instruments. Accordingly, the fair values and fair value hierarchy levels have not been presented for these instruments.

25. FINANCIAL INSTRUMENTS (CONTINUED)

25.3 Financial risk management (continued)

25.3.6 Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Group	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
2019			
Financial assets			
Investments	-	46	-
Financial liabilities			
Forward exchange contracts	-	(286)	-
2018			
Financial assets			
Investments	-	46	-
Financial liabilities			
Forward exchange contracts	-	(5,927)	-

Level 2 fair value

Derivatives

The fair value of derivatives are obtained from observable market prices in active markets, including recent market transactions and valuation techniques that include discounted cash flow models and option pricing models, as appropriate.

26. CAPITAL MANAGEMENT

The Group's objectives when managing capital is to maintain a strong capital base and safeguard the Group's ability to continue as a going concern, so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Directors monitor and are determined to maintain an optimal debt-to-equity ratio.

The debt-to-equity ratios are as follows:

	Group	
	2019 RM'000	2018 RM'000
Total loans and borrowings	-	75,030
Less: Cash and cash equivalents	(713,386)	(647,621)
Net cash	(713,386)	(572,591)
Total equity	1,499,232	1,404,929
Debt-to-equity ratio	Nil	Nil

MALAYSIAN PACIFIC INDUSTRIES BERHAD
(Incorporated in Malaysia)

AND ITS SUBSIDIARIES

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

In the opinion of the Directors, the financial statements set out on pages 7 to 77 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 30 June 2019 and of their financial performance and cash flows for the financial year then ended.

On behalf of the Board,

Manuel Zarauza Brandulas

Lim Tau Kien

Date: 28 August 2019

MALAYSIAN PACIFIC INDUSTRIES BERHAD

(Incorporated in Malaysia)

AND ITS SUBSIDIARIES

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

I, Cheah Wing Ket, the officer primarily responsible for the financial management of MALAYSIAN PACIFIC INDUSTRIES BERHAD, do solemnly and sincerely declare that the financial statements set out on pages 7 to 77 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 abovenamed Cheah Wing Ket, MIA CA9244, at Kuala Lumpur in the Federal Territory on 28 August 2019.

Cheah Wing Ket

Before me

Mohan A.S. Maniam

Kuala Lumpur

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF
MALAYSIAN PACIFIC INDUSTRIES BERHAD

(Company No. 4817-U)
(Incorporated in Malaysia)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Malaysian Pacific Industries Berhad, which comprise the statements of financial position as at 30 June 2019 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 7 to 77.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 30 June 2019, and of their financial performance and their cash flows for the 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 auditors' 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 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.

1. Revenue recognition

   Refer to Note 2.2(n)(i) to the financial statements.

The key audit matter	**How the matter was addressed in our audit**
The Group recorded RM1,488 million of revenue for the current financial year. Revenue of the Group comprises mainly manufacturing and testing of semiconductor devices and electronic components, and sale of leadframes. We have identified revenue recognition as a key audit matter because of the variety of goods sold and services rendered by the Group, with different pricing and terms relating to customers' acceptance, for different customers. Accordingly, there was a risk that the amount and timing of revenue were not recognised in the respective financial period. In addition, the Group adopted MFRS 15 for the first time in the current financial year ended 30 June 2019. Due to the complexity of MFRS 15, there was a risk where the new accounting policy for revenue is not in compliance with MFRS 15, and any impacts on initial application were not properly determined by the Group.	Our audit procedures included, among others: • We evaluated the design and implementation, and tested the operating effectiveness of identified controls over the process of revenue recognition. • We tested the revenue transactions by verifying to relevant supporting documents that evidence the transfer of control of goods to customers in accordance to relevant accounting standards. • We tested samples of transactions that were recorded before and after the financial year end date of 30 June 2019 to relevant supporting documents to assess whether the revenue was recognised in the appropriate financial periods. • We evaluated the effects of MFRS 15 adoption by considering the appropriateness of the new accounting policies adopted for revenue, based on our understanding of the Group's business and our knowledge of the industry. • We evaluated the appropriateness of new disclosures required by MFRS 15 in accordance with the accounting standard.

We have determined that there are no key audit matters in the audit of the separate financial statements of the Company to communicate in our auditors' report.

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 Directors' Report, and Statement on Risk Management and Internal Control (but does not include the financial statements of the Group and of the Company and our auditors' report thereon), which we obtained prior to the date of this auditors' report, and the remaining parts of the annual report, which are expected to be made available to us after that date.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not and will 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 identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the remaining parts of the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Directors of the Company and take appropriate actions in accordance with approved standards on auditing in Malaysia and International Standards on Auditing.

Responsibilities of the Directors for the Financial Statements

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

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the ability of the Group and of the Company 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 conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

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

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

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

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group or of the Company 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 gives a true and fair view.

- 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.

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

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

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

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

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors are disclosed in Note 3 to the financial statements.

Other Matter

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.

KPMG PLT
(LLP0010081-LCA & AF 0758)
Chartered Accountants

Chong Chen Kian
Approval Number: 03232/02/2020 J
Chartered Accountant

Petaling Jaya, Selangor

Date: 28 August 2019