



PMB TECHNOLOGY BERHAD
(Company No. 584257-X)

ANNUAL REPORT
2018

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Tan Sri Dato' Koon Poh Keong
Koon Poh Ming
Koon Poh Weng
Dato' Koon Poh Tat
Loo Lean Hock
Ernest Bong Miao Fatt
Noor Alina Binti Mohamad Faiz

Executive Chairman
Chief Executive Officer
Executive Director
Executive Director
Senior Independent Non-Executive Director
Independent Non-Executive Director
Independent Non-Executive Director

AUDIT COMMITTEE

Loo Lean Hock (*Chairman*)
Ernest Bong Miao Fatt (*Member*)
Noor Alina Binti Mohamad Faiz (*Member*)

REMUNERATION COMMITTEE

Ernest Bong Miao Fatt (*Chairman*)
Loo Lean Hock (*Member*)
Noor Alina Binti Mohamad Faiz (*Member*)

NOMINATION COMMITTEE

Loo Lean Hock (*Chairman*)
Ernest Bong Miao Fatt (*Member*)
Noor Alina Binti Mohamad Faiz (*Member*)

COMPANY SECRETARIES

Tai Yit Chan (MAICSA 7009143)
Tan Ai Ning (MAICSA 7015852)

SHARE REGISTRAR

Tricor Investor & Issuing House Services
 Sdn. Bhd.
 Unit 32-01, Level 32, Tower A,
 Vertical Business Suite,
 Avenue 3, Bangsar South,
 No. 8, Jalan Kerinchi,
 59200 Kuala Lumpur,
 Malaysia.

Tel : 603 - 2783 9299
 Fax : 603 - 2783 9222

REGISTERED OFFICE

Lot 6.05, Level 6, KPMG Tower,
 8 First Avenue, Bandar Utama,
 47800 Petaling Jaya,
 Selangor Darul Ehsan,
 Malaysia.

Tel : 603 - 7720 1188
 Fax : 603 - 7720 1111

CORPORATE OFFICE

Lot 1797, Jalan Balakong,
 Bukit Belimbing,
 43300 Seri Kembangan,
 Selangor Darul Ehsan,
 Malaysia.

Tel : 603 - 8961 5205
 Fax : 603 - 8961 1904
 Website URL: www.pmbtechnology.com

PRINCIPAL BANKERS

Ambank (M) Berhad
 Bangkok Bank Berhad
 Hong Leong Bank Berhad
 Malayan Banking Berhad

AUDITORS

KPMG PLT
 (LLP0010081-LCA & AF 0758)
 (Chartered Accountants)
 Level 10, KPMG Tower,
 8 First Avenue, Bandar Utama,
 47800 Petaling Jaya,
 Selangor Darul Ehsan,
 Malaysia.

Tel : 603 - 7721 3388
 Fax : 603 - 7721 3399

STOCK EXCHANGE LISTING

Main Market
 Bursa Malaysia Securities Berhad

NOTICE OF SEVENTEENTH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Seventeenth Annual General Meeting of PMB Technology Berhad will be held at Room Tunku Abdul Rahman, The Royal Commonwealth Society of Malaysia, No. 4, Jalan Birah, Damansara Heights, 50490 Kuala Lumpur, Malaysia on Wednesday, 26 June 2019 at 10.30 a.m. for the following purposes:

AGENDA

As Ordinary Business

1. To receive the Audited Financial Statements for the financial year ended 31 December 2018 together with the Reports of the Directors and Auditors thereon. **(Please refer to Note 1 of the Explanatory Notes)**
2. To approve the payment of Directors' fees and benefits payable to the Directors of up to an aggregate amount of RM160,000 for the financial year ending 31 December 2019. **Ordinary Resolution 1 (Please refer to Note 2 of the Explanatory Notes)**
3. To re-elect the following Directors who are retiring pursuant to Clause 95 of the Constitution of the Company:
 - (i) Tan Sri Dato' Koon Poh Keong
 - (ii) Puan Noor Alina Binti Mohamad Faiz**Ordinary Resolution 2
Ordinary Resolution 3**
4. To re-appoint KPMG PLT as Auditors of the Company and to authorise the Directors to fix their remuneration. **Ordinary Resolution 4**

As Special Business

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

5. **Authority under Section 76 of the Companies Act 2016 for the Directors to allot and issue shares**

"THAT pursuant to Section 76 of the Companies Act 2016, the Directors be and are hereby authorised to allot and issue shares in the Company at any time until the conclusion of the next Annual General Meeting and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit provided that the aggregate number of shares to be issued does not exceed ten per centum (10%) of the total number of issued shares of the Company for the time being, subject always to the approval of all relevant regulatory bodies being obtained for such allotment and issuance."

Ordinary Resolution 5 (Please refer to Note 3 of the Explanatory Notes)
6. **Authority for Loo Lean Hock to continue in office as Independent Non-Executive Director**

"THAT authority be and is hereby given to Loo Lean Hock who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than twelve (12) years, to continue to act as an Independent Non-Executive Director of the Company until the conclusion of the next Annual General Meeting in accordance with the Malaysian Code on Corporate Governance."

Ordinary Resolution 6 (Please refer to Note 4 of the Explanatory Notes)

NOTICE OF SEVENTEENTH ANNUAL GENERAL MEETING

cont'd

7. **Authority for Ernest Bong Miau Fatt to continue in office as Independent Non-Executive Director**

"THAT authority be and is hereby given to Ernest Bong Miau Fatt who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years and will reach the twelve (12) years term limit on 29 November 2019, to continue to act as an Independent Non-Executive Director of the Company until the conclusion of the next Annual General Meeting in accordance with the Malaysian Code on Corporate Governance."

**Ordinary Resolution 7
(Please refer to
Note 5 of the
Explanatory Notes)**

8. **Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature for PMB Technology Berhad and its subsidiaries ("Proposed Shareholders' Mandate")**

"THAT approval be and is hereby given to the Company and its subsidiaries ("PMBT Group") to enter into recurrent related party transactions of a revenue or trading nature as set out in Section 2.3 (i) of the Circular to Shareholders dated 29 April 2019 which are necessary for the PMBT Group's day-to-day operations subject to the following:

- a) the transactions are in the ordinary course of business and on normal commercial terms which are not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders of the Company; and
- b) the disclosure will be made in the Annual Report of the breakdown of the aggregate value of the recurrent related party transactions conducted pursuant to the Proposed Shareholders' Mandate during the financial year on the type of recurrent related party transactions made, the names of the related parties involved in each type of recurrent related party transactions and their relationships with the Company.

THAT the authority conferred shall continue to be in force until:

- i) the conclusion of the next Annual General Meeting ("AGM") of the Company following the forthcoming AGM at which the Proposed Shareholders' Mandate is approved, at which time it will lapse, unless by a resolution passed at the AGM, the mandate is again renewed;
- ii) the expiration of the period within which the next AGM of the Company is required to be held pursuant to Section 340(2) of the Companies Act 2016 ("Act") (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or
- iii) revoked or varied by resolution passed by the shareholders in general meeting,

whichever is the earlier.

AND THAT the Directors of the Company be and are hereby authorised to complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to the Proposed Shareholders' Mandate."

**Ordinary Resolution 8
(Please refer to
Note 6 of the
Explanatory Notes)**

NOTICE OF SEVENTEENTH ANNUAL GENERAL MEETING

cont'd

9. **Proposed Renewal of Authority for the Company to Purchase its own Ordinary Shares**

"THAT subject to the Companies Act 2016 ("Act"), the Constitution of the Company, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and the approvals of all relevant governmental and/or regulatory authorities (if any), the Company be and is hereby authorised to utilise an amount not exceeding the Company's aggregate retained profits as at 31 December 2018 to purchase such amount of ordinary shares in the Company ("Proposed Renewal of Share Buy-Back Authority") as may be determined by the Directors of the Company from time to time through Bursa Securities upon such terms and conditions as the Directors may deem fit and expedient in the interest of the Company provided that the aggregate number of shares purchased and/or held pursuant to this resolution does not exceed ten per centum (10%) of the total number of issued shares of the Company.

THAT an amount not exceeding the Company's retained profits be allocated by the Company for the Proposed Renewal of Share Buy-Back Authority.

THAT authority be and is hereby given to the Directors of the Company to decide at their absolute discretion to either retain the shares so purchased as treasury shares (as defined in Section 127 of the Act) and/or to cancel the shares so purchased and if retained as treasury shares, may resell the treasury shares and/or to distribute them as share dividend and/or subsequently cancel them.

THAT the authority conferred by this resolution will be effective immediately upon the passing of this resolution and will expire at:-

- (i) the conclusion of the next Annual General Meeting ("AGM") of the Company, at which time the said authority will lapse unless by an ordinary resolution passed at a general meeting of the Company, the authority is renewed, either unconditionally or subject to conditions;
- (ii) the expiration of the period within which the next AGM of the Company is required by law to be held; or
- (iii) revoked or varied by an ordinary resolution passed by the shareholders in a general meeting;

whichever occurs first, but not so as to prejudice the completion of the purchase(s) by the Company before the aforesaid expiry date and in any event, in accordance with the provisions of the guidelines issued by Bursa Securities and/or any other relevant governmental and/or regulatory authorities (if any).

AND THAT the Directors of the Company be authorised to take all steps necessary to implement, complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to the Proposed Renewal of Share Buy-Back Authority as may be agreed or allowed by any relevant governmental and/or regulatory authority."

Ordinary Resolution 9
(Please refer to
Note 7 of the
Explanatory Notes)

- 10. To transact any other business for which due notice shall have been given.

NOTICE OF SEVENTEENTH ANNUAL GENERAL MEETING

cont'd

BY ORDER OF THE BOARD

TAI YIT CHAN (MAICSA 7009143)

TAN AI NING (MAICSA 7015852)

Company Secretaries

Selangor Darul Ehsan

Date: 29 April 2019

NOTES:

1. A proxy may but need not be a member.
2. To be valid, this form, duly completed must be deposited at the Share Registrar's office of the Company, Tricor Investor & Issuing House Services Sdn Bhd at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia, not less than forty-eight (48) hours before the time for holding the meeting or at any adjournment thereof PROVIDED that in the event the member(s) duly executes the form of proxy but does not name any proxy, such member(s) shall be deemed to have appointed the Chairman of the meeting as his / their proxy, Provided always that the rest of the proxy form, other than the particulars of the proxy have been duly completed by the member(s).
3. A member shall be entitled to appoint not more than one (1) proxy to attend and vote at the same meeting. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
4. Where a member is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.
5. If the appointor is a corporation this form must be executed under the corporation's common seal or under the hand of an officer or attorney duly authorised.
6. In respect of deposited securities, only members whose names appear on the Record of Depositors on 17 June 2019 (General Meeting Record of Depositors) shall be eligible to attend the meeting or appoint proxy(ies) to attend and/or vote on his behalf.
7. Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions at the Seventeenth Annual General Meeting of the Company shall be put to vote by way of poll.

EXPLANATORY NOTES

1. To receive the Audited Financial Statements

The Audited Financial Statements are laid in accordance with Section 340(1)(a) of the Companies Act 2016 for discussion only under Agenda 1. They do not require shareholders' approval and hence, will **not be put for voting**.

2. Ordinary Resolution 2 on Directors' Fees and Benefits Payable

The amount of Directors' fees payable includes fees payable to Directors as members of Board and Board Committees.

The amount of Directors' benefits (excluding Directors' Fees) payable to Directors comprises meeting allowance from this Annual General Meeting ("AGM") until the conclusion of the next AGM of the Company pursuant to the Companies Act 2016 ("Act") which shareholders' approval will be sought at this Seventeenth AGM in accordance with Section 230 of the Act.

NOTICE OF SEVENTEENTH ANNUAL GENERAL MEETING

cont'd

3. **Ordinary Resolution 5 on Authority under Section 76 of the Companies Act 2016 for the Directors to allot and issue shares**

The Company had, during its Sixteenth Annual General Meeting held on 30 May 2018, obtained its shareholders' approval for the general mandate for issuance of shares pursuant to Section 76 of the Companies Act 2016 ("the Act"). As at the date of this notice, the Company has yet to issue any shares pursuant to this mandate obtained.

The Ordinary Resolution 5 proposed under item 5 of the Agenda is a renewal of the general mandate for issuance of shares by the Company under Section 76 of the Act. The mandate, if passed, will provide flexibility for the Company and empower the Directors to allot and issue new shares speedily in the Company up to an amount not exceeding in total 10% of the total number of issued shares of the Company for purpose of funding the working capital or strategic development of the Group. This would eliminate any delay arising from and cost involved in convening a general meeting to obtain approval of the shareholders for such issuance of shares. This authority, unless revoked or varied by the Company at a general meeting, will expire at the next Annual General Meeting.

4. **Ordinary Resolution 6 on Authority for Loo Lean Hock to continue in office as Independent Non-Executive Director**

Mr Loo Lean Hock was appointed as an Independent Non-Executive Director on 15 September 2003. His term as an independent director exceeded twelve (12) years after 15 September 2003. Pursuant to the Malaysian Code on Corporate Governance, the Board through the Nomination Committee has carried out the necessary assessment and is satisfied that Mr Loo Lean Hock is able to exercise independent judgement and act in the best interest of the Company. He has effectively applied his experience and knowledge to discharge his duties and responsibilities as a Director of the Company. He is also in compliance with the relevant criteria and provisions in the Bursa Malaysia Securities Berhad Main Market Listing Requirements on independent directors. Mr Loo Lean Hock abstained from all deliberations at the Board meeting in relation to the recommendation of Ordinary Resolution 6.

The Board received performance evaluation of him and he was found to be effective in his role and he has given time commitment to attend the Company's Board meetings and performance of duties. The Board recommends that you support the resolution for the Director to continue office.

5. **Ordinary Resolution 7 on Authority for Ernest Bong Miau Fatt to continue in office as Independent Non-Executive Director**

Mr Ernest Bong Miau Fatt was appointed as an Independent Non-Executive Director on 30 November 2007. His term as an independent director exceeded nine (9) years and will reach the twelve (12) years term limit on 29 November 2019. Pursuant to the Malaysian Code on Corporate Governance, the Board through the Nomination Committee has carried out the necessary assessment and is satisfied that Mr Ernest Bong Miau Fatt is able to exercise independent judgement and act in the best interest of the Company. He has effectively applied his experience and knowledge to discharge his duties and responsibilities as a Director of the Company. He is also in compliance with the relevant criteria and provisions in the Bursa Malaysia Securities Berhad Main Market Listing Requirements on independent directors. Mr Ernest Bong Miau Fatt abstained from all deliberations at the Board meeting in relation to the recommendation of Ordinary Resolution 7.

The Board received performance evaluation of him and he was found to be effective in his role and he has given time commitment to attend the Company's Board meetings and performance of duties. The Board recommends that you support the resolution for the Director to continue office.

6. **Ordinary Resolution 8 on Proposed Shareholders' Mandate**

Ordinary Resolution 8 proposed under item 8 of the Agenda, if passed, will allow the Company and its subsidiaries to enter into recurrent related party transactions in accordance with Paragraph 10.09 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad without the necessity to convene separate general meetings from time to time to seek shareholders' approval as and when such recurrent related party transactions occur. This would reduce substantial administrative time and expenses associated with the convening of such meetings without compromising the corporate objectives of the Group or affecting the business opportunities available to the Group. The shareholders' mandate is subject to renewal on an annual basis.

For further information on Ordinary Resolution 8, please refer to Part A of the Circular to Shareholders dated 29 April 2019 accompanying the Annual Report of the Company for the financial year ended 31 December 2018.

NOTICE OF SEVENTEENTH ANNUAL GENERAL MEETING

cont'd

7. Ordinary Resolution 9 on Proposed Renewal of Authority for the Company to Purchase its own Ordinary Shares

The proposed Ordinary Resolution 9, if passed, will give the Directors of the Company authority to take all such steps as are necessary or expedient to implement, finalise, complete and/or to effect the purchase(s) of shares by the Company as the Directors may deem fit and expedient in the best interest of the Company. The authority will, unless revoked or varied by the Company in a general meeting, continue to be in force until the conclusion of the next Annual General Meeting of the Company or the expiry of the period within which the next Annual General Meeting of the Company is required by law to be held.

For further information on Ordinary Resolution 9, please refer to Part B of the Circular to Shareholders dated 29 April 2019 accompanying the Annual Report of the Company for the financial year ended 31 December 2018.

Personal data privacy:

*By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.*

PROFILE OF DIRECTORS



Tan Sri Dato' Koon Poh Keong

*Executive Chairman, Non-Independent
(Malaysian, Male, Aged 58)*

Tan Sri Dato' Koon Poh Keong is a Non-Independent Executive Chairman of the Company since 15 September 2003. He attended all the four (4) Board meetings held during the financial year. He is also the Group Chief Executive Officer of Press Metal Aluminium Holdings Berhad and Director of Press Metal Berhad. He graduated with a Bachelor of Science in Electrical Engineering from The University of Oklahoma, United States of America, in 1986. He is the brother to Koon Poh Ming, Koon Poh Weng and Dato' Koon Poh Tat. He has not been convicted of any offence (other than traffic offence, if any) within the past five (5) years nor any public sanction or penalty imposed by regulatory bodies during the financial year.



Koon Poh Ming

*Chief Executive Officer, Non-Independent
(Malaysian, Male, Aged 62)*

Mr Koon Poh Ming is a Non-Independent Executive Director and Chief Executive Officer of the Company since 15 September 2003. He attended all the four (4) Board meetings held during the financial year. He is also the Executive Vice Chairman of Press Metal Aluminium Holdings Berhad and Director of Press Metal Berhad. He graduated from University of Wales, United Kingdom with a degree in Civil and Structural Engineering in 1981. He is a professional engineer registered with the Board of Engineers, Malaysia and The Institute of Engineers, Malaysia. He has been actively involved in the aluminium trading and manufacturing and construction for more than 30 years. He is the brother to Tan Sri Dato' Koon Poh Keong, Koon Poh Weng and Dato' Koon Poh Tat. He has not been convicted of any offence (other than traffic offence, if any) within the past five (5) years nor any public sanction or penalty imposed by regulatory bodies during the financial year.

PROFILE OF DIRECTORS

cont'd



Koon Poh Weng

*Executive Director
(Malaysian, Male, Aged 63)*

Mr Koon Poh Weng is a Non-Independent Executive Director of the Company since 15 September 2003. He attended all the four (4) Board meetings held during the financial year. He is currently the Executive Director of Press Metal Aluminium Holdings Berhad. His experiences include the management of major projects throughout the country. He has been responsible for all aspects of the management and for producing satisfactory results on large variety of projects ranging from schools, government complexes to prominent hotels. He is the brother to Koon Poh Ming, Tan Sri Dato' Koon Poh Keong and Dato' Koon Poh Tat. He has not been convicted of any offence (other than traffic offence, if any) within the past five (5) years nor any public sanction or penalty imposed by regulatory bodies during the financial year.



Dato' Koon Poh Tat

*Executive Director
(Malaysian, Male, Aged 59)*

Dato' Koon Poh Tat is a Non-Independent Executive Director of the Company since 15 September 2003. He attended all the four (4) Board meetings held during the financial year. Currently, he is also the Director of Press Metal Berhad and the Executive Director of Press Metal Aluminium Holdings Berhad. He has more than 25 years of experience in the aluminium industry. He is the brother to Koon Poh Ming, Tan Sri Dato' Koon Poh Keong and Koon Poh Weng. He has not been convicted of any offence (other than traffic offence, if any) within the past five (5) years nor any public sanction or penalty imposed by regulatory bodies during the financial year.

PROFILE OF DIRECTORS

cont'd



Loo Lean Hock

*Senior Independent Non-Executive
(Malaysian, Male, Aged 59)*



Ernest Bong Miao Fatt

*Independent Non-Executive
(Malaysian, Male, Aged 63)*

Mr Loo Lean Hock was appointed as an Independent Non-Executive Director of the Company on 15 September 2003 and redesignated as Senior Independent Non-Executive Director on 27 February 2006. He is the Chairman of the Audit Committee and Nomination Committee and a member of the Remuneration Committee. He attended all the four (4) Board meetings held during the financial year. He is a Chartered Accountant of Malaysian Institute of Accountants, a practicing member of Malaysian Institute of Certified Public Accountants, Fellow of CPA Australia; associate member of Chartered Tax Institute of Malaysia; and professional member of Institute of Internal Auditors Malaysia. He obtained his Masters in Business Administration from University of Bath, United Kingdom in 1992. He started his professional career in Coopers & Lybrand from 1980 to 1990. He joined Press Metal Berhad (a subsidiary of Press Metal Aluminium Holdings Berhad) in 1990 as the Financial Controller. After that, he joined The Crown Princess Kuala Lumpur (a hotel division of Asia Pacific Land Berhad) as the Financial Controller. He set up his own auditing firm, L.H. Loo & Co. in July 1993 as the sole practitioner. He is also a director of L. H. Loo Taxation Services Sdn. Bhd., and the Managing Director and Chief Executive Officer of LVIO Precision Sdn. Bhd. Presently, he is an Independent Non-Executive Director of Press Metal Aluminium Holdings Berhad. He has no conflict of interest with the Group and has no family relationship with any director and/or major shareholder of the Group. He has not been convicted of any offence (other than traffic offence, if any) within the past five (5) years nor any public sanction or penalty imposed by regulatory bodies during the financial year.

Mr Ernest Bong Miao Fatt was appointed as an Independent Non-Executive Director on 30 November 2007. He is also the Chairman of the Remuneration Committee and a member of the Audit and Nomination Committees. He attended all the four (4) Board meetings held during the financial year. He holds a Bachelor of Science Degree in Engineering from University of Wales, United Kingdom. He has been in engineering business for 37 years since 1981. He is a registered competent person for elevators with Jabatan Keselamatan dan Kesihatan Pekerjaan Malaysia. He has no conflict of interest with the Group and has no family relationship with any director and/or major shareholder of the Group. He has not been convicted of any offence (other than traffic offence, if any) within the past five (5) years nor any public sanction or penalty imposed by regulatory bodies during the financial year.

PROFILE OF DIRECTORS

cont'd



Noor Alina Binti Mohamad Faiz

*Independent Non-Executive
(Malaysian, Female, Aged 44)*

Puan Noor Alina Binti Mohamad Faiz was appointed to the Company as an Independent Non-Executive Director on 18 October 2016. She also serves as a member of the Audit, Nomination and Remuneration Committees. She attended all the four (4) Board meetings during the financial year. Presently, she also acts as an Independent Non-Executive Director of Press Metal Aluminium Holdings Berhad. She graduated with a L.L.B. (Honours) from University of Leicester, United Kingdom in 1996. She is a member of the Middle Temple and was called to the Bar of England and Wales in 1998. After her return to Malaysia, she chambered with Messrs Lee, Perara & Tan and upon being called to the Malaysian Bar in 1999, she practised with the said firm until 2009. Between 2010 and 2015, she was the Group General Manager and subsequently Head of Department of the legal and secretarial departments of Media Prima Berhad and Peremba (Malaysia) Sdn Bhd, respectively. In 2016 she provided consultancy services for legal and secretarial matters for various companies before resuming practise in 2017 as the sole proprietor of the Chambers of Noor Alina Faiz. She has no conflict of interest with the Group and has no family relationship with any director and/or major shareholder of the Group. She has not been convicted of any offence (other than traffic offence, if any) within the past five (5) years nor any public sanction or penalty imposed by regulatory bodies during the financial year.

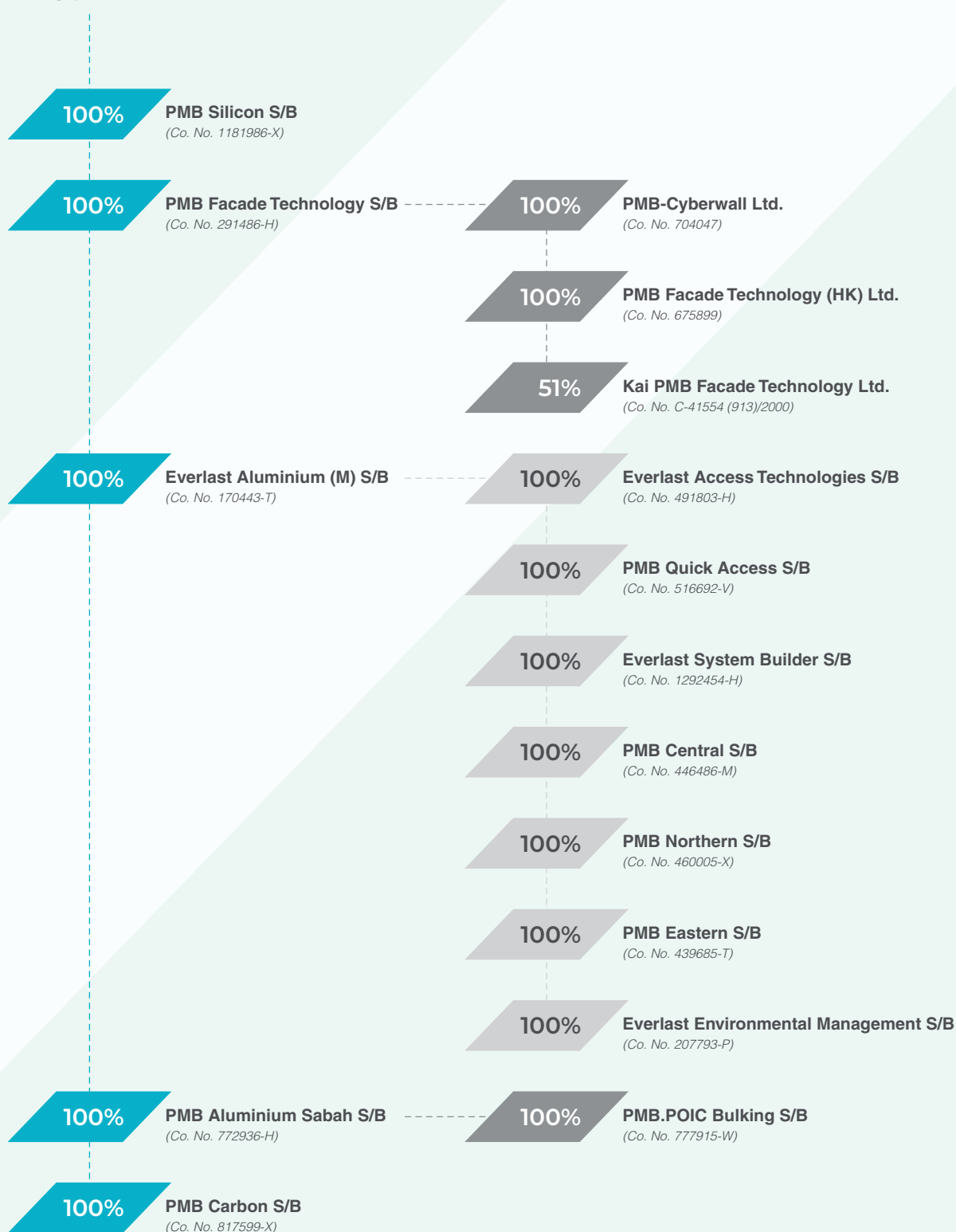
PROFILE OF KEY SENIOR MANAGEMENT

Profiles of Mr. Koon Poh Ming, Mr. Koon Poh Weng and Dato' Koon Poh Tat are set out on pages 9 to 10 of this Annual Report.

GROUP STRUCTURE



PMB TECHNOLOGY BERHAD
(Company No. 584257-X)



GROUP STRUCTURE

cont'd

Details of the subsidiary companies of PMB Technology Berhad are summarised below: -

Name	Date and place of incorporation	Issued and paid-up share capital	Effective Equity Interest (%)	Principal Activities
Subsidiary Companies held directly				
PMB Façade Technology Sdn. Bhd. ("PMBF")	05.03.94 Malaysia	RM7,371,370.56	100.00	Design, fabrication and installation of aluminium curtain wall, cladding system and manufacturing and trading of aluminium related products
Everlast Aluminium (M) Sdn. Bhd. ("EASB")	07.05.88 Malaysia	RM1,100,000	100.00	Marketing of aluminium and other related products
PMB Aluminium Sabah Sdn. Bhd. ("PMBAS")	11.05.07 Malaysia	RM200,000	100.00	Marketing of all types of aluminium sections, gypsum boards and other related products
PMB Carbon Sdn. Bhd.	14.05.08 Malaysia	RM1,000,000	100.00	Investment holding company, manufacturing and marketing of carbon based products as well as trading, distribution and fabrication of aluminium related products
PMB Silicon Sdn. Bhd.	01.04.16 Malaysia	RM80,000,000	100.00	Production and distribution of metallic silicon products as well as trading, distribution and fabrication of aluminium related products
Subsidiary Companies held indirectly through PMBF				
PMB Facade Technology (H.K.) Ltd.	17.05.99 Hong Kong	HKD10,000	100.00	Design, fabrication and installation of aluminium curtain wall, cladding system and other related products
PMB - Cyberwall Ltd.	11.02.00 Hong Kong	HKD13,000,000	100.00	Design, fabrication and installation of aluminium curtain wall, cladding system and other related products
KAI PMB Facade Technology Ltd.	18.10.00 Bangladesh	BDT5,000,000	51.00	Dormant
Subsidiary Companies held indirectly through EASB				
Everlast Access Technologies Sdn. Bhd.	19.08.99 Malaysia	RM3,000,000	100.00	Manufacturing and marketing of aluminium and other related products
PMB Central Sdn. Bhd.	11.09.97 Malaysia	RM2,000,000	100.00	Marketing of gypsum boards, aluminium extrusion and other related products
PMB Northern Sdn. Bhd.	27.03.98 Malaysia	RM1,000,000	100.00	Marketing of aluminium and other related products
PMB Eastern Sdn. Bhd.	16.07.97 Malaysia	RM500,000	100.00	Marketing of gypsum boards and other related products
PMB Quick Access Sdn. Bhd.	13.06.00 Malaysia	RM1,000,000	100.00	Manufacturing and marketing of scaffolding tower, rental of machinery and scaffolding tower and trading of other related products
Everlast Environmental Management Sdn. Bhd.	15.11.90 Malaysia	RM3,000,000	100.00	Dormant
Everlast System Builder Sdn. Bhd.	23.08.18 Malaysia	RM1	100.00	Dormant
Subsidiary Company held indirectly through PMBAS				
PMB.POIC Bulking Sdn. Bhd.	21.06.07 Malaysia	RM100,000	100.00	Dormant

CALENDAR HIGHLIGHTS

May 2018

Career Fair



Aug 2018

ISO Training



Sep 2018

*New product
soft launch*



CALENDAR HIGHLIGHTS

cont'd

Dec 2018

Fire Drill Course



Jan 2019

CNY celebration



CALENDAR HIGHLIGHTS

cont'd

Jan 2019

Career Fair



Jan 2019

Long Service Awards



AUDIT COMMITTEE REPORT

COMPOSITION OF THE AUDIT COMMITTEE

The Audit Committee comprises three (3) members, all of whom are Independent Non-Executive Directors which satisfy the requirements of Paragraph 15.09(1)(a) and (b) of the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities") and Practice 8.4 under Principle B of the Malaysian Code on Corporate Governance. Details of the composition of the Audit Committee are as follows:-

Loo Lean Hock (Chairman)

Senior Independent Non-Executive Director; Member of the MIA

Ernest Bong Miau Fatt (Member)

Independent Non-Executive Director

Noor Alina Binti Mohamad Faiz (Member)

Independent Non-Executive Director

Mr Loo Lean Hock is a Chartered Accountant of Malaysian Institute of Accountants ("MIA"), a practicing member of Malaysian Institute of Certified Public Accountants, Fellow of Certified Public Accountant Australia, associate member of Chartered Tax Institute of Malaysia and professional member of Institute of Internal Auditors Malaysia, which is in compliance with Paragraph 15.09(1)(c) of the MMLR of Bursa Securities. In addition, the Chairman of the Audit Committee is a Senior Independent Non-Executive Director and none of the members is alternate director.

TERMS OF REFERENCE

The duties and responsibilities of the Audit Committee are spelt out in the Terms of Reference of the Audit Committee. A copy of the Terms of Reference is available on the Company's website at www.pmbtechnology.com.

ATTENDANCE AT MEETINGS

During the financial year ended 31 December 2018, the Audit Committee held four (4) meetings. The details of attendance of the Audit Committee members are as follows:-

Audit Committee members	No. of meetings attended
Loo Lean Hock	4/4
Ernest Bong Miau Fatt	4/4
Noor Alina Binti Mohamad Faiz	4/4

SUMMARY ACTIVITIES OF THE COMMITTEE

The Audit Committee reports regularly to the Board on the activities carried out by the Committee in discharging their duties and responsibilities in accordance with its Terms of Reference.

AUDIT COMMITTEE REPORT

cont'd

SUMMARY ACTIVITIES OF THE COMMITTEE *cont'd*

The main activities undertaken by the Audit Committee during the financial year ended 31 December 2018 were as follows:-

1. Financial Reporting

- (a) The Audit Committee had ensured that the quarterly financial results of the Group complied with the Malaysian Financial Reporting Standards ("MFRS") and Appendix 9B of the MMLR. The following quarterly unaudited financial results as well as the declaration of dividends were reviewed by the Audit Committee before recommended to the Board of Directors for approval and release to Bursa Securities:

Subject	Date of Audit Committee Meeting
Unaudited financial results and fourth interim dividend, both for the financial year ended 31 December 2017	27 February 2018
Unaudited financial results for the first quarter ended 31 March 2018	30 May 2018
Unaudited financial results for the second quarter ended 30 June 2018 and first interim dividend for the financial year ended 31 December 2018	15 August 2018
Unaudited financial results for the third quarter ended 30 September 2018	8 November 2018

For the declaration of interim dividend, the Audit Committee had at its meetings reviewed the solvency test undertaken by Management which confirmed that the Company would be solvent for the next twelve (12) months and would have sufficient funds to pay its debts due within twelve (12) months immediately after the distribution of dividend.

- (b) Reviewed the audited financial statements for the financial year ended 31 December 2017 before recommending the same to the Board for approval.

The review focused primarily on:-

- major judgemental areas, significant and unusual events;
- significant adjustments resulting from audit; and
- the going concern assumptions.

2. External Audit

- (a) At the meeting held on 27 February 2018, the Audit Committee reviewed and discussed with the External Auditors the following:
- The performance, suitability and independence of the External Auditors based on among others, the External Auditors' technical competency and audit independence, objectivity and professional skepticism before recommending to the Board their re-appointment and remuneration. The External Auditors provide an annual confirmation of their independence in accordance with the terms of their professional and regulatory requirements; and
 - The status of audit for the financial year ended 31 December 2017 including the issues arising from their audit of the annual financial statements and their resolution of such issues as highlighted in their report to the Audit Committee.
- (b) Reviewed, discussed and approved the Audit Plan of the Group inclusive the scope of work of the External Auditors to ensure it adequately covered the activities of the Group for the financial year ended 31 December 2018 at the meeting held on 8 November 2018;

AUDIT COMMITTEE REPORT

cont'd

SUMMARY ACTIVITIES OF THE COMMITTEE cont'd

2. External Audit cont'd

- (c) Met with the External Auditors twice during the financial year, i.e. on 27 February 2018 and 8 November 2018 respectively without the presence of any executive Board members and Management to ensure there were no restrictions on their scope of audit and to discuss any matters that the auditors did not wish to raise in the presence of the Management. During the private sessions with the External Auditors, it was noted that there were no major concerns from the External Auditors and they had been receiving full cooperation from the management during their course of audit; and
- (d) Reviewed and approved the scope of non-audit services provided by the External Auditors to ensure there was no impairment of independence.

3. Internal Audit

- (a) At the meeting held on 27 February 2018, the Audit Committee reviewed the adequacy of the scope, functions, competency and resources of the internal audit function to ensure its effectiveness and efficiency;
- (b) Reviewed and approved the Internal Audit Plan for 2018 during the meeting held on 27 February 2018 to ensure that high risk areas and key process were adequately identified and covered in the plan;
- (c) Reviewed the internal audit reports including follow-up report presented by the internal auditors and considered the major findings by the internal auditors and management's responses on each of the issues arising from the internal audit as to improve the systems of internal control of the Group. Amongst others, the following key audit areas were duly reviewed by the internal auditors during the financial year:-
 - revenue, purchasing, inventory management and control, cash management and general accounting function, non-current asset management and project management;
 - follow up audit on:-
 - sales collection and credit control;
 - revenue, purchasing, inventory management and control, cash management and general accounting function; and
 - group key operating application system and general information technology controls and data recovery plans.
- (d) Monitored the implementation of mitigating actions taken by Management on outstanding issues to ensure all key risks and control weaknesses are properly addressed; and
- (e) Met with the internal auditors twice during the financial year, i.e. on 27 February 2018 and 15 August 2018 respectively without the presence of any executive Board members and the Management for discussion on audit related matters. The issues highlighted by the internal auditors during the private meetings were conveyed to the Management for further action.

4. Risk Management and Internal Control

- (a) Reviewed the Risk Register of the Group to ensure that any new risk is incorporated into the Risk Register and existing risks are being monitored on an on-going basis; and
- (b) Evaluated the overall effectiveness of the system of internal control during the meeting held on 27 February 2018 to ensure the risk management framework is consistently adopted throughout the Group.

5. Related Party Transactions

- (a) Reviewed related party transactions entered into by the Group on quarterly basis; and
- (b) Reviewed the Circular to Shareholders in respect of the recurrent related party transactions prior to recommending for the Board's approval to seek shareholders' mandate at the annual general meeting of the Company.

AUDIT COMMITTEE REPORT

cont'd

SUMMARY ACTIVITIES OF THE COMMITTEE *cont'd*

6. Others

- (a) Reported to and updated the Board on significant issues and concerns discussed during the Audit Committee meetings and where appropriate, made the necessary recommendation to the Board;
- (b) Reviewed the Audit Committee Report and Statement on Risk Management and Internal Control prior to their inclusion in the Company's Annual Report;
- (c) Reviewed the Aging Report on quarterly basis;
- (d) Conducted a self-assessment exercise to evaluate their own effectiveness in discharging duties and responsibilities for the financial year ended 31 December 2017.

In all Audit Committee meetings, the Financial Controller was present to report on the results of the Group as well as to answer questions posed by the Audit Committee in relation to the results to be announced.

INTERNAL AUDIT FUNCTION

The Internal Audit department, which is independent of the activities and operations of other operating units reports directly to the Audit Committee. The principal role of the department is to undertake independent, regular and systematic reviews of the systems of internal control so as to provide reasonable assurance that such systems continue to operate satisfactorily and effectively. It is the responsibility of the Internal Audit department to provide the Audit Committee with independent and objective reports on the state of internal control of the various operating units within the Group and the extent of compliance of the units with the Group's established policies and procedures as well as relevant statutory requirements.

The Company outsourced its internal audit function to a professional service firm, namely Baker Tilly Monteiro Heng Governance Sdn Bhd to assist the Board and the Audit Committee in providing independent assessment on the adequacy, efficiency and effectiveness of the system of controls in the Company and its subsidiaries.

The Internal Audit department has carried out the independent audit assignments on business units of the Group according to the approved annual audit plan and the applicable International Standards for the Professional Practice of Internal Auditing which form part of the International Professional Practices Framework of the Institute of Internal Auditors. The resultant internal audit reports were presented to the Audit Committee for deliberation and forwarded to the Management for their necessary action.

The internal audit function adopts a risk-based audit methodology, which is aligned with the risks of the Group to ensure that the relevant controls addressing those risks are reviewed on a timely basis.

During the financial year, the outsourced internal auditors conducted reviews in accordance with the risk based internal audit plan approved by the Audit Committee. Amongst others, it encompassing the following activities:

- (a) Performed operational audits on business units of the Group to ascertain the adequacy of the internal control systems and to make recommendations for improvement where weaknesses exist;
- (b) Performed follow-up reviews to ensure that prompt actions on the audit recommendations were taken by the Management;
- (c) Reviewed related party transactions; and
- (d) Revised and updated the Risk Register for the Group.

The total cost incurred for the outsourced internal audit function of the Group for the financial year ended 31 December 2018 was RM58,829.00 (2017 : RM63,173.00).

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW OF THE GROUP'S BUSINESS AND OPERATIONS

PMB Technology Berhad ("PMBT") was incorporated in Malaysia under the Companies Act, 1965 on 26 June 2002 as a public limited company under its present name. PMBT is principally an investment holding company. It was listed on the Second Board of the Bursa Malaysia Securities Berhad on 5 November 2003 and was transferred to the Main Market of the Bursa Malaysia Securities Berhad on 3 August 2009.

PMBT Group complements the activities of its corporate shareholder, Press Metal Aluminium Holding Berhad ("PMAH"), which is the only aluminium smelter and the largest producer of aluminium extrusion in Malaysia.

The businesses and operations of PMBT are related to aluminium and are classified into the following two segments:

- 1) Construction and Fabrication segment; and
- 2) Manufacturing and Trading segment



MANAGEMENT DISCUSSION AND ANALYSIS

cont'd

CONSTRUCTION AND FABRICATION SEGMENT

The Construction and Fabrication segment is involved in the design, fabricate and installation of aluminium curtain wall, cladding, skylight, façade works and the fabrication and installation of aluminium system formworks.

The Group offers a one stop centre, from conceptual design to complete installation and commissioning of the products and services. The design is carried out by our in-house engineers who are professionally trained and equipped with sound knowledge and experience of the construction industry and local regulation.

The subsidiary companies included in this business segment are:

- PMB Façade Technology Sdn Bhd
- PMB Façade Technology (H.K.) Limited in Hong Kong
- PMB-Cyberwall Limited in Hong Kong

PMBT has established itself as an international specialist in the design, fabrication and installation of aluminium curtain wall and cladding industry and is well positioned in the international market.

The curtain wall system is designed not only to provide aesthetic to the building, it also allows natural light into the building to facilitate energy savings and to reduce noise levels as part of the Green Building's requirements.

The perception of these products as high quality construction materials with both local and overseas developers are clearly evident with them being prominently featured in numerous iconic and prestigious high rise buildings.



MANAGEMENT DISCUSSION AND ANALYSIS

cont'd



The Group also specializes in aluminium system formwork. Aluminium system formwork is a modular, panel system used for the concreting of building structures. It is fabricated entirely from the structural grade aluminium and is one of the most versatile construction system formwork available in today's market. The formwork is custom designed to suit specific project requirements. It can cater for all types of complicated structures that incorporates modern architectural features found in both high rise and low rise buildings.

The aluminium formwork is pre-engineered to rigid tolerances in order to meet the most stringent requirements of building aesthetics, and as a result the formal structure is extremely accurate in dimension and of the highest quality in terms of surface finish. Because of its accuracy, the system allows pre-fabrication of cast-in items such as door and window frames, mechanical and electrical components.

The system incorporates a quick set up and dismantle system which allows floor cycles of four days to be achieved, without compromising the structural integrity of the building. Each component used in the system is light enough to be handled by one operative, thus there is no need for heavy mechanical lifting equipment or cranes, in its operation. Due to the inherent strength of the aluminium formwork, it can be used again and again, from project to project. It has been known to achieve of 300 reuses and as a result gives most unbeatable cost efficiencies.

It is considered the most environmental friendly system of construction when everything is recycled.

The Group is fully committed to the on-going Research and Development in order to keep abreast with the latest advancement in the construction industry.



MANAGEMENT DISCUSSION AND ANALYSIS

cont'd

MANUFACTURING AND TRADING SEGMENT

Our manufacturing and trading segment is principally engaged in the manufacturing and/or distribution of access equipment and other aluminium related products and distribution of extruded aluminium profiles and related building materials.

These business activities are undertaken by the following subsidiary companies:

- Everlast Aluminium (M) Sdn Bhd
- Everlast Access Technologies Sdn Bhd
- PMB Quick Access Sdn Bhd
- PMB Central Sdn Bhd
- PMB Northern Sdn Bhd
- PMB Eastern Sdn Bhd
- PMB Aluminium Sabah Sdn Bhd
- PMB Silicon Sdn Bhd
- PMB Carbon Sdn Bhd

Access Equipment

Ladder

Ladder is an essential equipment to be used at home & construction sites to access higher areas without compromising one's health & safety.

The Group is the leading aluminium ladder manufacturer and the first ladder manufacturer in Malaysia accredited with ISO9001 quality management system in 1999. The Group is also the first ladder manufacturer to produce ladders that

are certified to British Standards BS2037 : 1994 and BS EN131 : 1993. It is the Group's aim to further developed ladders complying to international standards to maintain the leadership of the Group in the market as well as to expand internationally.

As the leading ladder manufacturer in Malaysia, the Group prides itself as that it has the widest range of models to supply to both domestic as well as export markets. The increasing range is contributed by a strong Research and Development team which not only creates and upgrades designs that fulfills international certification requirements but also improves production process through the incorporation of the modern technology and automation in ladder manufacturing.

Everlast's ladder is widely distributed throughout Malaysia for more than 30 years. They can be found in most hardware outlets, DIY chains as well as hypermarkets. The brand name is **EVERLAST** synonymous with quality and reliability especially for the range of models that are certified by SIRIM and in compliance with British Standards BS2037 : 1994 and BS EN131 : 1993.

The Group has been exporting aluminium ladders to a growing number of countries over the years and the major ones are United Kingdom, Australia, South Africa, United Arab Emirates, Qatar, Kuwait, Saudi Arabia, Egypt, Lebanon, Kingdom of Bahrain, Bangladesh, Maldives, Yemen, New Zealand, Singapore and Indonesia.



MANAGEMENT DISCUSSION AND ANALYSIS

cont'd

• Scaffold tower

Aluminium scaffold tower is a growing industry due to its lightweight and non-corrosive nature. PMBT Group is the largest scaffold manufacturer in Malaysia and has been consistently exporting to neighbouring countries since over a decade ago. The scaffold towers manufactured by the Group is certified with BS EN 1004 : 2004 by SIRIM and complies to British Standard BS 1139:1994 (Part 3).

In 2017, PMBT Group secured a CIDB compliant status for its aluminium mobile scaffold tower to further ensure our users are fully confident that our aluminium towers achieved the highest safety standards Malaysia has to offer. All sales and rental aluminium tower component now comes with a unique laser marking as a visual evidence of this CIDB certification.

Our Scaffold Towers have been used in:

- Oil & Gas industries
- International convention centre
- Power plants
- Aeroplane hanger
- Hotels
- Hypermarkets
- Shipyards
- International tournament or events
- Factories & warehouses
- Government buildings



MANAGEMENT DISCUSSION AND ANALYSIS

cont'd

- **Aerial Working Platform Equipment**

Haulotte is one of the top brands in Aerial Working Platform (AWP) Industry. PMBT Group celebrates its 10 years growing relationship with this premium French brand in 2017 and looks forward to the next decade of innovation, technology advancement and competitively priced machineries Haulotte brings. Its wide range of telehandlers, articulating boom lifts, scissor lifts, personal lifts and telescopic boom lifts, makes Haulotte one of the preferred brand of AWP machineries in Malaysia.

Genie, with its trade mark blue, innovative and practical designs, is the most recognized AWP Equipment in the world. In 2017, PMBT Group secured a relationship with Genie Malaysia and acquired multiple batches of machineries, becoming the first and only sales and rental company in Malaysia which own multiple units of the Hybrid Articulating Boom Lift. The unique ability of this articulating boom lift to perform indoors and outdoors with minimal noise disruption makes it currently one of the most sought after machines in the world due to demand surpassing supply.



MANAGEMENT DISCUSSION AND ANALYSIS

cont'd

Extruded aluminium profiles and related building materials

The Group is well represented throughout Peninsula Malaysia, offering full geographical coverage for the aluminium extruded products. The subsidiaries are strategically located at Sungai Petani (PMB Northern Sdn. Bhd.), Kuantan (PMB Eastern Sdn. Bhd.), Kuala Lumpur (PMB Central Sdn. Bhd.) and Kota Kinabalu (PMB Aluminium Sabah Sdn. Bhd.).

Distributing the extruded aluminium profiles from Press Metal Berhad (largest corporate shareholder of PMB Technology Berhad), Everlast Group enhanced its strong position with other related building materials to become a one-stop-centre for the supply of interior construction materials. The Company has a reliable supply from the strong support of Press Metal Berhad. This position is further strengthened by the ownership of several prestigious distribution agencies.

The Group is the authorized distributor of gypsum partition boards and ceiling panels manufactured by Boral Plasterboard (Malaysia) Sdn. Bhd. and cement board and asbestos free cement fibre board manufactured by Hume Cemboard Berhad.



MANAGEMENT DISCUSSION AND ANALYSIS

cont'd



Other products/services

Fabrication process is vital to create a cost effective finished product. This requires a variation of skills and expertise such as utilizing our experience in the knowledge of aluminium material and manufacturing processes, the Company is well positioned to offer fabrication services, particularly to overseas manufacturers, as a solution to the high cost of production in the developed countries, such as the US, Europe and Australia.

Besides common fabrication techniques such as punching, pressing, notching, shearing and de-burring, the Company is also capable of providing precision machining, forming, joining and tooling design for sophisticated fabrication processes.



• **Truck-Body**

Through quality management and value engineering efforts by our In-house Research & Development Department, PMBT Group has developed an Australian Certified Aluminium Truck -Trays as an alternative to the current wooden or steel bodies. Due to its light-weight and non-corrosive material characteristics, the aluminium body is a favourable substitute to steel and wood as it saves fuel with minimal maintenance required. Furthermore, aluminium is recyclable, making it a more available cost-effective substitute.

The Company is constantly working closely with the client to further improve every detail to ensure that our product is relevant to the Australian market.

MANAGEMENT DISCUSSION AND ANALYSIS

cont'd



- **Aluminium Gate**

Due to the rising demand of auto gates for modern urban dwellings, the Company had ventured into the manufacturing of the aluminium gates as an alternative to the much heavier steel & stainless steel gates. Due to its light-weight nature, the aluminium gate can effectively reduce the maintenance cost for the auto system and improve efficiency of usage.



- **Aluminium Modular Balustrade System (also known as Hand Railings)**

Installing a handrail system has never been made any easier. Without welding required on site, we can now install with just a simple instruction booklet. The modular balustrade system comes in a myriad of finishes from Natural Anodized finish, Solid or Metallic Powder Coated finish and even Wood Grain finish that last for a long time under harsh weather conditions. With customer's convenience as our engineers design priority, each system is cleverly packed into compact parcels and able to be installed very quickly with minimal untidiness created. It is also fully certified to Australian Standards to ensure that each piece is stringently checked before leaving PMBT's Warehouse.



OBJECTIVES & STRATEGIES

Our objectives are targeted to provide a range of high quality of products and services without compromising on our quality and profitability necessary for our continuity with the aim of meeting all stakeholders' expectation.

The Group also acknowledges the importance of the business sustainability as to create long term value to the stakeholders and community.

Human capital investment in the form of training and education are part of our ongoing priorities besides Research and Development which have been the cornerstone of our business model.

MANAGEMENT DISCUSSION AND ANALYSIS

cont'd

FINANCIAL PERFORMANCE

The Group recorded a revenue of RM444.8 million for the year ended 31 December 2018, representing a decrease of 11% from RM497.5 million recorded for the year ended 31 December 2017.

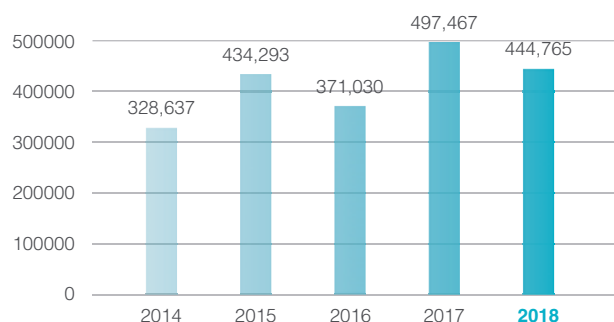
The decrease in revenue was mainly from the Construction and Fabrication segment as the resources from this segment were utilized and mobilized to complete the construction of our metallic silicon plant during the year. This inter-segment revenue was eliminated in the consolidated financial statements and hence was not included in the Group's revenue.

The Group's profit before tax decreased by 2% to RM 14.1 million after taking into account the expenses relating to the corporate exercise of RM 1.3 million incurred during the year.

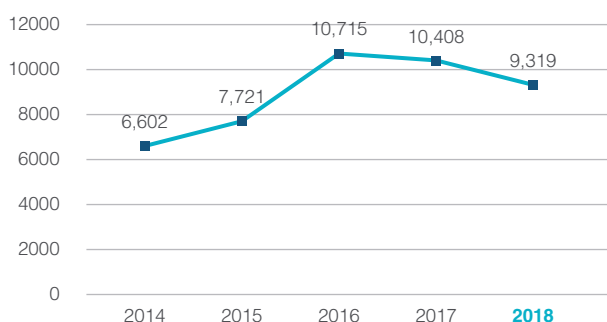
Statement of comprehensive income

	2014 RM' 000	2015 RM' 000	2016 RM' 000	2017 RM' 000	2018 RM' 000
Revenue	328,637	434,293	371,030	497,467	444,765
Profit before tax	9,137	10,555	13,293	14,423	14,137
Taxation	2,535	2,834	2,578	4,015	4,818
Profit after tax	6,602	7,721	10,715	10,408	9,319
Dividends	2,325	3,099	3,099	3,099	2,340
Earnings per share (sen)	8.52*	9.97*	13.83*	6.72 [#] (restated)	5.95 [^]
Dividend payment as % of profit after tax	35%	40%	29%	30%	25%

Revenue (RM'000)



Profit After Tax (RM'000)



Statement of financial position and liquidity

	2014 RM' 000	2015 RM' 000	2016 RM' 000	2017 RM' 000	2018 RM' 000
Total assets	380,878	345,444	360,052	431,147	775,811
Net current assets	58,930	68,302	78,153	69,509	57,495
Shareholders' equity	132,736	144,312	153,696	156,792	357,683
Retained earnings	89,197	93,819	101,435	108,744	115,016
Net asset per share (RM)	1.71*	1.86*	1.98 *	1.01 [#] (restated)	2.28 [^]
Debt-to-equity ratio	0.70	0.40	0.40	0.60	0.60

* Based on the weighted average number of ordinary shares outstanding during the year 2014 to 2016 of 77,479,800

[#] Based on the weighted average number of ordinary shares outstanding during the year of 154,959,600 (restated after share split on 4 May 2018)

[^] Based on the weighted average number of ordinary shares outstanding during the year of 156,574,150

MANAGEMENT DISCUSSION AND ANALYSIS

cont'd

Net assets per share RM2.28 12.9% 2017: RM2.02	Total assets RM775.8 million 80% 2017: RM431.1 million	Shareholders' Equity RM357.7 million 128% 2017: RM156.8 million
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REVIEW OF OPERATING ACTIVITIES AND STRATEGIES

The price of aluminium which is the main raw material of the Group's business was relatively stable throughout the year under review. The fluctuation in London Metal Exchange was cushioned by the fluctuation in US Dollars currency which traditionally moves in opposite direction.

During the period under review, the Group managed to complete the construction of its 36,000 metric tonnes metallic silicon plant located in Samalaju Industrial Park, Sarawak as scheduled by utilizing the resources from our Construction and Fabrication segment. The plant has successfully commenced operation in first quarter of 2019.

To curb the rising production cost, the Group will continue to focus its efforts by evaluating and investing in new technologies.

On the other hand, as part of the Group's efforts to mitigate its foreign exchange risk, most of the raw materials were purchased locally and stocks were kept at an optimum level.

Capital expenditure, capital structure and capital resources

The Group has obtained its shareholders' approval to diversify its business to include the manufacturing of metallic silicon in the Extraordinary General Meeting held on 17 April 2018.

The Company has on 4 May 2018 completed the share split involving the subdivision of every one (1) ordinary share into two (2) subdivided ordinary shares.

Subsequently, the Company has on 18 July 2018, completed the Renounceable Rights Issue of RM212,294,652 nominal value of 5-Year 3.00% irredeemable convertible unsecured loan stocks ("ICULS") at 100% of its nominal value of RM2.74 each on the basis of one (1) ICULS for every two (2) existing ordinary shares, together with 38,739,900 free detachable warrants ("Warrant(s)") on the basis of one (1) Warrant for every two (2) ICULS subscribed. A total of 77,479,800 ICULS were issued and a total proceeds of RM212,294,652 was raised to part finance the construction and purchase of equipment for the metallic silicon plant.

The construction of the metallic silicon plant was completed with a total capital expenditure of approximately RM 320 million. The testing and commissioning of the plant started in January 2019 and commenced the operation in first quarter of 2019.

GOING FORWARD

The trade war between United States and China, the world's two biggest economies has roiled markets and is expected to further depress the global economy that is already on a downward path with the prolongation of the trade tensions. Apart from this, the global growth is also expected to be adversely affected by international trade protectionism and the tightening of access to finance.

In view of such global challenges, the local economy is expected to be driven mainly by the domestic demand to steer growth.

One million affordable homes were targeted to be built between year 2018 and 2028 or approximately 100,000 units a year averagely. Various schemes aiming to aid the first-time buyers such as FundMyHome and Depositku were implemented by the Government. Leveraging on more advanced and cost-efficient construction technology such as our Aluminium System Formwork is one of the Group's business strategy moving ahead.

MANAGEMENT DISCUSSION AND ANALYSIS

cont'd

On the other hand, to enhance our Group's future prospects and revenue growth, our metallic silicon division has commenced operation in the first quarter of 2019 as scheduled. Our targeted customers are the manufacturers of aluminium-silicon alloy, solar photovoltaic and electronics, and chemical industries. Global macroeconomic view remains positive with steady demand for metallic silicon across chemical, aluminium and photovoltaic sectors for metallic silicon.

The volatility in the commodity prices and the foreign currency exchanges are the key challenges to the Group. Nevertheless, the Group will continue to focus on strengthening its position and to improve its efficiency to stay competitive.

Meanwhile, the Group will endeavour to achieve its satisfactory result apart from maintaining its track record of dividend distribution to reward our stakeholders in accordance with our performance.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors ("Board") of PMB Technology Berhad ("PMBT" or the "Company") is dedicated towards fostering a healthy corporate governance culture within the Company and its subsidiaries (collectively referred to as the "Group"). The Board acknowledges that upholding good corporate governance is paramount to its value creation process. The Board believes that maintaining good corporate governance is key to delivering stakeholders' value. In making this Corporate Governance Overview Statement, the Company is guided by Practice Note 9 of Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") ("Listing Requirements") and the Corporate Governance Guide (3rd edition) issued by Bursa Securities. The Corporate Governance Overview Statement is supported with a Corporate Governance Report, based on a prescribed format as outlined in paragraph 15.25(2) of the Listing Requirements and are developed with reference to the guidance and application of the Company's corporate governance practices against the Malaysian Code on Corporate Governance 2017 ("MCCG"). The Corporate Governance Report is available on the Company's website, www.pmbtechnology.com as well as via an announcement on the website of Bursa Securities. The Board is pleased to share the manner in which the three (3) Principles and Practices of the MCCG have been complied within the Company throughout the financial year ended 31 December 2018 with the exception of the following :-

- Practice 4.1 – At least half of the Board comprises independent directors.
- Practice 4.2 – Tenure of Independent Director.
- Practice 4.5 – The Board discloses in annual report the Company's policies on gender diversity, its targets and measures to meet those targets.
- Practice 4.6 – The Board utilises independent sources to identify suitably qualified candidates for appointment of directors.
- Practice 11.2 – To adopt integrated reporting based on a globally recognised framework (*large companies*).
- Practice 12.3 – To adopt voting in absentia and remote shareholders' participation at general meetings.

A summary of the corporate governance practices are prescribed as follows:

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS

I. Board Responsibilities

1. Clear role and responsibilities

During the financial year 2018, the Board deliberated on the short, medium and long term strategy for the Group together with its proposed business plans for the year 2019. The Board, together with Management, reviewed the Group's strategy and the Board had satisfied itself that all appropriate considerations have been taken into account in the formulation of the Group's strategy.

In addition to strategic matters, the Board, amongst others, is also responsible for the following key matters:

- Engendering an ethical culture across all levels of the Group;
- Reviewing and approving the annual and quarterly results;
- Overseeing the business and financial operations;
- Overseeing succession planning for the Board and key senior management personnel;
- Identifying and managing principal risks; and
- Maintaining two-way relationship with stakeholders.

The Board is accountable and responsible for the performance and affairs of the Company by overseeing and appraising the Group's strategies, policies and performance.

All Board members are expected to show good stewardship and act in a professional manner, as well as upholding the core values of integrity and enterprise with due regard to their fiduciary duties and responsibilities.

In carrying out its responsibilities and functions, the Board may delegate any of its powers to the Board Committees, a Director, employee or other persons subject to ultimate responsibility of the directors under the Companies Act 2016.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

I. Board Responsibilities *cont'd*

2. Separation of positions of the Chairman and Chief Executive Officer

Tan Sri Dato' Koon Poh Keong, a co-founder of the Company, is the Executive Chairman of the Board who provides strong leadership and is responsible for ensuring the adequacy and effectiveness of the Board's governance process whilst Mr Koon Poh Ming (also a co-founder) is the Chief Executive Officer ("CEO") of the Company.

The Board has established clear roles and responsibilities in discharging its fiduciary and leadership functions. The roles of the Chairman and CEO are distinct and separate to engender accountability and facilitate clear division of responsibilities for ensuring there is a balance of power and authority in the Company. The segregation of roles also facilitates a healthy open, exchange of views between the Board and Management in their deliberation of the business, strategic aims and key activities of the Company.

The Chairman is responsible for the leadership, effectiveness, conduct and governance of the Board. The Chairman encourages active and effective engagement, participation and contribution from all Directors and facilitates constructive relations between Board and Management. The CEO is responsible for executing the Company's strategies, policies and day-to-day management of the business with powers, discretions and delegations authorised from time to time by the Board. The details of the responsibilities of the Chairman and CEO are clearly set out in the Board Charter.

3. Company Secretary

The Board is supported by qualified and competent Company Secretaries. The Directors have ready and unrestricted access to the advice and services of the Company Secretaries to enable them to discharge their duties effectively. The Board is regularly updated and advised by the Company Secretaries who are qualified, experienced and knowledgeable on new statutory and regulatory requirements, and the resultant implications to the Company and the Directors in relation to their duties and responsibilities. In this respect, the Company Secretaries play an advisory role to the Board, particularly with regard to the Company's Constitution, Board policies and procedures, and its compliance with regulatory requirements, corporate governance and legislations. The Company Secretaries, who oversee adherence with board policies and procedures, brief the Board on the proposed contents and timing of material announcements to be made to regulators. The Company Secretaries also keep the Directors and principal officers informed of the closed period for trading in the Company's shares.

The Company Secretaries ensure that deliberations at Board and Board Committees meetings are well documented, and subsequently communicated to the relevant Management for appropriate actions.

The Company Secretaries constantly keep themselves abreast of the evolving capital market environment, regulatory changes and developments in corporate governance by attending the relevant training programmes/conferences.

4. Supply and Access to Information

The Board recognises that the decision-making process is highly dependent on the quality of information furnished.

In furtherance to this, every Director has access to all information within the Company. The Directors have access to information through the following means:

- Members of Senior Management attend Board and Board Committees meetings by invitation to report areas of the business within their responsibilities including financial, operational, corporate, regulatory, business development, audit matters and information technology updates, for the Board's informal decision making and effective discharge of the Board's responsibilities.
- The Board and Board Committees papers are prepared and are issued to the Directors and Board Committees members within reasonable period before the respective meetings to enable them to receive the information in a timely manner.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS cont'd

I. Board Responsibilities cont'd

4. Supply and Access to Information cont'd

- The Audit Committee meets with the Management, Internal Auditors and External Auditors regularly to review the reports regarding internal control system, financial reporting and risk management. The Audit Committee Chairman then will report to the Board.

Besides direct access to the Management, Directors can obtain independent professional advice at the Company's expense on the implementation of risk management system during the year under review in accordance with established procedures set out in the Board Charter in furtherance of their duties.

To facilitate robust Board discussions, all Board meetings are furnished with proper agenda with due notice issued and board papers and reports are prepared by the Management to provide updates on financial, operational, legal and circulated prior to the meetings to all Directors with sufficient time to review them for effective discussions and decision making during the meetings.

5. Board Charter

The Board has formalised a Board Charter which delineates the responsibilities of the Board, Board Committees and individual Directors, including the matters that are solely reserved for the Board's decision. The Board Charter also serves as a primary induction literature that guides newly appointed and existing Board members on their duties and functions of the Board and its Committees.

Key matters reserved for the Board includes the approval of corporate strategic plans and capital budgets, material acquisitions and disposals of undertakings and properties, quarterly and annual financial statements for announcement, monitoring of operating performance and review of the Financial Authority Approving Limits.

The Board Charter is published on the Company's website at www.pmbtechnology.com and periodically reviewed as well as updated in accordance with the needs of the Company and any new regulations that may have an impact on the discharge of the Board's responsibilities. This is to ensure the Board Charter always stay relevant with the Board's objectives, current law, regulations and practices.

6. Code of Conduct and Code of Ethics

The Board acknowledges its role in setting the "tone at the top" and creating an ethical culture that will form the very fabric of the Group's conduct. To this end, the Board has adopted and implemented a Code of Conduct for Directors, Management and officers of the Group as well as Code of Ethics for the Board.

The basic principles have been carried out by having appropriate regards to the interests of the Company's customers, shareholders, people, business partners and the broader community in which the Company operates.

The Code of Conduct and Code of Ethics can be found on the Company's website at www.pmbtechnology.com.

7. Whistle-Blowing Policy

The Policy serves as a guide to the employees on how to raise genuine concerns related to possible improprieties on matters relating to financial reporting, compliance and other malpractices at the earliest opportunity and in an appropriate way.

The Board has adopted the Whistle-Blowing Policy with the aim that the employee or stakeholder can report and disclose through established channels any improper or unethical activities relating to the Company and its group of companies. The Whistle-Blowing Policy is available on the Company's website.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

I. Board Responsibilities *cont'd*

8. Conflict of Interest

Confidential information concerning the Company's activities is governed by the employment contracts. Disciplinary action shall be taken against the employee in the event of any violation of the regulations or act.

9. Sustainability Policy

The Company has established a Sustainability Policy. The Company is committed and mindful to operate in a sustainable manner in order to generate economic value to its stakeholders and add value to society. Details of the Company's sustainability activities in 2018 are disclosed on pages 50 to 66 of this Annual Report.

II. Board Composition

1. Board Composition and Balance

During the financial year under review, the Board has seven (7) Directors, comprising the Executive Chairman, the CEO, two (2) Executive Directors and three (3) Independent Non-Executive Directors. The Company fulfills Paragraphs 15.02(1) of the Listing Requirements which stipulates that at least two (2) Directors or one third (1/3) of the Board, whichever is the higher, are Independent Directors.

The composition and size of the Board is reviewed annually to ensure its appropriateness and effectiveness. The Board is satisfied that the current composition of Directors provides the right balance and size between Executive Directors and Non-Executive Directors with appropriate mix of relevant skills, knowledge and industry experience required to promote all shareholders' interests and to govern the Company effectively.

Mr Loo Lean Hock is the Senior Independent Non-Executive Director to whom concerns on matters relating to Corporate Governance of the Company could be conveyed. The Independent Directors fulfill a pivotal role in providing unbiased and independent views, advice and judgement, taking into account the interest not only of the Company but also shareholders, employees, customers and communities in which the Company conducts business.

The profile of each Director is set out on pages 9 to 12 of this Annual Report.

2. Board Independence

The Board is mindful on the importance of independence and objectivity in its decision making process which is in line with MCCG.

The Board delegates to the CEO who is supported by an executive management team, implements the Company's strategic plan, policies and decisions adopted by the Board to achieve the Company's objective of creating long-term value for its shareholders through excelling in manufacturing/ distribution of access equipment or other aluminium related products.

The Company's Independent Directors are required to be independent of management and free of any business or other relationship that could materially interfere with the exercise of unfettered and independent judgment taking into account the interest, not only of the Company but also of shareholders, employees, customers and communities in which the Company conducts business. The Board, via Nomination Committee assesses each Director's independence to ensure ongoing compliance with this requirement annually.

Any Director who considers that he/she has or may have a conflict of interest or a material personal interest or a direct or indirect interest or relationship that could reasonably be considered to influence in a material way the Director's decisions in any matter concerning the Company, is required to immediately disclose to the Board and to abstain from participating in any discussion or voting on the respective matter.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS cont'd

II. Board Composition cont'd

2. Board Independence cont'd

Presently, the Board has three (3) Independent Directors, namely Mr Loo Lean Hock (also act as Senior Independent Director), Mr Ernest Bong Miao Fatt and Puan Noor Alina Binti Mohamad Faiz, representing 42.86% of the Board. During the financial year under review, the Board and the Nomination Committee assessed their independence to ascertain if they display a strong element of detached impartiality and found them to be independent and objective during Board's deliberations.

The Board is aware of the recommended tenure of an Independent Director who should not exceed a cumulative term of nine (9) years as recommended by MCCG and that an Independent Director may continue to serve the Board if the Independent Director is re-designated as a Non-Independent Non-Executive Director upon completion of nine (9) years tenure. Furthermore, the Board must justify the decision and seek shareholders' approval at general meeting if the Board intends to retain the Director as Independent Director after the respective Independent Director has served a cumulative term of nine (9) years. As at the date of this Statement, both Mr Loo Lean Hock and Mr Ernest Bong Miao Fatt have exceeded nine (9)-year tenure. Upon the annual assessment and evaluation carried out by the Nomination Committee on 26 February 2019, the Board is satisfied that both Mr Loo Lean Hock and Mr Ernest Bong Miao Fatt are able to exercise independent and objective judgment and act in the best interests of the Company, and thus, recommending to the shareholders to retain them as Independent Non-Executive Directors at the upcoming Seventeenth Annual General Meeting ("AGM").

3. Board Committees and Delegation

The Board delegates the implementation of its strategy to the Company's Management. However, the Board remains ultimately responsible for corporate governance and the affairs of the Company. While at all times the Board retains full responsibility for guiding and monitoring the Company, in discharging its responsibilities, the Board has established the following Board Committees to perform certain of its functions and to provide it with recommendations and advice:

- Nomination Committee;
- Remuneration Committee; and
- Audit Committee.

The following diagram shows a brief overview of the three (3) main Board Committees of the Company, each of which is explained in further detail as below:



CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS cont'd

II. Board Composition cont'd

3. Board Committees and Delegation cont'd

Each Board Committee operates in accordance with the written terms of reference approved by the Board. The Board reviews the terms of reference of the Board Committees from time to time. The terms of office and performance of the Audit Committee is reviewed on annual basis by the Nomination Committee. The Board approves the appointments of the members and the Chairman of each Committee.

For day-to-day operations, the Board has delegated authorities and power to some level of Management including the CEO and Executive Directors. The CEO and Executive Directors each command their own respective functions to ensure the smooth running of the Company's operations. The CEO and Executive Directors are responsible for the implementation of board policies approved by the Board and are required to report and discuss at Board meetings all material issues currently or potentially affecting the Group and its directions, projects and regulatory development.

4. Directors' Commitment

The Board endeavors to meet at least four (4) times a year, at quarterly intervals which are scheduled well in advanced before the end of the preceding financial year to facilitate the Directors in planning their meeting schedule for the year. The Board is satisfied with the level of commitment given by the Directors toward fulfilling their roles and responsibilities as Directors of the Company as all Directors had attended all the Board meetings during the financial year under review. Additional meetings are convened where necessary to deal with urgent and important matters that require attention of the Board.

All pertinent issues discussed at the Board meetings in arriving at the decisions and conclusions are properly recorded by the Company Secretaries.

The Board met four (4) times during the financial year under review. The details of Directors' attendance are set out as follows:

Name of Directors	Number of Board meetings attended/held during the Director's term in office
Tan Sri Dato' Koon Poh Keong (Executive Chairman)	4/4
Koon Poh Ming (Chief Executive Officer)	4/4
Dato' Koon Poh Tat (Executive Director)	4/4
Koon Poh Weng (Executive Director)	4/4
Loo Lean Hock (Senior Independent Non-Executive Director)	4/4
Ernest Bong Miao Fatt (Independent Non-Executive Director)	4/4
Noor Alina Binti Mohamad Faiz (Independent Non-Executive Director)	4/4

The Board, via Nomination Committee reviews annually the time commitment of the Directors and ensures that they are able to carry out their own responsibilities and contributions to the Board. It is the Board's policy for Directors to notify the Chairman before accepting any new directorship notwithstanding that the Listing Requirements allows a Director to sit on the board of five (5) listed issuers. Such notification is expected to include an indication of time that will be spent on the new appointment.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS cont'd

II. Board Composition cont'd

4. Directors' Commitment cont'd

In order to enable Directors to sustain active participation in Board deliberations, the Directors have access to continuing education programmes or trainings. The Directors have devoted sufficient time to update their knowledge and enhance their skills by attending trainings facilitated by third party experts to keep themselves updated on the latest market and regulatory developments that may impact the Group.

5. Nomination Committee

The Company's Nomination Committee comprised exclusively of Independent Non-Executive Directors and is chaired by Mr Loo Lean Hock, the Senior Independent Non-Executive Director. The composition of the Nomination Committee is as follows:

Name	Designation
Loo Lean Hock (Senior Independent Non-Executive Director)	Chairman
Ernest Bong Miao Fatt (Independent Non-Executive Director)	Member
Noor Alina Binti Mohamad Faiz (Independent Non-Executive Director)	Member

The Nomination Committee is responsible for making recommendations to the Board on the most appropriate Board size composition to ensure it is collectively able to discharge its duties in an informed and conscientious manner. In discharging its responsibilities, the Nomination Committee has developed certain criteria used in the recruitment process and annual assessment of Directors. In evaluating the suitability of candidates, the Nomination Committee considers the following factors, the detail was set up in the Terms of Reference of the Nomination Committee which is available for reference at the Company's website, www.pmbtechnology.com.

- skills, knowledge, expertise and experience;
- professionalism and integrity;
- commitment (including time commitment) and contribution;
- background, character and competence;
- boardroom diversity; and
- in the case of candidates for the position of Independent Non-Executive Directors, the Nomination Committee shall also evaluate the candidates' ability to discharge such responsibilities/functions as are expected from Independent Non-Executive Directors.

In addition, the Nomination Committee is also responsible for making recommendations on the desirable competencies, experience and attributes of the Board members and strategies to address Board diversity.

The Board may appoint an individual to be a Director by having selection process for new appointees as recommended by the Nomination Committee to the Board. The appointed individual will stand for re-election at the next AGM in accordance with the Constitution of the Company. The suitable candidates to be considered for the appointment as Directors are facilitated through recommendations from the Directors, Management and shareholders of the Company. The Nomination Committee will assess and consider the suitability of the candidates based on the criteria set before recommending to the Board for appointment.

The Nomination Committee will arrange for the induction for any new appointment such as visits to the Groups' significant businesses and meetings with Senior Management personnel, as appropriate, to enable them to have a full understanding of the nature of the business, current issues within the Group and corporate strategies as well as the structure and management of the Group.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

II. Board Composition *cont'd*

5. Nomination Committee *cont'd*

Nomination Committee Statement

During the financial year 2018, all the Nomination Committee members had met once and undertaken the following activities:-

- (i) Assessed the overall effectiveness of the Board, its Committees and the contribution and performance of each individual Director;
- (ii) Reviewed the composition of the Board and the Board Committees;
- (iii) Assessed the independence of its Independent Directors;
- (iv) Reviewed the character, experience, integrity, competence and time commitment of the CEO and Chief Financial Officer;
- (v) Reviewed trainings accomplished by the Directors and determined the training needs for each Director;
- (vi) Assessed and recommended to the Board the re-election of Directors;
- (vii) Reviewed and recommended Independent Directors who have served as Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years, to continue to act as Independent Non-Executive Director of the Company; and
- (viii) Reviewed the term of office and performance of the Audit Committee and each of its members.

The Nomination Committee leads the process for identifying and making recommendation for the Board's approval on suitable candidates for directorship to the Board and members to the Board Committees. The Nomination Committee may consider engaging external consultants in the identification of potential candidates.

In evaluating the suitability of candidate(s), the Nomination Committee will review their profile and curriculum vitae and considers, inter-alia the competency, commitment (including time commitment), character, integrity, mix of skills, knowledge, expertise and experience in meeting the needs of the Company. The Nomination Committee will then recommend the candidate(s) to the Board. Based on the recommendation of the Nomination Committee, the Board would evaluate and decide on the appointment of the proposed candidate(s). The Company Secretaries will ensure that all appointments are properly made, and that legal and regulatory obligations are met.

In regards to the candidates for appointment as Independent Director, the Nomination Committee would assess the potential candidate's suitability based on the criteria on independence as set out in the Listing Requirements.

The Nomination Committee also facilitates and organises the yearly Board Evaluation to assess the effectiveness of the Board as a whole, the Board Committees and the contribution and performance of each individual Directors. The evaluation process is led by the Nomination Committee and supported by the Company Secretaries via questionnaire. The Nomination Committee reviews the outcome of the evaluation and recommends to the Board on areas for continuous improvement and also for them to form the basis of recommending relevant Directors for re-election at the AGM.

Primary criteria adopted for assessing the performance of the Board and Board Committees include composition, structure, operations, role and responsibilities and the adequacy of information and processes. For individual Directors, the assessment is carried out based on the criteria of character, experience, integrity, competency and time in order to discharge their responsibilities effectively.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS cont'd

II. Board Composition cont'd

5. Nomination Committee cont'd

Nomination Committee Statement cont'd

During the financial year ended 31 December 2018, the Nomination Committee assessed the effectiveness of the Board, its Committees and the contribution of each Director with the aim of improving individual contribution, effectiveness of the Board and its Committees, identify gaps, maximise strengths and address weaknesses of the Board.

From the performance assessment conducted by the Nomination Committee on 26 February 2019, it was concluded that the Board as a whole, Board Committees and individual Directors have discharged their respective roles and responsibilities in a commendable manner.

6. Diversity

The Company endeavours to have a balanced representation by taking into consideration a range of different skills, age, gender, ethnicity, backgrounds and experiences represented amongst its Directors, officers and staff as the Board is aware that it is important in ensuring robust decision-making processes with a diversified viewpoints and the effective governance of the Company. The Board may consider to adopt the Diversity Policy in the future.

Presently, the Board has one (1) woman Director, i.e. Puan Noor Alina Binti Mohamad Faiz, representing 14.29% of the total number of Board members. In furtherance, based on the following summary of the employment gender diversity, the Board is of the view that there is balanced gender diversity at Executive and Managerial levels of employees in the Company during the year under review.

CATEGORY OF EMPLOYEES	Female	Male	Total
Non-Executive	43	118	161
Executive	38	45	83
Managerial	19	28	47
Total No. of Employees	100	191	291

7. Board Assessment and Annual Evaluation

The Nomination Committee reviews annually the required mix of skills and experience of Directors; effectiveness of the Board as a whole and its Board Committees; succession plans and boardroom diversity, including gender, age, ethnicity, diversity; training courses for Directors and other qualities of the Board, including the independence of the Independent Directors.

The evaluation of the suitability of candidates is solely based on the candidates' competency, character, time commitment, integrity and experience in meeting the needs of the Company. The assessment and comments by Directors are summarised in a questionnaire regarding the effectiveness of the Board and its Board Committees and discussed at the Nomination Committee meeting and reported at the Board meeting by the Nomination Committee Chairman. All assessments and evaluations carried out by the Nomination Committee in the discharge of its functions are properly documented.

The Nomination Committee meets at least once in a year with additional meetings to be convened, if necessary. During the financial year under review, the Nomination Committee had met to review and assess the mix of skills, expertise, composition, size and experience of the Board, including the core-competencies of both Executive and Non-Executive Directors, the contribution of each individual Director; effectiveness of the Board as a whole and the Board Committees; and independence of the Independent Directors.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

II. Board Composition *cont'd*

7. Board Assessment and Annual Evaluation *cont'd*

The Board was comfortable with the outcome and that the skills and experience of the current Directors satisfy the requirements of the skills matrix. All the Directors have diverse and relevant range of skills, background, knowledge and experience to give insight opinions on decision-making for the Group; and the Chairman possesses the leadership to safeguard the stakeholders' interest.

8. Re-election to the Board

In accordance with the Company's Constitution, all the Directors shall retire at least once in every three (3) years and the retiring Director shall be eligible for re-election at the AGM of the Company.

Upon the recommendation of the Nomination Committee, the Board is proposing the re-election of Tan Sri Dato' Koon Poh Keong and Puan Noor Alina Binti Mohamad Faiz as Directors pursuant to Clause 95 of the Constitution of the Company, at the forthcoming Seventeenth AGM and being eligible, they have offered themselves for re-election.

9. Directors' Training

The Board, via the Nomination Committee, continues to identify for the Directors to attend appropriate briefings, seminars, conferences and courses to keep abreast with changes in legislations and regulations affecting the Group.

All Directors have completed the Mandatory Accreditation Programme ("MAP"). The Directors are mindful that they need to continue to enhance their skills and knowledge to maximise their effectiveness as Directors during their tenure. Throughout their period in office, the Directors are continually updated on the Group's business and regulatory requirements.

The Directors have attended individually or collectively the various training programmes and briefings, amongst others, the following:

- Sales Tax & Services Tax (SST): Introduction and Transitional Issues
- UBS Disruptive Technology CEO Summit 2018
- 22nd Credit Suisse Salon
- World Chinese Economic Forum
- Annual Asia Pacific Summit
- National Tax Conference 2018
- MIA International Accountants Conference 2018
- 2019 Budget Seminar
- Financial Essentials for Company Secretaries and Directors
- Corporate Directors Training Programme Fundamental 2.0

The Company Secretaries briefed and highlighted the relevant guidelines on statutory and regulatory requirements from time to time to the Board, amongst others, the amendments to the Listing Requirements of Bursa Securities, the new requirements of MCCG and the Companies Act 2016. The External Auditors also briefed the Board members on any current and future changes to the Malaysian Financial Reporting Standards that affect the Group's financial statements.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS cont'd

III. Remuneration

Remuneration Committee

The Remuneration Committee established sets of policy, framework and reviews the remuneration of Directors which is linked to strategy and/or performance or long term objectives of the Company to ensure that the Company is able to attract and retain capable Directors. The Executive Directors' remunerations are structured to link rewards to corporate and individual performance. In the case of Non-Executive Directors, the level of remuneration reflects the experience and level of responsibilities undertaken.

The Company's Remuneration Committee comprises wholly Independent Non-Executive Directors, as follows:

Name	Designation
Ernest Bong Miao Fatt (Independent Non-Executive Director)	Chairman
Loo Lean Hock (Senior Independent Non-Executive Director)	Member
Noor Alina Binti Mohamad Faiz (Independent Non-Executive Director)	Member

The determination of the remuneration packages is a matter for the Board as a whole. The Executive Directors concerned abstained from deciding their own remuneration but may attend the Remuneration Committee meetings at the invitation of the Chairman of the Remuneration Committee if their presence is required.

The Remuneration Committee held one (1) meeting during the year under review and all the Remuneration Committee members had attended the meeting. The Remuneration Committee reviewed and recommended the remuneration of the CEO and Executive Directors of the Company for Board's approval pursuant to the Terms of Reference of Remuneration Committee. The Non-Executive Directors' fees and benefits payable to Directors have also been reviewed and recommended by the Remuneration Committee to the Board to seek shareholders' approval at the Company's forthcoming AGM pursuant to the Companies Act 2016. No Director is involved in deciding his own remuneration.

The Company aims to set remuneration at levels which are sufficient to attract and retain the Senior Management needed to run the Company successfully, taking into consideration all relevant factors including the demands, complexities and performance of the Company as well as skills and experience required, but without paying more than is necessary to achieve this goal.

The level of remuneration for Senior Management is recommended by the Remuneration Committee to the Board after giving due consideration to the compensation levels for comparable positions among other similar Malaysian public listed companies. The Remuneration Policy can be found at www.pmbtechnology.com.

The details of the Directors' Remuneration for the financial year ended 31 December 2018 are disclosed in the Corporate Governance Report under Practice 7.1.

PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT

I. Audit Committee

1. Composition

The Board upholds the integrity in financial reporting. The Audit Committee is entrusted to provide advice and assistance to the Board in fulfilling its statutory and fiduciary responsibilities relating to the Company's internal and external audit functions, risk management, compliance systems and practices, financial statements, accounting and control systems and matters that may significantly impact the financial condition or affairs of the business. The Audit Committee is also responsible in ensuring that the financial statements of the Company comply with the applicable financial reporting standards in Malaysia.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT *cont'd*

I. Audit Committee *cont'd*

1. Composition *cont'd*

The Audit Committee comprises three (3) members all of whom are Independent Non-Executive Directors, with Mr Loo Lean Hock as the Audit Committee Chairman. The composition of the Audit Committee, including its roles and responsibilities, number of meetings and attendance of Audit Committee, summary of Audit Committee activities and Internal Auditors' activities during the financial year under review are set out on pages 18 to 21 under Audit Committee Report of this Annual Report.

The Audit Committee has in its terms of reference that a former key audit partner to observe a cooling-off period of at least two years before being appointed as a member of the Audit Committee. Alongside, the Audit Committee has the procedures to assess the suitability, objectivity and independence of the External Auditors which is contained in the Terms of Reference of the Audit Committee.

2. External Auditors

The External Auditors report directly to the Audit Committee. The Audit Committee took into account the openness in communication and interaction with the External Auditors, KPMG PLT through discussions at private meetings without the presence of the Management and Executive Directors, which demonstrated their independence, objectivity and professionalism.

The Audit Committee assesses the suitability, objectivity and independence of the External Auditors on annual basis by taking into consideration the adequacy of the experience and resources of the audit firm and obtains the written assurance from the External Auditors confirming that they are and have been independent throughout the conduct of audit engagement in accordance with the terms of all relevant professional and regulatory requirements including Malaysian Institute of Accountants.

The Audit Committee was satisfied with the performance of External Auditors based on the quality of services and sufficiency of resources they provided to the Group. In view of the satisfaction on the service provided, the Board had approved the Audit Committee's recommendation for the shareholders' approval to be sought at the forthcoming AGM on the reappointment of KPMG PLT as the External Auditors of the Company for the financial year ending 31 December 2019.

The activities relating to the External Auditors are provided in the Audit Committee Report of this Annual Report.

II. Risk Management and Internal Control Framework

The Board recognises its responsibilities over the Company's internal control and risk management framework.

The Board has an established Risk Register for identifying, evaluating and managing significant risks which may affect the Company's business objectives. The Board through its Audit Committee regularly reviews this process to ensure the internal control and risk management frameworks are adequate and effective.

Details on internal control and risk management framework are set out in the Statement on Risk Management and Internal Control in the Annual Report. The Board has ultimate responsibility for reviewing the Group's risks, approving the risk management framework policy and overseeing the Group's strategic risk management and internal control framework. The Audit Committee assists the Board in discharging these responsibilities by overseeing and reviewing the risk management framework and the effectiveness of risk management of the Group. The Audit Committee processes are designed to establish a proactive framework and dialogue in which the Audit Committee, the Management, External and Internal Auditors are able to review and assess the risk management framework.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT cont'd

II. Risk Management and Internal Control Framework cont'd

The Company outsourced its internal audit function to a professional service firm, namely Baker Tilly Monteiro Heng Governance Sdn Bhd who reports directly to the Audit Committee. The outsourced Internal Auditors undertook an independent assessment on the internal controls of the various operating units within the Group and assured the Audit Committee that no material issue or major deficiency had been noted which would pose high risk to the overall system of internal control under review.

The Audit Committee met with Internal Auditors twice a year without the presence of the Management and Executive Directors during the financial year to allow discussion of any issues arising from the audit exercise or any other matters, which the Internal Auditors wished to raise and discuss to ensure the effectiveness of the internal audit function.

The resources and scope of work covered by the internal audit function during the financial year under review, including its observations and recommendations, is provided in the Audit Committee Report set out on page 21 of this Annual Report.

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

I. Communication with Stakeholders

The Board has formalised a corporate disclosure policies and procedures to enable comprehensive, accurate and timely disclosures relating to the Group to the regulators, shareholders and stakeholders not only to comply with the disclosure requirements as stipulated in the Listing Requirements, but also setting out the persons authorised and responsible to approve and disclose material information to shareholders and stakeholders in compliance with the Listing Requirements.

The Board has also established a dedicated section for corporate information on the Company's website (www.pmbtechnology.com) where information on the Company's announcements, financial information, share prices, annual report and corporate governance report may be accessed. It also contains all announcements made to Bursa Securities as well as the contact details of designated person to address any queries.

It has always been the Group's practice to maintain good relationship with its shareholders. Major corporate developments and happenings in the Group have always been duly and promptly announced to all shareholders, in line with Bursa Securities' objectives of ensuring transparency and good corporate governance practices.

The Group's financial performance, major corporate developments and other relevant information are promptly disseminated to shareholders and investors via announcements of its quarterly results, annual report, corporate announcements to Bursa Securities and press conferences. Further update of the Group's activities and operations are also disseminated to shareholders and investors through dialogue with analysts, fund managers, investor relations roadshows and the media.

II. Conduct of General Meetings

The Board is aware that AGM is the primary platform for two-way communication between the shareholders and the Board. During the meeting, shareholders have the opportunities to enquire and comment on the Group's performance and operations.

Currently, the Notice of AGM is circulated at least twenty-eight (28) days before the date of the meeting to enable shareholders to go through the Annual Report and papers supporting the resolutions proposed. This, besides in line with Section 316(2) of Companies Act 2016 and paragraph 7.15 of Listing Requirements which call for a 21-days' notice period for public companies or listed issuers, it is also in accordance with Practice 12.1 of the MCGG.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

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

cont'd

II. Conduct of General Meetings cont'd

In addition to being dispatched individually to shareholders, the Notice of AGM is also circulated in a nationally circulated newspaper alongside an announcement on the website of Bursa Securities. This allows shareholders to have immediate access of the notice of AGM and make the necessary preparations for the AGM.

In compliance with the Listing Requirements, the Company has implemented poll voting as well as to appoint an independent scrutineer to validate the votes cast at the AGM.

Presently, the Company is implementing manual voting system. At the AGM, the shareholders, upon the instruction given by the Chairman, will line up and cast their votes by putting their polling slips into the ballot boxes provided by the poll administrator. The results of the polling would be announced once it has been verified by the independent scrutineer. The Board may consider electronic voting system should its shareholders becoming larger to facilitate greater shareholder participation and subject to cost benefit analysis.

All the resolutions set out in the Notice of the Sixteenth ("16th") AGM were put to vote by poll voting and duly passed. The outcome of the 16th AGM was announced to Bursa Securities together with the independent scrutineer on the same meeting day.

A summary of the key matters discussed at the AGM, as soon as practicable after the conclusion of the AGM is published on the Company's website upon reviewed and approved by the Board.

FOCUS AREAS ON CORPORATE GOVERNANCE

Corporate governance was clearly imperative for the Group in the year 2018 against the backdrop of regulatory changes in the domestic corporate governance realm and a relatively challenging economic environment that is characterised by volatile market conditions and commodity prices. Against the aforementioned setting, during the year under review, the Board directed its focus on the core duties of the Board which is grounded on the creation of long-term value for stakeholders.

Corporate governance areas which gained heightened attention from the Board during the financial year ended 31 December 2018 are as follows:

Board diversity

The Board will escalate its efforts to establish a diverse Board which bears a variety in the dimensions of skills, experience, age, cultural background and gender. In the near future, the Board will undertake to formalise policies on gender diversity, along with specific targets and measures to meet those targets. The targets would incorporate specific quantitative benchmarks (e.g. percentage of women at the Board and Senior Management level) that can be monitored for effectiveness.

Review of policies and procedures

In light of the changes in the rich domestic corporate governance tapestry, the Board is seeking to review and update its existing policies and procedures to ensure they are kept contemporaneous whilst equally kept relevant to the Company's needs. The Board will look into the enhancements or developments of corporate governance policies and procedures, as the case may be.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

FOCUS AREAS ON CORPORATE GOVERNANCE cont'd

Integrated Reporting

The Company has yet to adopt an integrated reporting. The Board acknowledges that integrated reporting goes beyond a mere combination of a financial statement and sustainability report into a single document.

Nevertheless, there are coordination efforts among cross-functional departments in preparing the various statements and reports in the Annual Report. The Board may consider adopting integrated reporting in future.

Voting in absentia and remote shareholders' participation at general meetings

The Company will not adopt voting in absentia and remote shareholders' participation at general meetings given the size of the shareholders and market capitalisation of the Company at the time-being. However, the Board will observe the development of such technology in the market and may implement in the future when the need arises.

This Statement is made in accordance with the resolution of the Board of Directors duly passed on 12 April 2019.

DIRECTORS' RESPONSIBILITY STATEMENT IN RESPECT OF THE PREPARATION OF THE AUDITED FINANCIAL STATEMENTS

The Board is responsible for ensuring that the financial statements of the Group give a true and fair view of the state of affairs of the Group and of the Company as at the end of the accounting period and of their results and cash flows for the period then ended. In preparing the financial statements, the Directors have ensured that Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act 2016 in Malaysia have been applied with and reasonable and prudent judgement and estimates have been made.

In preparing the financial statements, the Directors have selected and applied consistently suitable accounting policies and made reasonable and prudent judgements and estimates.

The Directors also have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The Board is satisfied that it has met its obligation to present a balanced and understandable assessment of the Company's position and prospects in the Directors' Report and the Financial Statements of this annual report.

ADDITIONAL COMPLIANCE INFORMATION

(1) Material Contracts involving interest of Directors, Chief Executive and Major Shareholders

During the financial year, there were no material contracts entered into by the Group involving interest of Directors, Chief Executive and major shareholders.

(2) Audit and Non-audit fees

During the financial year ended 31 December 2018, the amount of audit and non-audit fees paid by the Company and the Group to the External Auditors, KPMG PLT and a firm affiliated to KPMG PLT are as follows:

	Company (RM'000)	Group (RM'000)
Audit Fees	85	283
Non-Audit Fees		
- Review of the Statement on Risk Management and Internal Control	25	25
- Reporting accountant for the Proposed Renounceable Rights Issue of Irredeemable Convertible Unsecured Loan Stocks with Warrants	130	130
- Sustainability advisory services in relation to Sustainability Reporting	45	45
- Tax fees	6	6
Total	291	489

(3) Recurrent Related Party Transactions

The details for the Recurrent Related Party Transactions of a Revenue or Trading Nature transacted pursuant to the Shareholders' Mandate during the financial year ended 31 December 2018 are stated in Section 2.2 and Section 2.3 of the Circular to Shareholders dated 29 April 2019 and Note 30 of the Financial Statements.

(4) Utilisation of Proceeds

On 18 July 2018, the Company had completed the Renounceable Rights Issue of RM212,294,652 nominal value of 5-Year 3.00% irredeemable convertible unsecured loan stocks ("ICULS") at 100% of its nominal value of RM2.74 each on the basis of one (1) ICULS for every two (2) existing ordinary shares, together with 38,739,900 free detachable warrants ("Warrant(s)") on the basis of one (1) Warrant for every two (2) ICULS subscribed. ("Rights Issue of ICULS with Warrants").

77,479,800 ICULS were issued pursuant to the Rights Issue of ICULS with Warrants and the total proceeds raised was RM212,294,652.

As at 31 December 2018, the status of utilisation of proceeds from the Rights Issue of ICULS with Warrants was as follows:

Purpose	Proposed Utilisation (RM'000)	Actual Utilisation (RM'000)	Estimated Timeframe for Utilisation from listing of the ICULS and Warrants
(i) Construction of PMB Silicon Facility*	114,995	114,995	Within 12 months
(ii) Purchase of equipment for the PMB Silicon Facility*	96,000	81,487	Within 12 months
(iii) Estimated expenses in relation to the Corporate Exercise	1,300	1,300	Upon the completion of Rights Issue of ICULS with Warrants
Total	212,295	197,782	

* The PMB Silicon Facility is located at Samalaju Industrial Park, Bintulu, Sarawak and is constructed for the manufacturing of metallic silicon.

SUSTAINABILITY STATEMENT

About this Statement

Pursuant to Para 6.2 (c) of Practice Note 9 of Main Market Listing Requirements on Sustainability Reporting by Bursa Malaysia Securities Berhad ("Bursa Securities"), PMB Technology Berhad ("PMBT" or the Group) released the Sustainability Statement (the "Statement") to define our commitment to sustainable and long-term value creation. We seek to demonstrate our sustainability risks and opportunities attributable to or associated with our key stakeholders, highlighting the economic, environmental, and social ("EES") impacts of PMBT's activities and initiatives.

The reporting scope encompasses PMBT and its ten active subsidiaries, involving primary business activities and operations located in Malaysia, namely Construction & Fabrication and Manufacturing & Trading as shown below:

- PMB Façade Technology Sdn Bhd ("PMBF");
- Everlast Aluminium (M) Sdn Bhd ("EASB");
- Everlast Access Technologies Sdn Bhd;
- PMB Quick Access Sdn Bhd;
- PMB Central Sdn Bhd;
- PMB Northern Sdn Bhd;
- PMB Eastern Sdn Bhd;
- PMB Aluminium Sabah Sdn Bhd;
- PMB Carbon Sdn Bhd; and
- PMB Silicon Sdn Bhd.

Together, these entities generate 77% of PMBT's overall segment result from the main operating business segments for financial year ended 31 December 2018, unless otherwise stated. We identified our actions and contribution towards the United Nations Sustainable Development Goals ("UN SDGs") and the Mid-Term Review of the Eleventh Malaysia Plan ("11MP"). Our sustainability journey is in line with our short, medium and long-term business strategy, and we aim to reflect this change accordingly and progressively in the coming years.

The Statement has been prepared in accordance with the Sustainability Reporting Guide 2nd Edition issued by Bursa Malaysia Securities Berhad. An external consultant was engaged to both facilitate and strengthen our reporting approach from the business sustainability perspective.

Role of Aluminium in Re-engineering Businesses for a Sustainable Future

In the aluminium industry, we strive to make the best out of this challenging environment by utilising aluminium's primary qualities that make it ideal for use in various applications, and investing in innovation to drive the next wave of growth and performance¹.

With stronger and lightweight aluminium products creating significant competition for other metal products, we will continue to focus on investing into research and development to create new market opportunities in various industries such as infrastructure and consumer products. We contribute to Green Building requirements through the sale and manufacturing of our products to those in construction industries. This allows us to see a steady and more predictable business evolution, to climb our value chain and revolutionise with our customers as they are able to negotiate longer-term contracts².

Lightweight materials are a vital part of sustainability as in many applications, lightness is important in architecture, be the craning of large prefabricated building assemblies, the placement of slab formwork for the casting of concrete or the carrying of components by hand by a single worker³. Aluminium delivers and integrates environmental-friendly systems into architecture and infrastructure. For example, our curtain wall system is designed to allow natural light into buildings to facilitate energy savings and reduce noise levels. The inherent strength of our aluminium formwork, allows it to be reused and as a result produces unbeatable cost efficiencies. Hence, the perception of these products as high quality construction materials with both local and overseas developers are clearly evident.

With these trends in the aluminium manufacturing industry, we strive to integrate the sustainability risks and opportunities involved with our business operations.

¹ "Aluminium – Flexible and Light (Part 1): Towards Sustainable Cities", International Aluminium Institute, 2016

² "Global Metals and Mining Outlook 2016: Making the best of a challenging environment", KPMG International, 2016

³ "Aluminium – Flexible and Light (Part 2): Towards Sustainable Cities", International Aluminium Institute, 2016

SUSTAINABILITY STATEMENT

cont'd

Our Sustainability Commitment

Since 2013, a Group wide Sustainability Policy ('the Policy') has been adopted that seeks to ensure that our business activities generate value in a responsible manner with a balance across economic profitability, social inclusion and decreased environmental impact.

Realising the importance of operating sustainably, we are actively exploring innovative and contemporary ways of promoting and integrating sustainability considerations into key business decisions and processes. Our Policy outlines the following key objectives:

- Endeavour to integrate the principles of sustainability into the PMBT's strategies, policies and procedures.
- Promote sustainability practices.
- Comply with all applicable legislation, regulations and code of practices.
- Ensure commitment of the Board and Senior Management in implementing the Policy and review of sustainability performance.
- Create a culture of sustainability within the Group and the community, with an emphasis on integrating environmental, social and governance considerations into decision making process as well as delivery of outcomes.

Getting the Board on Board



As sustainability is an integral part of an overriding commitment towards good governance, our sustainability strategy is led by the Board of Directors ("Board") of PMBT, and is implemented and monitored within the governance framework illustrated on the left.

The Board is accountable for setting and reviewing of Sustainability Policy and overall strategic direction and plan, taking into consideration the EES risks and opportunities ("sustainability matters") in relation to PMBT's business operations. Our Chief Executive Officer ("CEO") assumes an advisory role to the Board and to implement the strategic direction and plan as set out by the Board and ensures that the sustainability goals are attained.

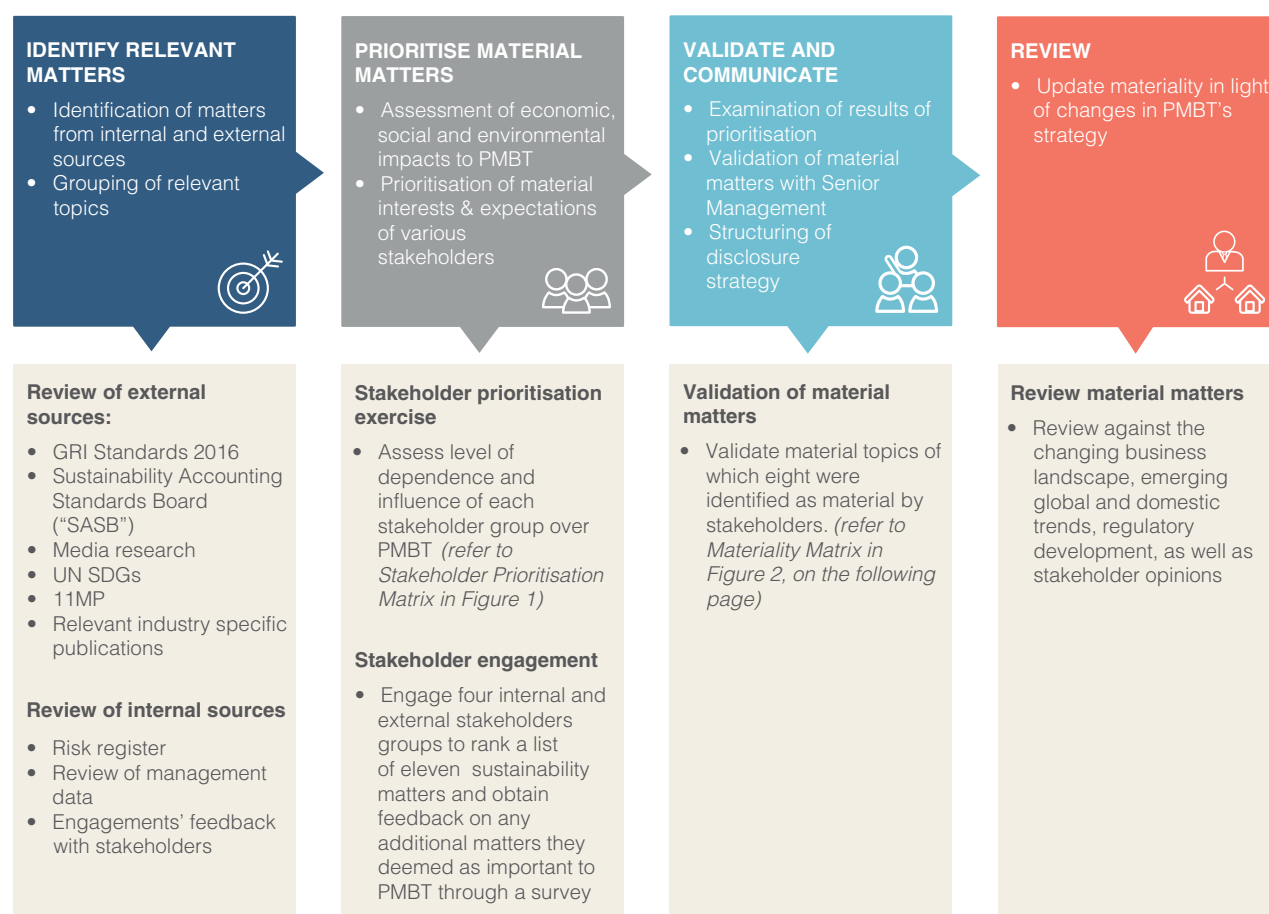
In spirit of continuous improvement of governance structures and processes in PMBT, a dedicated team, i.e. the Sustainability Working Group ("SWG") was set up in 2017 to drive sustainability across all corporate and business units, and ensure we are at the forefront of sustainability disclosures in the industry. Led by the Group Financial Controller with guidance from the respective Head of Departments, the SWG initiates, drives and monitors the implementation of the Sustainability Policy, strategic direction and plan within their respective departments. The CEO is constantly updated by the SWG on the sustainable performance of each department. When matters are identified, the SWG then facilitates the sustainability disclosures as required by the laws and regulations, subsequently recommending it for approval by the Board.

SUSTAINABILITY STATEMENT

cont'd

What Impacts Value – Managing What Matters

In 2017, we carried out a structured materiality assessment process that allowed us to prioritise key sustainability matters that were aligned with our corporate strategy. Guided by Bursa Securities's Sustainability Reporting Guide 2nd Edition this reporting year, we consistently engage with our stakeholders through various channels to evaluate the impact that the issues may have on the organisation and the influence that may have in the stakeholders' decisions, as depicted below.



SUSTAINABILITY STATEMENT

cont'd

Our key stakeholders are those who have high level of influence and dependence over PMBT. They comprise our Board of Directors, government/ regulatory authorities, employees and customers. In this reporting year, we continued to review the outcome of stakeholder prioritization exercise to consistently understand the dynamic shift of our stakeholders' influence and dependence over PMBT and it was consistently shown in Figure 1 below.

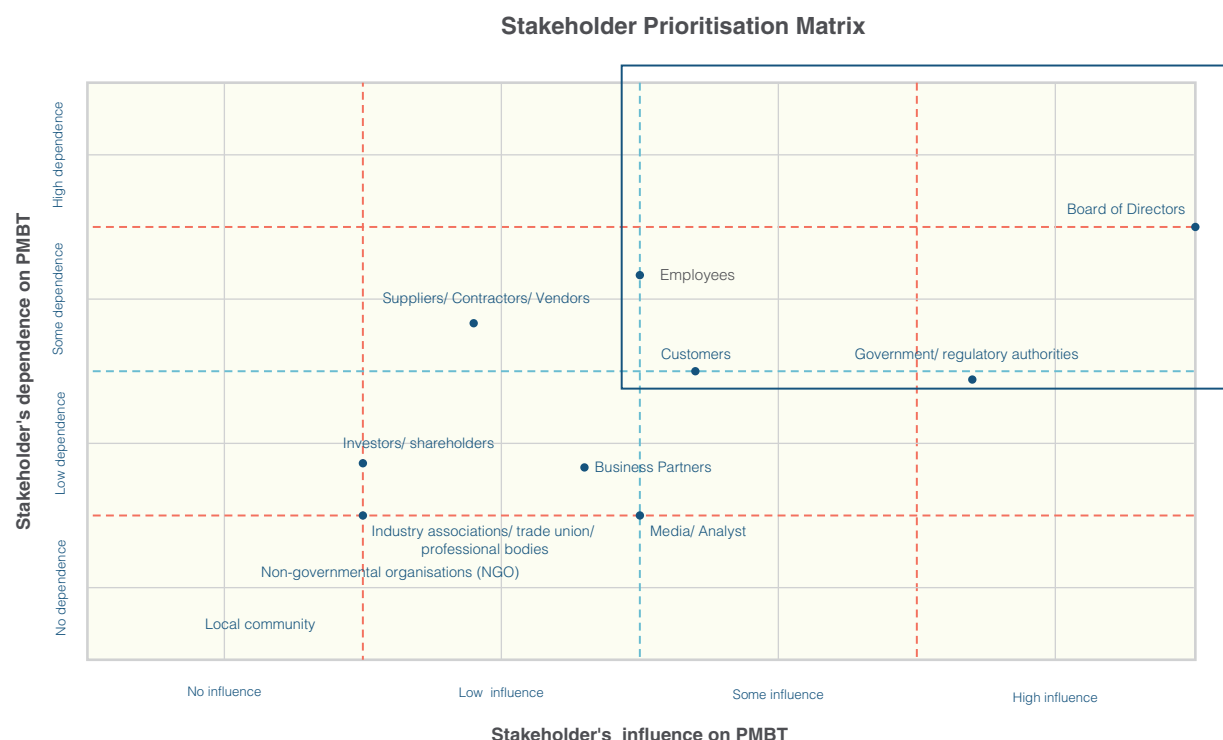
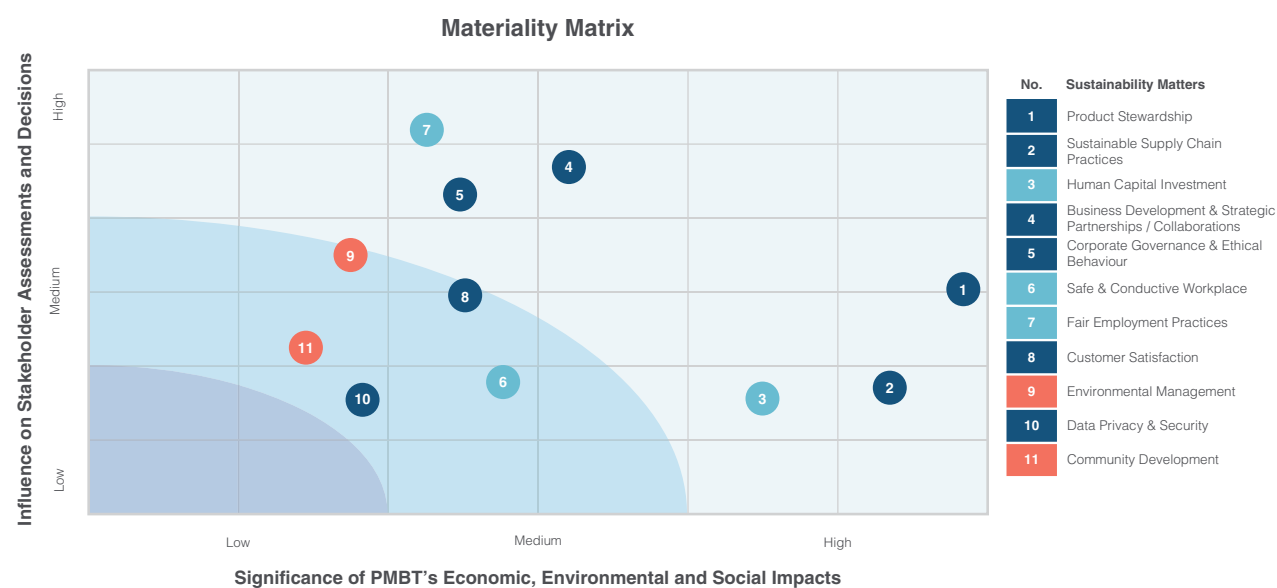


Figure 1: Stakeholder Prioritisation Matrix



Legend

Theme 1:
Delivering Value through Innovation

Theme 2:
Developing Our People

Theme 3:
Driving Corporate Responsibility

Figure 2: Materiality Matrix

SUSTAINABILITY STATEMENT

cont'd

The materiality matrix above indicates material matters arranged in sequence of stakeholder importance. The top eight material sustainability matters are Product Stewardship, Sustainable Supply Chain Practices, Human Capital Investment, Business Development & Strategic Partnerships / Collaborations, Corporate Governance & Ethical Behavior, Safe & Conducive Workplace, Fair Employment Practices, and Customer Satisfaction. To keep abreast of critical issues, we will periodically review our material issues against the changing business landscape, emerging global and domestic trends, regulatory development, as well as stakeholder opinions.

What Our Stakeholders are Telling Us

We also periodically communicate with our stakeholder to identify and address concerning matters that are imperative to our business operating ecosystem. Through our dialogue and collaboration with our key stakeholders, we are able to obtain insights into the matters of relevance to them throughout the year. These stakeholder 'hot topics' and matters help us define our strategic priorities.

Table 1 provides the details of our engagement with stakeholders through various engagement channels and the mechanisms we use to ensure meaningful engagement as well as how we communicate our progress in relation to their concerns.

Stakeholder Groups	Means of Engagement	Focus Areas	What are we doing about it
Board of Directors	<ul style="list-style-type: none"> Board meetings Annual General Meeting Corporate Events 	<ul style="list-style-type: none"> Corporate governance Corporate strategy 	Theme 1: Delivering Value through Innovation
Employees	<ul style="list-style-type: none"> Employee Engagement Survey Learning and development programme Corporate volunteering project Employee performance appraisal Employee on-boarding training 	<ul style="list-style-type: none"> Occupational safety and health Fair remuneration Fair employment practice Training and development Diversity and inclusion 	Theme 2: Developing Our People
Government/Regulatory authorities	<ul style="list-style-type: none"> Ad-Hoc public invitations Site visits Conferences Participation in programme organised by Government/regulatory authorities 	<ul style="list-style-type: none"> Compliance to applicable laws (e.g. occupational safety and health, environmental management, foreign labour) 	Theme 1: Delivering Value through Innovation Theme 2: Developing Our People Theme 3: Driving Corporate Responsibility
Customers	<ul style="list-style-type: none"> Online platform (i.e. corporate website) Customer satisfaction survey Customer audits 	<ul style="list-style-type: none"> Quality of products and services 	Theme 1: Delivering Value through Innovation
Suppliers/Contractors/Vendors	<ul style="list-style-type: none"> One-to-one meetings Periodic performance evaluation 	<ul style="list-style-type: none"> Agreeable contracts Terms of payments Maintaining partnerships 	Theme 1: Delivering Value through Innovation
Business Partners	<ul style="list-style-type: none"> On-going meetings 	<ul style="list-style-type: none"> Production capacity Maintaining partnerships Open and transparent communication 	Theme 1: Delivering Value through Innovation
Investors/Shareholders	<ul style="list-style-type: none"> Ad-hoc conference Analyst briefings 	<ul style="list-style-type: none"> Corporate performance 	Theme 1: Delivering Value through Innovation

SUSTAINABILITY STATEMENT

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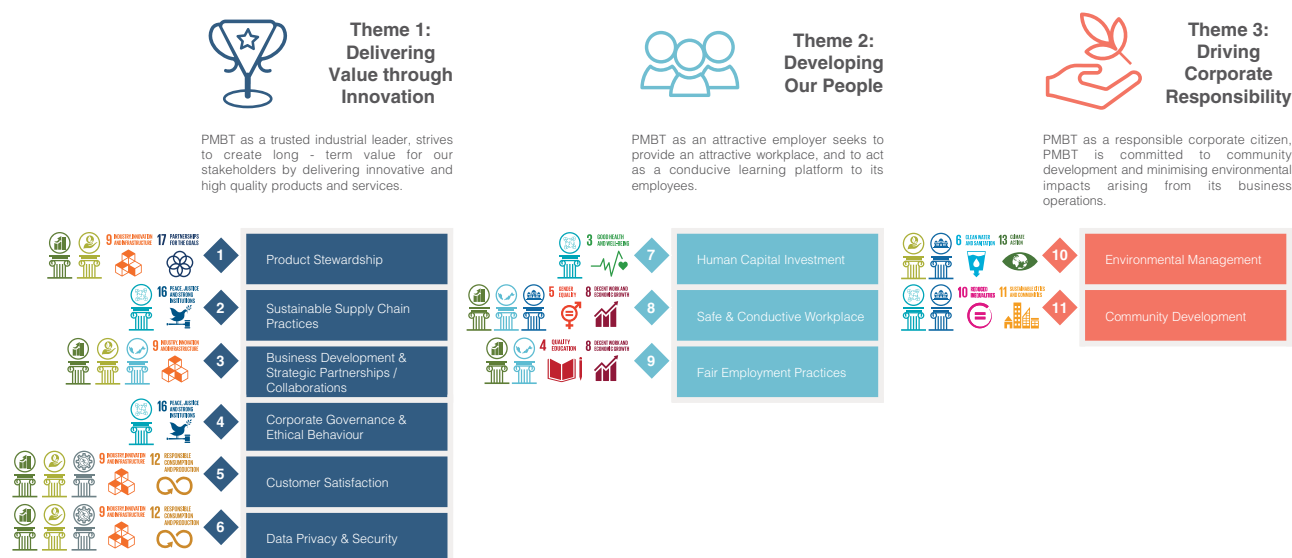
Stakeholder Groups	Means of Engagement	Focus Areas	What are we doing about it
Media/Analyst	<ul style="list-style-type: none"> Media Meetings Investor/Media briefings Media Releases/Conferences 	<ul style="list-style-type: none"> Corporate performance Corporate strategy Future business aspirations 	Theme 1: Delivering Value through Innovation
Industry associations/ trade union/ professional bodies	<ul style="list-style-type: none"> Website Communications (discussions, etc.) 	<ul style="list-style-type: none"> Ongoing meetings and site visits 	Theme 1: Delivering Value through Innovation Theme 2: Developing Our People Theme 3: Driving Corporate Responsibility
Local Community/ Non-Governmental Organisations ("NGO")	<ul style="list-style-type: none"> Community development programme 	<ul style="list-style-type: none"> Community development Environmental protection 	Theme 3: Driving Corporate Responsibility

Table 1: How we interact with our Stakeholders

How We Create Value

Here at PMBT, we strive to ensure that all our business decision making is highly influenced by best sustainability practices. In essence, we have three themes that revolve around our sustainability approach - **delivering value through innovation**, **developing our people** and **driving corporate responsibility** for the community. These themes comprise of 11 sustainability matters that are relevant to our business and stakeholders, which were identified in our materiality assessment exercise. Figure 3 depicts the sustainability matters we addressed.

The UN Sustainable Development Goals ("SDGs"), also known as the global goals, came into effect in January, 2016. The SDGs consist of 17 goals related to sustainable economic growth, social justice and environmental preservation. Locally, Malaysia has set out the Mid-term Review of the 11th Malaysia Plan ("11MP"), a national agenda to operationalise the SDGs. In supporting to fulfil the commitment with the SDGs and the local framework, as a first step we have identified the SDGs that are especially relevant to the PMBT's business activities and sustainability efforts. This allowed us to chart out our fields of actions and identifying strategic initiatives that are aligned with the SDGs.



SUSTAINABILITY STATEMENT

cont'd

National Sustainability Agenda: Eleventh Malaysia Plan 2016 -2020

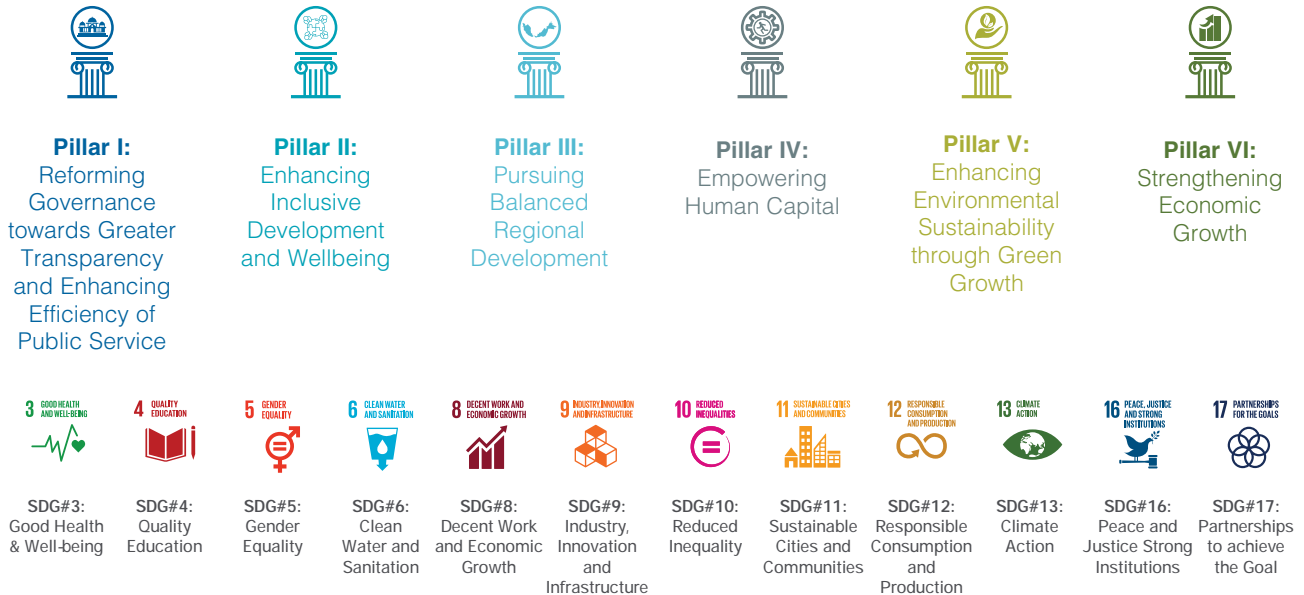


Figure 3: Sustainability matters addressed by PMBT including the intrinsic connection between our sustainability initiatives & the relevant SDGs & 11MP

Our value creation model seeks to create value for stakeholders in a sustainable way as depicted in Figure 4 below:

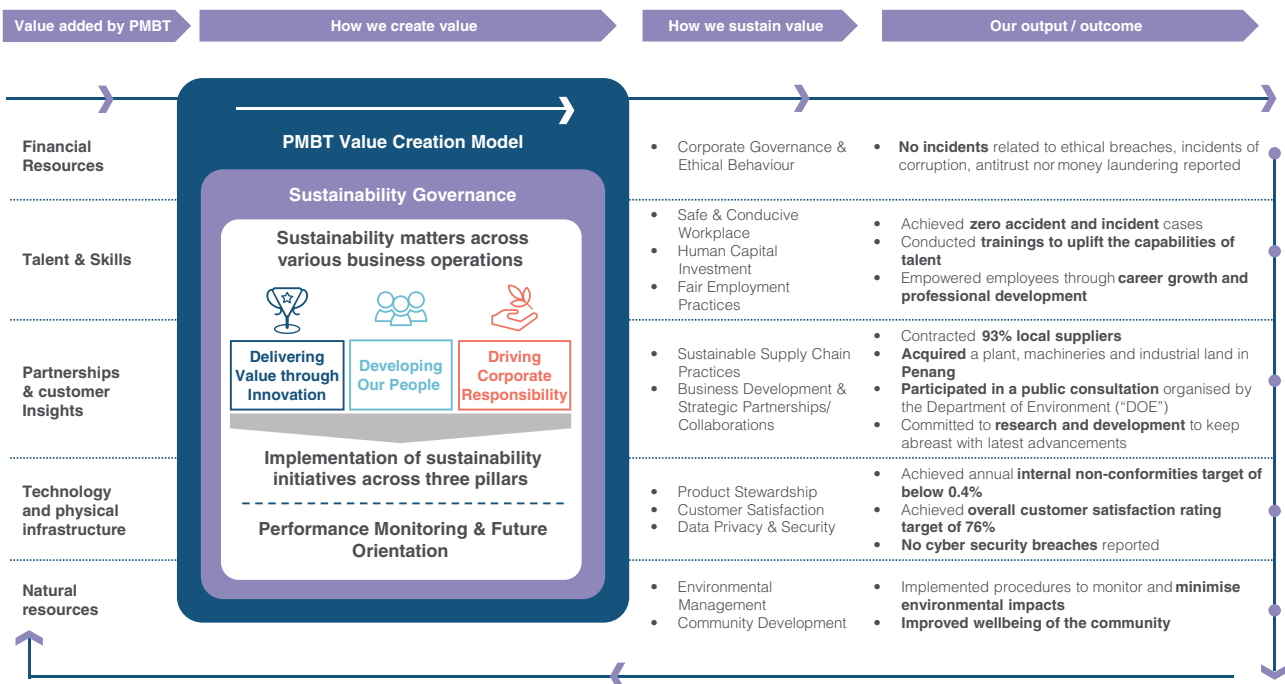


Figure 4: PMBT Value Creation Model

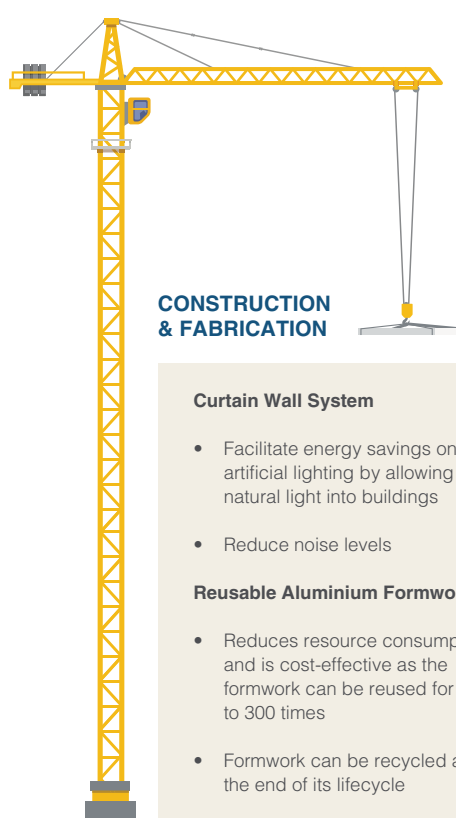
SUSTAINABILITY STATEMENT

cont'd

THEME 1: DELIVERING VALUE THROUGH INNOVATION

As a trusted industrial leader, we strive to create long-term value for our stakeholders by delivering innovative and high quality products and services. We are constantly improving our capabilities in technological development, quality management, and frontline execution to offer products and services that earn the satisfaction and trust of customers. The liability and transparency of a corporate culture are keys to combat against ethical or security breaches. Our partnerships and business collaborations, allow us to grow and achieve successful futures through the exchange of technical knowledge and resources. Overall, our aim is to efficiently serve our customers, and comprehend that there is room for improvement based on their journey with us.

Product Stewardship



CONSTRUCTION & FABRICATION

Curtain Wall System

- Facilitate energy savings on artificial lighting by allowing natural light into buildings
- Reduce noise levels

Reusable Aluminium Formwork

- Reduces resource consumption and is cost-effective as the formwork can be reused for up to 300 times
- Formwork can be recycled at the end of its lifecycle

MANUFACTURING & TRADING

Aluminium Truck Body

- Reduces fuel consumption and requires minimal maintenance due to its light-weight and non-corrosive nature

Aluminium Gate

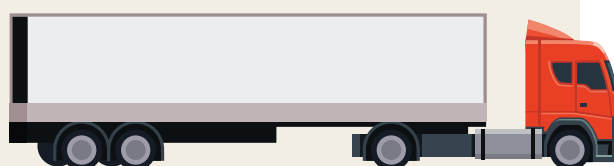
- Effectively reduces the maintenance cost for the autogate system and improves efficiency of usage due to its light-weight nature

Aluminium Modular Balustrade System

- User friendly and easily installed without the need of welding
- Prolonged lifecycle under harsh weather conditions due to outer finishing

Scaffold Tower

- Light-weight solution to speed up erection in space constrained environment without compromising strength and stability



Our Production and Research & Development ("R&D") Department supported by Quality Assurance ("QA") /Quality Control ("QC") Department are tasked to develop new products and enhance product designs in adherence to International Standard Organisation ("ISO") procedures as our policy in monitoring product stewardship while continuously improve production methodologies through the application of new technologies and machineries to encourage process improvements.

We have invested in automated machineries to minimise the possibilities of occupational injuries and recycle aluminium waste. All aluminium waste left from the manufacturing process is sent back to the supplier for re-melting to be reused as raw material. To reduce rejection rates and ensure adherence to customers' specifications, regulatory requirements and international standards, we have adopted a quality management system based on international standards. We also conduct stringent product quality checks and controls on finished goods and regular inspections of manufacturing equipment throughout the design and production processes that are performed by experienced personnel.

Our internal non-conformities results were maintained at 0.4% where our annual target is below 0.4%. We received ISO 9001:2005 accreditation on our Quality Management System for Everlast Aluminium and PMB Façade Technology, and multiple SIRIM certifications for our portable aluminium ladder, prefabricated mobile access and working tower, portable fiberglass ladder, and mobile ladders with platform. Our aluminium truck tray is Australian certified.

SUSTAINABILITY STATEMENT

cont'd

Sustainable Supply Chain Practices

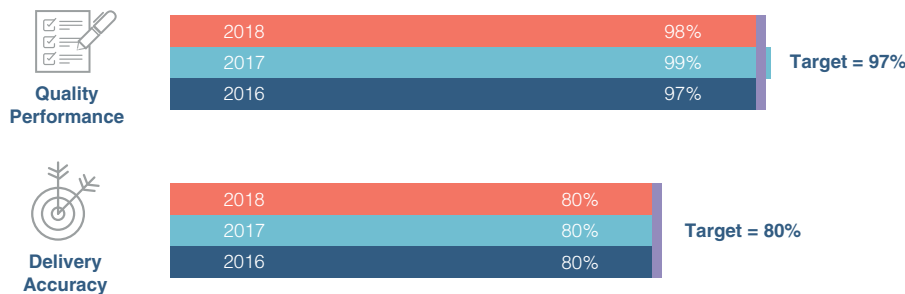
We adhere to our internal policies in ensuring sustainable procurement practices while taking into consideration EES matters. At PMBT, we strive to support local suppliers to help enhance our national economic growth through the provision of job opportunities in local small and medium enterprises ("SME") industry. Our Procurement Guidelines entail procedures in appointing and monitoring suppliers, as well as PMBT's commitment in sourcing locally, green-procurement, and fair dealings. Requirements for contractors regarding legal compliance, anticorruption, human rights, health and safety, and environmental management are outlined in our Vendor Code of Conduct.

Our Procurement Department oversees the overall Group's practices such as conducting supplier pre-appointment evaluation to ensure products are of good quality and are cost effective, leading site visits for supplier inspection, and maintaining approved vendor lists. Appointed suppliers are subjected to monthly assessments based on their number of stock receipts, delivery frequency, and supplier corrective action requests issued by the QA/QC Department. If suppliers do not meet our requirements, we will provide them with supplier training and improvement action plans. Ultimately, if they still fail to comply, their contracts will be terminated.

Assessment criteria imposed on the suppliers by PMBT



Delivery Accuracy & Quality Performance KPI



Percentage of Local Suppliers for 2016, 2017 and 2018



Our initiatives include providing key trainings on procurement to relevant employees, comparing at least three suppliers in terms of cost and quality before they become approved suppliers, following up with continuous monitoring, and regular approved supplier evaluations by our internal QA/QC team. We invest time into logistics and distribution scheduling to minimise the number of shipments to moderate fuel consumption and air emissions, as well as strategic location planning of distribution centers. Regular checks and enhancements of shipment vehicles are also conducted to reduce vehicle malfunctioning accidents.

Business Development & Strategic Partnerships / Collaborations

Through our Group's Business Expansion Strategy and Global Exhibition Visits and International Market Sales Pipeline initiatives, we are able to expand domestically and in selective overseas markets. This effort results in greater positive direct and indirect economic impacts. Examples of business expansions and/ or strategic partnerships that we were involved during the reporting year are as below:

Acquired a plant, machineries and industrial land in Penang

Diversified business portfolio to produce metallic silicon, developed a new aluminium scaffolding product at competitive prices

Site visits to factory and plan to visit within the aluminium manufacturing industry and silicon metal markets

Participated in a public consultation organised by the Department of Environment ("DOE")

SUSTAINABILITY STATEMENT

cont'd

Outcomes



Corporate Governance & Ethical Behavior

Our Group has a Code of Conduct for Directors, Management and Employees, embodying the principles contained in various policies adopted by the Group that commits Directors, Management and employees to high ethical values and expected standards of conduct. The Code of Conduct covers among others, all aspects of the business operations such as human rights, environmental issue, business gifts and hospitalities, integrity and professionalism, confidentiality of business information and proper safeguarding of company assets. Matters relating to duties and responsibilities of Directors, conflict of interests and their social responsibilities, are included in our Code of Ethics.

All employees are required to understand the Code of Conduct, in which they pledge to uphold PMBT's core values and principles and shall not engage in any corrupt or unethical practices. Non-compliance and failure to report non-compliance to the Code of Conduct may lead to disciplinary actions. Details are listed in our letter of employment that are handed to new recruits. Since 2017, we continuously adopted a Whistle-Blowing Policy which serves as a guide to the employees or stakeholders on how to raise genuine concerns related to unethical behaviour, malpractices, illegal acts or improprieties in the matters of regulatory compliance in an appropriate way (refer to the Corporate Governance Overview Statement of the Annual Report).

Other internal control systems include risk management frameworks, internal audit processes with quarterly reports to assess and manage risks related to regulatory compliance and ethics breaches. As of 2018, there have been no reported incidents related to ethical breaches, incidents of corruption, anticompetitive or antitrust behaviour, or money laundering.

We plan to organise training programme for our employees on matters related to anticorruption, prevention and detection of money laundering, profiling and investigation techniques, and awareness on business ethics. As of 2018, we conduct annual trainings on local regulations and customs including taxation, Updates of Bursa Securities listing requirements, Transitioning from GST to SST and continuous update of Sales and Services Tax. The relevant representatives will be sent for the session if and when there are updates on the regulations.

Customer Satisfaction

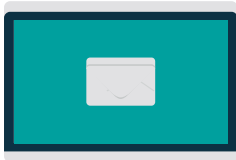
To gauge the level of client and customer satisfaction and providing prompt responses in addressing issues raised, we provide customer complaint forms to officially respond to their concerns in service, quality and product improvements in a systematic order. Our QA/QC and Business Development units are responsible for reviewing and validating complaints received, conducting root cause analysis, and developing corrective and preventive action plans to resolve issues.

As we explore innovation, some issues may take longer than expected to improve which results in repeated feedback from customers. However, we managed to detect supplier or production issues faster and proactively implement design improvements periodically.

SUSTAINABILITY STATEMENT

cont'd

Customer engagement channels



Corporate website provides constant updates on our products and services to our customers and clients



Customer service hotline with a dedicated email address and portal to offer customers' channels to provide feedback and issue complaints



Regular engagement sessions and visitation to clients allow us to gauge their expectations and feedback

Customer feedback



2 customer complaints received



Key complaints from customers

- Human errors
- Improve on quality check procedures and machineries, as well as product aesthetics in terms of range and load bearing quality

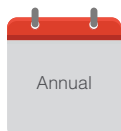


Our mitigation measures

- hired consultants and engineers to relook at the designs and improve on them from scratch

Annual Customer Satisfaction Survey

Frequency



Channel



Assessment Criteria

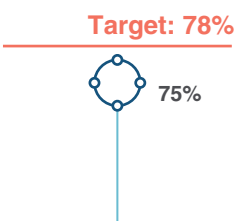
- ✓ Customer service
- ✓ Product quality & improvement
- ✓ Delivery performance
- ✓ Others

Customer Satisfaction Survey Barometer 2017

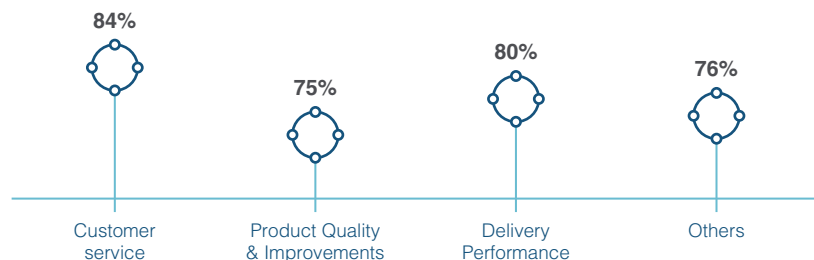
The overall ratings for all areas had increased in performance from 2016.

Our R&D Department and business development unit are taking initiatives to improve our numbers of the following years.

Overall customer satisfaction rating



Other assessment criteria, for example:



SUSTAINABILITY STATEMENT

cont'd

Data Privacy & Security

The objective of our Acceptable Information Technology ("IT") Use Policy is to establish parameters and define the acceptable level of the use of IT facilities while maintaining a level of consistency in the IT usage procedures and regulations. Applied to all employees, contractors, consultants and workers in the Group including all personnel affiliated with third-parties, the policy covers topics regarding general use and ownership, IT security and proprietary information, and unacceptable use.

Our Group's Data Security Policy is aligned with the Malaysian Personal Data Protection Act ("PDPA") 2010. To protect the privacy and security of data and information belonging to stakeholders, we also have the Software Usage Guidelines and Policies. The review of these policies and procedures are overseen by the Group's Information Technology Department, including matters related to cyber risks, IT audits, and IT trainings.

We have invested in the implementation of anti-virus software, increased storage of backup systems, usage of Uninterrupted Power Supply ("UPS") backup batteries, periodic hardware maintenance, new warranty protections, scheduled upgrade of obsolete hardware, and the installation of VMWare High Availability. Overall, we have invested a total of RM 1.5 million in Enterprise Resource Planning ("ERP") systems, that is still being implemented, new servers with servers mirroring, and their maintenance. These infrastructures are to protect our systems from among others hacking and violation of control user permission. We also have disaster recovery sites with real-time replication of critical servers in the form of mirroring backup systems within our servers.

Our IT audits and inspections are conducted by an outsourced internal audit team, in routine with other operation functions, to ensure existing practices are in compliance with PMBT's internal policies and procedures. We conduct IT awareness briefings related to the declaration on information security and PDPA notices to ensure statutory compliance, applicable to all employees and customers respectively. We strive to benchmark our IT systems to industry best practices and upgrade internal security procedures and infrastructure to strengthen PMBT's defenses and improve resilience against cyber threats as part of our commitment to the Malaysian Digital Economy Corporation ("MDEC") Value Innovation Platform ("VIP") programme.

There have been no reported incidents in 2018.

THEME 2: DEVELOPING OUR PEOPLE

As an attractive employer, PMBT seeks to provide a comfortable workplace and create a conducive learning environment for our employees. PMBT has adopted a balanced development approach by giving equal emphasis to both economic growth and our employees' welfare. We aim to substantially reduce the incident and accident risks of our workplace through investments in awareness and technical trainings of our employees. In support of this, we have career advancement opportunities that are designed to enhance their competencies as well as retain skilled talents.

Human Capital Investment

We believe in nurturing talent and managing career development programme for our employees to ensure equal opportunities are provided to all. It is the responsibility of our Human Resource ("HR") Department to conduct several in-house trainings annually to equip our employees with better skills and maximise their potential, as well as manage career development programmes and nurture talent. Our ISO 9001:2015 Training Policy guarantees full exposure about the Group is given to all the employees and our Training Management System ensures training is provided for career enhancement.

Succession planning is a critical element in preventing business disruptions and promoting operational sustainability for which the Nomination Committee is entrusted by the Board to review and recommend candidates for Executive level. Established for the Nomination Committee, succession planning effectively discharges responsibilities in identifying and assessing potential candidates with the assistance of the CEO. This is to ascertain potential successors have sufficient experience and are the right fit for the Group.

SUSTAINABILITY STATEMENT

cont'd

Everlast Access Technologies carries out annual training need analysis to identify the gap between employees' competencies and needs of training. We approached via the Occupational Safety and Health Coordinator and the National Institute of Occupational Safety and Health ("NIOSH") Safety Course. The chart below illustrates the training programme provided by PMBT to develop the capability of our employees and facilitate career growth. The examples of our training and development programme are summarised in the chart below:



Certified Solidworks Professional Test

- Skills enhancement trainings provided for our engineers
- 4 participants participated in the Programme



Induction Training

New joiners are introduced to the Group's culture, management systems, products, etc.



On-the-job Training

On job training as and when necessary



Subsidies for education

Subsidies for employees undertaking professional certifications or part-time higher education



Internships and graduate training programme

Programme that enable graduates to apply classroom theory to real-world situations and develop technical skills



Interdepartmental transfers and job rotations

Opportunities offered to junior and middle management in order to encourage multitasking and the transfer of technical knowledge

As part of the Group's talent management and acquisition initiatives, we support education as a fundamental segment of society and grant scholarships to selected academically excellent and deserving students of certain local institutions. Our scholarship programme nurture the full potential of financially-deprived Malaysians, allowing them to fulfil their aspirations and eventually contribute to the nation's development. Graduates from the scholarship programme then have the opportunity to join us upon completion of their studies.

Safe & Conducive Workplace

PMBT emphasises in maintaining a clean, organised, safe and healthy working environment for our employees. To create awareness, we conducted several occupational and safety programmes throughout the year and continuously improved on equipment safety measures. Our Safety, Health and Environmental Policy commits, as far as practicable, to ensuring a safe and healthy working environment, prevention on accident compliance to all applicable legal and standards while striving for continual improvement.

The Company takes appropriate precautions to prevent injuries or adverse working conditions for every employee. It is the responsibility all employees to adhere to the prescribed safety rules and acts as well as to raise any concerns which may represent a potential threat to health and safety. Safety officers and supervisors are responsible for reporting injuries and unsafe work practices or conditions as soon as they being discovered or become known.

We also abide to health and safety management related standards such as the Initial Noise Exposure Monitoring Programme, Positive Noise Monitoring Test, and Annual Audiometric Testing.

To ensure a safe and healthy environment, our Environmental, Health and Safety ("EHS") committee conducts Work Improvement Exercises ("WISE"), relays proper guidance by providing appropriate Personal Protection Equipment ("PPE") to employees, conducting assessments on Hazard Identification, Risk Assessment and Risk Control ("HIRARC"), and continual improvement of the workplace. Our PPE consists of respirators, ear plugs face shield and safety helmets for employees to protect against health and safety risks.

We have established processes to monitor and report on HSE-related performance. As a part of our health and safety initiatives, Chemical Health Risk Assessments ("CHRA") are conducted by a competent third party agency, and Emergency Response Plans outline the procedures for responding to situations. Our discussion sessions allow employees to suggest improvements and implementations for new health and safety measures. We hold regular disease awareness trainings on endemic diseases, and quarterly health and safety audits by our EHS Committee, as well as collaborative sharing sessions between operating sites to discuss health and safety issues.

SUSTAINABILITY STATEMENT

cont'd

The Group's Health and Safety practice meets all objectives in the Safety, Health and Environmental Policy to achieve zero accidents in all operations. There have been no recorded cases of accidents or incidents. However, there have been cases of carpal tunnel syndrome amongst our employees. Everlast Access Technologies received a noise complaint due to our cutting machine and a warning from the Department of Occupational Safety and Health ("DOSH") to conduct initial noise monitoring and audiometric tests.

Health & Safety Training Programmes

Safety Briefing

Conducted daily safety briefing to ensure proper use of PPE for all factory workers – requires 100% participation

Safety Induction

Briefing and demonstration of machinery and hand-tools usage when new employees join the production floor – requires 100% participation

First Aid & Cardio-Pulmonary Resuscitation ("CPR") Training

Awareness on the necessary actions to be taken and maintain calm during an emergency to respond accordingly and play the role of life-saver in the workplace – requires 100% participation for production supervisors and key leaders

Noise Monitoring Programme

Identify areas and machineries that produce excessive noise levels, then evaluate and recognize annually – requires 100% participation from factory workers

Chemical Health Risk Assessment

Assessment conducted to identify the use, handling, storage or transportation of chemicals hazardous to health in the workplace as required by the Occupational Safety and Health Regulation 2000 – requires 100% participation from factory workers who deal with hazardous chemicals

Certified Training Programme (Green Card)

The annual programme involves the registration and accreditation of construction personnel to improve safety levels on-site, and is only for employees that require access to construction sites

Firefighting Training

Identify fire and explosion risks in the working areas by understanding active fire systems in the manufacturing plant, and introduction to handling portable fire extinguishers when required – requires 100% participation from production supervisors and key leaders

Fair Employment Practices

PMBT embodies principles contained in various policies adopted by the Group that covers all aspects of business operations including human rights, integrity and professionalism. We support and respect human rights by treating employees with dignity and respect in the workplace, providing equal employment opportunities, creating a safe and harmonious work environment, and not engaging in any form of discrimination including child labour, unfair wages, illegal workers and sexual discrimination.

As the wheels that drive PMBT, our employees are our vital assets and we believe in nurturing their personal growth. We strive to promote diversity in terms of gender, age and ethnicity as the Board recognises diversity in the workplace is essential in ensuring its effectiveness, good corporate governance and business growth. We promote the representation of women in the workforce, in particular the Management and Senior Management positions, hiring of local talent in areas where PMBT is operating, and employment of People with Disability ("PWD").

A performance appraisal shall be conducted prior to confirming our employees and an annual salary review, providing an efficient way of evaluating job performance and ensuring a link to our corporate goals and objectives. We encourage two-way communication as the Annual Performance Appraisal is a platform for employees to share their opinion with the Head of Department ("HOD").

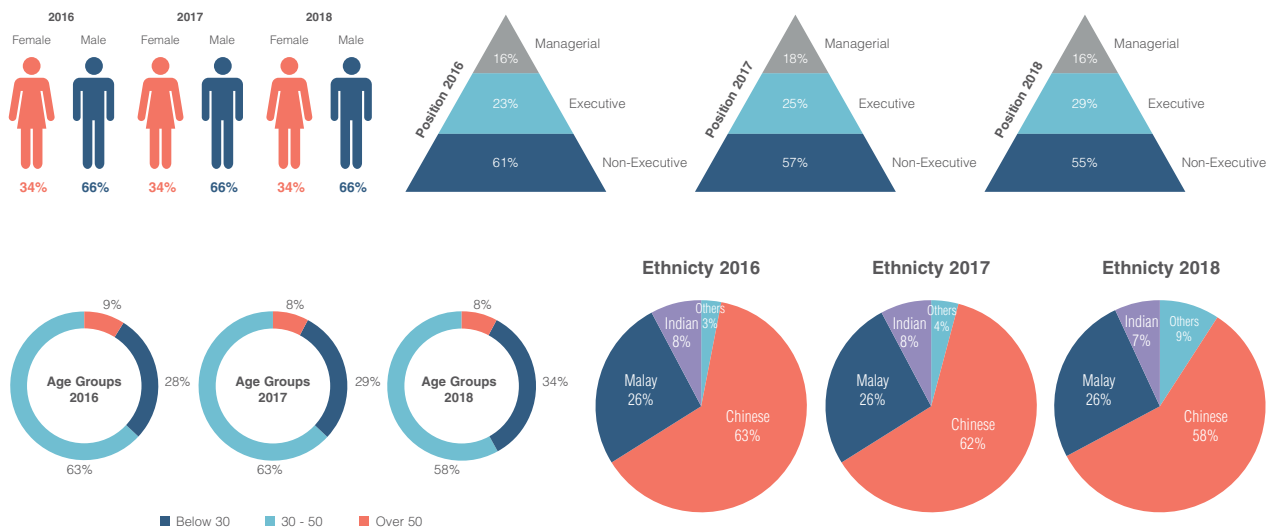
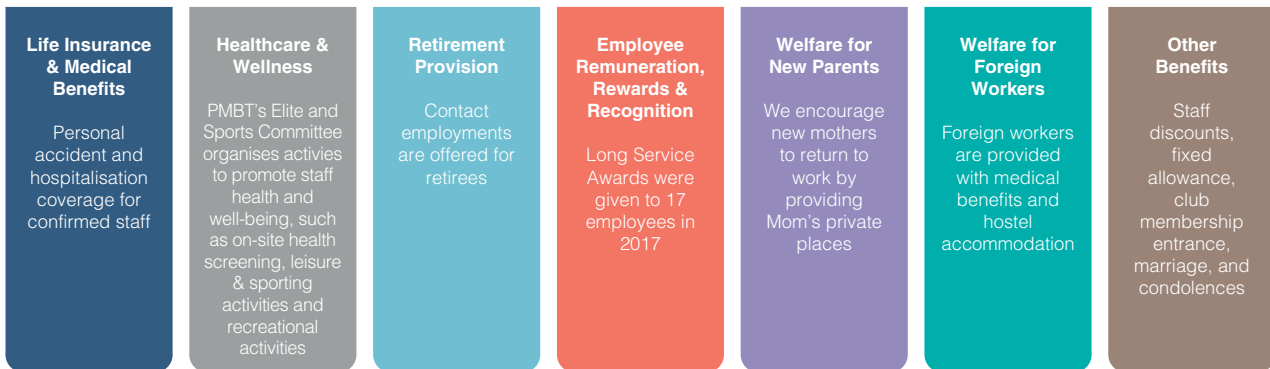
Our employees are entitled for special leaves subject to valid proof and the discretion of the Management, such as death of a close relative, paternity leave, marriage leave, and natural disasters. Medical benefits are also accessible to all employees for normal treatment of illnesses or injuries suffered, provided by the Group's panel of clinics only.

To boost morale and teamwork, we reward our employees with activities and awards accordingly, based on their accomplishments. The Group subsidises selected employees' recreational activities within their work groups to forge better team spirit amongst our employees and senior management. A sports committee was formed to initiate activities such as weekly badminton games, festive celebrations and bowling tournaments. We also make contributions to aid our employees in need.

SUSTAINABILITY STATEMENT

cont'd

We truly appreciate our employees' loyal service and dedication. Recognition is given to employees for every five years of service with a gold pendant presented to each of them at the Group's annual dinner. The presentation of awards has become an important part of our Group and has given a positive effect in promoting staff motivation and morale. We hold regular town hall meetings and have put in place grievances handling platforms to encourage communication among all levels of employees and facilitate the resolution of employees' issues.



THEME 3: DRIVING CORPORATE RESPONSIBILITY

PMBT seeks to maintain a harmonious relationship with nature by recognising the importance of improving the environment in which we operate through the constant monitoring of environmental impacts and apply cost-efficient means of reducing the use of natural resources. By means of comprehensive communication, our employees are made aware of our environmental objectives and they support employee-driven environmental initiatives.

Inclusive growth is not only key to individual and societal well-being, but also critical for sustaining longer periods of solid national progression. We believe that responsible citizenship is essential to the vitality of our communities. We encourage volunteering activities and actively creates opportunities for interaction with the local communities, emphasising on continuity to establish our roots firmly with them.

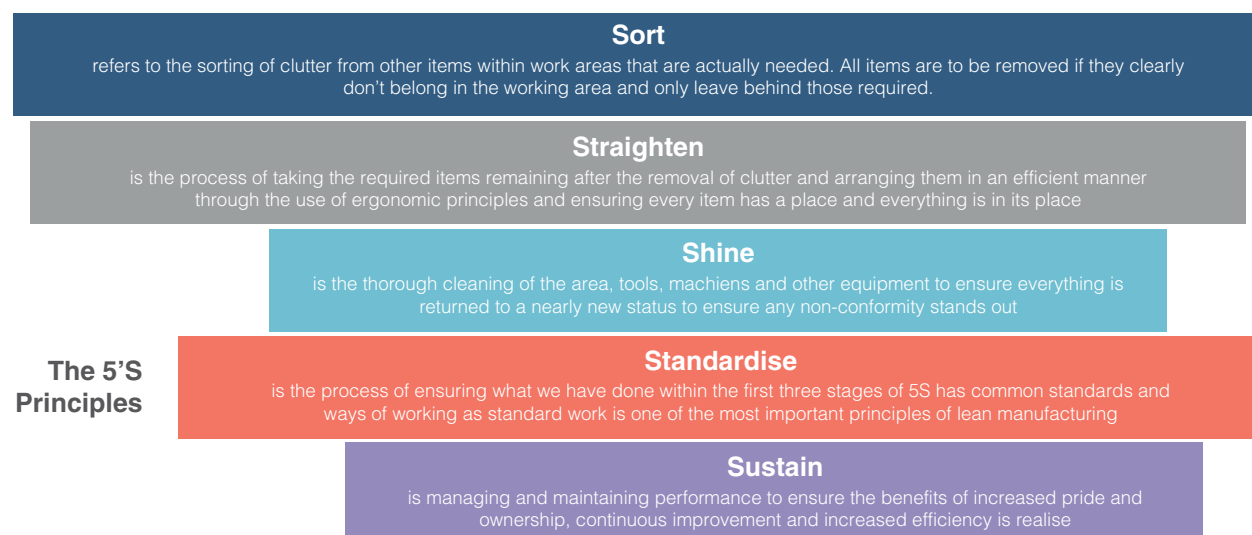
SUSTAINABILITY STATEMENT

cont'd

Environmental Management

PMBT conducts operations in a manner that safeguards health, protects the environment and conserves valuable materials. Detailed in our Sustainability Policy, we aim to among others reduce the consumption of non-renewable or non-recyclable materials, pursue the usage of renewable resources, minimise the level of pollutants from daily business operations, and create an ever-increasing awareness of this policy within the Group and stakeholders.

Our Environmental Policy outlines the standard environmental management process, including monitoring, and also measures to reduce emissions and consumptions. As a guidance on waste management initiatives, we have Waste Management Procedures and Housekeeping Policy as well as Environmental Management System. The EHS Committee implements and monitors the progress of all environment related initiatives, and carries out regular audits and inspections. They also provide progress updates on the initiatives to Management on a quarterly basis. The EHS Committee is trained in 5'S as a practice of continuously maintaining a clean, organised workplace by eliminating all unnecessary waste and maintaining discipline.



- Energy Consumption**

In terms of energy consumption, the ESH Committee is responsible for monitoring the rate of electricity consumption at respective production divisions and office departments. Energy consumption is regularly monitored and reported in the operating sites. To reduce our electricity consumption, we installed new and energy efficient equipment as well as upgraded old systems. We also replaced existing lighting to light-emitting diodes ("LED"), installed motion sensors to automatically switch the lighting on and off, and placed transparent roof sheets to allow sunlight for brighter working environment during the day.

- Noise Pollution**

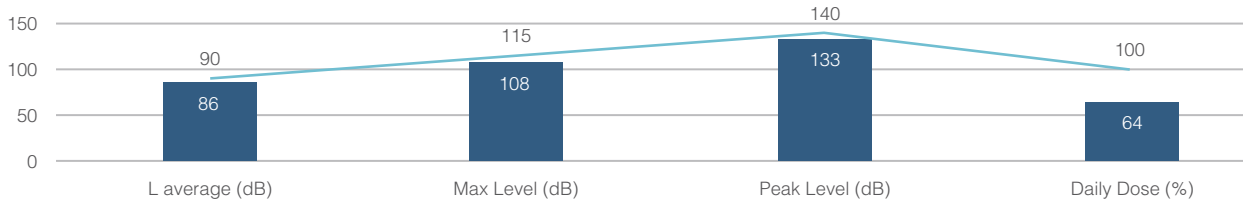
To manage noise pollutions at respective operating sites, the EHS Committee reports to the Management on a monthly basis and the monitoring results are regularly reported to the DOSH. On-time maintenance is provided for all machineries and we ensure they are turned off when not in use. This along with regular project site audits and investments in new machineries, will reduce our current level of noise pollution.

Initial noise monitoring is conducted to ensure a better working environment for our employees. All workers are provided with the appropriate PPE to decrease the effect of the noise and has been deemed in compliance by the DOSH. The bar chart below indicates the actual readings obtained whereas the line graph shows the targets for the varying matters.

SUSTAINABILITY STATEMENT

cont'd

Initial Noise Monitoring for a Factory Lot



- Air Emission**

The EHS Committee is responsible for ensuring all trucks, machineries and plant equipment are in good working condition, regularly maintained and comply with the relevant regulatory requirements. Our efforts to monitor air emissions include regular maintenance on trucks, plant and machineries, and prearranged logistics planning to share delivery resources. We installed ventilation systems coupled with filtering dedusters which reduced pollution.

- Waste Management**

In our effort to reduce waste and resource consumption, we source and recycle aluminium products such as scrap for PMBT's production input. We also have a buyback option for aluminium formworks from our customers, replaced wooden pallets for reusable aluminium pallets, and proposed low coated glass to customers for energy saving within our buildings. The scrap is sent to a supplier for recycling as input to our monthly production. To minimise generation of waste and wastewater production, we practice waste disposal methods where wastes produced are segregated, properly packaged, labelled, stored separately at designated areas and safely disposed.

- Water Consumption**

We responsibly monitor our consumption used daily in the production division and office department. To save water in the refurbishment division, we use a groundwater abstraction technique for cleaning formworks and recycling groundwater.

Community Development

The Group believes in aligning charitable giving with our business activities by actively encouraging people to get involved in community development, and improving public perception to the Group's response to public enquiries. Aside from regular donations to old folks home or orphanages, we also urge our employees, along with their families, to personally visit the places to promote better kinship and social awareness. The Group organises Blood Donation Campaigns periodically in collaboration with Pusat Darah Negara with the objective of assisting them in blood replenishment. The campaign was not only limited to our employees but also to blood donors from their family members.

By strongly supporting our employees' involvement in the community, we aim to inculcate such essential values upon them. Hence, we will endeavor to actively pursue more activities that will match the sentiments of our local communities as they are our strongest foundation to propel mutual growth and success.

LOOKING AHEAD

Sustainability is a continuous journey – the initial phase offered a steep learning curve as we are on the transition of progressing from providing a narrative to comprehensive and measurable sustainability performance disclosures. We will continue to monitor and leverage on sustainability practices to increase business profitability and bring value to our stakeholders. We will progressively enhance our disclosure and reporting on our sustainability performance in the coming years.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

In accordance with Paragraph 15.26(b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the Board of Directors of public listed companies are required to include in their annual report a statement about the state of risk management and internal control of the listed issuer as a group. The Malaysian Code on Corporate Governance requires listed companies to maintain a sound system of internal control to safeguard shareholders' investments and the group's assets. Set out below is the Board's Statement on Risk Management and Internal Control, which has been prepared in accordance with the "Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers" (the "Guidelines").

BOARD RESPONSIBILITY

The Board is committed to maintain both a sound system of risk management and internal control and the proper management of risks throughout the operations of the Group in order to safeguard shareholders' investment and assets of the Group. The Board acknowledges that it is ultimately responsible for the Group's system of internal control which main features include the establishment of an appropriate control environment and framework, including financial, operational and compliance controls and risk management.

The Board is responsible in identifying, evaluating and managing the significant risks of the Group, as well as reviewing the adequacy and effectiveness of the risk management and internal control system on an ongoing basis. This process has been in place for the financial year under review and up to the date of approval of this statement for inclusion in the annual report.

The Board believes that the risk management and internal control system in place is adequate and effective to manage the risk of the Group. Nevertheless, it should be noted that due to the inherent limitations in any system, such systems are designed to reduce rather than eliminate the risk of failure to achieve business objectives. In addition, it should be noted that any system can provide only reasonable, and not absolute assurance against material misstatement or loss.

INTERNAL AUDIT FUNCTION AND RISK MANAGEMENT FRAMEWORK

The Board regards risk management as an integral part of the Group's business operations and has oversight over this critical area through the Audit Committee. The Company has established, maintained and reviewed a proper risk management framework to identify, measure and control risks that may prevent the Group from achieving its objectives.

The Risk Management Policy has been approved by the Board and it governs the risk management approach applied to the Group. The major risks in which the Group is exposed to are operational, strategic, financial, products and reputational risks.

The Audit Committee reviews the effectiveness of the Risk Management Policy from time to time to continuously improve the risk management in this dynamic business environment.

The Audit Committee has engaged the services of external consultants to assess the adequacy and effectiveness of the internal control system. The internal audit process covers the audit of selected units and operations based on risk assessment conducted by the internal auditors and approved by the Audit Committee. The Audit Committee is kept informed of the internal audit process, from the annual audit plan up to the audit findings and reporting. The details on the Internal Audit function are further explained on page 21 of this Annual Report.

During the financial year, the internal audit function conducted internal audits in accordance with the approved internal audit plan for the purposes of assessing the adequacy and effectiveness of the internal control systems. The results of the audit and recommendations for improvement co-developed with Management were presented at the Audit Committee Meetings, and subsequently approved by the Board.

A few internal control weaknesses were identified during the period, all of which have been, or are being addressed. System of internal controls is being implemented and continuous reviews are being carried out to ensure its adequacy and effectiveness. None of these weaknesses have resulted in any material error and losses, contingencies or uncertainties that would require mention in the Group's annual report.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

cont'd

INTERNAL AUDIT FUNCTION AND RISK MANAGEMENT FRAMEWORK cont'd

Other key elements of internal control

Apart from risk management and internal audit, the other key elements of the Group's internal control systems are described below:

- A management structure with job descriptions and defined lines of responsibilities is in place for all business operating units;
- Two of its subsidiaries have the following accreditation for their operational processes:-

Everlast Aluminium (M) Sdn. Bhd.	<ul style="list-style-type: none"> • SIRIM BS 2037:1994 on portable aluminium ladder • SIRIM BS EN 1004:2004 on prefabricated mobile access and working tower • SIRIM BS EN 131-2:1993 portable aluminum ladder • SIRIM BS EN 131-2:1993 on portable fiberglass ladder • SIRIM BS EN 131-7:2013 on mobile ladders with platform • ISO 9001:2015 on Quality Management System
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PMB Façade Technology Sdn. Bhd.	<ul style="list-style-type: none"> • ISO 9001:2015 on Quality Management System
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- Review of all proposals for material capital and investment acquisitions by the Management prior to the review and approval by the Board of Directors;
- Information is provided by the Management to the Board on a quarterly basis, covering financial performance as well as key performance indicators, such as cash flow performance, product sales analysis and operating cost analysis. These performance reports are benchmarked against budgets;
- Quarterly monitoring of results and financial position by the Board;
- Visits to business operating units by key members of the Board and the Management team at least every 6 months;
- Quarterly review of Group related party transactions by the Audit Committee;
- Company value statement, code of conduct and policies and procedures are in place and made available to all staff; and
- Charter of responsibilities and functions of the Board of Directors and its main committees - Audit Committee, Nomination Committee and Remuneration Committee.

Management has taken the necessary actions to remediate weakness identified for the financial year under review. The Board and the Management will continue to monitor the effectiveness and take measures to improve the risk management and the internal control systems.

Assurance provided by the Group Chief Executive Officer and Chief Financial Officer

In line with the Guidelines, the Group Chief Executive Officer and Chief Financial Officer have provided assurance to the Board stating that the Group's risk management and internal control system has operated adequately and effectively, in all material aspects, to meet the Group's objectives during the financial year under review.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

cont'd

INTERNAL AUDIT FUNCTION AND RISK MANAGEMENT FRAMEWORK *cont'd*

Review of Statement by External Auditors

The External Auditors have reviewed this Statement on Risk Management and Internal Control pursuant to the scope set out in Audit and Assurance Practice Guide ("AAPG 3"), *Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report* issued by the Malaysian Institute of Accountants ("MIA") for inclusion in the annual report of the Group for the year ended 31 December 2018, and reported to the Board that nothing has come to their attention that cause them to believe that the statement intended to be included in the annual report of the Group, in all material respects:

- a) has not been prepared in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers, or
- b) is factually inaccurate.

AAPG 3 does not require the external auditors to consider whether the Directors' Statement on Risk Management and Internal Control covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control system including the assessment and opinion by the Board of Directors and management thereon. The auditors are also not required to consider whether the processes described to deal with material internal control aspects of any significant problems disclosed in the annual report will, in fact, remedy the problems.

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DIRECTORS' REPORT

for the year ended 31 December 2018

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 31 December 2018.

PRINCIPAL ACTIVITIES

The Company is principally engaged in investment holding activities, whilst the principal activities of the subsidiaries are as stated in Note 6 to the financial statements. There has been no significant change in the nature of these activities during the financial year.

SUBSIDIARIES

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

RESULTS

	Group RM'000	Company RM'000
Profit for the year attributable to owners of the Company	9,319	3,207

RESERVES AND PROVISIONS

There were no material transfers to or from reserves and provisions during the financial year under review except for the issuance and conversion of irredeemable convertible unsecured loan stocks and warrant reserve as disclosed in Note 12 to the financial statements.

DIVIDENDS

Since the end of the previous financial year, the amount of dividends paid by the Company were as follows:

- i) In respect of the financial year ended 31 December 2017 as reported in the Directors' Report of that year:
 - a fourth interim ordinary dividend of 1 sen per ordinary share totalling RM774,798 declared on 27 March 2018 and paid on 18 April 2018.
- ii) In respect of the financial year ended 31 December 2018:
 - a first interim ordinary dividend of 1 sen per ordinary share totalling RM1,564,962 declared on 6 September 2018 and paid on 20 September 2018;

Subsequent to the financial year end, the Directors declared a second interim ordinary dividend of 1 sen per ordinary share totalling RM1,565,742 in respect of the financial year ended 31 December 2018, which is payable on 18 April 2019. The Directors do not recommend any final dividend to be paid for the financial year under review.

DIRECTORS' REPORT

for the year ended 31 December 2018

cont'd

DIRECTORS OF THE COMPANY

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

Tan Sri Dato' Koon Poh Keong
Koon Poh Ming
Dato' Koon Poh Tat
Koon Poh Weng
Loo Lean Hock
Ernest Bong Miao Fatt
Noor Alina Binti Mohamad Faiz

The Directors who held office in the subsidiaries of the Company during the financial year and up to the date of this report are:

Tan Sri Dato' Koon Poh Keong
Dato' Koon Poh Tat
Koon Poh Ming
Koon Poh Weng
Koon Poh Kong

The information required to be disclosed pursuant to Section 253 of the Companies Act 2016 is deemed incorporated herein by such reference to the financial statements of the respective subsidiaries and made a part hereof.

DIRECTORS' INTERESTS IN SHARES

The interests and deemed interests in the shares of the Company and of its related corporations (other than wholly-owned subsidiaries) of those who were Directors at financial year end (including the interests of the spouses or children of the Directors who themselves are not Directors of the Company) as recorded in the Register of Directors' Shareholdings are as follows:

	Number of ordinary shares			
	At 1.1.2018	Share split ⁺	Sold	At 31.12.2018
Interest in the Company:				
Tan Sri Dato' Koon Poh Keong	1,091,000	1,091,000	-	2,182,000
Koon Poh Ming				
– own	30,000	30,000	-	60,000
– spouse *	5,906,115	5,906,115	-	11,812,230
– child *	7,500,000	7,500,000	-	15,000,000
Dato' Koon Poh Tat	3,455,000	3,455,000	-	6,910,000
Koon Poh Weng	10,000	10,000	-	20,000
– child ^{&}	5,000	5,000	-	10,000
Ernest Bong Miao Fatt	48,000	48,000	-	96,000
Deemed interest in the Company:				
Tan Sri Dato' Koon Poh Keong [^]	21,475,958	21,475,958	-	42,951,916
Koon Poh Ming [#]	6,797,288	6,797,288	-	13,594,576
Dato' Koon Poh Tat [#]	6,797,288	6,797,288	-	13,594,576
Koon Poh Weng [#]	6,797,288	6,797,288	-	13,594,576

DIRECTORS' REPORT

for the year ended 31 December 2018
cont'd

DIRECTORS' INTERESTS IN SHARES *cont'd*

		Number of irredeemable convertible unsecured loan stocks ("ICULS")		
	At 1.1.2018	Bought [@]	Sold	At 31.12.2018
Interest in the Company:				
Tan Sri Dato' Koon Poh Keong	-	1,091,000	-	1,091,000
Koon Poh Ming				
– own	-	30,000	-	30,000
– spouse *	-	6,540,515	-	6,540,515
– child *	-	8,461,000	-	8,461,000
Dato' Koon Poh Tat	-	3,455,000	-	3,455,000
Koon Poh Weng	-	10,000	-	10,000
– child &	-	5,000	-	5,000
Ernest Bong Miao Fatt	-	48,000	-	48,000

Deemed interest in the Company:

Tan Sri Dato' Koon Poh Keong ^	-	21,475,958	-	21,475,958
Koon Poh Ming #	-	6,797,288	-	6,797,288
Dato' Koon Poh Tat #	-	6,797,288	-	6,797,288
Koon Poh Weng #	-	6,797,288	-	6,797,288

		Number of warrants		
	At 1.1.2018	Granted [@]	Exercised	At 31.12.2018
Interest in the Company:				
Tan Sri Dato' Koon Poh Keong	-	545,500	-	545,500
Koon Poh Ming				
– own	-	15,000	-	15,000
– spouse *	-	3,270,258	-	3,270,258
– child *	-	4,230,500	-	4,230,500
Dato' Koon Poh Tat	-	1,727,500	-	1,727,500
Koon Poh Weng	-	5,000	-	5,000
– child &	-	2,500	-	2,500
Ernest Bong Miao Fatt	-	24,000	-	24,000

Deemed interest in the Company:

Tan Sri Dato' Koon Poh Keong ^	-	10,737,979	-	10,737,979
Koon Poh Ming #	-	3,398,644	-	3,398,644
Dato' Koon Poh Tat #	-	3,398,644	-	3,398,644
Koon Poh Weng #	-	3,398,644	-	3,398,644

DIRECTORS' REPORT

for the year ended 31 December 2018

cont'd

DIRECTORS' INTERESTS IN SHARES cont'd

- * *In accordance with the Companies Act, the interests of the spouse and the children of Koon Poh Ming in the shares of the Company shall be treated as the interest of Koon Poh Ming.*
- & *In accordance with the Companies Act, the interests of the child of Koon Poh Weng in the shares of the Company shall be treated as the interest of Koon Poh Weng.*
- # *Deemed interested by virtue of their interests in Weng Fatt Stainless Steel Sdn. Bhd.*
- ^ *Deemed interested by virtue of his interests in Alpha Milestone Sdn. Bhd. which holds shares in Press Metal Aluminium Holdings Berhad, which in turn holds shares in PMB Technology Berhad.*
- + *Share split involving the subdivision of every one (1) ordinary share into two (2) ordinary shares was completed on 4 May 2018.*
- @ *On 13 July 2018, ICULS with warrants were subscribed on the basis of one (1) ICULS for every two (2) existing ordinary shares held and one (1) warrant for every two (2) ICULS subscribed respectively pursuant to Rights Issue of ICULS with Warrants. The conversion price for the ICULS has been fixed at RM2.74 for each new share and to be exercised from date of issuance up to the maturity date. The new ordinary shares issued upon conversion of the ICULS shall rank pari passu in all respect with the existing shares of the Company.*

By virtue of their interests in the shares of the Company, Tan Sri Dato' Koon Poh Keong and Koon Poh Ming are also deemed interested in the shares of the subsidiaries during the financial year to the extent that PMB Technology Berhad has an interest.

None of the other Directors holding office at 31 December 2018 had any interest in the shares of the Company and of its related corporations during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director has received nor become entitled to receive any benefit (other than those fees and other benefits included in the aggregate amount of remuneration received or due and receivable by Directors as shown in the financial statements or the fixed salary of a full time employee 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, other than as disclosed in Note 30 to the financial statements.

There were no arrangements during and at the end of the financial year which had 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

During the financial year, the issued and fully paid-up share capital of the Company was increased from 80,000,000 ordinary shares to 161,614,550 ordinary shares by way of:

- (i) share split involving the subdivision of every one (1) ordinary share in the Company into two (2) ordinary shares;
- (ii) the issuance of 1,614,550 new ordinary shares pursuant to the conversion of 1,614,550 units of ICULS.

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

There were no other changes in the issued and paid-up capital of the Company during the financial year. There were no debentures issued during the financial year.

DIRECTORS' REPORT

for the year ended 31 December 2018
cont'd

TREASURY SHARES

There were no repurchase of treasury shares during the financial year. As at 31 December 2018, the Company held 5,040,400 (2017: 2,520,200) treasury shares under Section 127 of the Companies Act 2016.

ISSUE OF IRREDEEMABLE CONVERTIBLE UNSECURED LOAN STOCKS ("ICULS") WITH WARRANTS

On 13 July 2018, the Company completed the Renounceable Rights Issue of RM212,294,652 nominal value of 5-Year 3.00% ICULS at 100% of its nominal value of RM2.74 each on the basis of one (1) ICULS for every two (2) existing ordinary shares in the Company, together with 38,739,900 detachable warrants ("warrant(s)") on the basis of one (1) warrant for every two (2) ICULS subscribed.

The salient features of the ICULS are set out in Note 12 to the financial statements.

OPTIONS GRANTED OVER UNISSUED SHARES

No options were granted to any person to take up unissued shares of the Company during the financial year apart from the issue of warrants described below.

WARRANTS

On 13 July 2018, 38,739,900 free new detachable warrants on the basis of one (1) warrant for every two (2) ICULS subscribed were issued pursuant to the Rights Issue of ICULS with Warrants. The exercise price of the warrants is fixed at RM3.01 for each new ordinary share and to be exercised at any time during the five (5) years period inclusive of the date of the issuance of warrants. The warrants are issued in registered form and constituted by a deed poll.

The new ordinary shares issued upon exercise of the warrants shall be fully paid-up and shall rank pari passu in all respect with the existing shares of the Company. The warrant holders will not have any voting right in any general meeting of the Company unless the warrants are exercised.

No warrant was exercised during the financial year.

INDEMNITY AND INSURANCE COSTS

During the financial year, the total amount of indemnity sum insured and premium paid for Directors and officers of the Group are RM3,000,000 and RM8,500 respectively. There is no indemnity given to or professional indemnity issuance effected for auditors for the Group and the Company.

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) there are no bad debts to be 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.

DIRECTORS' REPORT

for the year ended 31 December 2018

cont'd

OTHER STATUTORY INFORMATION *cont'd*

At the date of this report, the Directors are not aware of any circumstances:

- i) that would render it necessary to write off any bad debts or the amount of the provision for doubtful debts in the Group and in the Company inadequate to any substantial extent, or
- ii) that would render the value 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.

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 31 December 2018 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.

SIGNIFICANT EVENTS

The significant events are disclosed in Note 32 to the financial statements.

AUDITORS

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

The auditors' remuneration is disclosed in Note 21 to the financial statements.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

Koon Poh Ming
Director

Koon Poh Weng
Director

Petaling Jaya, Selangor

Date: 12 April 2019

STATEMENTS OF FINANCIAL POSITION

as at 31 December 2018

	Note	Group		Company	
		2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Assets					
Property, plant and equipment	3	424,546	121,424	1	1
Goodwill	4	792	792	-	-
Investment properties	5	1,186	1,216	-	-
Investments in subsidiaries	6	-	-	119,990	42,990
Investment in an associate	7	-	-	-	-
Deferred tax assets	14	5,538	-	5,500	-
Total non-current assets		432,062	123,432	125,491	42,991
Inventories	8	110,810	45,060	-	-
Contract assets	9	34,091	-	-	-
Current tax assets		3,312	2,892	94	54
Trade and other receivables	10	137,350	206,567	141,903	13,233
Cash and cash equivalents	11	58,186	53,196	331	175
Total current assets		343,749	307,715	142,328	13,462
Total assets		775,811	431,147	267,819	56,453

STATEMENTS OF FINANCIAL POSITION

as at 31 December 2018

cont'd

	Note	Group		Company	
		2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Equity					
Share capital		51,365	46,941	51,365	46,941
Translation reserve		3,999	3,327	-	-
Treasury shares		(2,220)	(2,220)	(2,220)	(2,220)
ICULS equity		155,602	-	155,602	-
Warrants reserve		33,921	-	33,921	-
Retained earnings		115,016	108,744	489	329
Equity attributable to owners of the Company	12	357,683	156,792	239,157	45,050
Non-controlling interests		-	-	-	-
Total equity		357,683	156,792	239,157	45,050
Liabilities					
ICULS liabilities	12	24,555	-	24,555	-
Loans and borrowings	13	100,171	29,683	-	-
Deferred tax liabilities	14	7,148	6,466	-	-
Total non-current liabilities		131,874	36,149	24,555	-
Loans and borrowings	13	144,520	123,287	-	-
Trade and other payables	15	134,638	113,549	4,107	11,403
Contract liabilities	9	6,221	-	-	-
Current tax liabilities		875	1,370	-	-
Total current liabilities		286,254	238,206	4,107	11,403
Total liabilities		418,128	274,355	28,662	11,403
Total equity and liabilities		775,811	431,147	267,819	56,453

The notes on pages 86 to 147 are an integral part of these financial statements.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2018

	Note	Group		Company	
		2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Revenue	16	444,765	497,467	5,889	5,139
Cost of sales	17	(359,915)	(420,329)	-	-
Gross profit		84,850	77,138	5,889	5,139
Other income		622	898	-	-
Distribution expenses		(5,911)	(5,438)	-	-
Administrative expenses		(33,737)	(31,731)	(1,351)	(1,430)
Other expenses		(24,225)	(20,407)	(1,532)	(420)
Results from operating activities		21,599	20,460	3,006	3,289
Finance income	18	267	14	3,353	-
Finance costs	19	(7,729)	(6,051)	(3,144)	-
Net finance (costs)/income		(7,462)	(6,037)	209	-
Profit before tax		14,137	14,423	3,215	3,289
Tax expense	20	(4,818)	(4,015)	(8)	-
Profit for the year	21	9,319	10,408	3,207	3,289
Other comprehensive income/(expense), net of tax					
Item that is or may be reclassified subsequently to profit or loss					
Foreign currency translation differences for foreign operations		672	(4,213)	-	-
Other comprehensive income/(expense) for the year, net of tax		672	(4,213)	-	-
Total comprehensive income for the year		9,991	6,195	3,207	3,289
Profit attributable to:					
Owners of the Company		9,319	10,408	3,207	3,289
Non-controlling interests		-	-	-	-
Profit for the year		9,319	10,408	3,207	3,289
Total comprehensive income attributable to:					
Owners of the Company		9,991	6,195	3,207	3,289
Non-controlling interests		-	-	-	-
Total comprehensive income for the year		9,991	6,195	3,207	3,289
Basic earnings per ordinary share (sen)	22	5.95	6.72		
Diluted earnings per ordinary share (sen)	22	4.72	6.72		

The notes on pages 86 to 147 are an integral part of these financial statements.

for the year ended 31 December 2018

	Attributable to owners of the Group					
	Non-distributable			Distributable		
	Share capital	Share premium	Translation reserve	Treasury shares	Retained earnings	Total
Group	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2017	40,000	6,941	7,540	(2,220)	101,435	153,696
Foreign currency translation differences for foreign operations	-	-	(4,213)	-	-	(4,213)
Total other comprehensive expense for the year	-	-	(4,213)	-	-	(4,213)
Profit for the year	-	-	-	-	10,408	10,408
Total comprehensive income for the year	-	-	(4,213)	-	10,408	6,195
Dividends to owners of the Company	-	-	-	-	(3,099)	(3,099)
Transfer in accordance with Section 618(2) of the Companies Act 2016	6,941	(6,941)	-	-	-	-
At 31 December 2017	46,941	-	3,327	(2,220)	108,744	156,792
	Note 12	Note 12	Note 12	Note 12		

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2018

cont'd

Group	Note	Attributable to owners of the Group									
		Non-distributable					Distributable				
		Share capital RM'000	Translation reserve RM'000	Treasury shares RM'000	ICULS equity RM'000	Warrants reserve RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000	
At 1 January 2018		46,941	3,327	(2,220)	-	-	108,744	156,792	-	156,792	
Foreign currency translation differences for foreign operations											
Total other comprehensive income for the year											
Profit for the year											
Total comprehensive income for the year		-	672	-	-	-	-	672	-	672	
Profit for the year		-	-	-	-	-	9,319	9,319	-	9,319	
Total comprehensive income for the year		-	672	-	-	-	9,319	9,991	-	9,991	
Dividends to owners of the Company 23											
Issuance of ICULS		-	-	-	158,914	33,921	(2,340)	(2,340)	-	(2,340)	
Conversion of ICULS		4,424	-	-	(3,312)	-	(707)	405	-	405	
At 31 December 2018		51,365	3,999	(2,220)	155,602	33,921	115,016	357,683	-	357,683	

Note 12

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Note 12

Note 12

Note 12

The notes on pages 86 to 147 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2018

		Attributable to owners of the Company						
		Non-distributable				Distributable		
Company	Note	Share capital RM'000	Share premium RM'000	Treasury shares RM'000	ICULS equity RM'000	Warrants reserve RM'000	Retained earnings RM'000	Total equity RM'000
At 1 January 2017		40,000	6,941	(2,220)	-	-	139	44,860
Profit and total comprehensive income for the year		-	-	-	-	-	3,289	3,289
Dividends to owners of the Company		-	-	-	-	-	(3,099)	(3,099)
Transfer in accordance with Section 618(2) of the Companies Act 2016		6,941	(6,941)	-	-	-	-	-
At 31 December 2017/1 January 2018		46,941	-	(2,220)	-	-	329	45,050
Profit and total comprehensive income for the year		-	-	-	-	-	3,207	3,207
Dividends to owners of the Company		-	-	-	-	-	(2,340)	(2,340)
Issuance of ICULS		-	-	-	158,914	33,921	-	192,835
Conversion of ICULS		4,424	-	-	(3,312)	-	(707)	405
At 31 December 2018		51,365	-	(2,220)	155,602	33,921	489	239,157
	Note 12	Note 12	Note 12	Note 12	Note 12	Note 12	Note 12	

The notes on pages 86 to 147 are an integral part of these financial statements.

STATEMENTS OF CASH FLOWS

for the year ended 31 December 2018

	Note	Group		Company	
		2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Cash flows from operating activities					
Profit before tax		14,137	14,423	3,215	3,289
<i>Adjustments for:</i>					
Depreciation of investment properties	5	30	30	-	-
Depreciation of property, plant and equipment	3	13,918	11,536	-	-
Dividend income		-	-	(5,099)	(4,349)
Finance costs	19	7,729	6,051	3,144	-
Finance income	18	(267)	(14)	(3,353)	-
Net (gain)/loss on disposal of property, plant and equipment		(91)	59	-	-
Property, plant and equipment written off		17	-	-	-
Net impairment loss on financial assets		161	-	-	-
Reversal of impairment loss on financial assets		-	(340)	-	-
Unrealised foreign exchange loss/(gain)		128	(115)	-	-
Operating profit/(loss) before changes in working capital					
		35,762	31,630	(2,093)	(1,060)
Change in inventories		(65,750)	(4,119)	-	-
Change in trade and other payables		19,357	11,956	3,077	95
Change in trade and other receivables		69,056	(21,399)	(389)	4
Change in contract assets		(34,091)	-	-	-
Change in contract liabilities		6,221	-	-	-
Cash generated from/(used in) operations					
		30,555	18,068	595	(961)
Tax paid		(5,463)	(5,143)	(48)	(49)
Tax refunded		374	158	-	35
Net cash from/(used in) operating activities					
		25,466	13,083	547	(975)

STATEMENTS OF CASH FLOWS

for the year ended 31 December 2018

cont'd

		Group		Company	
	Note	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Cash flows from investing activities					
Acquisition of property, plant and equipment	(i)	(303,360)	(35,029)	-	-
Dividends received from subsidiaries		-	-	5,099	4,349
Increase in investment in a subsidiary		-	-	(77,000)	-
Interest received		267	14	3,353	-
Proceeds from disposal of property, plant and equipment		320	895	-	-
Net cash (used in)/from investing activities		(302,773)	(34,120)	(68,548)	4,349
Cash flows from financing activities					
Advances to subsidiaries		-	-	(128,281)	(8,025)
Dividends paid to owners of the Company	23	(2,340)	(3,099)	(2,340)	(3,099)
Drawdown of bankers' acceptances and trust receipts		323,429	238,343	-	-
Drawdown of bank loans		105,028	21,019	-	-
(Decrease)/Increase in amount due to subsidiaries		-	-	(10,415)	7,696
Increase/(Decrease) in amount due to affiliated companies		1,604	(10)	42	-
Interest paid on loans and borrowings		(12,470)	(6,051)	(3,144)	-
Proceeds from issuance of ICULS		212,295	-	212,295	-
Repayment of bank loans		(34,047)	(3,755)	-	-
Repayment of bankers' acceptances and trust receipts		(306,376)	(205,922)	-	-
Repayment of finance lease liabilities		(5,706)	(2,674)	-	-
Repayment of revolving credits		(1,255)	(1,452)	-	-
Net cash from/(used in) financing activities		280,162	36,399	68,157	(3,428)
Net increase/(decrease) in cash and cash equivalents					
		2,855	15,362	156	(54)
Effect of foreign currency exchange rate fluctuations		652	(4,153)	-	-
Cash and cash equivalents at 1 January		52,425	41,216	175	229
Cash and cash equivalents at 31 December		55,932	52,425	331	175

STATEMENTS OF CASH FLOWS

for the year ended 31 December 2018
cont'd

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	
		2018	2017	2018	2017
	Note	RM'000	RM'000	RM'000	RM'000
Cash and bank balances	11	58,186	53,196	331	175
Bank overdrafts	13	(2,254)	(771)	-	-
		55,932	52,425	331	175

(i) Acquisition of property, plant and equipment

During the financial year, the Group acquired property, plant and equipment with an aggregate cost of RM312,525,000 (2017: RM45,932,000), of which RM9,165,000 (2017: RM10,903,000) were acquired by means of finance leases.

NOTES TO THE FINANCIAL STATEMENTS

PMB Technology Berhad 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 the principal place of business and registered office of the Company are as follows:

Principal place of business

Lot 1797, Jalan Balakong
Bukit Belimbing
43300 Seri Kembangan
Selangor Darul Ehsan

Registered office

Lot 6.05, Level 6
KPMG Tower
8 First Avenue, Bandar Utama
47800 Petaling Jaya
Selangor Darul Ehsan

The consolidated financial statements of the Company as at and for the financial year ended 31 December 2018 comprise the Company and its subsidiaries (together referred to as the "Group" and individually referred to as "Group entities") and the Group's interest in associates. The financial statements of the Company as at and for the financial year ended 31 December 2018 do not include other entities.

The Company is principally engaged in investment holding activities, whilst the principal activities of the subsidiaries are as stated in Note 6.

These financial statements were authorised for issue by the Board of Directors on 12 April 2019.

1. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards 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 and 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*

NOTES TO THE FINANCIAL STATEMENTS

cont'd

1. BASIS OF PREPARATION *cont'd*

(a) Statement of compliance *cont'd*

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*

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

- from the annual period beginning on 1 January 2019 for those accounting standard, amendments and interpretation that are effective for annual periods beginning on or after 1 January 2019, except for those marked with “*” which are not applicable to the Group and the Company.
- from the annual period beginning on 1 January 2020 for those amendments that are effective for annual periods beginning on or after 1 January 2020.

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

The initial application of the applicable accounting standards, amendments or interpretations are not expected to have any material financial impacts to the current period and prior period financial statements of the Group and of 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 has performed an assessment of the impact on its financial statements. Based on the initial assessment, as at 1 January 2019, the Group recognised lease liabilities of RM3,308,000 with a corresponding additional right-of-use assets of RM3,308,000. No significant impact is expected on the Group's finance leases.

The estimated impact of adopting MFRS 16 is based on assessment performed to date, and the actual impact of adopting the standard may change until the Group presents its 2019 audited financial statements.

NOTES TO THE FINANCIAL STATEMENTS

cont'd

1. BASIS OF PREPARATION cont'd

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis other than as disclosed in Note 2.

(c) Functional and presentation currency

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

(d) Use of estimates and judgements

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 estimates are revised and in any future periods affected.

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

- Note 4 - measurement of the recoverable amounts of cash-generating units
- Note 9 - contract assets/contract liabilities
- Note 16 - revenue from construction contracts
- Note 28 - measurement of expected credit loss ("ECL")

2. SIGNIFICANT ACCOUNTING POLICIES

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

Arising from the adoption of MFRS 15, *Revenue from Contracts with Customers* and MFRS 9, *Financial Instruments*, there are changes to the accounting policies of:

- i) financial instruments;
- ii) revenue recognition; and
- iii) impairment losses of financial instruments

as compared to those adopted in previous financial statements. There was no material impact arising from the adoption of MFRS 15 and MFRS 9 on the financial statements of the Group and of the Company except as disclosed in Note 31.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities, including structured entities, controlled by the Company. 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.

NOTES TO THE FINANCIAL STATEMENTS

cont'd

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(a) Basis of consolidation *cont'd*

(i) Subsidiaries *cont'd*

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.

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 investment 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) 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 a financial asset depending on the level of influence retained.

(iv) Associates

Associates are entities, including unincorporated entities, in which the Group has significant influence, but not control, over the financial and operating policies.

Investments in associates are accounted for in the consolidated financial statements using the equity method less any impairment losses, unless it is classified as held for sale or distribution. The cost of the investment includes transaction costs. The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of the associates, after adjustments if any, to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

NOTES TO THE FINANCIAL STATEMENTS

cont'd

2. SIGNIFICANT ACCOUNTING POLICIES cont'd

(a) Basis of consolidation cont'd

(iv) Associates cont'd

When the Group's share of losses exceeds its interest in an associate, the carrying amount of that interest including any long-term investments is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the associate.

When the Group ceases to have significant influence over an associate, any retained interest in the former associate at the date when significant influence is lost is measured at fair value and this amount is regarded as the initial carrying amount of a financial asset. The difference between the fair value of any retained interest plus proceeds from the interest disposed of and the carrying amount of the investment at the date when equity method is discontinued is recognised in the profit or loss.

When the Group's interest in an associate decreases but does not result in a loss of significant influence, any retained interest is not remeasured. Any gain or loss arising from the decrease in interest is recognised in profit or loss. Any gains or losses previously recognised in other comprehensive income are also reclassified proportionately to the profit or loss if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets or liabilities.

Investments in associates 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.

(v) 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.

(vi) 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.

Unrealised gains arising from transactions with equity-accounted associates are eliminated against the investment to the extent of the Group's interest in the investees. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(b) 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 currency at the exchange rate at that date.

NOTES TO THE FINANCIAL STATEMENTS

cont'd

2. SIGNIFICANT ACCOUNTING POLICIES cont'd

(b) Foreign currency cont'd

(i) Foreign currency transactions cont'd

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting date.

Foreign currency differences arising on retranslation are recognised in profit or loss.

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 foreign currency translation reserve ("FCTR") in equity.

(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 January 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 exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income and accumulated in the FCTR 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 FCTR 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. When the Group disposes of only part of its investment in an associate that includes a foreign operation while retaining significant influence, the relevant proportion of the cumulative amount is reclassified to profit or loss.

(c) Financial instruments

Unless specifically disclosed below, the Group and the Company generally applied the following accounting policies retrospectively. Nevertheless, as permitted by MFRS 9, *Financial Instruments*, the Group and the Company have elected not to restate the comparatives.

(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.

Current financial year

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

NOTES TO THE FINANCIAL STATEMENTS

cont'd

2. SIGNIFICANT ACCOUNTING POLICIES cont'd

(c) Financial instruments cont'd

(i) Recognition and initial measurement cont'd

Previous financial year

Financial instrument was recognised initially, at its fair value plus or minus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that were directly attributable to the acquisition or issue of the financial instrument.

(ii) Financial instrument categories and subsequent measurement

Financial assets

Current financial year

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.

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(m)(i)) where the effective interest rate is applied to the amortised cost.

Financial assets measured at amortised cost are subject to impairment assessment (see note 2(m)(i)).

Previous financial year

In the previous financial year, financial assets of the Group and the Company were classified and measured under MFRS 139, *Financial Instruments: Recognition and Measurement* as follows:

Loans and receivables

Loans and receivables category comprised debt instruments that were not quoted in an active market, trade and other receivables and cash and cash equivalents.

Financial assets categorised as loans and receivables were subsequently measured at amortised cost using the effective interest method and were subject to impairment assessment (see note 2(m)(i)).

NOTES TO THE FINANCIAL STATEMENTS

cont'd

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(c) Financial instruments *cont'd*

(ii) Financial instrument categories and subsequent measurement *cont'd*

Financial liabilities

Current financial year

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

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

Previous financial year

All financial liabilities were subsequently measured at amortised cost.

(iii) Financial guarantee contracts

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

Current financial year

Financial guarantees issued are initially measured at fair value. Subsequently, they are measured at higher of:

- The amount of the loss allowance; and
- The amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance to the principles of MFRS 15, *Revenue from Contracts with Customers*.

Liabilities arising from financial guarantees are presented together with other provisions.

Previous financial year

In the previous financial year, fair value arising from financial guarantee contracts were classified as deferred income and was amortised to profit or loss using a straight-line method over the contractual period or, when there was no specified contractual period, recognised in profit or loss upon discharge of the guarantee. When settlement of a financial guarantee contract was probable, an estimate of the obligation was made. If the carrying value of the financial guarantee contract was lower than the obligation, the carrying value was adjusted to the obligation amount and accounted for as a provision.

(iv) 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 transferred, or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount of the financial asset and the sum of the consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

cont'd

2. SIGNIFICANT ACCOUNTING POLICIES cont'd

(c) Financial instruments cont'd

(iv) Derecognition cont'd

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.

(v) 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.

(d) Property, plant and equipment

(i) Recognition and measurement

Freehold land and property, plant and equipment under construction are measured at cost. Other items of property, plant and equipment are measured 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 costs of self-constructed assets also include the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs.

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

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 income" and "other 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 are depreciated separately.

NOTES TO THE FINANCIAL STATEMENTS

cont'd

2. SIGNIFICANT ACCOUNTING POLICIES cont'd

(d) Property, plant and equipment cont'd

(iii) Depreciation cont'd

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment from the date that 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. Freehold land is not depreciated. Capital work-in-progress 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	17 - 89 years
• buildings	17 - 50 years
• motor vehicles	5 - 10 years
• office renovation	5 - 10 years
• furniture and fittings	5 - 10 years
• office equipment	5 - 10 years
• plant and equipment/machinery	3 - 10 years

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

(e) 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 ownership are classified as operating leases and the leased assets are not recognised on the statement of financial position.

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.

NOTES TO THE FINANCIAL STATEMENTS

cont'd

2. SIGNIFICANT ACCOUNTING POLICIES cont'd

(f) Goodwill

Goodwill arises on business combinations is measured at cost less any accumulated impairment losses.

Amortisation

Goodwill is not amortised but is tested for impairment annually and whenever there is an indication that it may be impaired.

(g) Affiliated companies

An affiliated company is a company which holds a long-term equity interest of between 20% to 50% of the issued equity capital of the company, and exercises significant influence over the financial and operating policies of the company. In the context of these financial statements, affiliated companies also include the subsidiaries of the affiliated company.

(h) Investment properties

Investment properties carried at cost

Investment properties are properties which are owned 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 buildings held for a currently undetermined future use or leased out. Investment properties initially and subsequently measured at cost are accounted for similarly to property, plant and equipment.

(i) Inventories

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

The cost of inventories is calculated using the first-in-first-out 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.

(j) Contract asset/Contract liability

A contract asset is recognised when the Group's or the Company's right to consideration is conditional on something other than the passage of time. A contract asset is subject to impairment in accordance to MFRS 9, *Financial Instruments* (see note 2(m)(i)).

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

(k) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and balances and deposits with banks. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts.

NOTES TO THE FINANCIAL STATEMENTS

cont'd

2. SIGNIFICANT ACCOUNTING POLICIES cont'd

(l) Contract cost

(i) Incremental cost of obtaining a contract

The Group or the Company recognises incremental costs of obtaining contracts when the Group or the Company expects to recover these costs.

(ii) Costs to fulfill a contract

The Group or the Company recognises a contract cost that relate directly to a contract or to an anticipated contract as an asset when the cost generates or enhances resources of the Group or the Company, will be used in satisfying performance obligations in the future and it is expected to be recovered.

These contract costs are initially measured at cost and amortised on a systematic basis that is consistent with the pattern of revenue recognition to which the asset relates. An impairment loss is recognised in the profit or loss when the carrying amount of the contract cost exceeds the expected revenue less expected cost that will be incurred. Where the impairment condition no longer exists or has improved, the impairment loss is reversed to the extent that the carrying amount of the contract cost does not exceed the amount that would have been recognised had there been no impairment loss recognised previously.

(m) Impairment

(i) Financial assets

Unless specifically disclosed below, the Group and the Company generally applied the following accounting policies retrospectively. Nevertheless, as permitted by MFRS 9, *Financial Instruments*, the Group and the Company elected not to restate the comparatives.

Current financial year

The Group and the Company recognise loss allowances for expected credit losses on financial assets measured at amortised cost, contract assets and lease receivables. Expected credit losses are a probability-weighted estimate of credit losses.

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 at 12-month expected credit loss. Loss allowances for trade receivables, contract assets and lease receivables are always measured at an amount equal to lifetime expected credit loss.

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.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of the asset, while 12-month 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.

NOTES TO THE FINANCIAL STATEMENTS

cont'd

2. SIGNIFICANT ACCOUNTING POLICIES cont'd

(m) Impairment cont'd

(i) Financial assets cont'd

Current financial year cont'd

The Group and the Company estimate the expected credit losses on trade receivables using a provision matrix with reference to historical credit loss experience.

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.

At each reporting date, the Group and the Company assess whether financial assets carried at amortised cost 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 determines 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.

Previous financial year

All financial assets (except for investments in subsidiaries and associates) are assessed at each reporting date whether there was any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, were not recognised. If any such objective evidence exists, then the impairment loss of the financial asset was estimated.

An impairment loss in respect of loans and receivables was recognised in profit or loss and was measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset was reduced through the use of an allowance account.

If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss was reversed, to the extent that the asset's carrying amount did not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment was reversed. The amount of the reversal was recognised in profit or loss.

(ii) Other assets

The carrying amounts of other assets (except for inventories, contract assets, lease receivables and deferred tax asset) 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 goodwill, the recoverable amount is estimated each period at the same time.

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. Subject to an operating segment ceiling test, for the purpose of goodwill impairment testing, cash-generating units to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to group of cash-generating units that are expected to benefit from the synergies of the combination.

NOTES TO THE FINANCIAL STATEMENTS

cont'd

2. SIGNIFICANT ACCOUNTING POLICIES cont'd

(m) Impairment cont'd

(ii) Other assets cont'd

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.

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 cash-generating unit (groups of cash-generating units) and then to reduce the carrying amounts of the other assets in the cash-generating unit (groups of cash-generating units) on a *pro rata* basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, 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 financial year in which the reversals are recognised.

(n) Equity instruments

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

(i) Ordinary shares

Ordinary shares are classified as equity.

(ii) Repurchase, disposal and reissue of share capital (treasury shares)

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 in the statement of changes in equity.

Where 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 equity.

(o) Compound financial instruments

A compound financial instrument is a non-derivative financial instrument that contains both a liability and an equity component.

Compound financial instruments issued by the Group comprise convertible notes that can be converted to share capital at the option of the holder, when the number of shares to be issued does not vary with the changes in their fair value.

NOTES TO THE FINANCIAL STATEMENTS

cont'd

2. SIGNIFICANT ACCOUNTING POLICIES cont'd

(o) Compound financial instruments cont'd

The proceeds are first allocated to the liability component, determined based on the fair value of a similar liability does not have a conversion feature or similar associated equity component. The residual amount is allocated as the equity component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not remeasured subsequent to initial recognition.

Interest and losses and gains relating to the financial liability are recognised in profit or loss. On conversion, the financial liability is reclassified to equity, no gain or loss is recognised on conversion.

(p) 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 or profit-sharing plans 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.

(ii) State plans

The Group's contributions to statutory pension funds are charged to profit or loss in the financial year to which they relate. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

(q) Revenue and other income

(i) Revenue

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 or 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.

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

- (a) the customer simultaneously receives and consumes the benefits provided as the Group or the Company performs;
- (b) the Group's or 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 or the Company's performance does not create an asset with an alternative use and the Group or the Company has an enforceable right to payment for performance completed to date.

NOTES TO THE FINANCIAL STATEMENTS

cont'd

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(q) Revenue and other income *cont'd*

(ii) Rental income

Rental income from property and motor vehicle are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease. Rental income from sub-leased property is recognised as other income.

(iii) Management fee income

Management fee income is recognised in profit or loss when the services are provided.

(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.

(v) Interest income

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

(r) 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 assets for its intended use or sale are interrupted or completed.

(s) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination.

Current tax is the expected tax payable or receivable on the taxable income or loss 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 financial years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, 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 tax 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.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are not discounted.

NOTES TO THE FINANCIAL STATEMENTS

cont'd

2. SIGNIFICANT ACCOUNTING POLICIES cont'd

(s) Income tax cont'd

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, 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.

Unutilised reinvestment allowance, being a tax incentive that is not a tax base of an asset, is recognised as a deferred tax asset to the extent that it is probable that the future taxable profits will be available against the unutilised tax incentive can be utilised.

(t) Earnings per ordinary share

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

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

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise irredeemable convertible unsecured loan stock.

(u) 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 results are reviewed regularly by the chief operating decision maker, which in this case is the Chief Executive Officer of the Group, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

(v) Contingencies

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 not recognised in the statements of financial position and 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.

NOTES TO THE FINANCIAL STATEMENTS

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2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(w) Fair value measurements

Fair value of an asset or a liability, except for 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 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.

NOTES TO THE FINANCIAL STATEMENTS

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3. PROPERTY, PLANT AND EQUIPMENT

Group	Land	Buildings	Motor vehicles	Office renovation	Furniture and fittings	Office equipment	Plant and equipment/machinery	Capital work-in-progress	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cost									
At 1 January 2017	35,622	15,890	11,124	596	3,999	5,974	95,791	180	169,176
Additions	16,972	7,968	358	1,092	250	1,005	18,287	-	45,932
Borrowing costs capitalised at 5.6% per annum	-	90	-	-	-	-	33	-	123
Disposals	-	(182)	(963)	(21)	(102)	-	(778)	-	(2,046)
Transfer to trading stock (Note 8)	-	-	-	-	-	-	(188)	-	(188)
Reclassification	-	-	-	81	(76)	9	(14)	-	-
Effect of movements in exchange rates	-	-	(21)	(51)	(13)	(128)	(7)	-	(220)
At 31 December 2017/ 1 January 2018	52,594	23,766	10,498	1,697	4,058	6,860	113,124	180	212,777
Additions	7,835	1,728	2,403	-	14	649	14,408	285,488	312,525
Borrowing costs capitalised at 3.0% to 7.2% per annum	60	-	-	-	-	-	-	4,681	4,741
Disposals	-	-	(982)	-	-	-	(300)	-	(1,282)
Write-off	-	-	-	(452)	(112)	(13)	(143)	-	(720)
Reclassification	-	-	-	21	-	(21)	-	-	-
Effect of movements in exchange rates	-	-	3	24	5	22	1	-	55
At 31 December 2018	60,489	25,494	11,922	1,290	3,965	7,497	127,090	290,349	528,096

NOTES TO THE FINANCIAL STATEMENTS

cont'd

3. PROPERTY, PLANT AND EQUIPMENT *cont'd*

Group	Land RM'000	Buildings RM'000	Motor vehicles RM'000	Office renovation RM'000	Furniture and fittings RM'000	Office equipment RM'000	Plant and equipment/ machinery RM'000	Capital work-in- progress RM'000	Total RM'000
Depreciation									
At 1 January 2017	2,283	4,136	7,401	550	3,094	4,390	59,280	-	81,134
Depreciation for the year	696	267	899	110	204	395	8,965	-	11,536
Disposals	-	(55)	(921)	(18)	(98)	-	-	-	(1,092)
Transfer to trading stock (Note 8)	-	-	-	-	-	-	(41)	-	(41)
Reclassification	-	-	-	31	(10)	(13)	(8)	-	-
Effect of movements in exchange rates	-	-	(6)	(50)	(12)	(109)	(7)	-	(184)
At 31 December 2017/ 1 January 2018	2,979	4,348	7,373	623	3,178	4,663	68,189	-	91,353
Depreciation for the year	935	886	763	135	189	471	10,539	-	13,918
Disposals	-	-	(982)	-	-	-	(71)	-	(1,053)
Write-off	-	-	-	(447)	(100)	(13)	(143)	-	(703)
Effect of movements in exchange rates	-	-	2	11	2	19	1	-	35
At 31 December 2018	3,914	5,234	7,156	322	3,269	5,140	78,515	-	103,550
Carrying amount									
At 1 January 2017	33,339	11,754	3,723	46	905	1,584	36,511	180	88,042
At 31 December 2017/ 1 January 2018	49,615	19,418	3,125	1,074	880	2,197	44,935	180	121,424
At 31 December 2018	56,575	20,260	4,766	968	696	2,357	48,575	290,349	424,546

Company	Furniture and fittings RM'000
Cost	
At 1 January 2017/31 December 2017/1 January 2018/31 December 2018	13
Depreciation	
At 1 January 2017/31 December 2017/1 January 2018/31 December 2018	12
Carrying amount	
At 1 January 2017/31 December 2017/1 January 2018/31 December 2018	1

NOTES TO THE FINANCIAL STATEMENTS

cont'd

3. PROPERTY, PLANT AND EQUIPMENT cont'd

3.1 Leased plant and equipment/machinery and motor vehicles

At 31 December, the net carrying amount of leased plant and equipment/ machinery and motor vehicles are as follows:

	Group	
	2018	2017
	RM'000	RM'000
Plant and equipment/machinery	17,872	10,410
Motor vehicles	3,622	4,170
	21,494	14,580

3.2 Security

Properties with a carrying amount of RM55,670,000 (2017: RM46,036,000) are pledged as security to secure bank loans granted to the Group (see Note 13).

3.3 Land

Included in the total carrying amount of land are:

	Group	
	2018	2017
	RM'000	RM'000
Freehold land	5,002	5,002
Leasehold land with unexpired lease period of more than 50 years	42,889	35,468
Leasehold land with unexpired lease period of less than 50 years	8,684	9,145
	56,575	49,615

3.4 Capital work-in-progress

Included in the capital work-in-progress of the Group as at 31 December 2018 are costs capitalised amounting to RM290,169,000 (2017: Nil) for the construction of the manufacturing plant of PMB Silicon Sdn. Bhd., a wholly-owned subsidiary of the Company.

NOTES TO THE FINANCIAL STATEMENTS

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4. GOODWILL

	Group	
	2018	2017
	RM'000	RM'000
Cost		
At 1 January/31 December	792	792

Impairment testing for cash-generating units containing goodwill

For the purpose of impairment testing, goodwill is allocated to the Group's operating divisions which represent the lowest level within the Group at which the goodwill is monitored for internal management purposes.

The aggregate carrying amounts of goodwill allocated to each unit are as follows:

	Group	
	2018	2017
	RM'000	RM'000
PMB Quick Access Sdn. Bhd.	2	2
PMB-Cyberwall Limited	790	790
	792	792

The Directors are of the opinion that the goodwill allocated to PMB Quick Access Sdn. Bhd. is not material. Hence, the disclosures below do not cover the impairment testing performed for PMB Quick Access Sdn. Bhd..

PMB-Cyberwall Limited ("PMB-Cyberwall")

The recoverable amount of PMB-Cyberwall was based on its value in use, determined by discounting future cash flows to be generated by PMB-Cyberwall.

Value in use was determined by discounting the future cash flows expected to be generated from the continuing use of the unit and was based on the following key assumptions:

Cash flows were projected based on past experience, actual operating results and 5 years business plan. A terminal growth rate of 2% (2017: 2%) was then applied. Management believes that this terminal growth rate was justified due to the long-term nature of the construction business.

- The anticipated growth rate for revenue, based on past experience, was estimated to be 5% (2017: 5%).
- The anticipated incremental rate for cost, based on past experience, was estimated to be 5% (2017: 5%).
- A pre-tax discount rate of 8% (2017: 8%) was applied in determining the recoverable amount of the unit. The discount rate was estimated based on the industry weighted average cost of capital.

The values assigned to the key assumptions represent management's assessment of future trends in the construction industry and are based on both external sources and internal sources of historical data.

The above estimates are not particularly sensitive in any areas.

NOTES TO THE FINANCIAL STATEMENTS

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5. INVESTMENT PROPERTIES

Group	Freehold land RM'000	Freehold buildings RM'000	Total RM'000
Cost			
At 1 January 2017/31 December 2017/1 January 2018/ 31 December 2018	42	1,486	1,528
Depreciation			
At 1 January 2017	-	282	282
Depreciation for the year	-	30	30
At 31 December 2017/1 January 2018	-	312	312
Depreciation for the year	-	30	30
At 31 December 2018	-	342	342
Carrying amounts			
At 1 January 2017	42	1,204	1,246
At 31 December 2017/1 January 2018	42	1,174	1,216
At 31 December 2018	42	1,144	1,186

Investment properties comprise freehold land, residential properties and commercial properties that are leased to third parties or vacant.

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

	Group	
	2018 RM'000	2017 RM'000
Rental income	-	7
Direct operating expenses:		
- income generating investment properties	-	(12)
- non-income generating investment properties	(18)	(17)

Fair value information

Fair value of investment properties are categorised as follows:

	Group	
	2018 RM'000	2017 RM'000
Level 3		
Freehold land	102	117
Freehold buildings	1,753	1,940
	1,855	2,057

NOTES TO THE FINANCIAL STATEMENTS

cont'd

5. INVESTMENT PROPERTIES cont'd

Fair value information cont'd

The following table shows the valuation techniques used in the determination of fair values within Level 3, as well as the significant unobservable inputs used in the valuation models.

Description of valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Comparison method of valuation which entails comparing the property with similar properties that were sold recently and those that are currently offered for sale in the vicinity.	Recent transactions of similar properties at or near reporting period with similar land usage, land size and location.	The estimated fair value would increase/(decrease) if recent transactions of similar properties at or near reporting period with similar land usage, land size and location were higher/(lower).

Valuation process applied by the Group for Level 3 fair value

The fair value of investment properties is estimated by the Directors using the comparison method. The comparison method entails critical analyses of recent evidences of values of comparable properties in the neighbourhood and making adjustment for differences such as differences in location, size and shape of land, age and condition of building, tenure, title restrictions if any and other relevant characteristics.

6. INVESTMENTS IN SUBSIDIARIES

	Company	
	2018	2017
	RM'000	RM'000
Unquoted shares, at cost	119,990	42,990

The movement of investments in subsidiaries is as follows:

	Company	
	2018	2017
	RM'000	RM'000
At 1 January	42,990	42,990
Subscription of additional shares	77,000	-
At 31 December	119,990	42,990
Satisfied by cash	77,000	-
Consideration paid for subscription of additional shares	77,000	-

NOTES TO THE FINANCIAL STATEMENTS

cont'd

6. INVESTMENTS IN SUBSIDIARIES cont'd

Details of the subsidiaries are as follows:

Name of entity	Country of incorporation	Principal activities	Effective ownership interest and voting interest	
			2018 %	2017 %
PMB Façade Technology Sdn. Bhd. and its subsidiaries:-	Malaysia	Design, fabrication and installation of aluminium curtain wall and cladding systems, as well as manufacturing and trading of aluminium related products	100	100
PMB Facade Technology (H.K.) Limited *	Hong Kong	Design, fabrication and installation of aluminium curtain wall and cladding systems and other related products	100	100
PMB-Cyberwall Limited *	Hong Kong	Design, fabrication and installation of aluminium curtain wall and cladding systems and other related products	100	100
Kai PMB Façade Technology Limited *, #, i	Bangladesh	Dormant	51	51
PMB Aluminium Sabah Sdn. Bhd. and its subsidiary:-	Malaysia	Marketing of gypsum board, aluminium extrusion and other related products	100	100
PMB.POIC Bulking Sdn. Bhd.	Malaysia	Dormant	100	100
PMB Carbon Sdn. Bhd. ii	Malaysia	Investment holding company, manufacturing and marketing of carbon based products as well as trading, distribution and fabrication of aluminium related products	100	100
PMB Silicon Sdn. Bhd. ii @	Malaysia	Production and distribution of metallic silicon products as well as trading, distribution and fabrication of aluminium related products	100	100
Everlast Aluminium (M) Sdn. Bhd. and its subsidiaries:-	Malaysia	Marketing of aluminium and other related products	100	100
Everlast Environmental Management Sdn. Bhd.	Malaysia	Dormant	100	100
Everlast Access Technologies Sdn. Bhd.	Malaysia	Manufacturing and marketing of aluminium and other related products	100	100
Everlast System Builder Sdn. Bhd.^	Malaysia	Dormant	100	-

NOTES TO THE FINANCIAL STATEMENTS

cont'd

6. INVESTMENTS IN SUBSIDIARIES *cont'd*

Name of entity	Country of incorporation	Principal activities	Effective ownership interest and voting interest	
			2018 %	2017 %
PMB Central Sdn. Bhd.	Malaysia	Marketing of gypsum board, aluminium extrusion and other related products	100	100
PMB Northern Sdn. Bhd.	Malaysia	Marketing of aluminium and other related products	100	100
PMB Eastern Sdn. Bhd. *	Malaysia	Marketing of gypsum board and other related products	100	100
PMB Quick Access Sdn. Bhd. *	Malaysia	Marketing and rental of scaffolding tower and machinery as well as trading of other related products	100	100

* Not audited by member firms of KPMG International.

Consolidated based on management accounts.

i The non-controlling interests in this subsidiary are not material to the Group.

ii PMB Carbon Sdn. Bhd. and PMB Silicon Sdn. Bhd. have commenced operations during the financial year.

^ On 23 August 2018, the Company incorporated a 100% owned subsidiary known as Everlast System Builder Sdn. Bhd. ("ESB") with total issued and paid-up share capital of RM1 comprising 1 ordinary share.

@ On 12 October 2018, the Company subscribed for an additional 77,000,000 new ordinary shares of RM1 each in PMB Silicon Sdn. Bhd. ("PMBS"), a wholly-owned subsidiary of the Company with a total cash consideration of RM77,000,000.

7. INVESTMENT IN AN ASSOCIATE

	Group	
	2018 RM'000	2017 RM'000
At cost		
Unquoted shares	100	100
Share of post-acquisition reserves	(100)	(100)
Group's share of net assets	-	-

The Group has an associate, PMB-Qatar W.L.L which was incorporated in Qatar. The Group has a 49% (2017: 49%) effective ownership interest and voting interest in the associate.

The associate is not material to the Group as it is dormant and hence, no further disclosures are provided.

NOTES TO THE FINANCIAL STATEMENTS

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8. INVENTORIES

	Group	
	2018	2017
	RM'000	RM'000
Raw materials	61,975	14,742
Work-in-progress	9,780	2,290
Trading inventories and finished goods	39,055	27,881
Transfer from property, plant and equipment (Note 3)	-	147
	110,810	45,060
Recognised in profit or loss:		
Inventories recognised as cost of sales	115,675	180,243

9. CONTRACT WITH CUSTOMERS

9.1 Contract assets/(liabilities)

	2018	2017
Group	RM'000	RM'000
Contract assets	34,091	-
Contract liabilities	(6,221)	-

The contract assets primarily relate to the Group's rights to consideration for work completed on construction contracts but not yet billed at the reporting date. Typically, the amount will be billed within 30 to 60 days and payment is expected within 90 to 120 days.

The contract liabilities primarily relate to the advance consideration received from a customer for construction contract, which revenue is recognised overtime during the construction projects. The contract liabilities are expected to be recognised as revenue over a period of 365 days.

Significant changes to contract assets and contract liabilities balances during the period are as follows:

	2018	2017
Group	RM'000	RM'000
Contract liabilities at the beginning of the period recognised as revenue during the financial year	(12,471)	-
Contract liabilities at the beginning at the period not recognised as revenue due to change in time frame	(2,807)	-
Contract assets at the beginning of the period not transferred to trade receivables during the financial year due to change in time frame	18,180	-

NOTES TO THE FINANCIAL STATEMENTS

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10. TRADE AND OTHER RECEIVABLES

	Note	Group		Company	
		2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Current					
Trade					
Trade receivables		73,278	60,830	-	-
Progress billings receivable	10.1	43,232	56,872	-	-
Less: Allowance for impairment losses		(4,439)	(4,278)	-	-
		112,071	113,424	-	-
Amount due from contract customers	10.2	-	39,698	-	-
Amount due from affiliated companies	10.3	10,437	21,329	-	-
		122,508	174,451	-	-
Non-trade					
Amount due from subsidiaries	10.3	-	-	141,512	13,231
Other receivables		7,157	3,282	40	-
Deposits		2,330	3,108	2	2
Prepayments		5,355	25,726	349	-
		14,842	32,116	141,903	13,233
		137,350	206,567	141,903	13,233

10.1 Progress billings receivable

Included in progress billings receivable at 31 December 2018 are retentions of RM27,346,000 (2017: RM29,312,000) relating to construction work-in-progress. Retentions are unsecured, interest free and are expected to be collected as follows:

	Group	
	2018 RM'000	2017 RM'000
Within 1 year	865	1,027
1 - 2 years	26,481	28,285
	27,346	29,312

NOTES TO THE FINANCIAL STATEMENTS

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10. TRADE AND OTHER RECEIVABLES cont'd

10.2 Construction work-in-progress

	Group	
	2018	2017
	RM'000	RM'000
Aggregate costs incurred to date	-	661,074
Add: Attributable profits	-	95,899
	-	756,973
Less: Progress billings	-	(732,553)
	-	24,420
Represented by:		
Amount due from contract customers	-	39,698
Amount due to contract customers (Note 15)	-	(15,278)
	-	24,420

10.3 Amounts due from related parties

The trade amount due from affiliated companies is subject to normal trade terms.

The non-trade amount due from subsidiaries is unsecured, interest free and repayable on demand.

11. CASH AND CASH EQUIVALENTS

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Cash and bank balances	58,186	53,196	331	175
Bank overdraft	(2,254)	(771)	-	-
Cash and cash equivalents in the statements of cash flows	55,932	52,425	331	175

NOTES TO THE FINANCIAL STATEMENTS

cont'd

12. CAPITAL AND RESERVES

Share capital

	Group and Company			
	Amount	Number of shares	Amount	Number of shares
	2018	2018	2017	2017
	RM'000	'000	RM'000	'000
Issued and fully paid:				
Ordinary shares				
At 1 January	46,941	80,000	40,000	80,000
Share split into ordinary shares	-	80,000	-	-
Conversion of irredeemable convertible unsecured loan stocks ("ICULS")	4,424	1,614	-	-
Transfer from share premium in accordance with Section 618(2) of the Companies Act 2016	-	-	6,941	-
At 31 December	51,365	161,614	46,941	80,000

Ordinary shares

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company. In respect of the Company's treasury shares that are held by the Group, all rights are suspended until those shares are reissued.

Included in share capital is share premium amounting to RM6,941,000 that is available to be utilised in accordance with Section 618(3) of Companies Act 2016 on or before 30 January 2019 (24 months from commencement of section 74).

On 4 May 2018, the Company has completed the share split involving the subdivision of every one (1) ordinary share in the Company into two (2) ordinary shares.

Share premium

Share premium comprises the premium paid on subscription of shares in the Company over and above the par value of the shares. In accordance with Section 618 of Companies Act 2016, any amount standing to the credit of the share premium account has become part of the Company's share capital. Accordingly, the share premium has been transferred and become part of the Company's share capital.

Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

Treasury shares

The shareholders of the Company, by a special resolution passed in an extraordinary general meeting held on 28 April 2006, approved the Company's plan to repurchase its own shares. The Directors of the Company are committed to enhancing the value of the Company and believe that the repurchase plan can be applied in the best interest of the Company and its shareholders.

NOTES TO THE FINANCIAL STATEMENTS

cont'd

12. CAPITAL AND RESERVES cont'd

Treasury shares cont'd

There was no repurchase of issued share capital in the current financial year. During the financial year ended 31 December 2007, the Company repurchased 2,520,200 of its issued share capital from the open market. The average price paid for the shares repurchased was RM0.88 per share including transaction costs, and the repurchase transactions were financed by internally generated funds. On 4 May 2018, the said shares repurchased were split into 5,040,400 shares (after the completion of the Share Split involving the subdivision of every one (1) existing ordinary share into two (2) ordinary shares) and were held as treasury shares at cost in accordance with the requirements of Section 127 of the Companies Act 2016.

Irredeemable convertible unsecured loan stocks ("ICULS") with Warrants

	Group and Company		
	Equity component	Liability component	Total
	RM'000	RM'000	RM'000
As at 1 January 2018	-	-	-
Issued during the year	153,296	25,078	178,374
Converted into ordinary shares during the year	(3,901)	(523)	(4,424)
Recognised directly in retained earnings	707	-	707
Deferred tax effect (Note 14):			
- on issuance	5,617	-	5,617
- on conversion	(117)	-	(117)
	155,602	24,555	180,157

On 13 July 2018, the Company completed the Renounceable Rights Issue of RM212,294,652 nominal value of 5-Year 3.00% ICULS at 100% of its nominal value of RM2.74 each on the basis of one (1) ICULS for every two (2) existing ordinary shares in the Company, together with 38,739,900 detachable warrants ("warrant(s)") on the basis of one (1) warrant for every two (2) ICULS subscribed. The ICULS were listed on Bursa Malaysia on 18 July 2018. The salient features of the ICULS are as follows:

- The coupon rate for the ICULS is 3% per annum, payable semi-annually in arrears;
- The conversion price for the ICULS has been fixed at RM2.74 for each new share of the Company and the new shares to be issued rank pari passu with the then existing shares;
- The ICULS holder is entitled to exercise the right of conversion from date of issuance up to the maturity date; and
- Any ICULS not converted by the maturity date will be mandatorily converted into new shares of the Company on the maturity date.

During the financial year, 1,614,550 new ordinary shares amounting to RM4,424,000 were issued resulting from the conversion of 1,614,550 units of ICULS at the conversion price of RM2.74.

NOTES TO THE FINANCIAL STATEMENTS

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12. CAPITAL AND RESERVES cont'd

Irredeemable convertible unsecured loan stocks ("ICULS") with Warrants cont'd

Warrant reserves

	Group and Company			
	Amount	Number of	Amount	Number of
	2018	warrant	2017	warrant
	RM'000	'000	RM'000	'000
At 1 January	-	-	-	-
Issued during the financial year	33,921	38,740	-	-
At 31 December	33,921	38,740	-	-

Warrant reserves represent reserves allocated to free detachable warrants issued with ICULS.

Salient features of the Warrants are as follows:

- The exercise price of the Warrants is fixed at RM3.01 for each new share, subject to further adjustment in accordance with the provisions of the Deed Poll. The new shares to be issued rank pari passu with the then existing shares;
- The Warrant holder is entitled to exercise the right to subscribe new share from the date of issuance up to market day falling immediately before the fifth anniversary of the date of the issuance of the Warrants.

No warrant was exercised during the financial year.

13. LOANS AND BORROWINGS

	Note	Group	
		2018	2017
		RM'000	RM'000
Non-current			
Bank loans - secured:			
- Fixed rate	13.1	419	659
- Floating rate	13.1	92,018	22,070
Finance lease liabilities	13.2	7,734	6,954
		100,171	29,683
Current			
Bank loans - secured:			
- Fixed rate	13.1	240	224
- Floating rate	13.1	4,842	3,585
Bankers' acceptances, trust receipts and revolving credits - unsecured	13.3	130,002	114,204
Bank overdrafts - unsecured	13.4	2,254	771
Finance lease liabilities	13.2	7,182	4,503
		144,520	123,287
		244,691	152,970

NOTES TO THE FINANCIAL STATEMENTS

cont'd

13. LOANS AND BORROWINGS cont'd

13.1 Bank loans - secured

Fixed rate bank loan is subject to a fixed interest rate of 7.25% (2017: 7.25%) per annum.

Floating rate term loans are subject to floating interest rates ranging from 0.25% to 1.50% (2017: 0.25% to 1.50%) per annum above the bank's base lending rate or cost of fund.

All the bank loans are secured over the Group's freehold land, leasehold land and buildings (see Note 3) and are guaranteed by the Company.

13.2 Finance lease liabilities

Finance lease liabilities are payable as follows:

	Future minimum lease payments RM'000 2018	Interest RM'000 2018	Present value of minimum lease payments RM'000 2018	Future minimum lease payments RM'000 2017	Interest RM'000 2017	Present value of minimum lease payments RM'000 2017
Group						
Less than one year	7,811	(629)	7,182	5,025	(522)	4,503
Between one and five years	8,182	(448)	7,734	7,272	(318)	6,954
	15,993	(1,077)	14,916	12,297	(840)	11,457

The finance lease liabilities are subject to fixed interest rates ranging from 1.98% to 4.08% (2017: 1.98% to 4.08%) per annum, of which RM13,252,000 (2017: RM10,272,000) are guaranteed by the Company.

13.3 Bankers' acceptances, trust receipts and revolving credits

The bankers' acceptances, trust receipts and revolving credits of the Group are subject to fixed interest rates ranging from 3.10% to 5.97% (2017: 2.17% to 5.71%) per annum and are guaranteed by the Company.

13.4 Bank overdrafts - unsecured

The bank overdrafts of the Group are subject to floating interest rates of 1.0% (2017: 1.0%) per annum above the bank's base lending rate or Hong Kong Interbank Offered Rate ("HIBOR") and are guaranteed by the Company.

NOTES TO THE FINANCIAL STATEMENTS

cont'd

13. LOANS AND BORROWINGS *cont'd*

13.5 Reconciliation of movement of liabilities to cash flows arising from financing activities

Group	At 1.1.2017 RM'000	Net changes from financing cash flows RM'000	Acquisition of new lease RM'000	At 31.12.2017/ 1.1.2018 RM'000	Net changes from financing cash flows RM'000	Acquisition of new lease RM'000	At 31.12.2018 RM'000
Bank loans	9,274	17,264	-	26,538	70,981	-	97,519
Bankers' acceptances	48,534	31,352	-	79,886	28,576	-	108,462
Trust receipts	20,384	1,069	-	21,453	(11,523)	-	9,930
Revolving credits	14,317	(1,452)	-	12,865	(1,255)	-	11,610
Bank overdrafts	1,022	(251)	-	771	1,483	-	2,254
Finance lease liabilities	3,228	(2,674)	10,903	11,457	(5,706)	9,165	14,916
	96,759	45,308	10,903	152,970	82,556	9,165	244,691

14. DEFERRED TAX LIABILITIES

Recognised deferred tax (assets)/liabilities

Deferred tax assets and liabilities are attributable to the following:

Group	Assets		Liabilities		Net	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Property, plant and equipment	-	-	7,059	6,386	7,059	6,386
Provisions	(178)	(178)	-	-	(178)	(178)
ICULS	(5,500)	-	-	-	(5,500)	-
Other items	(38)	-	267	258	229	258
Tax (assets)/liabilities	(5,716)	(178)	7,326	6,644	1,610	6,466
Set off of tax	178	178	(178)	(178)	-	-
Net tax (assets)/liabilities	(5,538)	-	7,148	6,466	1,610	6,466
Company						
ICULS	(5,500)	-	-	-	(5,500)	-
Tax assets	(5,500)	-	-	-	(5,500)	-
Set off of tax	-	-	-	-	-	-
Net tax assets	(5,500)	-	-	-	(5,500)	-

NOTES TO THE FINANCIAL STATEMENTS

cont'd

14. DEFERRED TAX LIABILITIES cont'd

Movement in temporary differences during the year

Group	At 1.1.2017 RM'000	Recognised in profit or loss (Note 20) RM'000	At 31.12.2017/ 1.1.2018 RM'000	Recognised in profit or loss (Note 20) RM'000	Recognised directly in equity (Note 12) RM'000	At 31.12.2018 RM'000
Property, plant and equipment	7,153	(767)	6,386	673	-	7,059
Provisions	(288)	110	(178)	-	-	(178)
ICULS	-	-	-	-	(5,500)	(5,500)
Other items	237	21	258	(29)	-	229
	7,102	(636)	6,466	644	(5,500)	1,610
Company						
ICULS	-	-	-	-	(5,500)	(5,500)
	-	-	-	-	(5,500)	(5,500)

15. TRADE AND OTHER PAYABLES

		Group		Company	
	Note	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Trade					
Trade payables		47,542	40,248	-	-
Amount due to contract customers	10.2	-	15,278	-	-
Amount due to affiliated companies	15.1	63,563	39,266	-	-
		111,105	94,792	-	-
Non-trade					
Amount due to affiliated companies	15.1	1,688	84	42	-
Amount due to subsidiaries	15.1	-	-	609	11,024
Advances		5,713	4,039	-	-
Other payables and accrued expenses	15.2	16,132	14,634	3,456	379
		23,533	18,757	4,107	11,403
		134,638	113,549	4,107	11,403

15.1 Amounts due to related parties

The trade amount due to affiliated companies is subject to normal trade terms.

The non-trade amounts due to affiliated companies and subsidiaries are unsecured, interest free and repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS

cont'd

15. TRADE AND OTHER PAYABLES *cont'd*

15.2 Other payables and accrued expenses

Included in other payables and accrued expenses of the Group are accruals for project costs amounting to RM890,000 (2017: RM3,849,000).

16. REVENUE

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Revenue from contracts with customers	444,765	497,467	-	-
Other revenue				
Management fees	-	-	790	790
Dividend income	-	-	5,099	4,349
	444,765	497,467	5,889	5,139

16.1 Disaggregation of revenue

Group	Reportable segments							
	Manufacturing and trading		Construction and fabrication		Investment holding and others		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Primary geographical markets								
Malaysia	206,447	177,799	103,420	67,308	-	-	309,867	245,107
Hong Kong	-	-	122,741	237,497	-	-	122,741	237,497
Other countries	11,217	14,863	940	-	-	-	12,157	14,863
	217,664	192,662	227,101	304,805	-	-	444,765	497,467
Major products and services lines								
Aluminium related products and others	217,664	192,662	51,734	51,331	-	-	269,398	243,993
Construction contracts	-	-	175,367	253,474	-	-	175,367	253,474
	217,664	192,662	227,101	304,805	-	-	444,765	497,467
Timing and recognition								
At a point in time	217,664	192,662	51,734	51,331	-	-	269,398	243,993
Overtime	-	-	175,367	253,474	-	-	175,367	253,474
	217,664	192,662	227,101	304,805	-	-	444,765	497,467
Revenue from contracts with customers	217,664	192,662	227,101	304,805	-	-	444,765	497,467

NOTES TO THE FINANCIAL STATEMENTS

cont'd

16. REVENUE cont'd

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 recognised revenue	Significant payment terms	Warranty
Aluminium related products and others	Revenue is recognised when the goods are delivered and accepted by the customers at their premises.	Credit period of 30 to 120 days from invoice date.	Not applicable.
Construction contracts	Revenue is recognised overtime as costs are incurred. These contracts would meet the no alternative use and the Group has rights to payment for work performed.	Credit period of 30 to 120 days from invoice date, or defect liability period of 12 to 18 months.	Assurance warranties of 2 years are given to customers.

16.3 Transaction price allocated to the remaining performance obligations

The following table shows revenue from performance obligations that are unsatisfied (or partially unsatisfied) at the reporting date. The disclosure is only providing information for contracts that have a duration of more than one year.

Group	2019 RM'000	Total RM'000
Construction contract	176,883	176,883

The above revenue does not include variable consideration.

The Group applies the following practical expedients:

- exemption on disclosure of information on remaining performance obligations that have original expected durations of one year or less.
- exemption not to adjust the promised amount of consideration for the effects of a significant financing component when the period between the transfer of a promised good or service to a customer and when the customer pays for that good or service is one year or less.

16.4 Significant judgements and assumptions arising from revenue recognition

The Group applied judgements and assumptions that significantly affect the determination of the amount and timing of revenue recognised from contracts with customers. For construction contracts, the Group measured the performance of construction work done by comparing the actual costs incurred with the estimated total costs required to complete the construction. Significant judgements are required to estimate the total contract costs to complete. In making these estimates, management relied on professionals' estimates and also on past experience of completed projects. A change in the estimates will directly affect the revenue to be recognised.

NOTES TO THE FINANCIAL STATEMENTS

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17. COST OF SALES

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Sale of goods	222,846	196,796	-	-
Construction contracts	137,069	223,533	-	-
	359,915	420,329	-	-

18. FINANCE INCOME

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Interest income of financial assets that are not at fair value through profit or loss	267	14	3,353	-

19. FINANCE COSTS

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Interest expense of financial liabilities that are not at fair value through profit or loss	12,340	6,032	3,144	-
Other finance costs	130	142	-	-
	12,470	6,174	3,144	-
Recognised in profit or loss	7,729	6,051	3,144	-
Capitalised as qualifying asset:				
- property, plant and equipment	4,741	123	-	-
	12,470	6,174	3,144	-

NOTES TO THE FINANCIAL STATEMENTS

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20. TAX EXPENSE

Recognised in profit or loss

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Current tax expense				
- current year	4,275	4,564	-	-
- prior year	(101)	87	8	-
Total current tax recognised in profit or loss	4,174	4,651	8	-
Deferred tax expense				
Origination and Reversal of temporary differences	139	(700)	-	-
Under provision in prior year	505	64	-	-
Total deferred tax recognised in profit or loss	644	(636)	-	-
Total income tax expense	4,818	4,015	8	-
Reconciliation of tax expense				
Profit before tax	14,137	14,423	3,215	3,289
Income tax calculated using Malaysian tax rate of 24% (2017: 24%)	3,393	3,461	772	789
Effect of tax rates in foreign jurisdictions	(400)	(251)	-	-
Non-deductible expenses	1,421	927	611	255
Tax-exempt income	-	-	(1,383)	(1,044)
Tax incentives	-	(273)	-	-
Under provision in prior year	404	151	8	-
	4,818	4,015	8	-

NOTES TO THE FINANCIAL STATEMENTS

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21. PROFIT FOR THE YEAR

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Profit for the year is arrived at after charging:				
Auditors' remuneration:				
- Audit fees				
KPMG PLT Malaysia	283	210	85	65
Other auditors	107	62	-	-
- Non-audit fees				
KPMG PLT Malaysia	155	25	155	25
Affiliate of KPMG PLT Malaysia	51	6	51	6
Affiliates of other auditors	7	7	-	-
Material expenses/(income):				
Depreciation of investment properties	30	30	-	-
Depreciation of property, plant and equipment	13,918	11,536	-	-
Finance costs	7,729	6,051	3,144	-
Loss on disposal of property, plant and equipment	-	357	-	-
Net impairment loss on financial assets	161	-	-	-
Net realised foreign exchange loss	1,148	151	-	-
Net unrealised foreign exchange loss	128	-	-	-
Property, plant and equipment written off	17	-	-	-
Personnel expenses (including key management personnel):				
- Contributions to Employees' Provident Fund	2,428	2,180	153	122
- Wages, salaries and others	39,939	38,453	1,176	1,247
Rental expense of property, plant and equipment	3,903	4,239	-	-
Finance income	(267)	(14)	(3,353)	-
Gain on disposal of property, plant and equipment	(91)	(298)	-	-
Management fees from subsidiaries	-	-	(790)	(790)
Net impairment loss on financial assets	-	(340)	-	-
Net unrealised foreign exchange gain	-	(115)	-	-
Rental income from:				
- Investment property	-	(12)	-	-
- Properties	-	(4)	-	-
- Motor vehicles	(36)	(36)	-	-

NOTES TO THE FINANCIAL STATEMENTS

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22. EARNINGS PER ORDINARY SHARE

Basic earnings per ordinary share

The calculation of basic earnings per ordinary share at 31 December 2018 was based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding, calculated as follows:

	Group	
	2018	2017
	RM'000	RM'000
Profit attributable to ordinary shareholders	9,319	10,408

	Group	
	2018	2017
	'000	'000
	(restated)	
Weighted average number of ordinary shares at 31 December	156,574	154,960

	Group	
	2018	2017
	sen	sen
	(restated)	
Basic earnings per ordinary share	5.95	6.72

Diluted earnings per ordinary share

The calculation of diluted earnings per ordinary share at 31 December 2018 was based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares that would have been in issue upon full conversion of all outstanding ICULS, calculated as follows:

	Group	
	2018	2017
	RM'000	RM'000
Profit attributable to ordinary shareholders	9,319	10,408
	Group	
	2018	2017
	'000	'000
	(restated)	
Weighted average number of ordinary shares at 31 December	156,574	154,960
Potential dilution arising from outstanding ICULS	34,989	-
Potential dilution arising from free Warrants	6,077	-
	197,640	154,960

NOTES TO THE FINANCIAL STATEMENTS

cont'd

22. EARNINGS PER ORDINARY SHARE *cont'd*

Diluted earnings per ordinary share *cont'd*

	Group 2018 sen	2017 sen (restated)
Diluted earnings per ordinary share	4.72	6.72

23. DIVIDENDS

Dividends recognised by the Company:

	Sen per share	Total amount RM'000	Date of payment
2018			
Fourth interim 2017 ordinary	1.00	775	18 April 2018
First interim 2018 ordinary	1.00	1,565	20 September 2018
Total amount		2,340	
2017			
Fourth interim 2016 ordinary	1.00	775	5 April 2017
First interim 2017 ordinary	1.00	775	23 June 2017
Second interim 2017 ordinary	1.00	775	20 September 2017
Third interim 2017 ordinary	1.00	774	21 December 2017
Total amount		3,099	

Subsequent to the financial year end, the Directors declared a second interim ordinary dividend of 1 sen per ordinary share totalling RM1,565,742 in respect of the financial year ended 31 December 2018, which is payable on 18 April 2019. The Directors do not recommend any final dividend to be paid for the financial year under review.

NOTES TO THE FINANCIAL STATEMENTS

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24. OPERATING LEASES

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

	Group	
	2018	2017
	RM'000	RM'000
Less than one year	2,469	1,891
Between one and five years	1,003	1,469
	3,472	3,360

The Group leases a number of office premises, apartments, warehouses and factory facilities under operating leases, with an option to renew the leases after their expiration. None of the leases include contingent rentals.

25. OPERATING SEGMENTS

The Group has three reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately because they require different technology and marketing strategies. For each of the strategic business units, the Chief Operating Decision Maker ("CODM") (i.e. the Group's Chief Executive Officer) reviews internal management reports at least on a quarterly basis. The following summary describes the operations in each of the Group's reportable segments:

- *Manufacturing and trading.* Includes manufacturing and marketing of aluminium products and other related products.
- *Construction and fabrication.* Includes contracting, designing and fabrication of aluminium and stainless steel products.
- *Investment and others.* Included investment holding and dormant companies.

There are varying levels of integration between the Manufacturing and Trading, and the Construction and Fabrication reportable segments. This integration includes transfers of raw materials and shared distribution services, respectively. Inter-segment pricing is determined on a negotiated basis.

Performance is measured based on segment profit before tax and interest as included in the internal management reports that are reviewed by the CODM. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

Segment assets

The total of segment assets is measured based on all assets (including goodwill) of a segment, as included in the internal management reports that are reviewed by the CODM. Segment total asset is used to measure the return on assets of each segment.

Segment liabilities

Segment liabilities information is neither included in the internal management reports nor provided regularly to the CODM. Hence, no disclosure is made on segment liability.

NOTES TO THE FINANCIAL STATEMENTS

cont'd

25. OPERATING SEGMENTS *cont'd*

Segment capital expenditure

Segment capital expenditure is the total cost incurred during the financial year to acquire property, plant and equipment and investment properties.

	Manufacturing and trading		Construction and fabrication		Investment holding and others		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Segment profit	10,728	9,791	12,734	11,486	2,990	3,313	26,452	24,590
<i>Included in the measure of segment profit are:</i>								
Revenue from external customers	217,664	192,662	227,101	304,805	-	-	444,765	497,467
Inter-segment revenue	31,922	18,739	120,540	5,788	5,889	5,139	158,351	29,666
Depreciation	5,608	4,304	8,340	7,262	-	-	13,948	11,566
Segment assets	625,367	280,560	215,190	220,908	270,870	59,911	1,111,427	561,379
<i>Included in the measure of segment assets are:</i>								
Additions to non-current assets other than financial instruments and deferred tax assets	307,438	41,263	9,828	4,792	77,000	-	394,266	46,055

NOTES TO THE FINANCIAL STATEMENTS

cont'd

25. OPERATING SEGMENTS cont'd

Reconciliations of reportable profit or loss, assets and other material items

	2018 RM'000	2017 RM'000
Profit or loss		
Total profit for reportable segments	26,452	24,590
Elimination of inter-segment profits	(4,853)	(4,130)
Finance income	267	14
Finance costs	(7,729)	(6,051)
Tax expense	(4,818)	(4,015)
Consolidated profit for the year	9,319	10,408
Total assets		
Total assets for reportable segments	1,111,427	561,379
Elimination of inter-segment balances	(335,616)	(130,232)
Consolidated total	775,811	431,147
Additions to non-current assets		
Total additions to non-current assets for reportable segments	394,266	46,055
Elimination of inter-segment balances	(77,000)	-
Consolidated total	317,266	46,055

Geographical segments

The Manufacturing and Trading, and the Construction and Fabrication segments are managed mainly in two principal geographical areas, Malaysia (country of domicile) and Hong Kong.

In presenting information on the basis of geographical segments, segment revenue is based on geographical location of customers. Segment assets are based on the geographical location of the assets.

	Revenue 2018 RM'000	Non-current assets 2018 RM'000	Revenue 2017 RM'000	Non-current assets 2017 RM'000
Geographical information				
Malaysia	309,867	430,421	245,107	121,595
Hong Kong	122,741	1,641	237,497	1,837
Other countries	12,157	-	14,863	-
	444,765	432,062	497,467	123,432

NOTES TO THE FINANCIAL STATEMENTS

cont'd

25. OPERATING SEGMENTS *cont'd*

Major customers

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

	Revenue		Segment
	2018 RM'000	2017 RM'000	
Customer A	2,843	72,011	Construction and fabrication
Customer B	12,977	50,397	Construction and fabrication
Customer C	54,946	50,148	Construction and fabrication
Customer D	63,727	40,024	Construction and fabrication

26. CAPITAL COMMITMENTS

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Capital expenditure commitments				
Plant and equipment				
Contracted but not provided for	5,282	12,845	-	-

27. CONTINGENCIES

The Directors are of the opinion that provisions are not required in respect of these matters, as it is not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement.

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Guarantees given to contract customers	28,657	22,452	-	-
Guarantees given to financial institutions for facilities granted to subsidiaries	-	-	266,522	174,277

NOTES TO THE FINANCIAL STATEMENTS

cont'd

28. FINANCIAL INSTRUMENTS

28.1 Categories of financial instruments

The table below provides an analysis of financial instruments as at 31 December 2018 categorised as amortised cost ("AC").

	Carrying amount RM'000	AC RM'000
2018		
Group		
Financial assets		
Trade and other receivables	131,995	131,995
Cash and cash equivalents	58,186	58,186
	190,181	190,181
Financial liabilities		
Loans and borrowings	(244,691)	(244,691)
Trade and other payables	(128,925)	(128,925)
	(373,616)	(373,616)
Company		
Financial assets		
Trade and other receivables	141,903	141,903
Cash and cash equivalents	331	331
	142,234	142,234
Financial liabilities		
Trade and other payables	(4,107)	(4,107)

The table below provides an analysis of financial instruments as at 31 December 2017 categorised as follows:

- (a) Loans and receivables ("L&R")
- (b) Financial liabilities measured at amortised cost ("FL")

	Carrying amount RM'000	L&R/ (FL) RM'000
2017		
Group		
Financial assets		
Trade and other receivables	180,841	180,841
Cash and cash equivalents	53,196	53,196
	234,037	234,037

NOTES TO THE FINANCIAL STATEMENTS

cont'd

28. FINANCIAL INSTRUMENTS *cont'd*

28.1 Categories of financial instruments *cont'd*

	Carrying amount RM'000	L&R/ (FL) RM'000
2017		
Group		
Financial liabilities		
Loans and borrowings	(152,970)	(152,970)
Trade and other payables	(109,510)	(109,510)
	<u>(262,480)</u>	<u>(262,480)</u>
Company		
Financial assets		
Trade and other receivables	13,233	13,233
Cash and cash equivalents	175	175
	<u>13,408</u>	<u>13,408</u>
Financial liabilities		
Trade and other payables	(11,403)	(11,403)

28.2 Net gain and losses arising from financial instruments

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Net (gain) and losses on:				
Financial assets at amortised cost	(267)	-	3,353	-
Financial liabilities at amortised cost	9,005	6,051	(3,144)	-
Loans and receivables	-	22	-	-
Net loss/(gain) on impairment of financial instruments:				
Financial assets at amortised cost	161	-	-	-
Loans and receivables	-	(340)	-	-
	<u>8,899</u>	<u>5,733</u>	<u>209</u>	<u>-</u>

28.3 Financial risk management

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

NOTES TO THE FINANCIAL STATEMENTS

cont'd

28. FINANCIAL INSTRUMENTS cont'd

28.4 Credit risk

Credit risk is the risk of a financial loss to the Group 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, financial guarantees given to contract customers and amounts due from affiliated companies and associate. The Company's exposure to credit risk arises principally from advances to subsidiaries and financial guarantees given to banks for credit facilities granted to subsidiaries.

Trade receivables and contract assets

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 customers requiring credit over a certain amount.

At each reporting date, the Group assesses whether any of the trade receivables are credit impaired.

The gross carrying amounts of credit impaired trade receivables and contract assets are written off (either partially or full) when there is no realistic prospect of recovery. This is generally the case when the Group determines 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. Nevertheless, trade receivables that are written off could still be subject to enforcement activities.

There are no significant changes as compared to previous year.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk arising from trade receivables and contract assets are 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 stated 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 more than 90 days, which are deemed to have higher credit risk, are monitored individually.

Concentration of credit risk

The exposure of credit risk for trade receivables and contract assets as at the end of the reporting period by geographic region was:

	Group	
	2018	2017
	RM'000	RM'000
Domestic	80,785	68,078
Asia	65,377	45,057
Others	-	289
	146,162	113,424

NOTES TO THE FINANCIAL STATEMENTS

cont'd

28. FINANCIAL INSTRUMENTS *cont'd*

28.4 Credit risk *cont'd*

Recognition and measurement of impairment losses

In managing credit risk of trade receivables, the Company manages its debtors and takes appropriate actions (including but not limited to legal actions) to recover long overdue balances. Generally, trade receivables will pay within 120 days. The Company's debt recovery process is as follows:

- Above 90 days past due after credit term, the Company will start to initiate a structured debt recovery process which is monitored by the sales management team.

The Company uses an allowance matrix to measure ECLs of trade receivables for all segments. Consistent with the debt recovery process, invoices which are past due 90 days will be considered as credit impaired.

Loss rates are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency to 90 days past due.

Loss rates are based on actual credit loss experience over the past three years. The Company also considers differences between (a) economic conditions during the period over which the historic data has been collected, (b) current conditions and (c) the Group's view of economic conditions over the expected lives of the receivables. Nevertheless, the Company believes that these factors are immaterial for the purpose of impairment calculation for the year.

The following table provides information about the exposure to credit risk and ECLs for trade receivables and contract assets as at 31 December 2018 which are grouped together as they are expected to have similar risk nature.

Group	Gross carrying amount RM'000	Loss allowance RM'000	Net balance RM'000
2018			
Current (not past due)	136,719	(358)	136,361
1 - 30 days past due	3,266	(16)	3,250
31 - 60 days past due	1,933	(22)	1,911
61 - 90 days past due	486	(4)	482
	142,404	(400)	142,004
Credit impaired			
More than 90 days past due	8,197	(4,039)	4,158
	150,601	(4,439)	146,162
Trade receivables	116,510	(4,439)	112,071
Contract assets	34,091	-	34,091
	150,601	(4,439)	146,162

NOTES TO THE FINANCIAL STATEMENTS

cont'd

28. FINANCIAL INSTRUMENTS cont'd

28.4 Credit risk cont'd

Recognition and measurement of impairment losses cont'd

The movements in the allowance for impairment in respect of trade receivables and contract assets during the year are shown below.

Group	2018			
	Trade receivables		Contract assets	Total
	Lifetime ECL RM'000	Credit impaired RM'000		
Balance at 1 January as per MFRS 9	(400)	(3,878)	-	(4,278)
Net remeasurement of loss allowance	-	(161)	-	(161)
Balance at 31 December	(400)	(4,039)	-	(4,439)

Comparative information under MFRS 139, Financial Instruments: Recognition and measurement

The aging of trade receivables as at 31 December 2017 was as follows:

Group	Gross RM'000	Individual impairment RM'000	Net RM'000
2017			
Not past due	99,380	-	99,380
Past due 1 - 30 days	2,751	-	2,751
Past due 31 - 180 days	2,700	-	2,700
Past due more than 180 days	12,871	(4,278)	8,593
	117,702	(4,278)	113,424

The movements in the allowance for impairment losses of trade receivables during the financial year were:

	2017 RM'000
At 1 January	4,618
Impairment loss reversed	(340)
At 31 December	4,278

Cash and cash equivalents

The cash and cash equivalents are held with banks and financial institutions. 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.

These banks and financial institutions have low credit risks. Consequently, the Group and the Company are of the view that the loss allowance is not material and hence, it is not provided for.

NOTES TO THE FINANCIAL STATEMENTS

cont'd

28. FINANCIAL INSTRUMENTS cont'd

28.4 Credit risk cont'd

Other receivables

Credit risks on other receivables are mainly arising from deposits paid for office buildings and fixtures rented. These deposits will be received at the end of each lease terms. The Group manages the credit risk together with the leasing arrangement. The Company monitors the ability of the non-trade debtors to repay the debts on an individual basis.

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.

As at the end of the reporting period, the Group and the Company did not recognise any allowance for impairment losses.

Financial guarantees

Risk management objectives, policies and processes for managing the risk

The Group provides unsecured financial guarantees to contract customers in respect of construction contracts granted to the Group while the Company provides unsecured financial guarantees to financial institutions for facilities granted to certain subsidiaries. The Company monitors on an ongoing basis the results of the subsidiaries and repayments made by the subsidiaries.

Exposure to credit risk, credit quality and collateral

The maximum exposure to credit risk of the Group and of the Company amounts to RM28,657,000 (2017: RM22,452,000) and RM266,522,000 (2017: RM174,277,000) respectively, representing the outstanding financial guarantees as at the end of the reporting period.

As at the end of the reporting period, there was no indication any contract customer or any subsidiary would default on repayment.

The financial guarantees have not been recognised since the fair value on initial recognition was not material.

Related party balances

Risk management objectives, policies and processes for managing the risk

The Group provides credit terms to affiliated companies. The Company provides unsecured advances to subsidiaries. The Group and the Company monitor their results regularly.

Exposure to credit risk, credit quality and collateral

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

NOTES TO THE FINANCIAL STATEMENTS

cont'd

28. FINANCIAL INSTRUMENTS cont'd

28.4 Credit risk cont'd

Related party balances cont'd

Recognition and measurement of impairment loss

Generally, the Group and the Company consider related party balances have low credit risk. The Group and the Company assumes that there is a significant increase in credit risk when related parties' financial position deteriorates significantly. As the Group and the Company are able to determine the timing of payments of the related party balances when they are payable, the Group and the Company consider these balances to be in default when the related parties are not able to pay when demanded. The Group and the Company consider related party balances to be credit impaired when:

- The related parties are unlikely to repay their amounts due to the Group and the Company in full; or
- The related parties are continuously loss making and are having a deficit shareholders' fund.

The Group and the Company determine the probability of default for these related party balances individually using internal information available.

As at the end of the reporting period, there was no indication that the related party balances are not recoverable.

28.5 Liquidity risk

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

The Group and the Company maintain a level of cash and cash equivalents and bank facilities deemed adequate by the management to ensure, as far as possible, that they will have sufficient liquidity to meet their liabilities when they fall due.

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

NOTES TO THE FINANCIAL STATEMENTS

cont'd

28. FINANCIAL INSTRUMENTS *cont'd*

28.5 Liquidity risk *cont'd*

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	Contractual interest rate/coupon	Contractual cash flows	Under 1 year	1 - 2 years	2 - 5 years	More than 5 years
2018	RM'000	%	RM'000	RM'000	RM'000	RM'000	RM'000
Group							
<i>Non-derivative financial liabilities</i>							
Trade and other payables	128,925	-	128,925	128,925	-	-	-
Bank loans	97,519	*	115,052	10,252	25,199	71,364	8,237
Bankers' acceptances, trust receipts, and revolving credits	130,002	3.10% - 5.97%	130,002	130,002	-	-	-
Bank overdrafts	2,254	5.54%	2,254	2,254	-	-	-
Finance lease liabilities	14,916	1.98% - 4.08%	15,993	7,811	5,333	2,723	126
Financial guarantees	-	-	28,657	28,657	-	-	-
ICULS liabilities	24,555	3%	28,037	6,236	6,236	15,565	-
	398,171		448,920	314,137	36,768	89,652	8,363
Company							
<i>Non-derivative financial liabilities</i>							
Trade and other payables	4,107	-	4,107	4,107	-	-	-
Financial guarantees	-	-	266,522	266,522	-	-	-
ICULS liabilities	24,555	3%	28,037	6,236	6,236	15,565	-
	28,662		298,666	276,865	6,236	15,565	-

* Fixed rate bank loan is subject to a fixed interest rate of 7.25% per annum. Floating rate term loans are subject to floating interest rates ranging from 0.25% to 1.50% per annum above the bank's base lending rate or cost of fund.

NOTES TO THE FINANCIAL STATEMENTS

cont'd

28. FINANCIAL INSTRUMENTS cont'd

28.5 Liquidity risk cont'd

Maturity analysis cont'd

	Carrying amount	Contractual interest rate	Contractual cash flows	Under 1 year	1 - 2 years	2 - 5 years	More than 5 years
2017	RM'000	%	RM'000	RM'000	RM'000	RM'000	RM'000
Group							
<i>Non-derivative financial liabilities</i>							
Trade and other payables	109,510	-	109,510	109,510	-	-	-
Bank loans	26,538	*	33,590	5,244	3,245	11,906	13,195
Bankers' acceptances, trust receipts, and revolving credits	114,204	2.17% - 5.71%	114,204	114,204	-	-	-
Bank overdrafts	771	3.11% - 8.25%	771	771	-	-	-
Finance lease liabilities	11,457	1.98% - 4.08%	12,297	5,026	4,591	2,680	-
Financial guarantees	-	-	22,452	22,452	-	-	-
	<u>262,480</u>		<u>292,824</u>	<u>257,207</u>	<u>7,836</u>	<u>14,586</u>	<u>13,195</u>
Company							
<i>Non-derivative financial liabilities</i>							
Trade and other payables	11,403	-	11,403	11,403	-	-	-
Financial guarantees	-	-	174,277	174,277	-	-	-
	<u>11,403</u>		<u>185,680</u>	<u>185,680</u>	<u>-</u>	<u>-</u>	<u>-</u>

* Fixed rate bank loan was subject to a fixed interest rate of 7.25% per annum. Floating rate term loans were subject to floating interest rates ranging from 0.25% to 1.50% per annum above the bank's base lending rate or cost of fund.

28.6 Market risk

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

28.6.1 Foreign currency risk

The Group is exposed to foreign currency risk on sales, purchases and cash and cash equivalents that are denominated in a currency other than the respective functional currencies of Group entities. The currencies giving rise to this risk are primarily U.S. Dollar ("USD"), Australian Dollar ("AUD") and Singapore Dollar ("SGD").

Risk management objectives, policies and processes for managing the risk

The Group actively monitors its exposure to foreign currency risk. The Group does not hedge this risk but keeps the policy under review.

NOTES TO THE FINANCIAL STATEMENTS

cont'd

28. FINANCIAL INSTRUMENTS *cont'd*

28.6 Market risk *cont'd*

28.6.1 Foreign currency risk *cont'd*

Exposure to foreign currency risk

The Group's exposure to foreign currency (a currency which is other than the functional currency of the Group entities) risk, based on carrying amounts as at the end of the reporting period was:

	<i>Denominated in</i>		
	USD	AUD	SGD
	RM'000	RM'000	RM'000
2018			
Balances recognised in the statement of financial position			
Trade and other receivables	1,041	1,935	364
Trade and other payables	(28,437)	-	(1)
Cash and cash equivalents	316	640	125
Net exposure	(27,080)	2,575	488
2017			
Balances recognised in the statement of financial position			
Trade and other receivables	1,066	1,793	449
Trade and other payables	(2,869)	-	(1)
Cash and cash equivalents	271	2	249
Net exposure	(1,532)	1,795	697

Currency risk sensitivity analysis

A 10% (2017: 10%) strengthening of Ringgit Malaysia against the following currencies at the end of the reporting period would have increased/(decreased) post-tax profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. This analysis assumes that all other variables, in particular interest rates, remained constant and ignores any impact of forecasted sales and purchases.

	Profit or loss	
	2018	2017
	RM'000	RM'000
USD	2,058	(116)
AUD	(196)	136
SGD	(37)	53

A 10% (2017: 10%) weakening of Ringgit Malaysia against the above currencies at the end of the reporting period would have had equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remained constant.

NOTES TO THE FINANCIAL STATEMENTS

cont'd

28. FINANCIAL INSTRUMENTS cont'd

28.6 Market risk cont'd

28.6.2 Interest rate risk

The Group's fixed rate borrowings are exposed to a risk of change in their fair value due to changes in interest rates. The Group's variable rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates. Short term receivables and payables are not significantly exposed to interest rate risk.

Risk management objectives, policies and processes for managing the risk

Interest rate exposure arising from the Group's borrowings is managed through the use of fixed and floating rate debts. The Group does not use derivative financial instruments to hedge its debt obligations but keeps the policy under review.

Exposure to interest rate risk

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

	Group	
	2018	2017
	RM'000	RM'000
Fixed rate instruments		
Financial liabilities	(145,577)	(126,544)
Floating rate instruments		
Financial liabilities	(99,114)	(26,426)

Interest rate risk sensitivity analysis

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial liabilities at fair value through profit or loss, and the Group does not designate derivatives as hedging instruments under a fair value hedge 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

A change of 30 basis points ("bp") in interest rates at the end of the reporting period would have increased/(decreased) post-tax profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remained constant.

Group	Profit or loss		Profit or loss	
	30 bp increase	30 bp decrease	30 bp increase	30 bp decrease
	2018	2018	2017	2017
	RM'000	RM'000	RM'000	RM'000
Floating rate instruments	(226)	226	(60)	60

NOTES TO THE FINANCIAL STATEMENTS

cont'd

28. FINANCIAL INSTRUMENTS *cont'd*

28.6 Market risk *cont'd*

28.6.3 Other price risk

Other price risk arises from price fluctuation risk mainly on aluminium related products. The Group mitigates its risk to the price volatility through establishing a fixed price level that the Group considers acceptable.

28.7 Fair value information

The carrying amounts of cash and cash equivalents, short term receivables and payables and short term borrowings reasonably approximate their fair values due to the relatively short term nature of these financial instruments.

The table below analyses financial instruments not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statement of financial position:

	2018		2017	
	Carrying amount	Fair value Level 3	Carrying amount	Fair value Level 3
	RM'000	RM'000	RM'000	RM'000
Group				
Financial liabilities				
Bank loans - secured	97,519	96,121	26,538	26,888
Finance lease liabilities	14,916	15,137	11,457	11,416

Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period. For borrowings, the market rate of interest is determined by reference to similar borrowing arrangements.

Level 3 fair value

Level 3 fair value is estimated using unobservable inputs for the financial assets and liabilities. For financial instruments not carried at fair value, the Group has applied discounted cash flows valuation technique in the determination of fair values within Level 3. The Group Finance Controller has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values.

29. CAPITAL MANAGEMENT

The Group's objectives when managing capital are 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 that complies with debt covenants and regulatory requirements.

NOTES TO THE FINANCIAL STATEMENTS

cont'd

29. CAPITAL MANAGEMENT cont'd

The debt-to-equity ratios at 31 December 2018 and 31 December 2017 were as follows:

	Note	Group	
		2018 RM'000	2017 RM'000
Total loans and borrowings including ICULS liabilities		269,246	152,970
Less: Cash and cash equivalents	11	(58,186)	(53,196)
Net debt		211,060	99,774
Total equity		357,683	156,792
Debt-to-equity ratio		0.6	0.6

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

30. RELATED PARTIES

Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group or the Company has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control. Related parties may be individuals or other entities.

Related parties also include key management personnel 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 Group, and certain members of senior management of the Group.

The Group has related party relationship with its significant investors, subsidiaries, affiliated companies, associate and key management personnel.

NOTES TO THE FINANCIAL STATEMENTS

cont'd

30. RELATED PARTIES *cont'd*

Significant related party transactions

Related party transactions have been entered into in the normal course of business under normal trade terms. The significant related party transactions of the Group and the Company are shown below. The balances related to the below transactions are shown in Notes 10 and 15.

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
A. Affiliated companies				
Sale of goods	(26,252)	(30,827)	-	-
Purchase of goods	207,885	151,858	-	-
Rental income on properties	-	(4)	-	-
Rental expense on properties	194	-	-	-
B. Subsidiaries				
Dividend income	-	-	(5,099)	(4,349)
Management fee income	-	-	(790)	(790)
C. Key management personnel				
Directors				
- Fees	120	109	120	109
- Remuneration	1,450	1,365	283	254
- Other short-term employee benefits	422	403	102	93
Total short-term employee benefits	1,992	1,877	505	456
Other key management personnel				
Short-term employee benefits	1,961	1,703	-	-
	3,953	3,580	505	456

Other key management personnel comprise persons other than the Directors of Group entities, having authority and responsibility for planning, directing and controlling the activities of the Group entities either directly or indirectly.

NOTES TO THE FINANCIAL STATEMENTS

cont'd

31. SIGNIFICANT CHANGES IN ACCOUNTING POLICIES

During the year, the Group and the Company adopted MFRS 15, *Revenue from Contracts with Customers* and MFRS 9, *Financial Instruments* on their financial statements.

31.1 Accounting for financial instruments

a. Transition

In the adoption of MFRS 9, the following transitional exemptions as permitted by the standard have been adopted:

- i) The Group and the Company have not restated comparative information for prior period with respect to classification and measurement (including impairment) requirements. Accordingly, the information presented for 2017 does not generally reflect the requirements of MFRS 9, but rather those of MFRS 139, *Financial Instruments: Recognition and Measurement*.
- ii) Determination of the business model within which a financial asset is held was made based on the facts and circumstances that existed at the date of initial application.

b. Classification of financial assets and financial liabilities on the date of initial application of MFRS 9

Reclassification from loans and receivables to amortised cost

Trade and other receivables that were classified as loans and receivables under MFRS 139 are now reclassified to amortised cost. No transitioning effects were identified.

31.2 Accounting for revenue

The Group and the Company have adopted MFRS 15 using the cumulative effect method. MFRS 15 introduces a new five-step model that applies to all customer contracts. The following principles have been applied:

- (a) Only approved customer contracts with a firm commitment is basis for revenue recognition;
- (b) The deliverables in the contracts are reviewed to identify distinct performance obligations;
- (c) Revenue is recognised over time using a cost progress method;
- (d) Profit is not recognised until the outcome of the performance obligations can be measured reliably;
- (e) Expected liquidated damages ("LD") are recognised as a reduction of revenue unless it is highly probable LD will not be incurred; and
- (f) Contract costs are expensed as incurred.

NOTES TO THE FINANCIAL STATEMENTS

cont'd

31. SIGNIFICANT CHANGES IN ACCOUNTING POLICIES *cont'd*

31.2 Accounting for revenue *cont'd*

The adoption of the new standard has no impact on the Group's and the Company's financial statements except for the new measurement categories for construction work in progress as summarised below:

Impact on Statement of financial position

Amount due from contract customers that was classified as trade and other receivables under MFRS111 is now reclassified to contract assets while amount due to contract customers that was classified as trade and other payables under MFRS111 is now reclassified to contract liabilities.

32. SIGNIFICANT EVENTS

Share split

On 4 May 2018, the Company completed the share split involving the subdivision of every one (1) ordinary share in the Company into two (2) ordinary shares.

Irredeemable convertible unsecured loan stocks ("ICULS") with Warrants

On 13 July 2018, the Company completed the Renounceable Rights Issue of RM212,294,652 nominal value of 5-Year 3.00% ICULS at 100% of its nominal value of RM2.74 each on the basis of one (1) ICULS for every two (2) existing ordinary shares in the Company, together with 38,739,900 detachable warrants ("warrant(s)") on the basis of one (1) warrant for every two (2) ICULS subscribed. The ICULS were listed on Bursa Malaysia on 18 July 2018.

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 77 to 147 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2018 and of their financial performance and cash flows for the financial year then ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

Koon Poh Ming
Director

Koon Poh Weng
Director

Petaling Jaya, Selangor

Date: 12 April 2019

STATUTORY DECLARATION

pursuant to Section 251(1)(b) of the Companies Act 2016

I, **Wan Shuw Yee**, the officer primarily responsible for the financial management of PMB Technology Berhad, do solemnly and sincerely declare that the financial statements set out on pages 77 to 147 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, MIA CA28899 at Kuala Lumpur in the Federal Territory on 12 April 2019.

Wan Shuw Yee

Before me:

Commissioner for Oaths
Kuala Lumpur

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF PMB TECHNOLOGY BERHAD (Company No. 584257-X) (Incorporated in Malaysia)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of PMB Technology Berhad, which comprise the statements of financial position as at 31 December 2018 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 of the Group and of the Company, including a summary of significant accounting policies, as set out on pages 77 to 147.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2018 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 judgment, 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.

(i) Revenue recognition on construction contracts

Refer to *Note 2(q) – Significant accounting policies: Revenue and other income* and *Note 16 – Revenue* to the financial statements.

The key audit matter

The Group's revenue for the year ended 31 December 2018 is significantly influenced by the results of large construction projects. Due to the contracting nature of the business, revenue recognition involves a significant degree of judgement, with estimates being made to assess the total contract costs, stage of completion of the contract and adequately provide for loss making contract. Changes of these estimates could lead to different profit and revenue being reported in the financial statements.

How the matter was addressed in our audit

Our audit procedures included, among others, reading the key contracts and discussed each with management to obtain a full understanding of the terms and risks of the contracts. We evaluated the controls of the Group over the accuracy and timing of revenue recognised in the financial statements including the estimation of contract cost to complete and calculation of the stage of completion.

We assessed the appropriateness of assumptions used in determining the budgeted costs of the projects based on historical performance of the Group and industry knowledge and agreed the contract costs to supporting documentation and recalculated the percentage of completion of the contract. We tested the contract revenue through the inspection of contracts, variation orders and claims. We also considered if provision for foreseeable losses is required.

INDEPENDENT AUDITORS' REPORT

for the Financial Year ended 31 December 2018

cont'd

Key Audit Matters *cont'd*

(ii) Recoverability of trade receivables

Refer to *Note 10 – Trade and other receivables* to the financial statements.

The key audit matter

The Group has significant trade receivables balance as at 31 December 2018 of RM112,071,000. Trade receivables include amounts due from customers within the construction industry. As the construction industry faces a number of challenges including but not limited to instabilities of supplies and prices of construction materials and components, there is a risk over the recoverability of these balances.

How the matter was addressed in our audit

Our audit procedures included, among others, evaluating the controls of the Group over monitoring of debts. We tested the accuracy of trade receivables ageing and the adequacy of the impairment loss on trade receivables by assessing management's risk rating of selected debtors and input used in the lifetime expected credit loss made.

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 annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

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

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the annual report and, in doing so, consider whether the annual report is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of the annual report, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company so as to 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.

INDEPENDENT AUDITORS' REPORT

for the Financial Year ended 31 December 2018

cont'd

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 judgment 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 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 auditor's 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.

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 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 auditors' report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

INDEPENDENT AUDITORS' REPORT

for the Financial Year ended 31 December 2018

cont'd

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

OTHER 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

Petaling Jaya, Malaysia

Date: 12 April 2019

Ong Beng Seng

Approval Number: 02981/05/2020(J)
Chartered Accountant

ANALYSIS OF SHAREHOLDINGS

as at 1 April 2019

Issued Shares : 161,621,550 Ordinary Shares
 Class of Shares : Ordinary Shares
 Voting Rights : One vote per share

Size of Holdings	No. of Shareholders/ Depositors	% of Shareholders/ Depositors	No. of Shares Held	% of Issued Capital
Less than 100	9	0.70	100	negligible
100 to 1,000	181	14.06	121,500	0.08
1,001 to 10,000	690	53.57	3,188,350	2.03
10,001 to 100,000	330	25.62	10,815,400	6.91
100,001 to less than 5% of issued shares	75	5.82	76,097,078	48.60
5% and above of issued shares	3	0.23	66,358,722	42.38
Total	1,288	100.00	156,581,150 *	100.00

* Excluding a total of 5,040,400 shares bought-back by the Company and retained as treasury shares as per the Record of Depositors as at 1 April 2019.

DIRECTORS' SHAREHOLDINGS

as at 1 April 2019

Name	Direct		Indirect	
	No. of Shares Held	% of Issued Capital #	No. of Shares Held	% of Issued Capital #
Tan Sri Dato' Koon Poh Keong	2,182,000	1.39	42,951,916 ⁽¹⁾	27.43
Koon Poh Ming	60,000	0.04	40,406,806 ⁽²⁾	25.81
Dato' Koon Poh Tat	6,910,000	4.41	13,594,576 ⁽³⁾	8.68
Koon Poh Weng	20,000	0.01	13,604,576 ⁽⁴⁾	8.69
Ernest Bong Miao Fatt	96,000	0.06	0	0.00
Loo Lean Hock	0	0.00	0	0.00
Noor Alina Binti Mohamad Faiz	0	0.00	0	0.00

Excluding a total of 5,040,400 shares bought-back by the Company and retained as treasury shares.

⁽¹⁾ Deemed interested in the shares held via Alpha Milestone Sdn Bhd in Press Metal Aluminium Holdings Berhad, which in turn hold shares in the Company pursuant to Section 8(4)(c) of the Companies Act 2016.

⁽²⁾ Deemed interested by virtue of his interest in Weng Fatt Stainless Steel Sdn Bhd pursuant to Section 8(4)(c) of the Companies Act 2016 and shares held by his spouse, Ong Soo Fan and his children, Joyce Koon Hui Ginn, Koon Hui Ling (Carolyn), Lydia Koon Hui Li, Leslie Koon Tzer Peng and John Koon Tzer Lim.

⁽³⁾ Deemed interested by virtue of his interest in Weng Fatt Stainless Steel Sdn Bhd pursuant to Section 8(4)(c) of the Companies Act 2016.

⁽⁴⁾ Deemed interested by virtue of his interest in Weng Fatt Stainless Steel Sdn Bhd pursuant to Section 8(4)(c) of the Companies Act 2016 and shares held by his daughter, Koon Sim Ee.

SUBSTANTIAL SHAREHOLDERS

as per Register of Substantial Shareholders as at 1 April 2019

Name	Direct		Indirect	
	No. of Shares Held	% of Issued Capital #	No. of Shares Held	% of Issued Capital #
Press Metal Aluminium Holdings Berhad	42,951,916	27.43	0	0.00
Weng Fatt Stainless Steel Sdn Bhd	13,594,576	8.68	0	0.00
Alpha Milestone Sdn Bhd	0	0.00	42,951,916 ⁽¹⁾	27.43
Tan Sri Dato' Koon Poh Keong	2,182,000	1.39	42,951,916 ⁽²⁾	27.43
Koon Poh Ming	60,000	0.04	40,406,806 ⁽³⁾	25.81
Dato' Koon Poh Tat	6,910,000	4.41	13,594,576 ⁽⁴⁾	8.68
Koon Poh Weng	20,000	0.01	13,604,576 ⁽⁵⁾	8.69
Estate of Kuan Poh Fatt	0	0.00	13,594,576 ⁽⁴⁾	8.68
Koon Poh Kong	0	0.00	13,594,576 ⁽⁴⁾	8.68
Ong Soo Fan	11,812,230	7.54	28,654,576 ⁽⁶⁾	18.30
Puan Sri Datin Khoo Ee Pheng	0	0.00	45,133,916 ⁽⁷⁾	28.83

Excluding a total of 5,040,400 shares bought-back by the Company and retained as treasury shares.

⁽¹⁾ Deemed interested in the shares held via Press Metal Aluminium Holdings Berhad in the Company pursuant to Section 8(4)(c) of the Companies Act 2016.

⁽²⁾ Deemed interested in the shares held via Alpha Milestone Sdn Bhd in Press Metal Aluminium Holdings Berhad, which in turn hold shares in the Company pursuant to Section 8(4)(c) of the Companies Act 2016.

⁽³⁾ Deemed interested by virtue of his interest in Weng Fatt Stainless Steel Sdn Bhd pursuant to Section 8(4)(c) of the Companies Act 2016 and shares held by his spouse, Ong Soo Fan and his children, Joyce Koon Hui Ginn, Koon Hui Ling (Carolyn), Lydia Koon Hui Li, Leslie Koon Tzer Peng and John Koon Tzer Lim.

⁽⁴⁾ Deemed interested by virtue of their interest in Weng Fatt Stainless Steel Sdn Bhd pursuant to Section 8(4)(c) of the Companies Act 2016.

⁽⁵⁾ Deemed interested by virtue of his interest in Weng Fatt Stainless Steel Sdn Bhd pursuant to Section 8(4)(c) of the Companies Act 2016 and shares held by his daughter, Koon Sim Ee.

⁽⁶⁾ Deemed interested in the shares held by her spouse, Koon Poh Ming and her children, Joyce Koon Hui Ginn, Koon Hui Ling (Carolyn), Lydia Koon Hui Li, Leslie Koon Tzer Peng and John Koon Tzer Lim and by virtue of her spouse's interest in Weng Fatt Stainless Steel Sdn Bhd pursuant to Section 8(4)(c) of the Companies Act 2016.

⁽⁷⁾ Deemed interested in the shares held via Alpha Milestone Sdn Bhd in Press Metal Aluminium Holdings Berhad, which in turn hold shares in the Company pursuant to Section 8(4)(c) of the Companies Act 2016 and shares held by her spouse, Tan Sri Dato' Koon Poh Keong.

THIRTY LARGEST SHAREHOLDERS

as at 1 April 2019

	Name of Shareholders	No. of Shares	% of Issued Capital #
1	Press Metal Aluminium Holdings Berhad	42,951,916	27.43
2	AMSEC Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account - AmBank (M) Berhad for Weng Fatt Stainless Steel Sdn Bhd (Smart)</i>	13,594,576	8.68
3	Ong Soo Fan	9,812,230	6.27
4	Ong Shaw Huat	7,235,302	4.62
5	RHB Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Dato' Koon Poh Tat</i>	6,910,000	4.41
6	Lee Wee Keong (Li Weiqiang)	6,766,700	4.32
7	Ong Sow Yong	6,497,176	4.15
8	Ong Sow Mei	6,392,000	4.08
9	John Koon Tzer Lim	3,000,000	1.92
10	Joyce Koon Hui Ginn	3,000,000	1.92
11	Koon Hui Ling (Carolyn)	3,000,000	1.92
12	Leslie Koon Tzer Peng	3,000,000	1.92
13	Lydia Koon Hui Li	3,000,000	1.92
14	Chan Yat Wai	2,587,500	1.65
15	Chan Poh Leng	2,175,800	1.39
16	Citigroup Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Tan Sri Dato' Koon Poh Keong (472783)</i>	2,000,000	1.28
17	Ong Soo Fan	2,000,000	1.28
18	RHB Capital Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Ho Chin Ser</i>	1,525,000	0.97
19	Lim Boon Kuan	1,453,300	0.93
20	HLB Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Khaw Eng Guan</i>	1,160,000	0.74
21	HLB Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Ong Saut Mee</i>	755,500	0.48
22	Alliancegroup Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Ho Chin Ser (6000194)</i>	725,000	0.46
23	RHB Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Leong Yew Cheong</i>	548,900	0.35
24	United Panels Sdn Bhd	525,600	0.33
25	Low Hing Noi	520,000	0.33
26	Alliancegroup Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Leong Hai San (8093773)</i>	500,000	0.32
27	Alliancegroup Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Ho Wee Fatt (7001112)</i>	500,000	0.32
28	Chan Yue Leng	460,400	0.29
29	Tan Yong San	460,000	0.29
30	Maybank Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Ho Chin Ser</i>	420,000	0.27
	Total	133,476,900	85.24

Excluding a total of 5,040,400 shares bought-back by the Company and retained as treasury shares as per the Record of Depositors as at 1 April 2019

ANALYSIS OF ICULS HOLDINGS

as at 1 April 2019

No. of ICULS outstanding	:	75,858,250
Issue date	:	13/07/2018
Maturity date	:	12/07/2023
Exercise Price per ICULS	:	RM2.74

Size of ICULS Holdings	No. of ICULS Holders/ Depositors	% of ICULS Holders/ Depositors	No. of ICULS Held	% of Issued ICULS
Less than 100	6	1.28	143	negligible
100 to 1,000	69	14.75	49,800	0.07
1,001 to 10,000	235	50.21	1,157,200	1.53
10,001 to 100,000	120	25.64	3,766,357	4.96
100,001 to less than 5% of issued ICULS	33	7.05	29,268,001	38.58
5% and above of issued ICULS	5	1.07	41,616,749	54.86
Total	468	100.00	75,858,250	100.00

DIRECTORS' ICULS HOLDINGS

as at 1 April 2019

as per Register of Directors' ICULS Holdings

Name	Direct		Indirect	
	No. of ICULS Held	% of Issued ICULS	No. of ICULS Held	% of Issued ICULS
Tan Sri Dato' Koon Poh Keong	1,091,000	1.44	21,475,958 ⁽¹⁾	28.31
Koon Poh Ming	30,000	0.04	21,798,803 ⁽²⁾	28.74
Dato' Koon Poh Tat	3,455,000	4.55	6,797,288 ⁽³⁾	8.96
Koon Poh Weng	10,000	0.01	6,802,288 ⁽⁴⁾	8.97
Ernest Bong Miao Fatt	48,000	0.06	0	0.00
Loo Lean Hock	0	0.00	0	0.00
Noor Alina Binti Mohamad Faiz	0	0.00	0	0.00

⁽¹⁾ Deemed interested in the ICULS held via Alpha Milestone Sdn Bhd in Press Metal Aluminium Holdings Berhad, which in turn in the Company pursuant to Section 8(4)(c) of the Companies Act 2016.

⁽²⁾ Deemed interested in the ICULS by virtue of his interest in Weng Fatt Stainless Steel Sdn Bhd pursuant to Section 8(4)(c) of the Companies Act 2016 and ICULS held by his spouse, Ong Soo Fan and his children, Joyce Koon Hui Ginn, Koon Hui Ling (Carolyn), Lydia Koon Hui Li, Leslie Koon Tzer Peng and John Koon Tzer Lim.

⁽³⁾ Deemed interested in the ICULS by virtue of his interest in Weng Fatt Stainless Steel Sdn Bhd pursuant to Section 8(4)(c) of the Companies Act 2016.

⁽⁴⁾ Deemed interested in the ICULS by virtue of his interest in Weng Fatt Stainless Steel Sdn Bhd pursuant to Section 8(4)(c) of the Companies Act 2016 and ICULS held by his daughter, Koon Sim Ee.

THIRTY LARGEST ICULS HOLDERS

as at 1 April 2019

	Name of ICULS Holders	No. of ICULS	% of Issued ICULS
1	Press Metal Aluminium Holdings Berhad	21,475,958	28.31
2	AMSEC Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account - AmBank (M) Berhad for Weng Fatt Stainless Steel Sdn Bhd (Smart)</i>	6,797,288	8.96
3	Ong Soo Fan	5,540,515	7.30
4	Ong Sow Mei	3,914,400	5.16
5	Ong Sow Yong	3,888,588	5.13
6	Ong Shaw Huat	3,617,651	4.77
7	RHB Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Dato' Koon Poh Tat</i>	3,455,000	4.55
8	Lee Wee Keong (Li Weiqiang)	3,122,500	4.12
9	John Koon Tzer Lim	1,692,200	2.23
10	Joyce Koon Hui Ginn	1,692,200	2.23
11	Koon Hui Ling (Carolyn)	1,692,200	2.23
12	Leslie Koon Tzer Peng	1,692,200	2.23
13	Lydia Koon Hui Li	1,692,200	2.23
14	Chan Yat Wai	1,648,200	2.17
15	Chan Poh Leng	1,153,200	1.52
16	Citigroup Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Tan Sri Dato' Koon Poh Keong (472783)</i>	1,000,000	1.32
17	Ong Soo Fan	1,000,000	1.32
18	Lim Boon Kuan	858,150	1.13
19	RHB Capital Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Ho Chin Ser</i>	750,000	0.99
20	Tan Yong San	370,000	0.49
21	Alliancegroup Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Ho Chin Ser (6000194)</i>	325,000	0.43
22	Ong Saut Mee	318,000	0.42
23	Maybank Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Chia Ai Ling</i>	284,300	0.37
24	United Panels Sdn Bhd	262,800	0.35
25	Low Hing Noi	260,000	0.34
26	Alliancegroup Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Leong Hai San (8093773)</i>	250,000	0.33
27	Alliancegroup Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Ho Wee Fatt (7001112)</i>	243,000	0.32
28	Maybank Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Ho Chin Ser</i>	225,000	0.30
29	Alliancegroup Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Chey Kang Howe (8074762)</i>	216,300	0.29
30	Alliancegroup Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Lim Hung Thiam (7000997)</i>	208,000	0.27
	Total	69,644,850	91.81

ANALYSIS OF WARRANTS HOLDINGS

as at 1 April 2019

No. of Warrants outstanding : 38,739,900
 Issue date : 13/07/2018
 Expiry date : 12/07/2023
 Exercise Price per Warrants : RM3.01

Size of Warrants Holdings	No. of Warrants Holders/ Depositors	% of Warrants Holders/ Depositors	No. of Warrants Held	% of Issued Warrants
Less than 100	26	5.38	1,080	negligible
100 to 1,000	96	19.88	57,315	0.15
1,001 to 10,000	233	48.24	1,009,525	2.60
10,001 to 100,000	98	20.29	2,877,005	7.43
100,001 to less than 5% of issued Warrants	26	5.38	15,940,894	41.15
5% and above of issued Warrants	4	0.83	18,854,081	48.67
Total	483	100.00	38,739,900	100.00

DIRECTORS' WARRANTS HOLDINGS

as at 1 April 2019

as per Register of Directors' Warrants Holdings

Name	Direct		Indirect	
	No. of Warrants Held	% of Issued Warrants	No. of Warrants Held	% of Issued Warrants
Tan Sri Dato' Koon Poh Keong	545,500	1.41	10,737,979 ⁽¹⁾	27.72
Koon Poh Ming	15,000	0.04	10,899,402 ⁽²⁾	28.13
Dato' Koon Poh Tat	1,727,500	4.46	3,398,644 ⁽³⁾	8.77
Koon Poh Weng	5,000	0.01	3,401,144 ⁽⁴⁾	8.78
Ernest Bong Miao Fatt	24,000	0.06	0	0.00
Loo Lean Hock	0	0.00	0	0.00
Noor Alina Binti Mohamad Faiz	0	0.00	0	0.00

⁽¹⁾ Deemed interested in the Warrants held via Alpha Milestone Sdn Bhd in Press Metal Aluminium Holdings Berhad, which in turn in the Company pursuant to Section 8(4)(c) of the Companies Act 2016.

⁽²⁾ Deemed interested in the Warrants by virtue of his interest in Weng Fatt Stainless Steel Sdn Bhd pursuant to Section 8(4)(c) of the Companies Act 2016 and Warrants held by his spouse, Ong Soo Fan and his children, Joyce Koon Hui Ginn, Koon Hui Ling (Carolyn), Lydia Koon Hui Li, Leslie Koon Tzer Peng and John Koon Tzer Lim.

⁽³⁾ Deemed interested in the Warrants by virtue of his interest in Weng Fatt Stainless Steel Sdn Bhd pursuant to Section 8(4)(c) of the Companies Act 2016.

⁽⁴⁾ Deemed interested in the Warrants by virtue of his interest in Weng Fatt Stainless Steel Sdn Bhd pursuant to Section 8(4)(c) of the Companies Act 2016 and Warrants held by his daughter, Koon Sim Ee.

THIRTY LARGEST WARRANTS HOLDERS

as at 1 April 2019

	Name of Warrants Holders	No. of Warrants	% of Issued Warrants
1	Press Metal Aluminium Holdings Berhad	10,737,979	27.72
2	AMSEC Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account - AmBank (M) Berhad for Weng Fatt Stainless Steel Sdn Bhd (Smart)</i>	3,398,644	8.77
3	Ong Soo Fan	2,770,258	7.15
4	Ong Sow Mei	1,947,200	5.03
5	Ong Sow Yong	1,894,294	4.89
6	Ong Shaw Huat	1,808,825	4.67
7	RHB Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Dato' Koon Poh Tat</i>	1,727,500	4.46
8	Lee Wee Keong (Li Weiqiang)	1,338,650	3.46
9	John Koon Tzer Lim	846,100	2.18
10	Joyce Koon Hui Ginn	846,100	2.18
11	Koon Hui Ling (Carolyn)	846,100	2.18
12	Leslie Koon Tzer Peng	846,100	2.18
13	Lydia Koon Hui Li	846,100	2.18
14	Chan Yat Wai	720,000	1.86
15	Maybank Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Ho Chin Ser</i>	675,000	1.74
16	Chan Poh Leng	576,600	1.49
17	Citigroup Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Tan Sri Dato' Koon Poh Keong (472783)</i>	500,000	1.29
18	Ong Soo Fan	500,000	1.29
19	Lim Boon Kuan	428,675	1.11
20	RHB Capital Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Ho Chin Ser</i>	275,000	0.71
21	Alliancegroup Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Ho Wee Fatt (7001112)</i>	152,000	0.39
22	Alliancegroup Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Ho Chin Ser (6000194)</i>	150,000	0.39
23	United Panels Sdn Bhd	131,400	0.34
24	Low Hing Noi	130,000	0.34
25	Ong Saut Mee	124,000	0.32
26	Alliancegroup Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Lim Hung Thiam (7000997)</i>	123,000	0.32
27	Alliancegroup Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Chiang Soak Hoong (7001002)</i>	123,000	0.32
28	Alliancegroup Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Ooi Chin Hock (8058312)</i>	112,500	0.29
29	Huan Mee Kiew	111,800	0.29
30	Alliancegroup Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Chey Kang Howe (8074762)</i>	108,150	0.28
	Total	34,794,975	89.82

LIST OF PROPERTIES

Held by the Group as at 31 December 2018

Proprietor	Location	Description/ Age (Year) / Acquisition Date	Existing Use	Tenure	Area sq. ft.	Net Book Value as at 31.12.2018 RM'000
Everlast Aluminium (M) Sdn Bhd	Lot 1797, Mukim Cheras Daerah Ulu Langat Selangor Darul Ehsan	Freehold land and building 24 years 12/07/1994	Factory cum office	Freehold	83,036	5,845
Everlast Aluminium (M) Sdn Bhd	Lot 1798, Mukim Cheras Daerah Ulu Langat Selangor Darul Ehsan	Leasehold land and building 22 years 29/03/1996	Factory cum office	Leasehold for 47 years expiring 02/09/2065	77,591	3,924
PMB Facade Technology Sdn Bhd	Lot 1804, Mukim of Cheras Daerah Hulu Langat Selangor Darul Ehsan	Freehold land and building 13 years 16/12/2005	Factory cum office	Freehold	89,821	4,870
PMB Facade Technology Sdn Bhd	Unit No. 16-11, Avenue Crest Lot 81129, Mukim Damansara Daerah Petaling, Selangor Darul Ehsan	Freehold land and building 5 years 03/12/2014	Tenanted	Freehold	883	360
Everlast Access Technologies Sdn Bhd	HS (D) 38463, Lot 2826, Mukim 01 Daerah Seberang Perai Tengah Negeri Pulau Pinang	Leasehold land and building 44 years 25/10/2016	Factory cum office	Leasehold for 16 years expiring 29/08/2034	449,922	15,665
PMB Northern Sdn Bhd	HS (D) 77/92, PT 18852 Mukim Sungai Petani Daerah Kuala Muda Kedah Darul Aman	Leasehold land and building 28 years 22/08/2005	Warehouse	Leasehold for 32 years expiring 31/10/2050	19,776	912
PMB Eastern Sdn Bhd	Lot 50356, Mukim Kuala Kuantan Daerah Kuantan Negeri Pahang	Leasehold land and building 40 years 13/07/2012	Warehouse	Leasehold for 27 years expiring 13/04/2045	28,514	1,737
PMB Carbon Sdn Bhd	Lot 6, Section 1, HS (D) 70913, P.T. No. 90870 Mukim of Klang District of Klang Selangor Darul Ehsan	Leasehold land 9 years 26/09/2008	Vacant	Leasehold for 79 years expiring 30/03/2097	609,838	7,711
PMB Carbon Sdn Bhd	Lot 7, Section 1, HS (D) 70913, P.T. No. 90870 Mukim of Klang District of Klang Selangor Darul Ehsan	Leasehold land 10 years 26/09/2008	Vacant	Leasehold for 79 years expiring 30/03/2097	1,219,680	16,395
PMB Carbon Sdn Bhd	Lot 8, Section 1, HS (D) 70913, P.T. No. 90870 Mukim of Klang District of Klang Selangor Darul Ehsan	Leasehold land 7 years 18/01/2012	Vacant	Leasehold for 79 years expiring 30/03/2097	1,503,348	11,931

GROUP DIRECTORY

PMB TECHNOLOGY BERHAD

(Company No. 584257-X)

Lot 1797, Jalan Balakong, Bukit Belimbing,
43300 Seri Kembangan,
Selangor Darul Ehsan, Malaysia.
Tel : 603-8961 5205
Fax : 603-8961 1904
Website URL : www.pmbtechnology.com
Email : enquiry@pmbtechnology.com

EVERLAST ALUMINIUM (M) SDN. BHD.

(Company No. 170443-T)

Lot 1797, Jalan Balakong, Bukit Belimbing,
43300 Seri Kembangan,
Selangor Darul Ehsan, Malaysia.
Tel : 603-8961 5223
Fax : 603-8961 5213
Website URL : www.everlas.com
Email : everlas@everlas.com

EVERLAST ACCESS TECHNOLOGIES SDN. BHD.

(Company No. 491803-H)

Head Quarter

Lot 1797, Jalan Balakong, Bukit Belimbing,
43300 Seri Kembangan,
Selangor Darul Ehsan, Malaysia.
Tel : 603-8961 5223
Fax : 603-8961 5213

Penang Branch

No. 2025, Lorong Perusahaan 8,
Kawasan Perindustrian Prai,
13600 Prai, Penang, Malaysia.
Tel : 604-383 0128
Fax : 604-384 2127

PMB CENTRAL SDN. BHD.

(Company No. 446486-M)

Central I

Lot 1797, Jalan Balakong, Bukit Belimbing,
43300 Seri Kembangan,
Selangor Darul Ehsan, Malaysia.
Tel : 603-8961 1088
Fax : 603-8961 9137
Email : pmbc@streamyx.com

Central II

Lot 439, Kampung Satu, Off 3rd Miles,
Jalan Sungai Besi,
57100 Kuala Lumpur, Malaysia.
Tel : 603-9221 8388
Fax : 603-9221 2688

PMB QUICK ACCESS SDN. BHD.

(Company No. 516692-V)

Lot 1797, Jalan Balakong, Bukit Belimbing,
43300 Seri Kembangan,
Selangor Darul Ehsan, Malaysia.
Tel : 603-8961 8355
Fax : 603-8961 8357
Website URL : www.qaccess-scaffold.com
Email : marketing@qaccess-scaffold.com

PMB FACADE TECHNOLOGY SDN. BHD.

(Company No. 291486-H)

KAI PMB FACADE TECHNOLOGY LTD.

(Company No. C41554(913)/2000)

Lot 1797, Jalan Balakong, Bukit Belimbing,
43300 Seri Kembangan,
Selangor Darul Ehsan, Malaysia.
Tel : 603-8961 5205/8355
Fax : 603-8961 1904/8357
Website URL : www.pmbfacade.com
Email : pmbfacade@pmbfacade.com

PMB-CYBERWALL LTD.

(Company No. 704047)

PMB FACADE TECHNOLOGY (H.K.) LTD.

(Company No. 675899)

Unit 1508-18, 15/F,
41 Heung Yip Road,
Wong Chuk Hang, Hong Kong.
Tel : 852-2397 6008
Fax : 852-2397 6206
Email : info@pmbc.com.hk

PMB SILICON SDN. BHD.

(Company No. 1181986-X)

Lot 1797, Jalan Balakong, Bukit Belimbing,
43300 Seri Kembangan,
Selangor Darul Ehsan, Malaysia.
Tel : 603-8961 8355
Fax : 603-8961 1904

Lot 322, Block 1, Kemena Land District,
Samalaju Industrial Park,
97000 Bintulu,
Sarawak, Malaysia.

PMB EASTERN SDN. BHD.

(Company No. 439685-T)

Block B, Lot 86, Jalan Industri Semambu 7,
Semambu Industrial Estate,
25350 Kuantan, Pahang, Malaysia.
Tel : 609-566 3923
Fax : 609-566 2471

PMB NORTHERN SDN. BHD.

(Company No. 460005-X)

Lot 10-08, Jalan PKNK2,
Kaw. Perindustrian Sungai Petani,
08000 Sg. Petani,
Kedah Darul Aman, Malaysia.
Tel : 604-442 4148/49
Fax : 604-442 4150
Email : pmbn@streamyx.com

PMB ALUMINIUM SABAH SDN. BHD.

(Company No. 772936-H)

Lot No. 2 (DBKK No. 2A), Neutron Park,
Lorong Neutron 1, Kolombong Industrial
Estate,
Kolombong 88450 Kota Kinabalu, Sabah.
Tel : 6088-430 248
Fax : 6088-438 248
Email : pmbSabah@streamyx.com

EVERLAST ENVIRONMENTAL MANAGEMENT SDN. BHD.

(Company No. 207793-P)

Lot 1797, Jalan Balakong, Bukit Belimbing,
43300 Seri Kembangan,
Selangor Darul Ehsan, Malaysia.
Tel : 603-8961 5223
Fax : 603-8961 5213

EVERLAST SYSTEM BUILDER SDN. BHD.

(Company No. 1292454-H)

PMB CARBON SDN. BHD.

(Company No. 817599-X)

PMB.POIC BULKING SDN. BHD.

(Company No. 777915-W)

Lot 1797, Jalan Balakong, Bukit Belimbing,
43300 Seri Kembangan,
Selangor Darul Ehsan, Malaysia.
Tel : 603-8961 8355
Fax : 603-8961 1904

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PROXY FORM

PMB TECHNOLOGY BERHAD

(Company No. 584257-X)
(Incorporated in Malaysia)

CDS Account No.

No. of Shares Held

I/We, _____ NRIC No. / Passport No. / Company No. _____

of _____

and telephone no./email address _____

being a member/members of **PMB TECHNOLOGY BERHAD**, hereby appoint:-

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

*and/*or failing him/her (*delete as appropriate)

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

or failing him/her/them, THE CHAIRMAN OF THE MEETING as *my/our proxy to vote for *me/us on *my/our behalf at the Seventeenth Annual General Meeting of the Company to be held at Room Tunku Abdul Rahman, The Royal Commonwealth Society of Malaysia, No. 4, Jalan Birah, Damansara Heights, 50490 Kuala Lumpur, Malaysia on Wednesday, 26 June 2019 at 10.30 a.m. or at any adjournment thereof and *my/our proxy/proxies is/are to vote as indicated below:-

RESOLUTIONS			FOR	AGAINST
1.	Approval of Directors' fees and benefits payable to the Directors of up to an aggregate amount of RM160,000 for the financial year ending 31 December 2019.	Ordinary Resolution 1		
2.	Re-election of Tan Sri Dato' Koon Poh Keong as Director.	Ordinary Resolution 2		
3.	Re-election of Puan Noor Alina Binti Mohamad Faiz as Director.	Ordinary Resolution 3		
4.	Re-appointment of KPMG PLT as Auditors of the Company.	Ordinary Resolution 4		
5.	Authority under Section 76 of the Companies Act 2016 for the Directors to allot and issue shares.	Ordinary Resolution 5		
6.	Authority for Loo Lean Hock to continue in office as Independent Non-Executive Director.	Ordinary Resolution 6		
7.	Authority for Ernest Bong Miao Fatt to continue in office as Independent Non-Executive Director.	Ordinary Resolution 7		
8.	Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature for PMB Technology Berhad and its subsidiaries.	Ordinary Resolution 8		
9.	Proposed Renewal of Authority for the Company to Purchase its own Ordinary Shares.	Ordinary Resolution 9		

Subject to the abovestated voting instructions, my/our proxy/proxies may vote or abstain from voting on any resolutions as *he/*she/*they may think fit.

If appointment of proxy is under hand _____ Signed by *individual member/*officer or attorney of member/*authorised nominee of _____ (beneficial owner)	No. of shares held: _____ Securities Account No.: _____ (CDS Account No.) (Compulsory) Date : _____
---	--

Fold This Flap For Sealing

<p>If appointment of proxy is under seal</p> <p>The Common Seal of _____ was hereto affixed in accordance with its Constitution in the presence of:-</p> <p>_____</p> <p>Director Director/Secretary</p> <p>in its capacity as *member/*attorney of member/*authorised nominee of _____ (beneficial owner)</p>	<p>Seal</p> <p>No. of shares held: _____</p> <p>Securities Account No.: _____ (CDS Account No.) (Compulsory)</p> <p>Date : _____</p>
---	--

Signed this _____ day of _____ 2019.

* Strike out whichever is not desired. Unless otherwise instructed, the proxy may vote as he/she thinks fit.

Then Fold Here

Affix
Stamp

The Share Registrar
PMB TECHNOLOGY BERHAD (584257-X)

Unit 32-01, Level 32, Tower A,
Vertical Business Suite, Avenue 3, Bangsar South,
No. 8, Jalan Kerinchi,
59200 Kuala Lumpur,
Malaysia.

1st Fold Here

NOTES:

1. A proxy may but need not be a member.
2. To be valid, this form, duly completed must be deposited at the Share Registrar's office of the Company, Tricor Investor & Issuing House Services Sdn Bhd at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia, not less than forty-eight (48) hours before the time for holding the meeting or at any adjournment thereof PROVIDED that in the event the member(s) duly executes the form of proxy but does not name any proxy, such member(s) shall be deemed to have appointed the Chairman of the meeting as his / their proxy, Provided always that the rest of the proxy form, other than the particulars of the proxy have been duly completed by the member(s).
3. A member shall be entitled to appoint not more than one (1) proxy to attend and vote at the same meeting. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
4. Where a member is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.
5. If the appointor is a corporation this form must be executed under the corporation's common seal or under the hand of an officer or attorney duly authorised.
6. In respect of deposited securities, only members whose names appear on the Record of Depositors on 17 June 2019 (General Meeting Record of Depositors) shall be eligible to attend the meeting or appoint proxy(ies) to attend and/or vote on his behalf.
7. Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions at the Seventeenth Annual General Meeting of the Company shall be put to vote by way of poll.

Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s), the members accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 29 April 2019.

