



ABM Fujiya Berhad
(628324-W)



ANNUAL REPORT 2018

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Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Fifteenth Annual General Meeting (“15th AGM”) of ABM Fujiya Berhad (“the Company”) will be held at the Conference Room, Lot 859, Section 66, Lorong Pangkalan, Off Jalan Pangkalan, Pending Industrial Estate, 93450 Kuching, Sarawak, on Thursday, 30 May 2019 at 11:00 a.m. for the transaction of 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.
2. To approve the payment of Directors' Fees and Directors' other benefits up to RM150,000.00 for the financial year ending 31 December 2019. **(Resolution 1)**
3. To re-elect the following Directors who retire by rotation in accordance with Article 86 of the Company's Articles of Association and who being eligible offer themselves for re-election:
 - (a) Dato Sri Tay Ah Ching @ Tay Chin Kin **(Resolution 2)**
 - (b) Puan Sri Corinne Bua Nyipa **(Resolution 3)**
4. To re-appoint Messrs KPMG PLT as Auditors of the Company until the conclusion of the next Annual General Meeting and to authorise the Directors to determine their remuneration. **(Resolution 4)**

AS SPECIAL BUSINESS

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

5. **Continuation in office as Independent Non-Executive Directors pursuant to Practice 4.2 of the Malaysia Code on Corporate Governance 2017**
 - (i) “That approval be and is given to Miss Wong Siaw Wei who has served as an Independent Non-Executive Director of the Company for a consecutive term of more than nine (9) years, to continue in office as an Independent Non-Executive Director of the Company.” **(Resolution 5)**
 - (ii) “That subject to the passing of Resolution 3, approval be and is given to Puan Sri Corinne Bua Nyipa who has served as an Independent Non-Executive Director of the Company for a consecutive term of more than nine (9) years, to continue in office as an Independent Non-Executive Director of the Company.” **(Resolution 6)**
6. **Authority to Issue Shares Pursuant to Sections 75 and 76 of The Companies Act 2016 (“the Act”)** **(Resolution 7)**

“THAT the Directors of the Company be and are hereby empowered pursuant to the Act, to issue and allot shares in the Company, at any time to such persons 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 (10) percent of the issued and paid up share capital of the Company for the time being; AND THAT the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad; AND FURTHER THAT such authority shall commence immediately upon the passing of this resolution and continue to be in force until the conclusion of the next Annual General Meeting of the Company.

Notice of Annual General Meeting (continued)

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

7. Proposed Alteration of the entire existing Memorandum And Articles of Association of the Company by the replacement thereof with a new Constitution of the Company (Resolution 8)

“THAT approval be and is hereby given to alter or amend the entire existing Memorandum And Articles of Association of the Company by the replacement thereof with a new Constitution of the Company as set out in Appendix A with immediate effect AND THAT the Board of Directors of the Company be and is hereby authorised to assent to any conditions, modifications and/or amendments as may be required by any relevant authorities, and to do all acts and things and take all such steps as may be considered necessary to give full effect to the foregoing.”

8. To transact any other business of which due notice shall have been given.

By order of the Board,

Yeo Puay Huang (LS0000577)
Company Secretary
Kuching, Sarawak
30 April 2019

NOTES TO THE NOTICE OF THE 15TH AGM

1.0 Proxy

- 1.1 In respect of deposited securities, only members whose names appear on the Record of Depositors as at 23 May 2019 (General Meeting Record of Depositors) shall be eligible to attend, participate, speak and vote at the AGM.
- 1.2 Where a member is an authorised nominee (AN) as defined under the Securities Industry (Central Depositories) Act, 1991 (SICDA), the AN may appoint proxy(ies) in respect of each securities account it holds which is credited with ordinary shares of the Company; and where a member is an exempt authorised nominee (EAN) as defined under SICDA which holds ordinary shares in the Company for multiple owners in one securities account (omnibus account), the EAN can appoint proxy(ies) in respect of each omnibus account it holds.
- 1.3 Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportion of his shareholding to be represented by each proxy.
- 1.4 The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing, or if the appointer is a corporation under its common seal or in such other manner approved by its directors.
- 1.5 The instrument appointing a proxy must be deposited at the registered office at Lot 2224, Section 66, Lorong Pangkalan, Off Jalan Pangkalan, Pending Industrial Estate, 93450 Kuching, Sarawak, not less than 48 hours before the time appointed for holding the AGM or at any adjournment thereof.
- 1.6 Pursuant to Paragraph 8.29A of Bursa Malaysia Berhad Main Market Listing Requirements, all resolutions set out in the Notice of 15th AGM will be put to vote on a poll.

2.0 Audited Financial Statements for the financial year ended 31 December 2018

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 forward for voting.

3.0 Directors' Fees and benefits payable to Directors

Pursuant to Section 230(1) of the Companies Act 2016, shareholders' approval shall be sought at the 15th AGM on the payment of Directors' fees and Directors' other benefits up to RM150,000 for the financial year ending 31 December 2019.

Notice of Annual General Meeting (continued)

4.0 Re-election of directors

Article 86 of the Company's Articles of Association provides that one third of the Directors of the Company for the time being shall retire by rotation at an AGM of the Company. All the Directors shall retire from office at least in each three (3) years, but shall be eligible for re-election.

The profile of the directors who are standing for re-election, namely Dato Sri Tay Ah Ching @ Tay Chin Kin and Puan Sri Corinne Bua Nyipa as per Agenda 3 of the Notice of 15th AGM are stated on pages 10 to 11 of the Annual Report 2018.

5.0 Re-appointment of Messrs KPMG PLT as Auditors

The Board at its meeting held on 8 April 2019 recommended the re-appointment of Messrs KPMG PLT as External Auditors of the Company for the financial year ending 31 December 2019 for the approval of the shareholders.

KPMG PLT has met the criteria prescribed in Paragraph 15.21 of the Main Market Listing Requirements of Bursa Securities Berhad.

6.0 Continuation in office as Independent Non-Executive Directors pursuant to Practice 4.2 of the Malaysia Code on Corporate Governance 2017

The proposed Resolutions 5 and 6 are to seek shareholders' approval to retain Miss Wong Siaw Wei and Puan Sri Corinne Bua Nyipa as Independent Non-Executive Directors. They have served the Company as Independent Non-Executive Directors for more than nine years. The Nominating Committee have assessed both of them and thereby recommended that they continue in office as Independent Non-Executive Directors of the Company based on the following justifications :

- They have fulfilled the criteria under the definition of Independent Directors as stated in the Main Market Listing Requirements of Bursa Securities;
- They possess vast commercial experience and knowledge that complement the Company's Board composition, and continue to provide valuable insights and contributions to the Board; and
- They have participated in board discussion and they are able to bring independent and objective judgements to the Board.

7.0 Authority to Issue Shares Pursuant to Sections 75 and 76 of The Companies Act 2016 ("the Act")

The Proposed Resolution 7, if passed, will give authority to the Directors of the Company, from the date of 15th AGM, to issue and allot shares to such persons in their absolute discretion with convening a general meeting provided the aggregate number of shares issued does not exceed 10% of the issued share capital of the Company for the time being. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next Annual General Meeting of the Company.

The General Mandate sought will enable the Directors of the Company to issue and allot shares, including but not limited to further placing of shares, for purposes of funding investment(s), repayment of borrowings, working capital and/or acquisition(s).

8.0 Proposed Alteration of the entire existing Memorandum And Articles of Association of the Company by the replacement thereof with a new Constitution of the Company

The proposed Special Resolution, if passed, will bring the Company's Constitution in line with the Companies Act 2016 and the amended Main Market Listing Requirements of Bursa Securities as well as to enhance administrative efficiency.

The proposed new Constitution is set out in Appendix A which is circulated together with this Annual Report.

Corporate Information

BOARD OF DIRECTORS

Dato Sri Tay Ah Ching @ Tay Chin Kin

Non-Independent Executive Group Chairman

Dato' Tay Tze How

Non-Independent Managing Director

Dato' Tay Tze Poh

Non-Independent Deputy Managing Director

Puan Sri Corinne Bua Nyipa

Independent Non-Executive Director

Datuk Haji Abang Abdul Wahap Bin Haji Abang Julai

Independent Non-Executive Director

(resigned on 26 February 2019)

Dato' Ooi Teik Heng

Independent Non-Executive Director

Wong Siaw Wei

Independent Non-Executive Director

Sim Chong Hong

Independent Non-Executive Director

COMPANY SECRETARY

Yeo Puay Huang (LS 0000577)

AUDITORS

KPMG PLT (LLP0010081-LCA & AF 0758)

Chartered Accountants
Level 2, Lee Onn Building
Jalan Lapangan Terbang
93250 Kuching, Sarawak

REGISTERED OFFICE AND CORPORATE OFFICE

Lot 2224, Section 66
Lorong Pangkalan, Off Jalan Pangkalan
Pending Industrial Estate
93450 Kuching, Sarawak
Telephone No. : 082-333 344
Facsimile No. : 082-483 603
E-mail: admin@abmfujiya.com.my
Website: <http://www.abmfujiya.com>

REGISTRAR

Securities Services (Holdings) Sdn Bhd (36869-T)

Level 7, Menara Milenium, Jalan Damanlela
Pusat Bandar Damansara
Damansara Heights
50490 Kuala Lumpur
Telephone No. : 03-2084 9000
Facsimile No. : 03-2094 9940

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia Securities Berhad

STOCK NAME

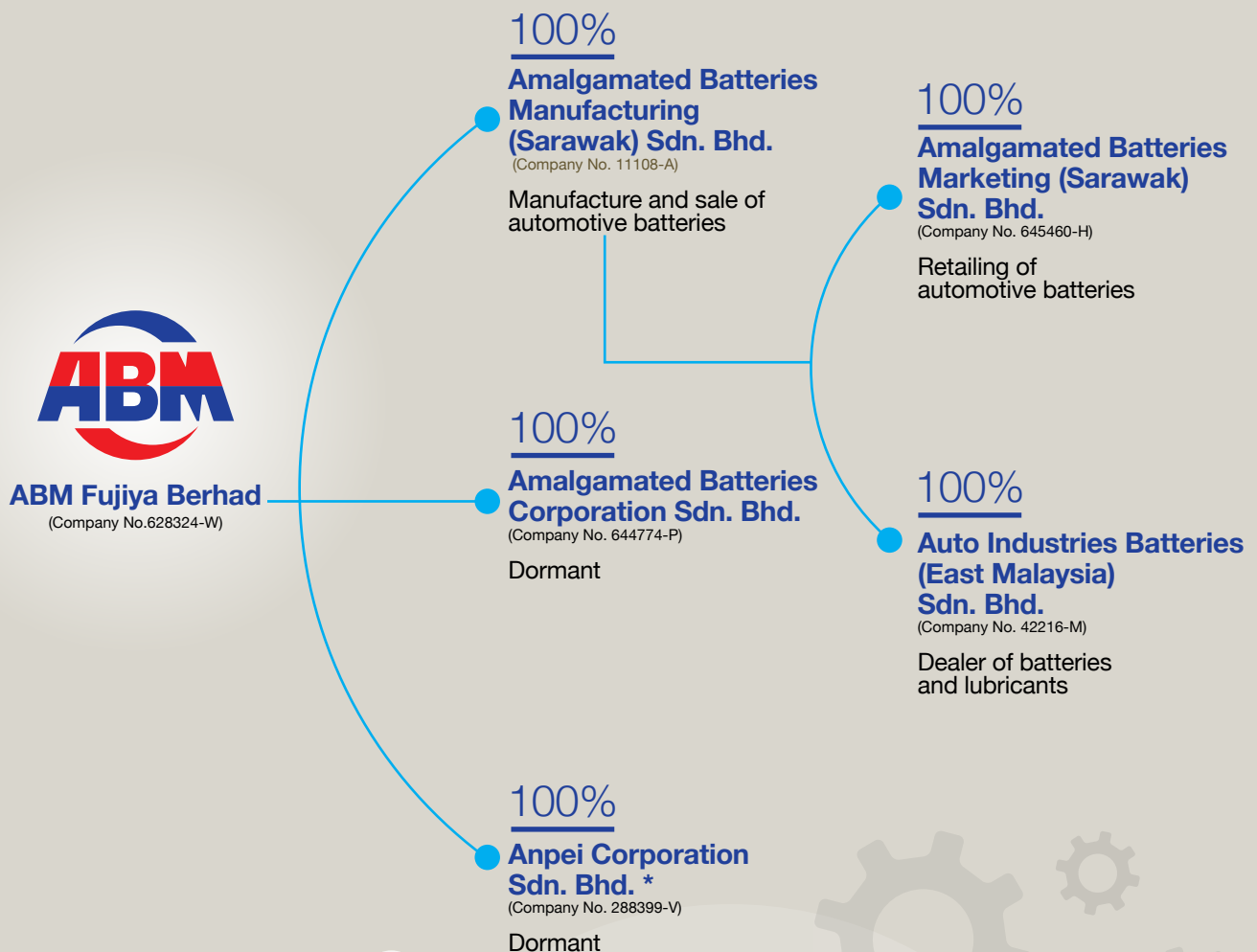
AFUJIYA

STOCK CODE

5198



Corporate Structure



* In the progress for strike-off by the Companies Commission of Malaysia.



Management Discussion and Analysis

BUSINESS OVERVIEW

ABM Fujiya Berhad (“ABM Fujiya”) was incorporated in Malaysia on 16 September 2003 under the Companies Act 1965, as a public limited company. ABM Fujiya was listed on the Main Board of Bursa Malaysia Securities Berhad on 23 July 2013.

ABM Fujiya is an investment holding company, whilst its subsidiary Amalgamated Batteries Manufacturing (Sarawak) Sdn. Bhd. (“ABM”) is principally engaged in the manufacturing of a comprehensive range of automotive batteries and batteries for storage and electrical application. ABM and its subsidiaries companies, Amalgamated Batteries Marketing (Sarawak) Sdn. Bhd. and Auto Industries Batteries (East Malaysia) Sdn. Bhd. are involved in the trading, marketing and retailing of batteries, lubricants and other automotive parts.

As a key player in the batteries manufacturing and marketing business, ABM Fujiya and its group of companies (“the Group”) operates from its manufacturing and sales facilities located in Kuching, Sarawak and Kota Kinabalu, Sabah. Over the years our Group has invested in high-tech and automated plants and machineries to equip us with capabilities to design, manufacture and supply a wide range of products to our local and overseas customers.



PERFORMANCE

A brief analysis of key financial information of the Group for financial year ended (“FYE”) 2017 and FYE2018 is tabulated below:

Financial highlights and financial indicators

	2018 RM	2017 RM
Revenue	112,027,488	100,114,356
Profit before tax	3,702,140	5,209,260
Earnings before interests, taxes, depreciation and amortisation (EBITDA)	17,643,344	17,835,536
Profit net of tax	4,187,707	6,364,623
Profit attributable to equity holders of the Company	4,187,707	6,364,623
Total assets	255,484,712	243,879,163
Total liabilities	97,355,604	90,228,346
Total borrowings	87,100,657	72,406,664
Total equity	158,129,108	153,650,817

FINANCIAL INDICATORS

Earning per share (sen)	2.33	3.54
Net assets per share (RM)	0.88	0.85
Return on equity (%)	2.65	4.14
Return on total assets (%)	1.64	2.60

Management Discussion and Analysis (continued)

PERFORMANCE (continued)

The Group's revenue increased by 11.9% from RM100.11 million for FYE2017 to RM112.03 million for the FYE2018. The increase in revenue was contributed by the strengthening of demand in the domestic market.

For FYE2018, the Group recorded profit before tax ("PBT") of RM3.70 million as compared to RM5.21 million in FYE2017. The decrease was contributed by various factors such as fluctuations in foreign exchange and increase in the cost of labour and raw materials. As a result, the Group's earnings per share for the year stands at 2.33 sen for FYE2018, as compared to 3.54 sen in FYE2017.

In spite of the challenging domestic and global business environments, our Group managed to pull together to deliver a healthy PBT for the financial year. Overall, the Group's financial position remains stable with increase in shareholders' equity from RM153.65 million for FYE2017 to RM158.13 million for FYE2018.

The Group's net asset per share increased by RM0.03 from RM0.85 in the FYE2017 to RM0.88 for FYE2018.

Our Group remains committed to pursue continuous improvements in our products and technical capabilities, as well as operational and production efficiencies. In 2018, our Group invested RM6.89 million towards the purchase of machineries and equipments to modernise and to increase automation in our production processes.

RISK MANAGEMENT

Business and operational risks that are inherent in the industry which we operate include, amongst others, labour and raw material shortages, increase in labour costs and fluctuation in the price of raw materials.

Our Group Chairman and factory general manager have over 40 years of relevant experience in the battery industry. Other Directors and key management personnels also have exposure in the manufacturing, trading, marketing, management and banking industry. Our Group is optimistic that having experienced Directors and key management is one of the major mitigating factors to managing the risks mentioned above.

Political, economic and regulatory conditions in Malaysia and overseas could affect the profitability and business prospect of our Group. These uncertainties include, but not limited to changes in political leadership, changes in investment policies, taxation, nationalisation, changes in interest rates, risks of war and global economic downturn. Our sales and marketing team maintains overview of the business environment of the overseas markets and ensures that the credit facilities we offered are in a manner to minimise financial risks to our Group.

Our Group's revenue is derived from both local sales and exports. Revenue generated from exports is mainly denominated in United States Dollar ("USD"). As such, we are exposed to foreign currency exchange losses or gains arising from timing differences. As a countermeasure, our Group maintains foreign currency accounts to off-set some of our purchases in foreign currency to provide a certain degree of natural hedge against sudden fluctuations in USD.

Although our Group has put in place various initiatives to mitigate the risks mentioned above, we acknowledge that some of these risks are beyond our Group's control. There is no assurance that these risks will not have adverse material impact on our Group's performance.

BUSINESS OUTLOOK

Year 2018 was overall a difficult year, with the domestic and global economic environment remaining sluggish due to weak oil prices, prolonged low commodity prices, the fluctuations in the foreign exchange, and a subdued global and domestic economic growth.

Nevertheless, in 2018 the automotive industry had recorded its total industry volume of 598,714 vehicles, which is an increase of 22,079 vehicles from the 576,635 units which was achieved in 2017. This improvement is likely attributed to the tax holiday period, whereby the Goods and Services Tax was revised from 6% to 0% on 1 June 2018 prior to the implementation of the Sales and Services Tax on 1 September 2018.

Management Discussion and Analysis (continued)

PROSPECTS

The Malaysian economy accelerated in the final quarter of 2018, posting a growth of 4.7%, which was above Bloomberg's survey of a 4.5% growth after the moderation in the prior two consecutive quarters. The key drivers of growth were resilient private consumption, improvement in the commodity related sectors coupled with expansion in the services and manufacturing sectors.

Overall, the private consumption benefited from weak inflationary pressure amid strong income growth. The Bank Negara Malaysia had maintained the overnight policy rate unchanged at 3.25% since January 2018.

The Bank Negara Malaysia has commented that the Malaysian economy is likely to remain on a steady growth path with continued support from private sector spending. Whereas, support from external sector is expected to soften, which is in tandem with moderating global growth momentum. The FocusEconomics expects the Malaysian economy growth to remain unchanged, with Gross Domestic Product ("GDP") growing at 4.7% in 2019.

Nevertheless, the global economy remains to be influenced by the uncertainty surrounding the UK's Brexit deal, the effect of the US-China trade war and the slowdown of the economic momentum in China. Furthermore, the sluggish demand and lower world commodity prices, continue to be a source of concern.

We will continue to be steadfast in our commitments in pursuing continuous improvements in our products and services, technology advancement, improvement in efficiencies and our long term strategies to strengthen and expand our presence in the existing and new markets to ensure sustainable growth and development.

DIVIDEND

No dividends have been paid by the Group for the current financial year. Payments of future dividends is subject to profitability, cashflow, capital commitments and other matters the Board deems relevant from time to time.

IN APPRECIATION

On behalf of the Board of Directors, I wish to express my appreciation to all our valued shareholders, bankers, government agencies and business associates for their unwavering support and confidence in our Group.

I would also take this opportunity to commend my fellow Board members for their stewardship, dedication and participation in the various Board Committees. Last but not least, I would like to thank our past Director YBhg. Datuk Haji Abang Abdul Wahap Bin Haji Abang Julai, who had served the Board since 30 November 2009, for his dedication and invaluable guidance to our Group.

At the same time I would like to convey my gratitude to our management and staffs for their commitment and continuous endeavour in pursuing continuous improvements in our products and services to ensure sustainable growth and development.

I believe that with unwavering commitment, we can work together to continue to weather through the challenges ahead and to embrace the constantly changing environment to bring our Group towards sustainable growth.

DATO SRI TAY AH CHING @ TAY CHIN KIN

Chairman

Directors' Profile



Dato Sri Tay Ah Ching @ Tay Chin Kin

Malaysian, male, aged 72, is the founder and Non-Independent Executive Group Chairman of the Company. Dato Sri Tay was appointed to the Board on 30 November 2009. He has vast experience and well versed with the operations, planning and business development of our Group and his management style encompasses a very hands-on approach. He is the father of Dato' Tay Tze How (Managing Director) and Dato' Tay Tze Poh (Deputy Managing Director). He does not have any conflict of interest with the Company and has no convictions for any offences within the past five years. He attended four (4) out of five (5) meetings of the Board of Directors held during the financial year.

Dato' Tay Tze How

Malaysian, male, aged 48, Non-Independent Managing Director. Dato' Tay was appointed to the Board on 30 November 2009. He holds a Bachelor of Commerce Degree from Curtin University of Technology, Australia. He is the son of Dato Sri Tay Ah Ching @ Tay Chin Kin (Group Chairman) and the brother of Dato' Tay Tze Poh (Deputy Managing Director). He does not have any conflict of interest with the Company and has no convictions for any offences within the past five years. He attended four (4) out of five (5) meetings of the Board of Directors held during the financial year.



Dato' Tay Tze Poh

Malaysian, male, aged 47, Non-Independent Deputy Managing Director. Dato' Tay was appointed to the Board on 30 November 2009. He holds a Bachelor of Arts Degree from Curtin University of Technology, Australia. He is the son of Dato Sri Tay Ah Ching @ Tay Chin Kin (Group Chairman) and the brother of Dato' Tay Tze How (Managing Director). He does not have any conflict of interest with the Company and has no convictions for any offences within the past five years. He attended all the five (5) meetings of the Board of Directors held during the financial year.



Puan Sri Corinne Bua Nyipa

Malaysian, female, aged 56, Independent Non-Executive Director. Puan Sri Corinne was appointed to the Board on 22 January 2010. She is a Member of the Nominating Committee. She does not have any family relationship with any director and/or major shareholder of the Company, nor any conflict of interest with the Company. She has no convictions for any offences within the past five years. She attended three (3) out of five (5) meetings of the Board of Directors during the financial year. She was appointed as a member of Audit Committee on 26 February 2019.

Datuk Haji Abang Abdul Wahap Bin Haji Abang Julai

Malaysian, male, aged 68, Independent Non-Executive Director. Datuk Haji Abang Abdul Wahap was appointed to the Board on 30 November 2009. He is the Chairman of the Remuneration Committee and also a Member of the Audit Committee. He holds an Advance Diploma in Police Science and a Bachelor of Law (LLBs Hon) - Honours Second Upper Class. He does not have any family relationship with any director and/or major shareholder of the Company, nor any conflict of interest with the Company. He has no convictions for any offences within the past five years. He attended three (3) out of five (5) meetings of the Board of Directors during the financial year. He resigned as an Independent Non-Executive Director, member of Audit Committee and Chairman of Remuneration Committee on 26 February 2019.



Dato' Ooi Teik Heng

Malaysian, male, aged 64, Independent Non-Executive Director. Dato' Ooi was appointed to the Board on 18 August 2010. He is the Chairman of the Nominating Committee and also a Member of the Remuneration Committee. He does not have any family relationship with any director and/or major shareholder of the Company, nor any conflict of interest with the Company. He has no convictions for any offences within the past five years. He attended all the five (5) meetings of the Board of Directors held during the financial year.

Directors' Profile (continued)



Miss Wong Siaw Wei

Malaysian, female, aged 43, Independent Non-Executive Director. Ms Wong was appointed to the Board on 30 November 2009. She is the Chairperson of the Audit Committee and also a Member of the Nominating and Remuneration Committees. She is a Fellow Member of the Association of Chartered Certified Accountants (FCCA) and a member of the Malaysian Institute of Accountants (MIA). She does not have any family relationship with any director and/or major shareholder of the Company, nor any conflict of interest with the Company. She has no convictions for any offences within the past five years. She attended all the five (5) meetings of the Board of Directors held during the financial year.

Mr Sim Chong Hong

Malaysian, male, aged 46, Independent Non-Executive Director. Mr Sim was appointed to the Board on 4 June 2015. He is the Member of the Audit, Nominating and Remuneration Committees. He is a Member of the Advocates Association of Sarawak. He does not have any family relationship with any director and/or major shareholder of the Company, nor any conflict of interest with the Company. He has no convictions for any offences within the past five years. He attended all the five (5) meetings of the Board of Directors held during the financial year. He was redesignated as the Chairman of the Remuneration Committee on 26 February 2019.



Profile of Senior Management

Ong Hui Lian *Finance Manager*

Malaysian, female, aged 54, joined the Company as Finance Manager on 26 December 2009. Ms Ong graduated with Bachelor of Commerce from the University of Tasmania, Australia in 1990.

Ms Ong has more than 18 years of work experience in the banking industry with vast experience in the finance, risk management, business development, customer service, staff development and is well versed in the manufacturing and trading businesses.

She does not hold any directorship of public companies and has no family relationship with other Directors or major shareholders of the Company. She has no conflict of interest with the Company and no conviction for any offences within the past five years.

Desmond Hii Hiong Sion *Accountant*

Malaysian, male, aged 37, joined the Company as Accountant on 1 November 2016. Mr Hii graduated with Bachelor of Business (Accounting) from Swinburne University of Technology, Australia in 2008.

Mr Hii is a member of the Certified Practising Accountant Australia (CPA Australia) and a member of the Malaysian Institute of Accountants (MIA). He has more than 10 years of work experience in various industries, such as audit, tax and commercial fields.

He does not hold any directorship of public companies and has no family relationship with other Directors or major shareholders of the Company. He has no conflict of interest with the Company and no conviction for any offences within the past five years.

Ir. Lim Tee *Factory General Manager*

Malaysian, male, aged 79, joined the Company as Factory General Manager on 1 August 1990. Ir. Lim Tee graduated with Bachelor of Science and Engineering from National Cheng Kung University, Taiwan. He has been involved in the battery manufacturing industry since 1966, working in various companies as Quality Manager and Works Manager.

He does not hold any directorship of public companies and has no family relationship with other Directors or major shareholders of the Company. He has no conflict of interest with the Company and no conviction for any offences within the past five years.

Tay Siew Ling *Administration cum Human Resource Manager*

Malaysian, female, aged 43, joined the Company since 2000. Ms Tay graduated with Bachelor of Commerce from University of Western Australia. Ms Tay has commenced her career in the Warehouse and Purchasing Department before joining the Administration Department. She was appointed as Administration cum Human Resource Manager on 1 August 2005.

Ms Tay does not hold any directorship of public companies. She is the daughter of Dato Sri Tay Ah Ching @ Tay Chin Kin (Group Chairman) and sister of Dato' Tay Tze How (Managing Director) and Dato' Tay Tze Poh (Deputy Managing Director). She has no conflict of interest with the Company and no conviction for any offences within the past five years.

Sustainability Statement

ABM Fujiya Berhad (“ABM Fujiya”) strives to be committed to integrate sustainability into our working culture and business to ensure continuous sustainable growth in the long run by considering the significant economic, environmental and social impacts.

ECONOMIC

As our main business is the manufacture and sale of automotive batteries, we focus on enhancing the performance of our products from time to time with the latest technology to improve the quality of our products. We also put emphasis on the after-sales services in order to achieve customer satisfaction and expand clientele. This approach can help us to maintain a viable business model.

In 2018, our management team had participated in a few large international exhibitions at Laos, Sri Lanka and Cambodia to raise awareness of our brand overseas, to clarify doubts from end consumers as well as to penetrate into wider markets.

Our quality management system is in compliance with ISO 9001:2015.



ENVIRONMENT

In the battery manufacturing industry, the emission of lead is inevitable. ABM Fujiya has undertaken engineering controls to mitigate the risk in relation to the environment. We installed effluent treatment plants to treat the water effluent before discharging to civil drain. The coagulated and flocculated solid wastes are filtered and then disposed to a licensed scheduled waste disposer. Our procedures and standards adhere to the requirements of the Department of Environment.

In our production processes, we have implemented the ISO9001:2015 quality management system to ensure wastages are reduced. We provide briefings to employees to practice 3R (reduce, reuse and recycle). Some of the measures taken are replacing the fluorescent light with energy efficient lights such as LEDs, to ensure electricity switches and water taps are turn off when not in use, reuse materials such as pallets, carton boxes, core for wrapping materials in our production operations and encourage our employees to use recycled papers for unofficial documents and internal memorandums.

At ABM Fujiya, we are committed to protect the environment while running our day to day operations.

COMMUNITY

In relation to our corporate social responsibility activities, ABM Fujiya succeeded in organising three blood donation campaigns in year 2018 in replenishing the blood supply for the blood bank of Sarawak General Hospital.

ABM Fujiya also recognises the social needs of the community by sponsoring our automotive batteries to the less fortunate in the rural area for solar applications. As such, we manage to create a positive impact on the community.



Sustainability Statement (continued)



EMPLOYEES AND WORKPLACE

ABM Fujiya emphasises on the development of our employees. In order to upgrade the skills of all our employees, we provide relevant trainings or programs in a timely manner to enhance their relevant skills that can be contributed to their jobs effectively.

Besides that, ABM Fujiya also put a lot of emphasis on the health and safety of its employees and the public in general. We foster a proper occupational health and safety culture in our workplace to ensure a healthy and safe workplace to work in.

Our core safety and health activities include the following briefings:

- Lead safety;
- Working near moving parts;
- Manual lifting; and
- Personal protective equipment usage.

We provide basic safety training such as Basic Operational First Aid, cardiopulmonary resuscitation ("CPR"), fire extinguisher training, emergency evacuation process and emergency response planning in a timely manner to ensure all of our workers are well educated and trained to handle emergencies should they occur and to minimise accidents at workplace. We constantly engage the services of Occupational Safety and Health consultants and clinical services to assist us in carrying out various monitoring and tests such as blood and hearing tests yearly to identify and propose safety measures at site.



Statement of Corporate Governance

The Board of Directors (“the Board”) is committed to upholding high standards of good Corporate Governance in conducting the affairs of the Company and its subsidiaries (“the Group”). The Board will continue to enhance corporate governance in order to safeguard the interests of shareholders and other stakeholders.

The Board is pleased to share the manner in which the Principles of the Malaysian Code of Corporate Governance 2017 (“MCCG 2017”) issued by the Securities Commission Malaysia has been applied within the Group and the extent to which the Group has complied with the Recommendations of the MCCG 2017 during the financial year ended 31 December 2018.

I. ESTABLISH CLEAR ROLES AND RESPONSIBILITIES

The Board is responsible for the stewardship of the business and affairs of the Group on behalf of the shareholders with view of enhancing long-term value of their investment. The functions and responsibilities of the Board include the following six (6) specific responsibilities:-

- i. Adopting and reviewing a strategic plan for the Group;
- ii. Overseeing and evaluating the conduct and performance of the Group's businesses;
- iii. Identifying and managing principal risks and ensuring the implementation of appropriate systems to manage these risks;
- iv. Succession planning, including appointing, training, fixing the remuneration of senior management of the Group;
- v. Developing and implementing an investor relations programme or shareholder communications policy for the Group; and
- vi. Reviewing the adequacy and integrity of the Group's internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines.

The Group is also committed towards sustainable development. Employees' welfare, environment and community responsibilities are integral to the conduct of the Group's business. The sustainability statement is set out on pages 14 to 16 of this Annual Report.

In performing its duties, the Board has access to the advice and services of the Company Secretaries and, if necessary, may seek independent professional advice about the affairs of the Group.

To assist in the discharge of its stewardship role, the Board has established Board Committees, namely the Audit Committee, Nominating Committee and Remuneration Committee, to examine specific issues within their respective terms of reference as approved by the Board and for them to report to the Board their recommendations. The ultimate responsibility for decision making, however, lies with the Board.

Board Charter

The Board has adopted a Board Charter, setting out, inter-alia, the roles and responsibilities of the Board, Board Committees, Executive and Non-Executive and Management. The Charter includes the limits of authority accorded and also contains a formal schedule of matters reserved to the Board for deliberation and decision so that the control and direction of the Group's businesses are in its trends. The Board will review Board Charter from time to time to ensure consistency with the Board's Strategies and relevance to standard of corporate governance.

In line with practices in the MCCG 2017 to make public the Board Charter, the Company has established and uploaded the Board Charter on its website at www.abmfujiya.com.

Statement of Corporate Governance (continued)

Directorships in Other Companies

In compliance with Paragraph 15.06 restriction on directorship in listed issuers of the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Malaysia"), the Directors of the Company do not hold more than five (5) directorships in Public Listed Companies and the listing of directorships held by Directors is confirmed by each Director.

Board Meetings and Access to Information

Each member of the Board is expected to commit sufficient time and attention to the affairs of the Group. To allow Directors to plan ahead and to maximise their participation, a meeting schedule is set before the beginning of the year.

The Board meets at least four times a year, with additional meetings convened as and when the Board's approval and guidance are required. Upon consultation with the Chairman and the Managing Director, due notice shall be given of proposed dates of meetings during the financial year and standard agenda and matters to be tabled to the Board.

Prior to the Board meetings, the Company Secretary will furnish a notice together with an agenda to the Directors to allow them to have adequate preparation time to ensure effectiveness at the proceedings of the meeting. The Company Secretary will ensure Board's proceedings are followed regularly and reviewed and will also provide guidance to the Board on Director's obligation arising from the rules and regulations including the MCCG 2017 and the Main Market Listing Requirements ("MMLR") of Bursa Malaysia.

Technology and information technology are effectively used in Board meetings and communications with the Board, where Directors may participate in meetings by audio or video conference, and Board materials are shared electronically.

Five (5) Board meetings were held during the financial year ended 31 December 2018 and details of the attendance of each Director are as follows:

Name of Directors	Meetings Attended
Dato Sri Tay Ah Ching @ Tay Chin Kin	4/5
Dato' Tay Tze How	4/5
Dato' Tay Tze Poh	5/5
Puan Sri Corinne Bua Nyipa	3/5
Datuk Haji Abang Abdul Wahap Bin Haji Abang Julai ⁽¹⁾	3/5
Dato' Ooi Teik Heng	5/5
Wong Siaw Wei	5/5
Sim Chong Hong	5/5

Note:

⁽¹⁾ *Datuk Haji Abang Abdul Wahap Bin Haji Abang Julai resigned as Independent Non-Executive Director on 26 February 2019.*

The Company Secretary will circulate Board meeting papers including Quarterly and Annual "year-to-date" Financial Statements, Minutes of Past Meetings, updates by Regulatory Authorities, Internal and External Auditors' Report.

The Board has full access to the Company Secretary, all information including the advice and services of the Company Secretary in furtherance of their duties. Non-Executive Directors also have the same right of access to all data including seeking independent professional advice as and when required at the Company's expenses.

Statement of Corporate Governance (continued)

Company Secretary

The Board is supported by the Company Secretary who facilitates overall compliance with the MMLR, Companies Act 2016 and other relevant laws and regulations.

The Company Secretary who is qualified, has relevant working experience and competent on statutory and regulatory requirements, briefs the Board on the necessary contents and timing of material announcements to be made to regulators. The removal of the Company Secretary, if any, is the matter for the Board as a whole to make decision.

The Company Secretary attends all Board and Board Committee meetings and ensures that there is a quorum for each of the meeting. She is also responsible for ensuring that all the meetings are convened in accordance with the Board procedures and relevant terms of references.

The minutes of the meetings are prepared to include amongst others, pertinent issues, substance of enquiries and responses, recommendations and decisions made by the Directors. The minutes of the meetings are properly kept in accordance with the relevant statutory requirements of the Companies Act 2016.

II. BOARD STRENGTH

Appointments

The Nominating Committee ("NC") makes independent recommendations for appointments to the Board, based on criteria which they develop, maintain and review. The NC may consider the use of external consultants in the identification of potential Directors. In making these recommendations, the NC assesses the suitability of candidates, taking into account the required mix of skills, knowledge, expertise and experience, professionalism, integrity, competencies, time commitment and other qualities of the candidates, before recommending their appointment to the Board for approval. Prior to the appointment of a director, the potential Director should be required to disclose any other business interest that may result in a conflict of interest in relation to the Company, and shall be required to report any future business interest which may develop post-appointment, that could result in conflict of interest. The Board makes clear at the outset its expectations of its new Directors in terms of their time commitment as recommended by the MCCG 2017.

Re-election of Directors

Pursuant to the Company's Articles of Association, at least one-third (1/3) of all the Directors are subject to retirement by rotation at each Annual General Meeting. Retiring Directors may offer themselves for re-election to the Board. Details of Directors seeking re-election such as inter-alia, age, relevant experience and list of directorships, participation in the Board Committees are disclosed separately in this Annual Report.

Board Diversity Policy

The Board recognises that diversity in its composition is critical in ensuring its effectiveness and good corporate governance. A truly diverse board will include and make use of the variation in the skills, experience, background, race, gender and nationality of its members.

As part of its commitment to enhance its diversity, including gender diversity, the Board is pleased to report that the Company has two (2) female Board members.

Statement of Corporate Governance (continued)

Board Committees

As part of its efforts to ensure the effective discharge of its duties, the Board has delegated certain functions to the following Board Committees and the composition is as follows:-

Audit Committee	• Wong Siaw Wei (Chairperson) • Datuk Haji Abang Abdul Wahap Bin Haji Abang Julai ⁽¹⁾ • Sim Chong Hong • Puan Sri Corinne Bua Nyipa ⁽²⁾
Nominating Committee	• Dato' Ooi Teik Heng (Chairperson) • Puan Sri Corinne Bua Nyipa • Wong Siaw Wei • Sim Chong Hong
Remuneration Committee	• Datuk Haji Abang Abdul Wahap Bin Haji Abang Julai (Chairperson) ⁽¹⁾ • Dato' Ooi Teik Heng • Wong Siaw Wei • Sim Chong Hong ⁽³⁾

Notes:

- (1) *Datuk Haji Abang Abdul Wahap Bin Haji Abang Julai resigned as member of the Audit Committee and Chairperson of the Remuneration Committee on 26 February 2019.*
- (2) *Puan Sri Corinne Bua Nyipa was appointed as the member of Audit Committee on 26 February 2019.*
- (3) *Mr Sim Chong Hong was redesignated as the Chairperson of Remuneration Committee on 26 February 2019.*

All Board Committees consist of members who are exclusively Independent and Non-Executive Directors.

In addition, from time to time the Board reviews the functions and terms of reference of Board Committees to ensure that they are relevant and updated in line with the latest provision of the MCCG 2017 and other related policies or regulatory requirements.

The Chairperson of the respective Board Committees reports to the Board on the outcome of Board Committee meetings which require the Board's attention and direction and the Board also reviews the minutes of the Board Committee meetings.

Meetings and Activities of the Board Committees

Audit Committee

The details of meetings and activities of the Audit Committee can be found in the Audit Committee Report on pages 27 to 30 of this Annual Report.

Nominating Committee

The Committee met twice during the financial year 2018 and the majority of the members of the Committee attended the meetings.

Statement of Corporate Governance (continued)

Nominating Committee (continued)

During the financial year 2018, the Committee has undertaken the following activities:-

- Reviewed the proposed format of the Self-Assessment of individual Directors;
- Reviewed the composition of the Board and the Board Committees;
- Performed Annual Assessment of the Independent Directors; and
- Considered the timetable, process and methodology and outcome of the assessment of the Board of Directors, Board Committees and Directors' training for 2018.

During the year, the Company did not engage any external party in respect of the annual review of the Board of Directors or Board Committees.

Remuneration Committee

The Remuneration Committee ("RC") assists the Board in reviewing and assessing the remuneration packages of Executive Directors, although determination of remuneration packages of both Executive and Non-Executive Directors remains with the Board. The Committee is responsible to ensure the level of remuneration is sufficiently attractive to retain a stable management team and to further encourage creation of value for the shareholders and link rewards to corporate goals and individual performance. Further, the RC also keeps abreast with changes in the external market for remuneration comparable, reviews and recommends changes to the Board as it deems appropriate.

The Committee met once during the financial year 2018 and all members of the Committee attended the meeting.

Directors' Remuneration

The RC determines the remuneration of each Executive Director, Executive Group Chairman and Group Managing Director reflecting the level of responsibility, experience and commitment. The fees paid to Non-Executive Directors are the responsibilities of the entire Board. No Director is involved in determining his/her own remuneration.

The aggregate remuneration of Directors is as follows:

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Executive Directors' Remuneration:				
Salaries and other emoluments	2,974,250	2,973,939	52,000	52,000
Defined contribution plan - EPF	151,869	151,460	—	—
Estimated monetary value of benefits-in-kind	25,082	21,089	—	—
	3,151,201	3,146,488	52,000	52,000
Non-executive Directors' Remuneration:				
Fees	64,000	64,000	64,000	64,000
Other emoluments	7,500	8,000	7,500	8,000
Estimated monetary value of benefits-in-kind	1,673	—	1,673	—
	73,173	72,000	73,173	72,000
Total Directors' remuneration:				
Total Directors' remuneration excluding benefits-in-kind	3,197,619	3,197,399	123,500	124,000
Estimated monetary value of benefits-in-kind	26,755	21,089	1,673	—
Total Directors' remuneration including benefits-in-kind	3,224,374	3,218,488	125,173	124,000

Statement of Corporate Governance (continued)

Directors' Remuneration (continued)

The details of the total remuneration of the directors on a named basis for the financial year ended 31 December 2018 are as follows:

Group	2018		2017	
	Directors' Fee RM	Other allowances (Note A)/ Salaries RM	Directors' Fee RM	Other allowances (Note A)/ Salaries RM
Dato Sri Tay Ah Ching @ Tay Chin Kin	200,000	480,519	200,000	480,000
Dato' Tay Tze How	76,000	261,826	76,000	261,062
Dato' Tay Tze Poh	76,000	259,684	76,000	259,231
Puan Sri Corinne Bua Nyipa	12,000	900	12,000	900
Datuk Haji Abang Abdul Wahap Bin Haji Abang Julai ⁽¹⁾	12,000	600	12,000	1,600
Dato' Ooi Teik Heng	12,000	1,500	12,000	1,500
Wong Siaw Wei	16,000	4,673	16,000	2,000
Sim Chong Hong	12,000	1,500	12,000	2,000
Liew Wee Sam	228,000	136,553	228,000	134,705
Tay Yoke Ling	276,000	68,723	276,000	67,800
Pauline Tay	60,000	204,976	60,000	204,212
Tay Siew Ling	60,000	230,801	60,000	230,612
Tay Tze Kok	—	234,410	—	233,465
Lim Tee	58,800	39,093	58,800	39,141
Datin Seri Sharipah Hishmah Binti Sayed Hassan	4,000	—	4,000	—
Kok Swee Ping	120,000	75,816	120,000	77,460
Company				
Dato Sri Tay Ah Ching @ Tay Chin Kin	20,000	—	20,000	—
Dato' Tay Tze How	16,000	—	16,000	—
Dato' Tay Tze Poh	16,000	—	16,000	—
Puan Sri Corinne Bua Nyipa	12,000	900	12,000	900
Datuk Haji Abang Abdul Wahap Bin Haji Abang Julai	12,000	600	12,000	1,600
Dato' Ooi Teik Heng	12,000	1,500	12,000	1,500
Wong Siaw Wei	16,000	4,673	16,000	2,000
Sim Chong Hong	12,000	1,500	12,000	2,000

Note A:

Other allowances comprise the Chairman's allowance and meeting allowances which vary from one Director to another, depending on the number of committees they sit on and the number of meetings attended during the year

⁽¹⁾ Datuk Haji Abang Abdul Wahap Bin Haji Abang Julai resigned as an Independent Non-Executive Director on 26 February 2019.

Statement of Corporate Governance (continued)

III. BOARD BALANCE AND INDEPENDENCE

The Board gives close consideration to its size, composition and spread of experience and expertise that enables the Board to provide effective leadership as well as independent judgment on business decisions, taking into account long term interest of shareholders, customers, suppliers and other business associates with whom the Group conducts its business.

During the financial year ended 31 December 2018, the Directors individually complete a formal written assessment of the Board, its performance, composition and conduct. The Chairman collates the opinions and responses of Directors and tables the results for review, comment and recommendation by the Board.

The Board comprises three (3) Executive Directors and four (4) Independent Non-Executive Directors. The Board comprises a majority of Independent Non-Executive Directors, which is in line with the Recommendation of the MCCG 2017 and the MMLR that requires one-third (1/3) of Board members to be independent directors.

The Board is satisfied with the composition and good mix of Executive Directors and Independent Non-Executive Directors to carry out the Board's priorities objectively and impartially and to grow the Group effectively. The Board is mindful of the MCCG 2017 which stipulates the requirement for Board to comprise a majority of Independent Directors if the Chairman is also the Group Managing Director. The Board will give careful consideration and take necessary measure to comply including any restructuring when the need arises whilst simultaneously ensuring an effective and suitable composition, including Board size, is achieved in the interest of the Company.

The NC is established to regularly assess the independence of independent directors. The Independent Non-Executive Directors are also free from any business or related parties relationships that could materially interfere with independent judgment. Brief profile of each Director is presented from pages 10 to 12 of this Annual Report.

Save for Dato' Ooi Teik Heng and Mr Sim Chong Hong, all the other Independent Non-Executive Directors have served the Board for more than nine (9) years. The NC and Board have reviewed and considered the suitability of the other directors to continue to act as independent directors. The Company will be seeking shareholders' approval at the forthcoming Annual General Meeting.

Division of roles and responsibilities between the Executive Chairman and the Managing Director

The Group practises a division of responsibility between the Chairman and the Managing Director in order to ensure there is an appropriate balance of power. The roles of the Chairman and Managing Director are separate and clearly defined responsibilities, and are held individually by two persons.

The Chairman's main responsibility is to ensure effective conduct of the Board and that all Directors have unrestricted and timely access to all relevant information necessary for informed decision-making. The Chairman encourages participation and deliberation by all Board members to enable the knowledge of all the Board members to be tapped and to promote consensus building as much as possible.

The Managing Director has overall responsibilities over the Group's operational and business units, organisational effectiveness and implementation of Board policies, directives, strategies and decisions on a day to day basis. In addition, the Managing Director also functions as the intermediary between the Board and Management.

Statement of Corporate Governance (continued)

IV. COMMITMENT OF THE BOARD

All Board members shall notify the Chairman of the Board before accepting any new directorships in any other organisation. The notification shall include an indication of time commitment required under the new appointment as recommended by MCCG 2017.

Training and Development of Directors

The NC and the Board assess the training needs of each of its Directors on an on-going basis, by determining areas that would best strengthen their contributions to the Board.

All Directors have completed the Mandatory Accreditation Programme (“MAP”) required under the MMLR. They are also mindful that training is essential to all Directors and they should continue to update their skills and knowledge to effectively execute their duties.

During the financial year, the Directors attended the following training/courses:

Name of Directors	Description of Training	Date
Dato Sri Tay Ah Ching @ Tay Chin Kin	Deloitte - TaxMax: Ready Malaysia 2019	28 Nov 2018
Dato' Tay Tze How	Deloitte - TaxMax: Ready Malaysia 2019	28 Nov 2018
Dato' Tay Tze Poh	Deloitte - TaxMax: Ready Malaysia 2019	28 Nov 2018
Puan Sri Corinne Bua Nyipa	Deloitte - TaxMax: Ready Malaysia 2019	28 Nov 2018
Datuk Haji Abang Abdul Wahap Bin Haji Abang Julai (resigned on 26 February 2019)	Kuching Urban Transport Study - Second Stakeholder Workshop	15 Mar 2018
Dato' Ooi Teik Heng	Bursatra Sdn Bhd - Common Offences & Pitfalls To Avoid Under the Companies Act 2016	25 Oct 2018
Wong Siaw Wei	Securities Industry Development Corporation - SSM Compass on “Companies Act 2016 & Interest Schemes Act 2016” Malaysian Institute of Accountants - Latest Updates on Tax Audit & Investigations - Tax Incentives-Latest Updates & Developments Baker Tilly MH Consulting Sdn Bhd - MBRS for Preparers	1 Mar 2018 17 Apr 2018 18 May 2018 11 & 12 Dec 2018
Sim Chong Hong	KPMG PLT - Tax and Business Seminar 2019	14 Nov 2018

Statement of Corporate Governance (continued)

V. BOARD INTERGRITY IN FINANCIAL REPORTING, RISK RECOGNITION AND MANAGEMENT ACCOUNTABILITY AND AUDIT

Financial Reporting

The Board is responsible to provide and present the Group's and the Company's financial statements in accordance with applicable financial reporting standards in Malaysia and the requirements of the Companies Act 2016. The Audit Committee oversees the Group's and the Company's financial reporting processes to determine that the reports fairly present the Group's and the Company's financial position and financial performance and ensure the accuracy and adequacy of the information announced.

The Audit Committee is an independent platform for regular discussions between Independent Directors and External Auditors and to review the Company's process including internal control and communication with Internal Auditors.

The Statement of Responsibilities by Directors in respect of the preparation of the annual audited financial statements of the Company is set out on page 33 of this Annual Report.

Risk Management and Internal Control

The Board is responsible for establishing a sound system of internal control to identify, evaluate, monitor key business risk in order to safeguard shareholders' investments and the Group's assets. The information on Group's Internal Control System is presented in the Statement on Risk Management and Internal Control as set out in this Annual Report.

The Audit Committee reviews and evaluates independently its effectiveness and adequacy with the assistance of the Internal Auditors. In addition to the Audit Committee's independent evaluation of the Internal Control System, the head of individual department and key management personnel ("the management team") also ensure the implementation of a Risk Management Framework relating to all the Group's operations and business activities. The management team reports and recommends to the Board on its finding for approval on solutions.

Relationship with External Auditors

The Audit Committee has private session with the external auditors without the presence of Executive Directors and the management team at least twice in a year, to discuss the audit findings and any other observation they may have during the audit process. The external auditors also highlight to the Audit Committee and Board of Directors on matters that require the Audit Committee's or the Board's attention together with the recommended corrective actions thereof. The management team is held responsible for ensuring that all these corrective actions are undertaken within an appropriate time frame.

The role of the Audit Committee in relation to the external auditors is found in the Audit Committee Report on pages 27 to 30 of this Annual Report. The Group has always maintained a close and transparent relationship with its external auditors in seeking professional advice and ensuring compliance with Malaysian Financial Reporting Standards, International Financial Reporting Standard, the requirements of the Companies Act 2016 in Malaysia and the MMLR.

The Audit Committee also reviews the proposed re-appointment of the external auditors of the Group and of the Company and their fees on annual basis to ensure that the independence of the external auditors is not compromised.

For the audit of the financial statements of ABM Fujiya Berhad and its subsidiaries for the financial year ended 31 December 2018, the external auditors of the Group and of the Company have confirmed their independence in accordance with the terms of relevant professional and regulatory requirements.

Statement of Corporate Governance (continued)

VI. TIMELY AND HIGH QUALITY DISCLOSURE

The Board has also established and adopted the Corporate Disclosure Policy which includes feedback from management as recommended by the MCGG 2017 and the policies and procedures therein have been formulated with reference to the Best Practices published in the Corporate Disclosure Guide issued by Bursa Malaysia.

As recommended by the MCGG 2017, the Company will seek to leverage on the latest and most innovative information technology available to promote more efficient and effective ways to communicate with both its shareholders and stakeholders. The Company's Annual Reports, announcements to Bursa Malaysia, media releases and presentations relating to its quarterly financial results have been made available on the Company's website.

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

VII. RELATIONSHIP WITH SHAREHOLDERS

1. Shareholders and Investor Relations

The Board believes that the Group should at all times be transparent and accountable to its shareholders and investors and the Board is proactive in evaluating the effectiveness of information dissemination to all shareholders and the wider investing community.

As such, the Board disseminates proper, timely and adequate relevant information to the shareholders through announcements, quarterly results, Annual Reports and press releases.

An online Investor Relations section can be accessed by shareholders and the general public via the Company's website at www.abmfujiya.com.

2. Annual General Meeting ("AGM")

The AGM is the principal forum for dialogue with all shareholders who are encouraged and given sufficient opportunity to enquire about the Group's activities and prospects as well as to communicate their expectations and concerns. Shareholders who are unable to attend are allowed to attend proxies in accordance with the Company's Articles to attend and vote on their behalf. The Chairman and Board members are in attendance to provide clarification on shareholders' queries.

Announcements are made in a timely manner to Bursa Malaysia and are made available electronically to the public via Bursa Malaysia's website at www.bursamalaysia.com as well as the Company's website at www.abmfujiya.com.

3. Poll Voting

The Board is mindful of the poll voting requirement under Paragraph 8.29A of the MMLR. All resolutions passed in the Annual General Meetings are by poll voting. The Company will appoint one (1) scrutineer who is independent of the Group and the person undertaking the polling process to validate votes casted.

4. Whistle-Blowing

In light of the requirements stipulated under the Capital Markets and Services Act 2007, the Bursa Malaysia's Corporate Governance Guide and the Companies Act 2016, the Board recognises the importance of whistle-blowing and is committed to maintain the highest standards of ethical conduct within the Group.

This Statement is issued in accordance with a resolution of the Board of Directors dated 8 April 2019.

Audit Committee Report

The Audit Committee (“The Committee”) of ABM Fujiya Berhad is pleased to present the Audit Committee Report for the financial year ended 31 December 2018. This report has been approved by the Board’s resolution dated 8 April 2019.

The Audit Committee comprises three (3) Independent Directors as listed below:

Committee Members	Designation
Wong Siaw Wei	Independent Non-Executive Director
Sim Chong Hong	Independent Non-Executive Director
Datuk Haji Abang Abdul Wahap Bin Haji Abang Julai ⁽¹⁾	Independent Non-Executive Director
Puan Sri Corinne Bua Nyipa ⁽²⁾	Independent Non-Executive Director

Notes:

⁽¹⁾ Datuk Haji Abang Abdul Wahap Bin Haji Abang Julai resigned as member of the Audit Committee and Chairperson of the Remuneration Committee on 26 February 2019.

⁽²⁾ Puan Sri Corinne Bua Nyipa was appointed as the member of Audit Committee on 26 February 2019.

TERM OF REFERENCE OF AUDIT COMMITTEE

Membership

The members of the Committee shall be appointed by the Board from amongst its directors. The Committee must be composed of no fewer than three (3) members of whom all shall be non-executive directors with a majority of them being Independent Directors.

- At least one (1) member of the committee must be a member of the Malaysian Institute of Accountants or if he/she is not a member of the Malaysian Institute of Accountants, he/she must have at least three (3) years’ working experience and must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act, 1967 or he/she must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967 or fulfills such other requirements as prescribed or approved by Bursa Malaysia Securities Berhad (“Bursa Malaysia”).
- In the event of any vacancy resulting in the non-compliance of paragraph above, the Board shall within three (3) months of that event, appoint such number of new members required to fulfill the minimum requirement.
- The members of the Committee shall elect a Chairperson from among their number who shall be an independent non-executive director.

Quorum

Unless otherwise determined, two (2) members shall be a quorum. The majority of members present must be Independent Directors.

Audit Committee Report (continued)

Functions

The Committee shall review the following and report the same to the Board of Directors:

- with external auditors, the audit plans, the scope of audit and the audit report;
- the assistance given by the Group's and the Company's employees to the internal and external auditors;
- the adequacy of the scope, functions and resources of the internal audit function and whether appropriate actions have been taken with respect to internal audit recommendations; and
- the quarterly results and year-end financial statements, prior to the approval by the Board of Directors, focusing particularly on:
 - a) changes in or implementation of major accounting policy;
 - b) significant and unusual events; and
 - c) compliance with accounting standards and other legal requirements.
- any related party transactions and conflict of interest situation that may arise within the Group and the Company including any transaction, procedure or course of conduct that raises questions of management integrity;
- the appointment or dismissal of the external auditors and their fees;
- recommendation of the nomination of a person or persons as external auditors;
- any letter of resignation from the external auditors of the Group and the Company; whether there is reason (supported by grounds) to believe that the external auditors of the Group and the Company are not suitable for re-appointment; and
- to perform other related duties as may be agreed by the Committee and the Board.

Authority

The Committee is authorised by the Board to:

- investigate any matter within its terms of reference;
- have full and unrestricted access to any information pertaining to the Company and its subsidiaries;
- have the resources which are required to perform its duties;
- have direct communication channels with the internal and external auditors;
- be able to obtain independent professional advice; and
- be able to convene meetings with external auditors, the internal auditors or both, excluding the attendance of other directors and employees of the Company, whenever deemed necessary.

MEMBERS AND ATTENDANCE OF MEETINGS

During the financial year ended 2018, the Committee has held five (5) meetings and the details of attendance of the meetings of the Committee are as follows:

Committee Members	Designation	Attendance
Wong Siaw Wei	Independent Non-Executive Director	5/5
Datuk Haji Abang Abdul Wahap Bin Haji Abang Julai ⁽¹⁾	Independent Non-Executive Director	3/5
Sim Chong Hong	Independent Non-Executive Director	5/5
Puan Sri Corinne Bua Nyipa ⁽²⁾	Independent Non-Executive Director	Not applicable

Audit Committee Report (continued)

MEMBERS AND ATTENDANCE OF MEETINGS (continued)

Notes:

⁽¹⁾ Datuk Haji Abang Abdul Wahap Bin Haji Abang Julai resigned as member of the Audit Committee and Chairperson of the Remuneration Committee on 26 February 2019.

⁽²⁾ Puan Sri Corinne Bua Nyipa was appointed as the member of Audit Committee on 26 February 2019.

The Executive Chairman, Managing Director, Deputy Managing Director, Finance Manager and Accountant, other officers, external auditors and internal auditors were invited to attend some of these meetings.

SUMMARY OF AUDIT COMMITTEE'S ACTIVITIES

The main activities undertaken by the Committee during the financial years are as follows:

The Internal Audit Function

- Reviewed internal auditors' audit plans, the scope of audit and the results of the auditors' findings;
- Reviewed internal auditors' report on internal control recommendations and management's responses; and
- Considered the re-appointment of internal auditors and the audit fees.

The External Audit Function

- Reviewed external auditors' audit plans, the scope of audit and the results of the auditors' findings;
- Reviewed external auditors' report on internal control recommendations and management's responses; and
- Considered the re-appointment of external auditors and the audit fees.

The Financial Results

- Reviewed quarterly unaudited financial results of the Group before recommendation to the Board for approval; and
- Reviewed audited financial statements for the financial year ended 31 December 2018 prior recommending to the Board for approval.

Related Parties Transactions

- Reviewed the related party transactions of the Group.

Risk Management

- Reviewed the Statement on Risk Management and Internal Control prior to recommendation to the Board for consideration and approval.

Audit Committee Report (continued)

INTERNAL AUDIT FUNCTION

The Group's internal audit function is outsourced to an external consulting firm. The Internal Audit team independently reviews the risks associated with and controls over business processes and evaluates their adequacy and compliance. The Group's internal audit plan is tabled to and approved by the Audit Committee. Audits are carried out based on risk based approach, taking into consideration input of the senior management, the Audit Committee and the Board. Audit findings and recommendations are reported to the Audit Committee.

The cost amounting to RM12,250 was incurred in relation to the internal audit function for the financial year ended 31 December 2018.

Statement on Risk Management and Internal Control

Introduction

The Board of Directors of ABM Fujiya Berhad is pleased to present its Statement on Risk Management and Internal Control ("Statement") for the financial year ended 31 December 2018, in compliance with Paragraph 15.26 (b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. This Statement has been prepared in accordance with the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers. The Statement outlines the nature and state of the risk management and internal control of the Group during the financial year.

Responsibility

The Board acknowledges its responsibility for ensuring that a sound system of risk management and internal control is maintained within the Group, and for reviewing its design and operational adequacy and effectiveness.

The risk management and internal control system is an integral part of the Group which is designed to:-

- a) Assist to achieve the business and operational strategies, safeguard the Group's assets and shareholders' interests;
- b) Ensure proper maintenance of accounting records and reliability of financial reporting;
- c) Ensure compliance with relevant legislation and regulations; and
- d) Identify, assess, manage and mitigate key risks to the Group.

In view of the limitations inherent in any system, the Board noted that risk management and internal control system is designed to provide reasonable, but not absolute assurance against material misstatement or loss and to manage the Group's risks, rather than to eliminate the risks that may impede the achievement of the Group's strategies.

Risk Management and Internal Control Structure

The Risk Framework summarises the identification of key risks of the Group, as well as assessment, management and mitigation of the key risks.

The Board of Directors is responsible to identify and assess key risks faced by the Group, and thereafter design and implement an appropriate system to mitigate and control these risks.

The following represents some of the key elements of the Group's risk management and internal control structure:

- a) An organisational structure with defined lines of responsibilities and appropriate levels of delegation and authority;
- b) Active participation and involvement by the Managing Director, Finance Manager and key management in the day to day running of the operations of the business;
- c) Board and management meetings are held from time to time, whenever deemed necessary, to address the operational issues and on quarterly basis to review the Group's financial performance;
- d) A fully independent Audit Committee comprising exclusively Independent Non-Executive Directors that monitor and review internal control issues identified by the Internal and/or External Auditors during the performance of their duties; and
- e) Quarterly meetings for the Audit Committee to discuss the quarterly financial reports and issues that warrant the Audit Committee's attention, of which recommendations are reported to the Board for further deliberations and action.

The effectiveness of risk management and internal control system may vary over times due to the ever-changing circumstances and conditions of the Group. The Board will continue to take appropriate action plans to further enhance the Group's system of internal control.

Statement on Risk Management and Internal Control (continued)

Internal Audit Function

The Group's internal audit function is outsourced to an external consulting firm. The Internal Audit team independently reviews the risks associated with and controls over business processes and evaluates their adequacy and compliance.

The Group's internal audit is tabled to and approved by the Audit Committee. Audits are carried out based on a risk based approach, taking into consideration input of the senior management, the Audit Committee and the Board. Audit findings and recommendation are reported to the Audit Committee.

The Board recognises that the development of internal control system is a process to identify, evaluate and manage the key risks faced by the Group. In striving for continuous improvement, the Board will continue to take appropriate action plans to further enhance the Group's system of internal control.

Conclusion

For the financial year under review and up to the date of approval of this Statement for inclusion in the Annual Report, the Board is of the view that the Group's risk management and internal control system is operating adequately. There were no material losses incurred as a result of weakness in internal control.

The Board has also received assurance from the Executive Group Chairman and the Finance Manager that the Group's risk management and internal control system is operating adequately and effectively, in all material aspects, based on the risk management and internal control system of the Group.

Review of Statement by the 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 Guides ("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.

The statement is issued in accordance with a resolution of the Board of Directors dated 8 April 2019.

Statement of Directors' Responsibilities

Statement of Directors' responsibilities in respect of the preparation of audited financial statements pursuant to Paragraph 15.26(a) of the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Malaysia").

The Directors are required to ensure that the audited financial statements of the Group and the Company are prepared in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia and the MMLR of Bursa Malaysia.

In preparing the Group and the Company's financial statements, the Directors have:

- adopted suitable accounting policies and applied them consistently;
- made judgements and estimates that are prudent and reasonable;
- ensured applicable accounting standards have been followed; and
- prepared the financial statements on the going concern basis.

The Directors are also responsible to safeguard the assets of the Group and of the Company, to prevent and to detect fraud and other irregularities.

Additional Compliance Information

In compliance with the Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Malaysia”), the following information is provided hereunder.

Audit Fees

The amount of audit fees incurred for services rendered to the Company and the Group for the financial year ended 31 December 2018 by the Company’s external auditors, Messrs KPMG PLT amounted to RM20,000 and RM117,000 respectively.

Non-Audit Fees

The amount of non-audit fees incurred for services rendered to the Company and its subsidiaries for the financial year ended 31 December 2018 by the Company’s external auditors, Messrs KPMG PLT amounted to RM6,000 and there are also other fees in relation to services comprising tax compliance and advisory services incurred by a corporation affiliated to Messrs KPMG PLT.

Related Party Transactions

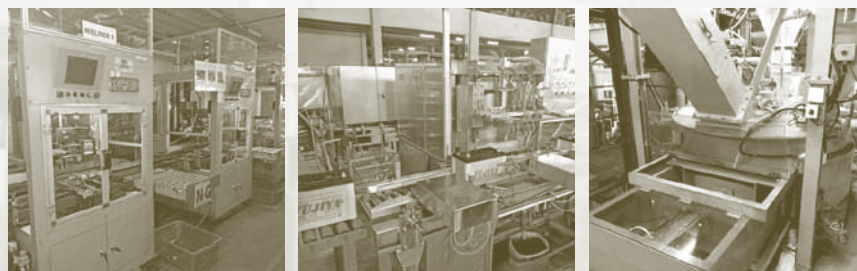
During the financial year under review, there was no material related party transaction.

Material Contracts

There was no material contract entered into by the Group and/or its subsidiaries involving directors and major shareholders, either subsisting at the end of the financial year or entered into since the end of the previous financial year.

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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. There has been no significant change in the nature of these activities during the financial year.

Ultimate holding company

The Company is a subsidiary of Kayatas Sdn. Bhd., of which is incorporated in Malaysia and regarded by the Directors as the Company's ultimate holding company, during the financial year and until the date of this report.

Subsidiaries

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

Results

	Group RM	Company RM
Profit for the year attributable to owners of the Company	4,187,707	92,209

Reserves and provisions

There were no material transfers to or from reserves and provisions during the financial year under review, except as disclosed in the financial statement.

Dividend

No dividend was paid during the year and the Directors do not recommend any dividend to be paid for the financial year under review.

Directors of the Company

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

Dato Sri Tay Ah Ching @ Tay Chin Kin *

Dato' Tay Tze How *

Dato' Tay Tze Poh *

Puan Sri Corinne Bua Nyipa

Dato' Ooi Teik Heng

Wong Siaw Wei

Sim Chong Hong

Datuk Haji Abang Abdul Wahap Bin Haji Abang Julai (resigned on 26 February 2019)

* These Directors are also directors of the Company's subsidiaries

Directors' Report (continued)

Directors of the Company (continued)

Directors of the subsidiaries of the Company during the financial year until the date of this report are:

Datin Seri Sharipah Hishmah Binti Sayed Hassan
 Kok Swee Ping
 Liew Wee Sam
 Lim Tee
 Low Sang
 Pauline Tay
 Tay Siew Ling
 Tay Yoke Ling
 Tay Tze Kok

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:

	At 1.1.2018	Number of ordinary shares		At 31.12.2018
Direct interests in the Company		Bought	Sold	
Dato Sri Tay Ah Ching @ Tay Chin Kin	200,002	—	—	200,002
Dato' Tay Tze How	170,002	—	—	170,002
Dato' Tay Tze Poh	170,000	—	—	170,000
Puan Sri Corinne Bua Nyipa	171,300	—	—	171,300
Direct interests in the holding company, Kayatas Sdn. Bhd.				
Dato Sri Tay Ah Ching @ Tay Chin Kin	88,000	—	—	88,000
Dato' Tay Tze How	220,000	—	—	220,000
Dato' Tay Tze Poh	170,492	—	—	170,492
Deemed interests in the Company				
Dato Sri Tay Ah Ching @ Tay Chin Kin)				
Dato' Tay Tze How)	133,163,496	—	—	133,163,496
Dato' Tay Tze Poh)				

By virtue of their interests in the shares of the holding company, Dato Sri Tay Ah Ching @ Tay Chin Kin, Dato' Tay Tze How and Dato' Tay Tze Poh are also deemed interested in the shares of the Company and its related corporations during the financial year to the extent the holding company has an interest.

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

Directors' Report (continued)

Directors' benefits

Since the end of the previous financial year, no Director of the Company 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.

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

There were neither changes in the issued and paid-up capital of the Company, nor issuances of debentures by the Company during the financial year.

Options granted over unissued shares

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

Indemnity and insurance costs

During the financial year, there were neither indemnity given to nor insurance effected for Director, officer or auditors of 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) all known bad debts have been written off and adequate provision made for doubtful debts, and
- ii) any current assets which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected so to realise.

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

- i) that would render the amount written off for bad debts or the amount of the provision for doubtful debts in the Group and 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

Directors' Report (continued)

Other statutory information (continued)

- 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.

Auditors

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

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

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

Dato' Tay Tze How

Director

Dato' Tay Tze Poh

Director

Kuching,

Date: 8 April 2019

Statements of Financial Position

as at 31 December 2018

		Group		Company	
	Note	2018 RM	2017 RM	2018 RM	2017 RM
Assets					
Property, plant and equipment	3	88,307,896	90,971,197	—	—
Prepaid lease payments	4	3,853,598	4,082,552	—	—
Investments in subsidiaries	5	—	—	78,499,999	78,500,000
Deferred tax assets	6	38,000	48,000	—	—
Total non-current assets		92,199,494	95,101,749	78,499,999	78,500,000
Inventories	7	107,346,351	96,274,904	—	—
Current tax assets		3,091,445	2,397,558	—	—
Trade and other receivables	8	41,287,553	40,316,076	—	—
Deposits and prepayments	9	1,724,566	1,914,479	2,400	2,100
Amount due from subsidiaries	10	—	—	12,177,083	12,140,973
Cash and cash equivalents	11	9,835,303	7,874,397	2,521	17,532
Total current assets		163,285,218	148,777,414	12,182,004	12,160,605
Total assets		255,484,712	243,879,163	90,682,003	90,660,605
Equity					
Share capital	12.1	92,023,644	92,023,644	92,023,644	92,023,644
Merger reserve	12.3	3,633,001	3,643,000	—	—
Retained earnings/(Accumulated losses)		62,472,463	57,984,173	(1,515,131)	(1,587,433)
Total equity attributable to owners of the Company		158,129,108	153,650,817	90,508,513	90,436,211
Liabilities					
Loans and borrowings	13	12,398,266	12,138,891	—	—
Deferred tax liabilities	6	5,358,406	6,501,898	—	—
Total non-current liabilities		17,756,672	18,640,789	—	—
Trade and other payables	14	4,735,730	10,888,491	159,166	210,059
Amount due to Directors	15	54,819	203,780	—	—
Current tax liabilities		105,992	227,513	14,324	14,335
Loans and borrowings	13	74,702,391	60,267,773	—	—
Total current liabilities		79,598,932	71,587,557	173,490	224,394
Total liabilities		97,355,604	90,228,346	173,490	224,394
Total equity and liabilities		255,484,712	243,879,163	90,682,003	90,660,605

The notes on pages 46 to 90 are an integral part of these financial statements.

Statements of Profit or Loss and Other Comprehensive Income

for the year ended 31 December 2018

		Group		Company	
	Note	2018 RM	2017 RM	2018 RM	2017 RM
Revenue	16	112,027,488	100,114,356	—	—
Cost of sales		(97,375,864)	(84,101,808)	—	—
Gross profit		14,651,624	16,012,548	—	—
Other income		1,768,283	1,523,835	—	—
Administrative expenses		(6,780,814)	(7,194,772)	(220,837)	(274,092)
Distribution expenses		(1,705,113)	(1,575,180)	—	—
Other expenses		(71,020)	—	(44,642)	—
Results from operating activities	17	7,862,960	8,766,431	(265,479)	(274,092)
Finance income	18	55,433	29,270	421,683	416,928
Finance costs	18	(4,216,253)	(3,586,441)	—	—
Net finance (costs)/income		(4,160,820)	(3,557,171)	421,683	416,928
Profit before tax		3,702,140	5,209,260	156,204	142,836
Taxation	19	485,567	1,155,363	(63,995)	(72,872)
Profit/Total comprehensive income for the year attributable to owners of the Company		4,187,707	6,364,623	92,209	69,964
Basic and diluted earnings per ordinary share (Sen)	20	2.33	3.54		

The notes on pages 46 to 90 are an integral part of these financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2018

Group	← Share capital RM	Non-distributable Share premium RM	→ Merger reserve RM	Distributable Retained earnings RM	Total RM
At 1 January 2017	90,000,000	2,023,644	3,643,000	51,619,550	147,286,194
Profit/Total comprehensive income for the year	—	—	—	6,364,623	6,364,623
Transfer pursuant to Section 618(2) of the Companies Act 2016	2,023,644	(2,023,644)	—	—	—
At 31 December 2017/ 1 January 2018, as previously reported	92,023,644	—	3,643,000	57,984,173	153,650,817
Adjustment on initial application of MFRS 9, net of tax (Note 27)	—	—	—	290,584	290,584
At 1 January 2018, restated	92,023,644	—	3,643,000	58,274,757	153,941,401
Realisation of merger reserve	—	—	(9,999)	9,999	—
Profit/Total comprehensive income for the year	—	—	—	4,187,707	4,187,707
At 31 December 2018	92,023,644	—	3,633,001	62,472,463	158,129,108
	(Note 12.1)	(Note 12.2)	(Note 12.3)		

The notes on pages 46 to 90 are an integral part of these financial statements.

Statement of Changes in Equity

for the year ended 31 December 2018

Company	Share capital RM	Non-distributable Share premium RM	Accumulated losses RM	Total RM
At 1 January 2017	90,000,000	2,023,644	(1,657,397)	90,366,247
Profit/Total comprehensive income for the year	—	—	69,964	69,964
Transfer pursuant to Section 618(2) of the Companies Act 2016	2,023,644	(2,023,644)	—	—
At 31 December 2017/ 1 January 2018, as previously reported	92,023,644	—	(1,587,433)	90,436,211
Adjustment on initial application of MFRS 9, net of tax (Note 27)	—	—	(19,907)	(19,907)
At 1 January 2018, restated	92,023,644	—	(1,607,340)	90,416,304
Profit/Total comprehensive income for the year	—	—	92,209	92,209
At 31 December 2018	92,023,644	—	(1,515,131)	90,508,513
	(Note 12.1)	(Note 12.2)		

Statements of Cash Flows

for the year ended 31 December 2018

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Cash flows from operating activities				
Profit before tax	3,702,140	5,209,260	156,204	142,836
Adjustments for:				
Impairment loss on trade receivables (Note 17)	—	216,000	—	—
Impairment loss on amount due from subsidiaries	—	—	4,443	—
Reversal of impairment losses on trade receivables (Note 17)	(171,466)	(116,000)	—	—
Amortisation of prepaid lease payments (Note 4)	228,954	228,954	—	—
Depreciation of property, plant and equipment (Note 3)	9,551,430	8,840,151	—	—
Write-offs of property, plant and equipment	14	—	—	—
Write-offs of deposit	68,572	—	—	—
Finance costs (Note 18)	4,216,253	3,586,441	—	—
Finance income (Note 18)	(55,433)	(29,270)	(421,683)	(416,928)
Unrealised foreign exchange loss/(gain) (Note 17)	114,106	(237,487)	—	—
Write-off of investment in a subsidiary	—	—	1	—
Waiver of debts from a subsidiary	—	—	37,750	—
Operating profit/(loss) before changes in working capital	17,654,570	17,698,049	(223,285)	(274,092)
Changes in working capital:				
Inventories	(11,071,447)	(14,917,323)	—	—
Trade and other receivables, deposits and prepayments*	(299,785)	3,641,205	(300)	(100)
Trade and other payables*	(6,141,018)	3,152,791	(50,893)	(13,439)
Amount due to Directors	(148,961)	75,937	—	—
Cash (used in)/generated from operations	(6,641)	9,650,659	(274,478)	(287,631)
Income tax paid, net of refund	(1,564,716)	(1,853,546)	(64,006)	(54,105)
Interest received	55,433	29,270	—	—
Interest paid	(3,080,795)	(2,431,062)	—	—
Net cash (used in)/from operating activities	(4,596,719)	5,395,321	(338,484)	(341,736)
Cash flows from investing activities				
Acquisition of property, plant and equipment [Note (i)]	(6,828,143)	(8,996,334)	—	—
Net cash used in investing activity	(6,828,143)	(8,996,334)	—	—

Statements of Cash Flows

for the year ended 31 December 2018 (continued)

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Cash flows from financing activities				
Repayment from subsidiaries	—	—	323,473	340,280
Net drawdown of borrowings	13,520,074	309,557	—	—
Net repayment of finance leases	(78,910)	(61,099)	—	—
Interest paid	(1,135,458)	(1,155,379)	—	—
Net cash from/(used in) financing activities	12,305,706	(906,921)	323,473	340,280
Net increase/(decrease) in cash and cash equivalents	880,844	(4,507,934)	(15,011)	(1,456)
Effect of exchange rate fluctuations on cash held	(112,767)	199,092	—	—
Cash and cash equivalents at beginning of year	(13,504,637)	(9,195,795)	17,532	18,988
Cash and cash equivalents at end of year [Note (ii)]	(12,736,560)	(13,504,637)	2,521	17,532

* Net of unrealised foreign exchange differences.

Notes

(i) Acquisition of property, plant and equipment

During the financial year, the Group acquired property, plant and equipment as follows:

	Group	
	2018 RM	2017 RM
Paid in cash	6,828,143	8,996,334
Finance leases (Note 13.4)	60,000	100,000
Total (see Note 3)	6,888,143	9,096,334

(ii) Cash and cash equivalents

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

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Cash and bank balances (Note 11)	9,835,303	7,874,397	2,521	17,532
Bank overdrafts (Note 13)	(22,571,863)	(21,379,034)	—	—
Cash and cash equivalents	(12,736,560)	(13,504,637)	2,521	17,532

The notes on pages 46 to 90 are an integral part of these financial statements.

Notes to the Financial Statements

– 31 December 2018

ABM Fujiya 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 address of the principal place of business and registered office of the Company is Lot 2224, Section 66, Lorong Pangkalan, Off Jalan Pangkalan, Pending Industrial Estate, 93450 Kuching, Sarawak.

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”). 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. The principal activities of the subsidiaries are stated in Note 5 to the financial statements.

The immediate as well as ultimate holding company during the financial year is Kayatas Sdn. Bhd., a company incorporated in Malaysia.

These financial statements were authorised for issue by the Board of Directors on 8 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 (“MFRSs”), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

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

MFRS/Amendment/Interpretation	Effective date
MFRS 16, <i>Leases</i>	1 January 2019
IC Interpretation 23, <i>Uncertainty over Income Tax Treatments</i>	1 January 2019
Amendments to MFRS 3, <i>Business Combinations (Annual Improvements to MFRS Standards 2015-2017 Cycle)</i>	1 January 2019
Amendments to MFRS 9, <i>Financial Instruments – Prepayments Features with Negative Compensation</i>	1 January 2019
Amendments to MFRS 11, <i>Joint Arrangements (Annual Improvements to MFRS Standards 2015-2017 Cycle)</i>	1 January 2019
Amendments to MFRS 112, <i>Income Taxes (Annual Improvements to MFRS Standards 2015-2017 Cycle)</i>	1 January 2019
Amendments to MFRS 119, <i>Employee Benefits – Plan Amendment, Curtailment or Settlement</i>	1 January 2019
Amendments to MFRS 123, <i>Borrowing Costs (Annual Improvements to MFRS Standards 2015-2017 Cycle)</i>	1 January 2019
Amendments to MFRS 128, <i>Investments in Associates and Joint Ventures – Long-term Interests in Associates and Joint Ventures</i>	1 January 2019
Amendments to MFRS 3, <i>Business Combinations – Definition of a Business</i>	1 January 2020
Amendments to MFRS 101, <i>Presentation of Financial Statements</i> and MFRS 108, <i>Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material</i>	1 January 2020

Notes to the Financial Statements – 31 December 2018 (continued)

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

MFRS / Amendment / Interpretation	Effective date
MFRS 17, <i>Insurance Contracts</i>	1 January 2021
Amendments to MFRS 10, <i>Consolidated Financial Statements</i> and MFRS 128, <i>Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	To be determined

The Group and the Company plan to apply from the annual period beginning on 1 January 2019 for those accounting standards, amendments and interpretation that are effective for annual periods beginning on or after 1 January 2019, except for Amendments to MFRS 11, Amendments to MFRS 119 and Amendments to MFRS 128 which are not applicable to the Group and the Company.

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

The initial application of the 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 is currently in the process of completing the assessment of the financial impact from the adoption of MFRS 16.

Based on the information currently available, the Group estimates that it will recognise additional lease liabilities of RM53,373 with corresponding right-of-use assets of RM51,811, recognising the difference in retained earnings. No significant impact is expected on the Group's finance lease.

(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.

1. Basis of preparation (continued)

(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 3, impairment assessment of property, plant and equipment; and
- Note 8, assessment of recoverability on trade receivables.

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:

- financial instruments;
- revenue recognition; and
- impairment losses of financial instruments

as compared to those adopted in previous financial statements. The impacts arising from the changes are disclosed in Note 27.

(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. 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.

2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(ii) 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.

(b) Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency 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.

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

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of equity instruments where they are measured at fair value through comprehensive income or a financial instrument designated as a cash flow hedge, which are recognised in other comprehensive income.

(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 comparative.

(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.

An embedded derivative is recognised separately from the host contract where the host contract is not a financial asset, and accounted for separately if, and only if, the derivative is not closely related to the economic characteristics and risks of the host contract and the host contract is not measured at fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

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.

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

(i) *Recognition and initial measurement* (continued)

Previous financial year (continued)

An embedded derivative was recognised separately from the host contract and accounted for as a derivative if, and only if, it was not closely related to the economic characteristics and risks of the host contract and the host contract was not recognised as fair value through profit or loss. The host contract, in the event an embedded derivative was recognised separately, was accounted for in accordance with policy applicable to the nature of the host contract.

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

All financial assets are subject to impairment assessment (see Note 2(h)(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.

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

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

Financial assets (continued)

Loans and receivables (continued)

Financial assets categorised as loans and receivables were subsequently measured at amortised cost using the effective interest method.

All financial assets, except for those measured at fair value through profit or loss were subject to impairment assessment (see Note 2(h)(i)).

Financial liabilities

Current financial year

The categories of financial liabilities at initial recognition are as follows:

Amortised cost

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

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

Previous financial year

In the previous financial year, financial liabilities of the Group and the Company were subsequently measured at amortised cost.

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

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

Trade date accounting refers to:

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

Settlement date accounting refers to:

- (a) the recognition of an asset on the day it is received by the Group or the Company, and
- (b) derecognition of an asset and recognition of any gain or loss on disposal on the day that is delivered by the Group or the Company.

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

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

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

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

(iv) 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 consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss.

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

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 cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. Cost also may include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

2. Significant accounting policies (continued)

(d) Property, plant and equipment (continued)

(i) *Recognition and measurement* (continued)

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 is depreciated separately.

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. Assets under construction are not depreciated until the assets are ready for their intended use.

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

Long-term leasehold land	60, 788, 793, 797 and 825 years
Short-term leasehold land	42, 48, 50, 60 and 61 years
Buildings	24, 35, 50 years
Plant and machinery	5 and 10 years
Tools and equipment	8 years
Furniture and fittings	5, 8, 10 and 12 years
Motor vehicles	5 and 10 years
Renovation	10 years

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

2. Significant accounting policies (continued)

(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, except for property interest held under operating lease, the leased assets are not recognised on the statement of financial position. Property interest held under an operating lease, which is held to earn rental income or for capital appreciation or both, is classified as investment property and measured using fair value model.

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.

Leasehold land which in substance is an operating lease is classified as prepaid lease payments.

(f) Inventories

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

The cost of inventories is calculated using the weighted average cost formula, except that for raw materials which is measured based on first-in first-out formula. The cost of inventories 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 manufactured inventories, cost includes an appropriate share of production overheads based on normal operating capacity.

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

2. Significant accounting policies (continued)

(g) Cash and cash equivalents

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

(h) Impairment

(i) Financial assets

Unless specifically disclosed below, the Group and the Company generally applied the following accounting 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, debt investments measured at fair value through other comprehensive income, 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.

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.

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

2. Significant accounting policies (continued)

(h) Impairment (continued)

(i) **Financial assets** (continued)

Current financial year (continued)

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

The gross carrying amount of a financial asset is written off (either partially or full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group or the Company 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 financial assets categorised as fair value through profit or loss, investments in subsidiaries and associates) were 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. For an investment in an equity instrument, a significant or prolonged decline in the fair value below its cost was an objective evidence of impairment. 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 and held-to-maturity investments 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 could be objectively related to an event occurring after 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 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.

2. Significant accounting policies (continued)

(h) Impairment (continued)

(ii) Other assets (continued)

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 a cash-generating unit or a group of cash-generating units that are expected to benefit from the synergies of the combination.

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 (group 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.

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.

(i) Ordinary shares

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

(j) Employee benefits

(i) Short-term employee benefits

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

2. Significant accounting policies (continued)

(j) Employee benefits (continued)

(i) Short-term employee benefits (continued)

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.

(k) 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 assets 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 Company has an enforceable right to payment for performance completed to date.

(ii) Rental income

Rental income is 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) Interest income

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

(l) Borrowing costs

Borrowing costs are recognised in profit or loss using the effective interest method.

2. Significant accounting policies (continued)

(m) Income tax

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 or items recognised directly in equity or other comprehensive income.

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.

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

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

Unutilised reinvestment allowance, being tax incentives 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 which the unutilised tax incentive can be utilised.

(n) Earnings per ordinary share

The Group presents basic and diluted 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 convertible notes and share options granted to employees.

2. Significant accounting policies (continued)

(o) 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 Executive Chairman 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.

(p) 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.

(q) 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 techniques 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 – 31 December 2018 (continued)

3. Property, plant and equipment

Group	Long-term leasehold land (unexpired lease period of more than 50 years) RM	Short-term leasehold land (unexpired lease period of less than 50 years) RM	Buildings RM	Plant and machinery RM	Tools and equipment RM	Furniture and fittings RM	Motor vehicles RM	Renovation RM	Assets under construction RM	Total RM
Cost										
At 1 January 2017	20,323,483	4,419,863	31,855,137	84,403,911	917,825	1,056,423	929,967	850,553	7,027,719	151,784,881
Additions	–	–	–	3,215,698	34,749	64,243	141,509	28,300	5,611,835	9,096,334
Write-offs	–	–	–	–	–	(3,763)	–	–	–	(3,763)
Transfers	–	–	–	6,519,936	–	–	–	450,900	(6,970,836)	–
At 31 December 2017/1 January 2018	20,323,483	4,419,863	31,855,137	94,139,545	952,574	1,116,903	1,071,476	1,329,753	5,668,718	160,877,452
Additions	–	–	–	6,331,908	58,260	30,490	180,200	287,285	–	6,888,143
Write-offs	–	–	–	–	–	(53,832)	–	–	–	(53,832)
Transfers	–	–	–	5,410,902	–	–	–	181,284	(5,592,186)	–
At 31 December 2018	20,323,483	4,419,863	31,855,137	105,882,355	1,010,834	1,093,561	1,251,676	1,798,322	76,532	167,711,763
Depreciation										
At 1 January 2017	2,125,028	774,572	4,728,280	51,140,782	584,025	533,837	774,201	409,142	–	61,069,867
Depreciation for the year (Note 17)	303,575	68,866	734,340	7,380,283	68,346	84,171	63,013	137,557	–	8,840,151
Write-offs	–	–	–	–	–	(3,763)	–	–	–	(3,763)
At 31 December 2017/1 January 2018	2,428,603	843,438	5,462,620	58,521,065	652,371	614,245	837,214	546,699	–	69,906,255
Depreciation for the year (Note 17)	303,575	68,866	728,531	8,006,874	71,393	81,749	106,251	184,191	–	9,551,430
Write-offs	–	–	–	–	–	(53,818)	–	–	–	(53,818)
At 31 December 2018	2,732,178	912,304	6,191,151	66,527,939	723,764	642,176	943,465	730,890	–	79,403,867
Carrying amounts										
At 31 December 2017	17,894,880	3,576,425	26,392,517	35,618,480	300,203	502,658	234,262	783,054	5,668,718	90,971,197
At 31 December 2018	17,591,305	3,507,559	25,663,986	39,354,416	287,070	451,385	308,211	1,067,432	76,532	88,307,896

Notes to the Financial Statements – 31 December 2018 (continued)

3. Property, plant and equipment (continued)

3.1 Leased motor vehicles

At the end of the financial year, the net carrying amount of leased motor vehicles was RM249,162 (2017: RM235,214).

3.2 Security

The leased motor vehicles are charged to secure the finance lease liabilities of the Group (see Note 13.1).

The land and buildings of the Group are charged to secure banking facilities granted to certain Group entities. In addition, a debenture incorporating fixed and floating charges has been created over all assets (including property, plant and equipment and prepaid lease payments) of certain Group entities to secure the banking facilities granted thereto (see Note 13.1).

3.3 Land

The Group has 31 parcels of leasehold land. The lease period of 21 parcels of leasehold land (classified as long-term) expire in the years 2071, 2795 and 2817 while the lease period of the other 10 parcels of leasehold land (classified as short-term) expire in the years 2027, 2038, 2053 and 2054.

3.4 Impairment assessment of property, plant and equipment and prepaid lease payments

During the financial year under review, the Group has estimated whether the property, plant and equipment are stated in excess of their recoverable amounts, an exercise that entails by virtue of the current economic condition, a significant degree of estimation uncertainty and judgment. The Group has applied fair value less cost to sell method in estimating the recoverable amount of the land and buildings and value in use method in estimating the manufacturing facilities of the Group. The value in use (discounted cash flow) is derived based on the following key assumptions:

- (a) Cash flows were projected based on average selling price, sales volume and average unit cost by considering the accuracy of the Group's past forecasts, current and future industry situation.
- (b) A pre-tax discount rate of 12% was applied in discounting the projected cash flows to its net present value.

The Group has concluded since the estimated recoverable amount of the property, plant and equipment is higher than its carrying amount, no impairment is necessary.

4. Prepaid lease payments

Group	Short-term leasehold land (unexpired lease period of less than 50 years) RM
Cost	
At 1 January 2017, 31 December 2017/1 January 2018 and 31 December 2018	5,914,184
Amortisation	
At 1 January 2017	1,602,678
Amortisation for the year (Note 17)	228,954
At 31 December 2017/1 January 2018	1,831,632
Amortisation for the year (Note 17)	228,954
At 31 December 2018	2,060,586

Notes to the Financial Statements – 31 December 2018 (continued)

4. Prepaid lease payments (continued)

Group	Short-term leasehold land (unexpired lease period of less than 50 years) RM
Carrying amounts	
At 31 December 2017	4,082,552
At 31 December 2018	3,853,598

The lease period of two parcels of leasehold land (classified as short-term) expire in the years 2035 and 2037.

The two parcels of leasehold land have been charged to secure banking facilities granted to certain Group entities (see Note 13.1).

5. Investments in subsidiaries

	2018 RM	Company 2017 RM
Unquoted shares, at cost	78,499,999	78,500,000

Details of the subsidiaries, all of which are incorporated in Malaysia, are as follows:

Direct subsidiaries

Name of entity	Principal place of business	Principal activities	Effective ownership interest and voting interest 2018 %	2017 %
Amalgamated Batteries Manufacturing (Sarawak) Sdn. Bhd.	Malaysia	Manufacture and sale of automotive batteries	100.00	100.00
Amalgamated Batteries Corporation Sdn. Bhd.	Malaysia	Dormant	100.00	100.00
Anpei Corporation Sdn. Bhd.*	Malaysia	Dormant	—	100.00

* In the progress for strike-off by the Companies Commission of Malaysia.

Subsidiaries of Amalgamated Batteries Manufacturing (Sarawak) Sdn. Bhd.

Name of entity	Principal place of business	Principal activities	Effective ownership interest and voting interest 2018 %	2017 %
Amalgamated Batteries Marketing (Sarawak) Sdn. Bhd.	Malaysia	Retailing of automotive batteries	100.00	100.00
Auto Industries Batteries (East Malaysia) Sdn. Bhd.	Malaysia	Dealer of batteries and lubricants	100.00	100.00

Notes to the Financial Statements – 31 December 2018 (continued)

6. Deferred tax assets/(liabilities)

6.1 Recognised deferred tax assets/(liabilities)

Deferred tax assets/(liabilities) is attributable to the following:

Group	Assets		Liabilities		Net	
	2018 RM	2017 RM	2018 RM	2017 RM	2018 RM	2017 RM
Property, plant and equipment	–	–	(8,695,300)	(8,344,000)	(8,695,300)	(8,344,000)
Inventories	106,344	138,102	–	–	106,344	138,102
Trade and other receivables	163,000	274,000	–	–	163,000	274,000
Trade and other payables	–	–	(3,000)	(66,000)	(3,000)	(66,000)
Unutilised reinvestment allowance	3,108,550	1,544,000	–	–	3,108,550	1,544,000
Tax assets/(liabilities)	3,377,894	1,956,102	(8,698,300)	(8,410,000)	(5,320,406)	(6,453,898)
Set off of tax	(3,339,894)	(1,908,102)	3,339,894	1,908,102	–	–
Net tax assets/(liabilities)	38,000	48,000	(5,358,406)	(6,501,898)	(5,320,406)	(6,453,898)

6.2 Movement in temporary differences during the year

Group	At 1.1.2017 RM	Recognised in profit or loss RM	At 31.12.2017/ as previously reported RM	Adjustment on initial application of MFRS 9, net of tax RM	At 1.1.2018 restated RM	Recognised in profit or loss RM	At 31.12.2018 RM
Property, plant and equipment	(8,410,000)	66,000	(8,344,000)	–	(8,344,000)	(351,300)	(8,695,300)
Inventories	79,004	59,098	138,102	–	138,102	(31,758)	106,344
Trade and other receivables	224,000	50,000	274,000	(101,383)	172,617	(9,617)	163,000
Trade and other payables	–	(66,000)	(66,000)	–	(66,000)	63,000	(3,000)
Unutilised reinvestment allowance	–	1,544,000	1,544,000	–	1,544,000	1,564,550	3,108,550
Net tax assets/(liabilities)	8,106,996	1,653,098	(6,453,898)	(101,383)	(6,555,281)	1,234,875	(5,320,406)

(Note 19)

(Note 19)

Pursuant to the announcement of Finance Bill 2018 in conjunction with the Budget Announcement 2019, unutilised reinvestment tax allowance carried forward from a year of assessment can only be carried forward up to 7 consecutive year of assessment. In the case of a dormant company, such losses will not be available to the company if there is a substantial change of 50% or more in the shareholdings thereof.

Notes to the Financial Statements – 31 December 2018 (continued)

6. Deferred tax assets/(liabilities) (continued)

6.3 Unrecognised deferred tax assets

Deferred tax assets of the Group of RM3,000 in 2017 had not been recognised in respect of the following items (stated at gross) because it was uncertain if future taxable profits of sufficient quantum will be available against which the Group entities concerned can utilise the benefits therefrom:

	Group
	2018 RM
	2017 RM
Property, plant and equipment	–
	14,000

7. Inventories

	Group
	2018 RM
	2017 RM
Raw materials	21,108,389
Work-in-progress	11,966,246
Manufactured inventories	49,743,496
Trading goods	28,897,415
Goods in transit	302,145
	479,177
	418,593
	5,626,559
	107,346,351
	96,274,904
Recognised in profit or loss:	
Inventories recognised as cost of sales	76,318,228
	65,057,089

8. Trade and other receivables

	Group		Company
	2018 RM	2017 RM	2018 RM
			2017 RM
Trade			
Trade receivables (Note 8.1)	40,548,737	41,034,068	–
Allowance for impairment losses	(576,181)	(1,208,790)	–
	39,972,556	39,825,278	–
Non-trade			
Other receivables	53,937	51,013	–
GST receivable	1,261,060	439,785	–
	1,314,997	490,798	–
Total	41,287,553	40,316,076	–

Notes to the Financial Statements – 31 December 2018 (continued)

8. Trade and other receivables (continued)

8.1 Assessment of recoverability on trade receivables

The main collectability risk of trade receivables is customer insolvencies. Management determines allowance for impairment losses on doubtful receivables based on an on-going review and evaluation performed as part of its credit risk evaluation process. These include assessment of customers' past payment records, financial standing and the age of receivables. The evaluation is however inherently judgemental and requires material estimates, including the amounts and timing of future cash flows expected to be received, which may be susceptible to significant changes.

9. Deposits and prepayments

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Deposits	1,406,041	1,673,598	2,400	2,100
Prepayments	318,525	240,881	–	–
	1,724,566	1,914,479	2,400	2,100

Included in the deposits is an amount of RM1,322,927 (2017: RM1,516,604) being advances paid for the purchase of machinery and spare parts.

10. Amount due from subsidiaries - Company

Amount due from subsidiaries is non-trade in nature, unsecured, has no fixed terms of repayment and subjected to interest at 3.50% (2017: 3.50%) per annum.

11. Cash and cash equivalents

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Cash and bank balances	9,835,303	7,874,397	2,521	17,532

12. Capital and reserves

12.1 Share capital

	Group and Company			
	Amount		Number of shares	
	2018 RM	2017 RM	2018	2017
Issued and fully paid:				
Opening balances	92,023,644	90,000,000	180,000,000	180,000,000
Transfer pursuant to Section 618(2) of the Companies Act 2016	–	2,023,644	–	–
Closing balance	92,023,644	92,023,644	180,000,000	180,000,000

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.

Notes to the Financial Statements – 31 December 2018 (continued)

12. Capital and reserves (continued)

12.2 Share premium

	Group and Company 2018 RM	2017 RM
Opening balance	–	2,023,644
Transfer pursuant to Section 618(2) of the Companies Act 2016	–	(2,023,644)
Closing balance	–	–

Share premium comprises the premium paid on subscription of shares in the Company over and above the par value of the ordinary shares.

In line with the abolishment of the concept of authorised share capital and par value of share capital, the amount standing to the credit of the share premium account of RM2,023,644 became part of the Company's share capital pursuant to the transitional provisions set out in Section 618 (2) of the Act. Notwithstanding this provision, the Company may within 24 months from the commencement of the Act, use the amount standing to the credit of its share premium account for purposes as set out in Section 618 (3) of the Act. There is no impact in the numbers of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition.

12.3 Merger reserve

Merger reserve represents the difference between the cost of acquisition and the nominal value of the ordinary shares acquired in a business combination involving a common control transaction in an earlier year.

13. Loans and borrowings

	Group 2018 RM	2017 RM
Non-current		
Term loans - secured	12,308,999	12,040,864
Finance lease liabilities - secured	89,267	98,027
	12,398,266	12,138,891
Current		
Bank overdrafts - secured	22,571,863	21,379,034
Bankers' acceptances - secured	37,307,000	24,141,960
Term loans - secured	4,760,379	4,673,480
Finance lease liabilities - secured	63,149	73,299
Revolving credit - secured	10,000,000	10,000,000
	74,702,391	60,267,773
Total	87,100,657	72,406,664

Notes to the Financial Statements – 31 December 2018 (continued)

13. Loans and borrowings (continued)

13.1 Security

The Group's banking facilities comprising term loans, bankers' acceptances, revolving credit and overdrafts are secured by way of legal charges over the landed properties belonging to certain Group entities and by a debenture incorporating fixed and floating charges over all assets of the Group entities (see Note 3.2 and 4). The facilities are also jointly and severally guaranteed by certain Directors of the Company and a corporate guarantee from the Company.

The finance lease liabilities are secured on the respective leased assets of the Group (see Note 3.2).

13.2 Covenants

The Group is required to maintain net assets of not less than RM120 million (2017: RM130 million) to comply with a bank covenant, failing which the bank may call an event of default.

13.3 Finance lease liabilities

Finance lease liabilities are payable as follows:

Group	2018			2017		
	Future minimum lease payments RM	Interest RM	Present value of minimum lease payments RM	Future minimum lease payments RM	Interest RM	Present value of minimum lease payments RM
Less than one year	70,056	6,907	63,149	79,750	6,451	73,299
Between one and two years	84,028	4,483	79,545	52,944	3,577	49,367
Between two and five years	9,912	190	9,722	49,895	1,235	48,660
	163,996	11,580	152,416	182,589	11,263	171,326

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

Group	At 1 January 2018 RM	Net changes from financing cash flows RM	Acquisition of new lease RM	At 31 December 2018 RM
Term loans – secured	16,714,344	355,034	–	17,069,378
Finance lease liabilities	171,326	(78,910)	60,000	152,416
Revolving credit – secured	10,000,000	–	–	10,000,000
Bankers' acceptance	24,141,960	13,165,040	–	37,307,000
Total liabilities from financing activities	51,027,630	13,441,164	60,000	64,528,794

Notes to the Financial Statements – 31 December 2018 (continued)

13. Loans and borrowings (continued)

13.4 Reconciliation of movement of liabilities to cash flows arising from financing activities (continued)

Group	At 1 January 2017 RM	Net changes from financing cash flows RM	Acquisition of new lease RM	At 31 December 2017 RM
Term loans – secured	15,438,199	1,276,145	–	16,714,344
Finance lease liabilities	132,425	(61,099)	100,000	171,326
Revolving credit – secured	10,000,000	–	–	10,000,000
Bankers' acceptance	25,108,548	(966,588)	–	24,141,960
Total liabilities from financing activities	50,679,172	248,458	100,000	51,027,630

14. Trade and other payables

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Trade				
Trade payables	1,649,881	6,889,825	–	–
Non-trade				
Other payables and accruals	1,954,350	3,976,876	159,166	210,059
SST payable	1,131,499	–	–	–
GST payable	–	21,790	–	–
	3,085,849	3,998,666	159,166	210,059
Total	4,735,730	10,888,491	159,166	210,059

15. Amount due to Directors - Group

Amount due to Directors is non-trade in nature, unsecured, interest free and has no fixed terms of repayment.

16. Revenue

	2018 RM	2017 RM
Revenue from contracts with customers		
<i>At a point in time</i>		
- Sale of goods	112,027,488	100,114,356

16.1 Disaggregation of revenue

	2018 RM	2017 RM
Primary geographical markets		
Malaysia	67,952,420	49,736,412
United Arab Emirates	19,675,229	23,995,789
Nigeria	7,463,449	6,416,402
Singapore	4,440,446	4,579,172
Australia	3,156,724	2,708,441
Others	9,339,220	12,678,140
	112,027,488	100,114,356

Notes to the Financial Statements – 31 December 2018 (continued)

16. Revenue (continued)

16.1 Disaggregation of revenue (continued)

	2018 RM	2017 RM
Major products		
Sales of automotive batteries and other automotive parts	111,247,085	99,296,972
Sales of lubricants	780,403	817,384
	112,027,488	100,114,356

The following information reflects the typical transactions of the Group:

Nature of goods	Timing of recognition or method used to recognise revenue	Significant payment terms	Obligation for returns or refunds
Sales of automotive batteries and other automotive parts	Customers obtain control of products when the goods are delivered to and have been accepted by customer.	Credit period of 30 to 180 days from invoice date.	The Group allows returns for exchange with new goods or refunds.
Sales of lubricants	Customers obtain control of products when the goods are delivered to and have been accepted by customer.	Credit period of 60 to 120 days from invoice date.	The Group allows returns for exchange with new goods or refunds.

There were no variable element in consideration or warranty in the sale of automotive batteries, other automotive parts and lubricants.

17. Results from operating activities

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Results from operating activities are arrived at after charging/(crediting):				
Auditors' remuneration				
- statutory audit				
- current year	117,000	111,000	20,000	20,000
- prior year	8,000	–	–	–
- non-audit	6,000	6,000	6,000	6,000
Material expenses/(income)				
Impairment losses on trade receivables	–	216,000	–	–
Amortisation of prepaid lease payments (Note 4)	228,954	228,954	–	–
Depreciation of property, plant and equipment (Note 3)	9,551,430	8,840,151	–	–
Directors' fees	416,000	416,000	116,000	116,000
Directors' remunerations	994,894	1,000,293	–	–
Personnel expenses (including key management personnel)				
- contributions to state plans	345,906	328,751	–	–
- wages, salaries and others	7,670,744	7,303,309	7,500	8,000
Rental of premises	115,800	115,800	–	–
Foreign exchange loss				
- unrealised	114,106	–	–	–

Notes to the Financial Statements – 31 December 2018 (continued)

17. Results from operating activities (continued)

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Results from operating activities are arrived at after charging/(crediting) (continued):				
Material expenses/(income) (continued)				
Foreign exchange gain				
- realised	(1,660,936)	(946,486)	—	—
- unrealised	—	(37,487)	—	—
Reversal of impairment losses on trade receivables	(171,466)	(116,000)	—	—

18. Finance income and finance costs

Recognised in profit or loss

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Interest income of financial assets calculated using the effective interest method that are at amortised cost				
- Fixed deposits and cash funds	55,433	29,270	—	—
- Amount due from a subsidiary	—	—	421,683	416,928
	55,433	29,270	421,683	416,928
Interest expense of financial liabilities that are not at fair value through profit or loss				
- Loans and borrowings	4,216,253	3,586,441	—	—

19. Taxation

Recognised in profit or loss

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Current tax expense				
- current year	806,000	1,054,000	67,000	64,000
- prior year	(56,692)	(556,265)	(3,005)	8,872
	749,308	497,735	63,995	72,872
Deferred taxation (Note 6)				
- current year	(1,224,492)	(856,098)	—	—
- prior year	(10,383)	(797,000)	—	—
	(1,234,875)	(1,653,098)	—	—
Taxation	(485,567)	(1,155,363)	63,995	72,872

Notes to the Financial Statements – 31 December 2018 (continued)

19. Taxation (continued)

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Reconciliation of taxation				
Profit for the year	4,187,707	6,364,623	92,209	69,964
Taxation	(485,567)	(1,155,363)	63,995	72,872
Profit excluding taxation	3,702,140	5,209,260	156,204	142,836
Income tax calculated using				
Malaysian tax rate of 24%	889,000	1,250,000	37,000	34,000
Non-deductible expenses	403,508	378,902	30,000	30,000
Non-taxable income	(22,000)	(95,000)	–	–
Effect of lower tax rate *	–	(9,000)	–	–
Recognition of reinvestment allowance	(1,686,000)	(1,327,000)	–	–
Utilisation of previously unrecognised deferred tax assets	(3,000)	–	–	–
	(418,492)	197,902	67,000	64,000
(Over)/Under-provided in prior years	(67,075)	(1,353,265)	(3,005)	8,872
	(485,567)	(1,155,363)	63,995	72,872

* Pursuant to the Income Tax (Exemption) (No.2) Order 2017, a tax exemption equivalent to a reduction in the prevailing corporate tax rate from 1% to 4% will be effectively given for YA 2017 and YA 2018 based on the incremental chargeable business income.

20. Earnings per ordinary share

Basic and diluted earnings per ordinary share

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

	Group	
	2018 RM	2017 RM
Profit attributable to ordinary shareholders	4,187,707	6,364,623
Weighted average number of ordinary shares at end of year	180,000,000	180,000,000
<i>In Sen</i>		
Basic and diluted earnings per ordinary share	2.33	3.54

21. Operating segments

The Group has two reportable segments, as described in the ensuing page, which are the Group's strategic business units. The strategic business units offer similar products and services, but are managed separately because they require different marketing strategies. For each of the strategic business units, the Group's Executive Chairman (the chief operating decision maker) reviews internal management reports at least on a quarterly basis. The following summary describes the operations in each of the Group's reportable segments:

Notes to the Financial Statements – 31 December 2018 (continued)

21. Operating segments (continued)

- Manufacturing - Includes manufacturing and distribution of batteries.
- Marketing - Includes marketing and retailing of batteries and lubricants.

There are varying levels of integration between Manufacturing reportable segments and Marketing reportable segments. This integration includes transfers of manufactured inventories. Inter-segment pricing is determined on negotiated basis.

Performance is measured based on segment profit before tax, interest, depreciation and amortisation, as included in the internal management reports that are reviewed by the Group's Executive Chairman. 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, liabilities and capital expenditure

Segment assets, liabilities and capital expenditure information are neither included in the internal management reports nor provided regularly to the Group's Executive Chairman. Hence, no disclosure is made.

Group	Manufacturing RM	Marketing RM	Adjustments and elimination RM	Total RM
2018				
Segment profit	704,418	2,773,010	–	3,477,428
Included in the measure of segment profit are:				
Revenue from external customers	75,420,664	36,606,824	–	112,027,488
Inter-segment revenue	26,755,004	–	–	26,755,004
Amortisation	(228,954)	–	–	(228,954)
Depreciation	(9,330,421)	(121,642)	(99,367)	(9,551,430)
Finance costs	(4,614,220)	(50,842)	448,809	(4,216,253)
Not included in the measure of segment profit but provided to Group's Executive Chairman are:				
Tax expense	1,217,418	(660,098)	(71,753)	485,567
2017				
Segment profit	2,799,075	2,626,355	–	5,425,430
Included in the measure of segment profit are:				
Revenue from external customers	67,269,916	32,844,440	–	100,114,356
Inter-segment revenue	25,652,474	–	–	25,652,474
Amortisation	(228,954)	–	–	(228,954)
Depreciation	(8,642,332)	(98,453)	(99,366)	(8,840,151)
Finance costs	(4,013,639)	(17,383)	444,581	(3,586,441)
Not included in the measure of segment profit but provided to Group's Executive Chairman are:				
Tax expense	1,765,746	(621,609)	11,226	1,155,363

Notes to the Financial Statements – 31 December 2018 (continued)

21. Operating segments (continued)

Reconciliations of reportable segment profit or loss

	Group	
	2018 RM	2017 RM
Profit or loss		
Total profit for reportable segments	3,477,428	5,425,430
Elimination of inter-segment profits	(443,100)	(575,424)
Additional depreciation on fair value adjustments	(99,367)	(99,366)
Net unallocated income	767,179	458,620
Consolidated profit before tax	3,702,140	5,209,260

Geographical segments

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. The amounts of non-current assets do not include financial instruments and deferred tax assets.

Geographical information

Group	2018		2017	
	Revenue RM	Non-current assets RM	Revenue RM	Non-current assets RM
Malaysia	67,952,420	92,161,494	49,736,412	95,053,749
United Arab Emirates	19,675,229	–	23,995,789	–
Nigeria	7,463,449	–	6,416,402	–
Singapore	4,440,446	–	4,579,172	–
Australia	3,156,724	–	2,708,441	–
Others	9,339,220	–	12,678,140	–
	112,027,488	92,161,494	100,114,356	95,053,749

Major customers

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

	Revenue		Segment
	2018 RM	2017 RM	
Customer A	17,598,705	18,326,961	Manufacturing

Notes to the Financial Statements – 31 December 2018 (continued)

22. Financial instruments

22.1 Categories of financial instruments

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

Financial assets/(liabilities)	Carrying amount RM	AC RM
Group		
2018		
Trade and other receivables *	40,026,493	40,026,493
Deposits	1,406,041	1,406,041
Cash and cash equivalents	9,835,303	9,835,303
Loans and borrowings	(87,100,657)	(87,100,657)
Trade and other payables *	(3,604,231)	(3,604,231)
Amount due to Directors	(54,819)	(54,819)
Company		
2018		
Amount due from subsidiaries	12,177,083	12,177,083
Deposits	2,400	2,400
Cash and cash equivalents	2,521	2,521
Trade and other payables	(159,166)	(159,166)

* Excluding GST and SST receivable from/payable to Royal Malaysian Custom Department.

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

- (i) Loans and receivables ("L&R"); and
- (ii) Financial liabilities measured at amortised cost ("FL").

Group	Carrying amount RM	L&R/ (FL) RM
2017		
Trade and other receivables *	39,876,291	39,876,291
Deposits	1,673,598	1,673,598
Cash and cash equivalents	7,874,397	7,874,397
Loans and borrowings	(72,406,664)	(72,406,664)
Trade and other payables *	(10,866,701)	(10,866,701)
Amount due to Directors	(203,780)	(203,780)
Company		
2017		
Amount due from subsidiaries	12,140,973	12,140,973
Deposits	2,100	2,100
Cash and cash equivalents	17,532	17,532
Trade and other payables	(210,059)	(210,059)

* Excluding GST receivable from/payable to Royal Malaysian Custom Department.

Notes to the Financial Statements – 31 December 2018 (continued)

22. Financial instruments (continued)

22.2 Net gains and losses arising from financial instruments

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Net (losses)/gains on:				
Financial assets at amortised cost	979,961	–	383,933	–
Financial liabilities measured at amortised cost	(3,437,765)	(2,506,691)	–	–
Loans and receivables	–	(362,192)	–	416,928
	(2,457,804)	(2,868,883)	383,933	416,928

22.3 Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk

(a) 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. The Company's exposure to credit risk arises principally from loans and advances to subsidiaries and financial guarantees given to banks for credit facilities granted to a subsidiary.

Receivables

(i) Risk management objectives, policies and processes for managing the risk

The Group implements credit controls that include evaluation, monitoring and feedback to ensure that only credit-worthy customers are accepted. Credit sales are mainly to long established customers. The Group also controls credit risk by limiting the credit amounts given to new customers. Credit limits are revised on a regular basis based on customers' payment patterns and the comfort level of doing business with them.

The gross carrying amounts of credit impaired trade receivables are written off (either partially or full) when 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. Nevertheless, trade receivables that are written off could still be subject to enforcement activities.

There are no significant changes as compared to previous year.

(ii) 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 statements of financial position.

Notes to the Financial Statements – 31 December 2018 (continued)

22. Financial instruments (continued)

22.3 Financial risk management (continued)

(a) Credit risk (continued)

Receivables (continued)

(ii) *Exposure to credit risk, credit quality and collateral* (continued)

As at the end of the reporting period, other than the amounts stated below, there were no significant concentrations of credit risk.

	Group 2018 RM	2017 RM
Amount due from three (2017: three) trade receivables	23,169,619	19,617,374

(iii) *Concentration of credit risk*

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

	Group 2018 RM	2017 RM
Malaysia	37,205,679	33,445,720
Sultanate of Oman	–	843,168
Singapore	230,949	808,106
Nigeria	84,937	385,687
Others	2,450,991	4,342,597
	39,972,556	39,825,278

(iv) *Recognition and measurement of impairment loss*

The Group uses an allowance matrix to measure ECLs of trade receivables. Consistent with the debt recovery process, invoices which are past due 365 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 Group 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 Group believes that these factors are immaterial for the purpose of impairment calculation for the year.

Notes to the Financial Statements – 31 December 2018 (continued)

22. Financial instruments (continued)

22.3 Financial risk management (continued)

(a) Credit risk (continued)

Receivables (continued)

(iv) *Recognition and measurement of impairment loss* (continued)

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

Group	Gross carrying amount RM	Loss allowance RM	Net balance RM
Not past due	36,833,556	(463,095)	36,370,461
1-30 days past due	1,581,596	(32,835)	1,548,761
31-60 days past due	243,869	(11,565)	232,304
61-90 days past due	766,630	(29,840)	736,790
More than 90 days past due	1,104,620	(20,380)	1,084,240
	40,530,271	(557,715)	39,972,556
Credit impaired			
Individually impaired	18,466	(18,466)	–
	40,548,737	(576,181)	39,972,556

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

Group	Lifetime ECL RM	2018 Credit impaired RM	Total RM
Trade receivables			
Balances at 1 January as per MFRS 139 (Note 8)	1,121,148	87,642	1,208,790
Adjustment on initial application of MFRS 9 (Note 27)	(391,967)	–	(391,967)
Balances at 1 January as per MFRS 9	729,181	87,642	816,823
Reversal of impairment loss (Note 17)	(171,466)	–	(171,466)
Amount written off	–	(69,176)	(69,176)
Balances at 31 December (Note 8)	557,715	18,466	576,181

Notes to the Financial Statements – 31 December 2018 (continued)

22. Financial instruments (continued)

22.3 Financial risk management (continued)

(a) Credit risk (continued)

Receivables (continued)

(iv) *Recognition and measurement of impairment loss* (continued)

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	Individual impairment RM	Collective impairment RM	Net RM
2017				
Not past due	24,362,292	–	–	24,362,292
Past due 0-30 days	3,356,331	–	–	3,356,331
Past due 31-120 days	6,417,836	–	(216,000)	6,201,836
Past due 121-180 days	2,281,950	–	–	2,281,950
Past due 181-365 days	4,615,659	(87,642)	(905,148)	3,622,869
	41,034,068	(87,642)	(1,121,148)	39,825,278

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

Group	2017 RM
At beginning of year	1,108,790
Impairment losses recognised	216,000
Impairment losses reversed	(116,000)
At end of year	1,208,790

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

Financial guarantees

(i) *Risk management objectives, policies and processes for managing the risk*

The Company provides unsecured financial guarantees to banks in respect of banking facilities granted to a subsidiary. The Company monitors on an ongoing basis the results of the subsidiary and repayments made by the subsidiary.

(ii) *Exposure to credit risk, credit quality and collateral*

The maximum exposure to credit risk amounts to RM79,397,490 (2017: RM69,041,159) representing the outstanding banking facilities of the subsidiary as at the end of the reporting period.

22. Financial instruments (continued)

22.3 Financial risk management (continued)

(a) Credit risk (continued)

Financial guarantees (continued)

(iii) Recognition and measurement of impairment loss

The Company assumes that there is a significant increase in credit risk when a subsidiary's financial position deteriorates significantly. The Company considers a financial guarantee to be credit impaired when:

- The subsidiary is unlikely to repay its credit obligation to the bank in full; or
- The subsidiary is continuously loss making and is having a deficit shareholders' fund.

The Company determines the probability of default of the guaranteed loans individually using internal information available.

As at the end of the reporting period, there was no indication that the subsidiary would default on payment.

Inter-company loans and advances

(i) Risk management objectives, policies and processes for managing the risk

The Company provides unsecured loans and advances to subsidiaries. The Company monitors the results of the subsidiaries regularly.

(ii) 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 statement of financial position.

Loans and advances are only provided to subsidiaries which are wholly owned by the Company.

(iii) Recognition and measurement of impairment loss

Generally, the Company considers loans and advances to subsidiaries have low credit risk. The Company assumes that there is a significant increase in credit risk when a subsidiary's financial position deteriorates significantly. As the Company is able to determine the timing of payments of the subsidiaries' loans and advances when they are payable, the Company considers the loans and advances to be in default when the subsidiaries are not able to pay when demanded. The Company considers a subsidiary's loan or advance to be credit impaired when:

- The subsidiary is unlikely to pay its loan or advance to the Company in full;
- The subsidiary's loan or advance is overdue for more than 365 days; or
- The subsidiary is continuously loss making and is having a deficit shareholders' fund.

The Company determines the probability of default for these loans and advances individually using internal information available.

Notes to the Financial Statements – 31 December 2018 (continued)

22. Financial instruments (continued)

22.3 Financial risk management (continued)

(b) Liquidity risk

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

The Group maintains a level of cash and cash equivalents and bank facilities deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its 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.

Maturity analysis

The table below summarises the maturity profile of the Group's and the Company's financial liabilities (which are non-derivatives) as at the end of the reporting period based on undiscounted contractual payments:

Group	Carrying amount RM	Contractual interest rate % p.a	Contractual cash flows RM	Under 1 year RM	1-2 years RM	2-5 years RM
2018						
Bank overdrafts	22,571,863	7.57 - 7.70	22,715,477	22,715,477	–	–
Bankers' acceptances	37,307,000	3.43 - 4.95	37,307,000	37,307,000	–	–
Term loans	17,069,378	4.90 - 6.95	18,500,796	5,340,696	6,895,377	6,264,724
Finance lease liabilities	152,416	4.45 - 6.25	163,996	70,056	84,028	9,912
Revolving credit	10,000,000	4.86	10,040,500	10,040,500	–	–
Trade payables	1,649,881	–	1,649,881	1,649,881	–	–
Other payables and accruals	1,954,350	–	1,954,350	1,954,350	–	–
Amount due to Directors	54,819	–	54,819	54,819	–	–
	90,759,707		92,386,819	79,132,779	6,979,405	6,274,636
2017						
Bank overdrafts	21,379,034	7.46 - 7.70	21,514,078	21,514,078	–	–
Bankers' acceptances	24,141,960	2.24 - 4.75	24,152,253	24,152,253	–	–
Term loans	16,714,344	4.63 - 6.70	18,449,678	5,438,261	5,340,696	7,670,721
Finance lease liabilities	171,326	3.77 - 6.32	182,589	79,750	52,944	49,895
Revolving credit	10,000,000	4.63	10,038,583	10,038,583	–	–
Trade payables	6,889,825	–	6,889,825	6,889,825	–	–
Other payables and accruals	3,976,876	–	3,976,876	3,976,876	–	–
Amount due to Directors	203,780	–	203,780	203,780	–	–
	83,477,145		85,407,662	72,293,406	5,393,640	7,720,616

Notes to the Financial Statements – 31 December 2018 (continued)

22. Financial instruments (continued)

22.3 Financial risk management (continued)

(b) Liquidity risk (continued)

Maturity analysis (continued)

Company	Carrying amount RM	Contractual interest rate %	Contractual cash flows RM	Under 1 year RM
2018				
Other payables and accruals	159,166	–	159,166	159,166
Financial guarantees	–	–	79,397,490	79,397,490
2017				
Other payables and accruals	210,059	–	210,059	210,059
Financial guarantees	–	–	69,041,159	69,041,159

(c) 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.

Currency risk

The Group is exposed to foreign currency risk on sales, purchases, bank balances and borrowings that are denominated in a currency other than the functional currency of Group entities. The currencies giving rise to this risk are primarily United States Dollar ("USD") and Singapore Dollars ("SGD").

Risk management objectives, policies and processes for managing the risk

The Group keeps two foreign currency bank accounts (denominated in USD and SGD) into which certain sales proceeds are deposited and from which payments denominated in these currencies are made to minimise its exposure to foreign exchange risk.

As for other monetary assets and liabilities held in a currency other than the functional currency, the Group ensures that the net exposure is kept to an acceptable level.

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:

	2018		2017	
	Denominated in USD	Denominated in SGD	Denominated in USD	Denominated in SGD
Balances recognised in the statement of financial position				
<i>In RM</i>				
Trade receivables	2,206,089	–	5,998,207	–
Bankers' acceptances	–	–	(5,122,676)	–
Trade payables	(587,109)	–	(5,167,038)	–
Other payable	(730,502)	–	(2,440,596)	–
Cash and cash equivalents	5,145,877	1,424,011	4,259,868	1,427,298
Net exposure	6,034,355	1,424,011	(2,472,235)	1,427,298

Notes to the Financial Statements – 31 December 2018 (continued)

22. Financial instruments (continued)

22.3 Financial risk management (continued)

(c) Market risk (continued)

Currency risk (continued)

Currency risk sensitivity analysis

A 10% (2017: 10%) strengthening of the Ringgit Malaysia ("RM") 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 assumes that all other variables, in particular interest rates, remained constant and ignores any impact of forecasted sales and purchases.

Group	Profit or (loss)	
	2018 RM	2017 RM
USD	(458,000)	188,000
SGD	(108,000)	(108,000)
	(566,000)	80,000

A 10% (2017: 10%) weakening of RM 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.

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. The Company's exposure to interest rate risk arises principally from loans and advances to a subsidiary.

Risk management objectives, policies and processes for managing the risk

The Group monitors its exposure to changes in interest rates on a regular basis. Borrowings are negotiated with a view to securing the best possible terms, including rate of interest, to the Group and when deemed appropriate, obtained on a fixed rate basis. The Company adopts a policy of ensuring that its exposure to changes in interest rates on loans and advances to the subsidiary is on a fixed rate basis.

Exposure to interest rate risk

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

Group	2018 RM	2017 RM
Fixed rate instruments		
Financial liabilities	(47,459,416)	(34,313,286)
Floating rate instruments		
Financial liabilities	(39,641,241)	(38,093,378)
	(87,100,657)	(72,406,664)

Notes to the Financial Statements – 31 December 2018 (continued)

22. Financial instruments (continued)

22.3 Financial risk management (continued)

(c) Market risk (continued)

Exposure to interest rate risk (continued)

Company	2018 RM	2017 RM
Fixed rate instruments		
Financial assets	12,177,083	12,140,973

Interest rate risk sensitivity analysis

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group does not designate derivatives as hedging instruments under a fair value 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 100 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, remain constant.

Group	Profit or loss	
	100bp increase RM	100bp decrease RM
Floating rate instruments		
- 2018	(301,000)	301,000
- 2017	(290,000)	290,000

Other price risk

The Group does not have any investments in equity securities as at the end of the reporting period and is therefore not exposed to any other price risk.

22.4 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 in the ensuing page analyses financial instruments not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts as shown in the statement of financial position.

Notes to the Financial Statements – 31 December 2018 (continued)

22. Financial instruments (continued)

22.4 Fair value information (continued)

Group	Fair value of financial instruments not carried at fair value				Carrying amount RM
	Level 1 RM	Level 2 RM	Level 3 RM	Total RM	
2018					
Financial liabilities					
Term loans	–	–	15,968,634	15,968,634	17,069,378
Finance lease liabilities	–	–	152,416	152,416	152,416
	–	–	16,121,050	16,121,050	17,221,794
2017					
Financial liabilities					
Term loans	–	–	15,522,184	15,522,184	16,714,344
Finance lease liabilities	–	–	171,326	171,326	171,326
	–	–	15,693,510	15,693,510	16,885,670

Level 3 fair value

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

Type	Description of valuation technique and inputs used
Term loans and finance lease liabilities	Discounted cash flows using a rate based on the current market rate of borrowing of the respective Group entities at the reporting date.

23. Capital management

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

During the year, the Group's strategy, which was unchanged from 2017 was to maintain the debt-to-equity ratio close to 0.5:1. The debt-to-equity ratios at 31 December 2018 and at 31 December 2017 were as follows:

	Group	
	2018 RM	2017 RM
Total loans and borrowings (Note 13)	87,100,657	72,406,664
Less: Cash and cash equivalents (Note 11)	(9,835,303)	(7,874,397)
Net debt	77,265,354	64,532,267
Total equity	158,129,108	153,650,817
Debt-to-equity ratio	0.49	0.42

Notes to the Financial Statements – 31 December 2018 (continued)

23. Capital management (continued)

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

During the year, the Group is required to maintain net assets of not less than RM120 million to comply with a bank covenant, failing which the bank may call an event of default (see Note 13.2). The Group has not breached the covenant.

24. Capital expenditure commitments

	Group	
	2018 RM	2017 RM
<i>Property, plant and equipment</i>		
Authorised and contracted for	–	93,206

25. Contingencies

The Directors are of the opinion that provision is not required in respect of the following corporate guarantees, as it is not probable that a future outflow of economic benefits will be required.

	Company	
	2018 RM	2017 RM
Corporate guarantees for banking facilities granted to a subsidiary	122,470,000	117,270,000

The outstanding banking facilities of the subsidiary as at the end of the reporting period is RM79,397,490 (2017: RM69,041,159).

26. 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 parties or exercise significant influence over the parties in making financial and operating decisions, or vice versa, or where the Group or the Company and the parties 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 and entity that provides key management personnel services to the Group. The key management personnel include all the Directors of the Group, and certain members of senior management of the Group.

The Group has related party relationship with its holding company, subsidiaries and key management personnel.

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 in the ensuing page. The balances related to the transactions in the ensuing page are shown in the statements of financial position.

Notes to the Financial Statements – 31 December 2018 (continued)

26. Related parties (continued)

Significant related party transactions (continued)

	Company	
	2018 RM	2017 RM
Subsidiary		
Interest income on loans	421,683	416,928
	Group	
	2018 RM	2017 RM
Key management personnel		
Directors		
- fees	416,000	416,000
- remuneration	994,894	1,000,293
- other short term employee benefits	16,308	8,000
- rental expenses	72,000	72,000
	1,499,202	1,496,293
Other key management personnel		
- fees	806,800	806,800
- remuneration	1,105,344	1,100,406
- other short-term employee benefits	17,947	15,312
	1,930,091	1,922,518
	3,429,293	3,418,811

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.

27. 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. The Group and the Company generally applied the requirements of these accounting standards retrospectively with transitional exemptions as allowed by the standards. Nevertheless, as permitted by MFRS 9, the Group and the Company have elected not to restate the comparatives.

27.1 Impacts on financial statements

The following tables summarise the impacts arising from the adoption of MFRS 9 on the Group's and the Company's financial statements whereas the adoption of MFRS 15 had not result any restatement and misstatement as the timing of the revenue recognition is similar as it was previously reported under MFRS 118.

Statement of financial position:

	As previously reported RM	MFRS 9 Adjustments RM	As restated RM
Group			
1 January 2018			
Assets			
Trade and other receivables	40,316,076	391,967	40,708,043
Deferred tax assets	48,000	13,000	61,000

Notes to the Financial Statements – 31 December 2018 (continued)

27. Significant changes in accounting policies (continued)

27.1 Impacts on financial statements (continued)

Group (continued)	As previously reported RM	MFRS 9 Adjustments RM	As restated RM
1 January 2018 (continued)			
Liabilities			
Deferred tax liabilities	(6,501,898)	(114,383)	(6,616,281)
Equity			
Retained earnings	(57,984,173)	(290,584)	(58,274,757)
Company			
1 January 2018			
Assets			
Amount due from subsidiaries	12,140,973	(19,907)	12,121,066
Equity			
Accumulated losses	1,587,433	19,907	1,607,340

27.2 Accounting for financial instruments

a. Transition

In the adoption of MFRS 9, the following transitional exemptions as permitted by the standard have been adopted:

- The Group and the Company have not restated comparative information for prior periods with respect to classification and measurement (including impairment) requirements. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of MFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. 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*.
- The determination of the business model within which a financial asset is held has been made based on the facts and circumstances that existed at the date of initial application.
- Loss allowance for receivables (other than trade receivables) is recognised at an amount equal to lifetime expected credit losses until the receivables is derecognised.

b. Classification of financial assets and financial liabilities on the date of initial application of MFRS 9

The following table in the ensuing page shows the measurement categories under MFRS 139 and the new measurement categories under MFRS 9 for each class of the Group's and of the Company's financial assets and financial liabilities as at 1 January 2018:

Notes to the Financial Statements – 31 December 2018 (continued)

27. Significant changes in accounting policies (continued)

27.2 Accounting for financial instruments (continued)

b. Classification of financial assets and financial liabilities on the date of initial application of MFRS 9 (continued)

Group	31 December 2017 RM	1 January 2018	
		Remeasurement RM	Reclassification to new MFRS 9 category Amortised cost ("AC") RM
Category under MFRS 139			
Financial assets			
Loan and receivables			
Trade and other payables*	39,876,291	391,967	40,268,258
Deposits	1,673,598	–	1,673,598
Cash and cash equivalents	7,874,397	–	7,874,397
	49,424,286	391,967	49,816,253
Financial liabilities			
Other financial liabilities measured at amortised cost			
Loans and borrowings	(72,406,664)	–	(72,406,664)
Trade and other payables*	(10,866,701)	–	(10,866,701)
Amounts due to Directors	(203,780)	–	(203,780)
	(83,477,145)	–	(83,477,145)

* Excluding GST receivable from/payable to Royal Malaysian Custom Department.

Company	31 December 2017 RM	1 January 2018	
		Remeasurement RM	Reclassification to new MFRS 9 category Amortised cost ("AC") RM
Category under MFRS 139			
Financial assets			
Loan and receivables			
Amount due from subsidiaries	12,140,973	(19,907)	12,121,066
Deposits	2,100	–	2,100
Cash and cash equivalents	17,532	–	17,532
	12,160,605	(19,907)	12,140,698
Financial liabilities			
Other financial liabilities measured at amortised cost			
Trade and other payables	(210,059)	–	(210,059)

Notes to the Financial Statements – 31 December 2018 (continued)

27. Significant changes in accounting policies (continued)

27.2 Accounting for financial instruments (continued)

b. Classification of financial assets and financial liabilities on the date of initial application of MFRS 9 (continued)

(i) Reclassification from loans and receivables to amortised cost

Trade and other receivables, deposits, cash and cash equivalents that were classified as loans and receivables under MFRS 139 are now reclassified at amortised cost. A decrease of RM391,967 and an increase of RM19,907 in allowance for impairment were recognised in opening retained earnings of the Group and of the Company at 1 January 2018 respectively on transition to MFRS 9.

27.3 Accounting for revenue

The following are the changes in revenue recognition from the adoption of MFRS 15:

Type of revenue	Previous year's revenue recognition	Current year's revenue recognition
Sales of automotive batteries and other automotive parts	The Group primarily recognised revenue for these contracts with customers when all criteria for revenue were met and reasonable estimate of the returns can be made. If a reasonable estimate could not be made, then no revenue recognition.	Under MFRS 15, revenue is recognised when the goods are delivered and have been accepted by customers.
Sales of lubricants	The Group primarily recognised revenue for these contracts with customers when all criteria for revenue were met and reasonable estimate of the returns can be made. If a reasonable estimate could not be made, then no revenue recognition.	Under MFRS 15, revenue is recognised when the goods are delivered and have been accepted by customers.

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 40 to 90 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:

Dato' Tay Tze How

Director

Dato' Tay Tze Poh

Director

Kuching,

Date: 8 April 2019

Statutory Declaration

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

I, **Desmond Hii Hiong Sion**, the officer primarily responsible for the financial management of ABM Fujiya Berhad, do solemnly and sincerely declare that the financial statements set out on pages 40 to 90 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 **Desmond Hii Hiong Sion**, NRIC: 820918-13-5181, MIA CA39619 at Kuching in the State of Sarawak on 8 April 2019.

Desmond Hii Hiong Sion

Before me:

ABM
Fujiya
Berhad
628324-W

Annual Report
2018

92

Evelyn Lau Sie Jiong

Commissioner For Oaths

No. Q137

Independent Auditors' Report

to the Members of ABM Fujiya Berhad (Incorporated in Malaysia)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of ABM Fujiya 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, including a summary of significant accounting policies, as set out on pages 40 to 90.

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

Independent Auditors' Report to the Members of ABM Fujiya Berhad (Incorporated in Malaysia) (continued)

Key Audit Matters (continued)

Revenue recognition

Refer to Note 2(k) - Significant accounting policies: Revenue and Note 16 - Revenue.

The key audit matter	How the matter was addressed in our audit
The Group derived revenue from sales of automotive batteries. As at 31 December 2018, the Group recorded revenue of RM112,027,488. Revenue from sale of goods is recognised when there is a transfer of control to the customers, and is measured based on the consideration specified in the contract, net of trade discounts to customers. We have identified revenue recognition as a key audit matter because of the risk that revenue might be misstated either intentionally or unintentionally due to fraud or error.	We performed the following audit procedures, among others: i) We assessed the design and implementation of the Group's controls over the sales processes, and tested the design and effectiveness of the controls. ii) We obtained confirmations on outstanding balances and sales transaction during the year from selected customers based on sampling basis. iii) We verified the sales invoices which are selected based on sampling basis to underlying supporting documents, which included delivery orders. iv) We assessed the sales transaction before and after year end to ascertain whether these transactions were recognised in the correct financial year. v) We developed an expectation of the current year revenue taking into account of cash receipts and movements in receivable balance. We then compared this expectation with actual results. vi) We verified journal entries for revenue and revenue related accounts based on high risk criteria set to ascertain whether there are any unusual, unauthorised or unsupported entries made against revenue. vii) We assessed the completeness, accuracy and appropriateness of disclosures as required by MFRS 15.

Independent Auditors' Report to the Members of ABM Fujiya Berhad (Incorporated in Malaysia) (continued)

Key Audit Matters (continued)

Valuation of trade receivables

Refer to Note 2(h) - Significant accounting policies: Impairment and Note 8 - Trade and other receivables.

The key audit matter	How the matter was addressed in our audit
At 31 December 2018, the Group has a significant level of trade receivables of RM39,972,556 which was approximately 16% of its total assets. The Group determines allowance for impairment losses on doubtful receivables based on an on-going review and evaluation performed as part of its credit risk evaluation process. The evaluation is however inherently judgemental and requires material estimates, including the loss rate used in the calculation of Expected Credit Loss. The Group's exposure to credit risk arises principally from its receivables from long established customers who are entitled to credit terms. We have identified recoverability of trade receivables as a key audit matter because the recoverability is dependent on the credit worthiness of customers and their ability to settle the amounts due which increases the risk of non-payment and non-recovery. Accordingly, allowance for impairment losses are required for amounts that are no longer considered recoverable.	We performed the following audit procedures, among others: i) We assessed the design and implementation of the Group's controls over the receivables collection processes, including the Group's credit control process over aged receivables and customer credit approvals. ii) We inspected the ageing of trade receivables to identify any potential for doubtful debts and we assessed whether appropriate allowances has been established for non-payment and non-recovery of such trade receivables. iii) We assessed the adequacy of the Group's allowances for impairment losses by assessing the assumptions made by the Group with reference to the profile of aged debts at the reporting date and post year-end payment records. iv) We assessed the completeness, accuracy and relevance of data used by the Group in preparing the transition adjustments to MFRS 9. v) We have also considered the adequacy of the Group's disclosures about the degree of judgement and estimation involved in arriving at the allowances for the impairment of trade receivables. vi) We assessed the completeness, accuracy and relevance of the transition disclosures as required by MFRS 9.

Independent Auditors' Report to the Members of ABM Fujiya Berhad (Incorporated in Malaysia) (continued)

Key Audit Matters (continued)

Valuation of property, plant and equipment and prepaid lease payments

Refer to Note 2(h) - Significant accounting policies: Impairment and Note 3 - Property, plant and equipment.

The key audit matter	How the matter was addressed in our audit
As at 31 December 2018, the carrying amount of the Group's net assets was more than its market capitalisation. There is a risk that the carrying amount of its property, plant and equipment and prepaid lease payments may not be recoverable in full through the future cash flows to be generated from these assets. The property, plant and equipment consist of two major category of assets: • leasehold land and buildings; and • plant and machinery. For land and buildings, the Group estimated the recoverable amount based on their estimated fair values which are determined by professional external valuation firm by reference to the market values of similar assets. For plant and machinery, the Group prepared a value in use calculation by forecasting and discounting future cash flows to be generated by an existing manufacturing plant of a subsidiary based on certain key assumptions. We have identified the valuation of property, plant and equipment and prepaid lease payments as a key audit matter because of the carrying amount of these assets was material to the consolidated financial statements (being 36% of total assets). It also requires us to exercise a significant level of judgement in evaluating the Group's impairment assessment which involved a certain degree of judgement and assumptions of future events that are inherently uncertain. Changes in judgement and the estimates throughout the useful lives of the plant and machineries of the production line could affect the carrying amount of the plant and machinery.	We performed the following audit procedures, among others: i) Leasehold land and buildings (Fair value less costs of disposal) • We performed background check of the external valuer engaged by the Group to assess its competency, capabilities and objectivity. • We read the valuer's reports and obtained an understanding of the valuation methods and assumptions. We also considered whether the assumptions are appropriate and reasonable based on the industry norms and specified external data sources. • We considered the adequacy of the Group's disclosures of valuation techniques. ii) Plant and machinery • We evaluated and assessed the Group's key assumptions used in the cash flows forecast including average selling price, sales volume and average unit cost by considering the accuracy of the Group's past forecasts. We also considered current and future industry situation. • We assessed the appropriateness of the discount rate by comparing it with the weighted average cost of capital for other similar entities in the same industry. • We considered the adequacy of the Group's disclosures about the assumptions to which the outcome of the impairment assessment were most sensitive.

Independent Auditors' Report to the Members of ABM Fujiya Berhad (Incorporated in Malaysia) (continued)

Key Audit Matters (continued)

We have determined that there is 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 the Directors for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

Independent Auditors' Report to the Members of ABM Fujiya Berhad (Incorporated in Malaysia) (continued)

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

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

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 to the Members of ABM Fujiya Berhad (Incorporated in Malaysia) (continued)

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

Nicholas Chia Wei Chit

Approval Number: 03102/03/2020 J

Chartered Accountant

Kuching

Date: 8 April 2019

List of Properties of the Group

As At 31 December 2018

No.	Location	Approximate Age of Building	Date of Expiry of Lease	Description and Existing Use	Land Area	Year of Acquisition	Net Book Value (RM'000)
1	Lot No. 859, Section 66, Kuching Town Land District Lorong Pangkalan, Off Jalan Pangkalan, Pending Industrial Estate, 93450 Kuching, Sarawak	11 years	05.02.2035	Industrial Land with 5-storey office and 1-storey plant (with one mezzanine floor) for batteries manufacturing	8,053.00 m ²	1997	10,241
2	Lot 1122, Block 8, Muara Tebas Land District, 93050 Kuching, Sarawak	Not applicable	09.01.2071	Industrial land / Vacant ⁽²⁾	88,620.00 m ²	2010	8,105
3	Lot 1274, Block 8, Muara Tebas Land District, 93050 Kuching, Sarawak	Not applicable	09.01.2071	Industrial land / Vacant ⁽²⁾	80,660.00 m ²	2010	7,377
4	Lot No. 2224, Section 66, Kuching Town Land District, Lorong Pangkalan, Off Jalan Pangkalan, Pending Industrial Estate, 93450 Kuching, Sarawak	17 years	08.02.2053	Industrial Land with 3-storey office and 1-storey plant (with one mezzanine floor) for batteries manufacturing	10,115.00 m ²	1993	5,340
5	PL Plot 854, Block 7, Muara Tebas Land District, Sejingkat Industrial Park, 93450 Kuching, Sarawak	7 years	19.02.2054	Industrial land / 1-storey plant for batteries containers sets manufacturing and 3-storey block for storage and office	7,420.00 m ²	1995	4,352
6	Lot 1159, Section 66, Kuching Town Land District, Lorong Pangkalan, Off Jalan Pangkalan, Pending Industrial Estate, 93450 Kuching, Sarawak	30 years	28.1.2037	Industrial land with 1-storey plant for batteries manufacturing	6,677.00 m ²	1997	2,960

List of Properties Of The Group As At 31 December 2018 (continued)

No.	Location	Approximate Age of Building	Date of Expiry of Lease	Description and Existing Use	Land Area	Year of Acquisition	Net Book Value (RM'000)
7	Lot 9628, Section 64 , Kuching Town Land District, T. Chin Kin Commercial Centre, Jalan Pending, 93450 Kuching, Sarawak.	20 years	12.12.2795	4-storey intermediate shop house / Commercial / Residential Vacant ⁽¹⁾	194.10 m ²	2012	713
8	Lot 9629, Section 64, Kuching Town Land District, T. Chin Kin Commercial Centre, Jalan Pending, 93450 Kuching, Sarawak.	20 years	12.12.2795	4-storey intermediate shop house / Commercial / Residential Partially rented ⁽¹⁾	194.20 m ²	2012	713
9	Lot 8, Town Lease, 17701021, Inanam Baru, Kota Kinabalu, Sabah.	45 years	31.12.2071	3-storey intermediate shop lot / Commercial and industrial building Office and storage	116.10 m ²	2009	594
10	Lot 1678, Block 226, KNLD, 4 th Mile, Penrissen Road, Kuching, Sarawak.	Not applicable	31.12.2038	Vacant land ⁽¹⁾ / Suburban Land / Mixed Zone Land	4,207.00 m ²	2009	568

Notes:-

(1) Held for investment purposes.

(2) Held for future expansion purposes.

Analysis of Shareholdings

As At 8 April 2019

Issued Share Capital : RM90,000,000 comprising of 180,000,000 ordinary shares
 Voting Rights : 1 vote per ordinary share (on a poll)

Distribution of Shareholdings

Holdings	No. of Holders	Total Holdings	% Shares
Less than 100	5	69	0.00
100 – 1,000	75	47,797	0.03
1,001 – 10,000	262	1,567,700	0.87
10,001 – 100,000	114	4,036,600	2.24
100,001 – and below 5%	54	41,184,338	22.88
5% and above	1	133,163,496	73.98
Total	511	180,000,000	100.00

Directors' Shareholdings

No.	Name of Directors	Direct Shareholdings		Indirect Shareholdings	
		No. of Shares	% of Shares	No. of Shares	% of Shares
1.	Dato Sri Tay Ah Ching @ Tay Chin Kin	200,002	0.11	133,163,496 ⁽¹⁾	73.98
2.	Datuk Haji Abang Abdul Wahap Bin Haji Abang Julai	–	–	–	–
3.	Puan Sri Corinne Bua Nyipa	171,300	0.10	–	–
4.	Dato' Tay Tze How	170,002	0.09	133,163,496 ⁽²⁾	73.98
5.	Dato' Tay Tze Poh	170,000	0.09	133,163,496 ⁽²⁾	73.98
6.	Dato' Ooi Teik Heng	–	–	–	–
7.	Wong Siaw Wei	–	–	–	–
8.	Sim Chong Hong	–	–	–	–

Notes :

⁽¹⁾ Deemed interested by virtue of his children and children spouses' interest in Kayatas Sdn. Bhd.

⁽²⁾ Deemed interested by virtue of his father, siblings and siblings' spouses' interest in Kayatas Sdn. Bhd.

Substantial Shareholder

No.	Name	Direct Shareholdings		Indirect Shareholdings	
		No. of Shares	% of Shares	No. of Shares	% of Shares
1.	Kayatas Sdn. Bhd.	133,163,496	73.98	–	–

Analysis of Shareholdings

As At 8 April 2019 (continued)

Thirty Largest Shareholders

No.	Name	No.of Shares	% of Share
1.	Kayatas Sdn. Bhd.	133,163,496	73.98
2.	Teo Yiau Hong @ Teo Yiau Fong	4,415,500	2.45
3.	Maybank Securities Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Sulaiman Abdul Rahman B Abdul Taib (Margin)	4,387,500	2.44
4.	Bibi Anak Moton	3,714,800	2.06
5.	Polywell Enterprise Sendirian Berhad	3,000,000	1.67
6.	Teo Kwee Hock	2,575,100	1.43
7.	UOB Kay Hian Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Teo Siew Lai	1,965,400	1.09
8.	Ng Teng Song	1,917,700	1.07
9.	Erni Rianti Hardjoko	1,701,900	0.95
10.	Teo Poh Boon	1,600,000	0.89
11.	Chew Siang Jin	1,500,000	0.83
12.	CIMSEC Nominees (Tempatan) Sdn Bhd Beneficiary: CIMB for Sulaiman Abdul Rahman B Abdul Taib (MY3098)	1,302,500	0.72
13.	CIMSEC Nominees (Tempatan) Sdn Bhd Beneficiary: CIMB for Wong Ching Kung (PB)	1,200,000	0.67
14.	Wong Chin Phong	914,300	0.51
15.	Loh Yut Kuah	745,300	0.41
16.	Kueh Song Teck	702,400	0.39
17.	Law Kiat Jin	633,900	0.35
18.	Lim Teck Hui	502,300	0.28
19.	Ngui Ing Chuang	500,000	0.28
20.	Kong Kim Sing	436,000	0.24
21.	Kederi Anak Moton	347,600	0.19
22.	Azerina Mohd Arip @ Gertie Chong Soke Hoon	342,700	0.19
23.	Cheong Boo Chin	305,000	0.17
24.	Public Nominees (Tempatan) Sdn Bhd Beneficiary: Pledged Securities Account for Yew Tek Hoon (E-BMM)	301,100	0.17
25.	Chee Cheong On	300,000	0.17
26.	CIMSEC Nominees (Tempatan) Sdn Bhd Beneficiary: CIMB for Rose Lee Mee Choo (PB)	300,000	0.17
27.	Shuit Soon Hock	300,000	0.17
28.	Syarikat Saiban Sdn. Bhd.	300,000	0.17
29.	RHB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Jamal Bin Mohd Aris	299,900	0.17
30.	Tchin Ah Khiun	275,600	0.15
	Total	169,949,996	94.42

Administrative Details

Administrative Details for the Fifteenth Annual General Meeting of ABM Fujiya Berhad to be held at the Conference Room, Lot 859, Section 66, Lorong Pangkalan, Off Jalan Pangkalan, Pending Industrial Estate, 93450 Kuching, Sarawak on Thursday, 30 May, 2019 at 11:00a.m.

PARKING

- Parking is free and you are advised to park your vehicle at the car park of the Building.

REGISTRATION

- Registration will start at 10:00a.m.
- Please produce your original National Registration Identity Card ("MyCard") or Passport (for foreigners) to the registration staff for verification. No photocopy of Mycard or Passport will be accepted. Upon registration, the polling slips will be distributed to you. Please make sure you collect your MyCard or Passport thereafter.
- No person will be allowed to register on behalf of another person even with the original MyCard of that other person.
- The registration counter will only handle verification of identify and registration.

HELP DESK

- Please proceed to the Help Desk which is located at the end of the registration counters for any clarification or queries.
- The Help Desk will also handle revocation of proxy's appointment.

GENERAL MEETING RECORD OF DEPOSITORS

- Only shareholders whose names appear in the General Meeting Record of Depositors as at 23 May 2019 shall be entitled to attend, speak and vote at the Meeting of the Company or appoint a Proxy/Proxies on his /her behalf.

PROXY

- A member entitled to attend and vote is entitled to appoint proxy/proxies, to attend and vote instead of him/her. If you are unable to attend the meeting and wish to appoint a proxy to vote on your behalf, please submit your proxy form in accordance with the notes and instructions printed therein.
- If you wish to attend the meeting yourself, please do not submit any proxy form for the meeting you wish to attend. You will not be allowed to attend the meeting together with a proxy, appointed by you.
- If you have submitted your proxy form prior to the meeting and subsequently decided to attend the meeting yourself, please proceed to the Help Desk to revoke the appointment of your proxy.
- Please ensure that the Original Proxy Form is deposited at the Registered Office not less than 48 hours before the time for holding the meeting or at any adjournment thereof. The submission of Form of Proxy via facsimile transmission or email is not acceptable.

SEATING ARRANGEMENT FOR THE AGM

- Free seating. All shareholders/proxies/corporate representatives will be allowed to enter the Conference Room from 10:00a.m. onwards.
- All Shareholders/proxies/corporate representatives are encouraged to be seated at least ten (10) minutes before the commencement of the AGM.

Form of Proxy



ABM Fujiya Berhad
(Incorporated in Malaysia) (628324-W)

No. of Shares Held :

I/We _____ NRIC No./Company No. _____

of _____

being *a member/members of **ABM FUJIYA BERHAD** hereby appoint _____

_____ NRIC No. _____

of _____

or failing him/her, _____ NRIC No. _____

of _____

or Chairman of the meeting as my/our proxy to vote for me/us on my/our behalf, at the Fifteenth Annual General Meeting of the Company to be held at the Conference Room, Lot 859, Section 66, Lorong Pangkalan, Off Jalan Pangkalan, Pending Industrial Estate, 93450 Kuching, Sarawak, on Thursday, 30 May 2019 at 11:00 a.m. and at any adjournment thereof for/against *the resolution(s) to be proposed thereat.

NO.	RESOLUTIONS	FOR	AGAINST
1.	To approve the payment of Directors' fees and Directors' other benefits up to RM150,000.00 for the financial year ending 31 December 2019.		
2.	To re-elect Dato Sri Tay Ah Ching @ Tay Chin Kin as Director of the Company.		
3.	To re-elect Puan Sri Corinne Bua Nyipa as Director of the Company.		
4.	To re-appoint Messrs KPMG PLT as the Auditors of the Company and to authorise the Directors to determine their remuneration.		
5.	Continuation in office of Miss Wong Siaw Wei as Independent Non-Executive Director.		
6.	Continuation in office of Puan Sri Corinne Bua Nyipa as Independent Non-Executive Director.		
7.	Authority to Issue Shares Pursuant to Sections 75 and 76 of The Companies Act 2016.		
8.	Proposed Alteration of the entire existing Memorandum And Articles of Association of the Company by the replacement thereof with a new Constitution of the Company.		

* Strike out whichever is not desired. (Unless otherwise instructed, the proxy may vote as he/she thinks fit).

Dated this _____ day of May, 2019.

Signature of Shareholder(s)/Common Seal

NOTES:

1. In respect of deposited securities, only members whose names appear in the Record of Depositors on 23 May 2019 (General Meeting Record of Depositors) shall be eligible to attend, participate, speak and vote at the AGM.
2. Where a member is an authorised nominee (AN) as defined under the Securities Industry (Central Depositories) Act, 1991 (SICDA), the AN may appoint proxy(ies) in respect of each securities account it holds which is credited with ordinary shares of the Company; and where a member is an exempt authorised nominee (EAN) as defined under SICDA which holds ordinary shares in the Company for multiple owners in one securities account (omnibus account), the EAN can appoint proxy(ies) in respect of each omnibus account it holds.
3. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportion of his shareholding to be represented by each proxy.
4. The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing, or if the appointer is a corporation under its common seal or in such other manner approved by its directors.
5. The instrument appointing a proxy must be deposited at the registered office at Lot 2224, Section 66, Lorong Pangkalan, Off Jalan Pangkalan, Pending Industrial Estate, 93450 Kuching, Sarawak, Malaysia, not less than 48 hours before the time appointed or holding the AGM or at any adjournment thereof.
6. Pursuant to Paragraph 8.29A of Bursa Malaysia Berhad Main Market Listing Requirements, all resolutions set out in the Notice of 15th AGM will be put to vote on a poll.

Please Fold Along This Line



The Company Secretary
ABM Fujiya Berhad (628324 - W)
Lot 2224, Section 66
Lorong Pangkalan, Off Jalan Pangkalan
Pending Industrial Estate
93450 Kuching, Sarawak

Please Fold Along This Line



ABM Fujiya Berhad (628324-W)

Lot 2224, Section 66, Lorong Pangkalan, Off Jalan Pangkalan
Pending Industrial Estate, 93450 Kuching, Sarawak
East Malaysia

Tel: 082 333 344 Fax: 082 483 603

 www.abmfujiya.com