Annual Report 2018

Enhancing **Brand** Experience

CNI HOLDINGS BERHAD
181758-A

Enhancing **Brand** Experience

We believe the experience that our brand can offer our CBOs and customers will increasingly differentiate us in a competitive marketplace and will be one of the best indicators of our current and future performance.

We aim to spark conversations among our CBOs and customers about our brand and products via well-designed digital interface, visually appealing marketing tools, loyalty programme that seamlessly joins up online and offline touch points, tailored discounts and personalised messaging. We believe brand experience will be a critical success factor for us and we are ready to take up the challenge.

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Vision

We are a dynamic organization continuously striving to enrich the lives of our stakeholders through mutual experience and support.

We believe in achieving our vision by upholding these values - Teamwork & Partnership, Entrepreneurial Spirit, Recognition, Innovative Opportunities and Brands.

Mission

We are more than just a business, firmly rooted in Asian values, we blend the best of East and West to deliver the highest value to help enrich the lives of our stakeholders.

Corporate **Profile**

One of the leading direct selling companies in Malaysia, CNI Holdings Berhad has established its footholds since 1989.

Founded by three bold entrepreneurs – Dato' Koh Peng Chor, Tan Sia Swee and Law Yang Ket, the path to success has been challenging. From a small double storey shoplot to what it is today, occupying an industrial plant space of 16,314 square metres, CNI has grown steadily and consistently.

Under their stewardship, the company ventured into Brunei, Singapore, Thailand and Mynamar besides aggressively building its network locally. Over 200 products under 5 categories namely nutritional & health, personal care & cosmetics, food & beverage, auto care and lastly, household, are available to provide complete solutions to meet its consumers' daily lifestyle requirements and health concerns.

EM, QP and TOB have been accredited with Good Manufacturing Practice (GMP) standards, ISO 9001:2015, ISO 14001:2004, OHSAS 18001:2007, ISO 22000:2005 and HACCP certifications, while much research and development (R&D) have been and are being carried out with various laboratories and research institutions to further improve existing CNI products.

Believing in its mission of being more than just a business, CNI with its Asian values blends the best of the East and the West to constantly deliver the highest value to help enrich the lives of our stakeholders.

Enhancing values across borders, CNI continues to honour mutual respect and support by upholding Teamwork & Partnership, Entrepreneurial Spirit, Recognition, Innovative Opportunities and Brands towards a better life for all.

Group **Corporate Structure**

- **CNI Holdings Berhad** 181758-A
  - 100% **CNI Enterprise (M) Sdn. Bhd.** 161139-M
    - 100% **CNI Global (Malaysia) Sdn. Bhd.** 722825-A
      - 99% **Creative Network International (Myanmar) Co., Ltd.**
    - 100% **Creative Network International (S) Pte. Ltd.** 199203774N
    - 100% **GTI Eco Solutions Sdn. Bhd.** 910614-V
  - 100% **Exclusive Mark (M) Sdn. Bhd.** 212268-T
    - 100% **Bright Way Avenue Sdn. Bhd.** 803242-D
    - 70% **Top One Biotech Co., Ltd.** 53602380
  - 100% **Q-Pack (M) Sdn. Bhd.** 254283-U
  - 100% **Symplesoft Sdn. Bhd.** 730506-P
    - 100% **Symplesoft Esolutions Sdn. Bhd.** 857138-D
  - 100% **Infuso Sdn. Bhd.** 762344-T
  - 70% **Lotus Supplies Sdn. Bhd.** 836221-W
  - 30% **CNI Corporation Sdn. Bhd.** 147068-K

Corporate **Information**

Board Of Directors

Dato' Koh Peng Chor
Non-Independent Non-Executive Chairman

Koh How Loon
Group Chief Executive Officer

Chew Boon Swee
Executive Director

Dr. Ch'ng Huck Khoon
Independent Non-Executive Director

Lim Lean Eng
Independent Non-Executive Director

Yee Kee Bing
Non-Independent Non-Executive Director

Company Secretary

Chin Yoke Kwai
(MAICSA 7032000)

Audit Committee

Lim Lean Eng
Chairman

Dr. Ch'ng Huck Khoon

Dato' Koh Peng Chor

Nomination & Remuneration Committee

Dr. Ch'ng Huck Khoon
Chairman

Lim Lean Eng

Dato' Koh Peng Chor

Risk Management Committee

Dr. Ch'ng Huck Khoon
Chairman

Lim Lean Eng

Koh How Loon

Auditors

Messrs Moore Stephens Associates PLT
Chartered Accountants
Unit 3.3A, 3rd Floor, Surian Tower
No 1 Jalan PJU 7/3, Mutiara Damansara
47810 Petaling Jaya, Selangor Darul Ehsan
Tel: 03-7728 1800
Fax: 03-7728 9800

Registered Office & Principal Place Of Business

Wisma CNI, No.2 Jalan Perunding U1/17
Hicom-Glenmarie Industrial Park
Seksyen U1, 40150 Shah Alam
Selangor Darul Ehsan Malaysia.
Tel : 03-5569 4000
Fax : 03-5569 3308
E-mail: info@cniholdings.com.my
Website: www.cniholdings.com.my

Share Registrar

BOARDROOM SHARE REGISTRARS SDN BHD
(formerly known as Symphony Share Registrars Sdn. Bhd.)
Level 6, Symphony House
Pusat Dagangan Dana 1, Jalan PJU 1A/46
47301 Petaling Jaya, Selangor Darul Ehsan
Tel: 03-7849 0777
Fax: 03-7841 8151/ 03-7841 8152
Email : info.sg@boardroomlimited.com

Principal Banker

Citibank Berhad

Solicitors

Messrs Ong & Kok

Stock Exchange Listing

Main Market of Bursa Malaysia Securities Berhad
(Listed since 4 August 2005)
(Stock code: 5104)

Financial Highlights

YEAR ENDED 31 DECEMBER

	2018	2017	2016 Restated	2015	2014
Performance (RM'000)					
Revenue	**86,148**	85,038	88,121	93,261	92,461
Profif / (Loss) Before Taxation	**3,515**	(15)	(5,972)	(3,356)	(6,841)
Attributable Profif / (Loss)	**605**	(2,082)	(5,110)	(6,163)	(6,612)
Key Balance Sheet Data (RM'000)					
Share Capital	**72,000**	72,000	72,000	72,000	72,000
Shareholders' Equity	**75,732**	74,500	76,272	82,793	92,695
Total Assets	**96,199**	100,508	101,292	109,413	116,697
Borrowings	**1,156**	1,314	202	72	90
Financial Ratios					
Net Earnings Per Share ("EPS") (sen)	**0.08**	(0.29)	(0.72)	(0.86)	(0.93)
Net Dividend Per Share (sen)	**-**	-	0.30	0.30	0.30
Net Assets Per Share ("APS") (sen)	**10.62**	10.45	10.69	11.61	12.87
Gearing Ratio (%)	**0.16**	0.18	0.03	0.09	0.10

Awards & **Recognition**

Malaysia Health And Wellness Brand Award 2017

Well3 Life Enzyme is the winner of Malaysia Health And Wellness Brand Award 2017 (Food Supplement Category) by Sin Chew Daily and Life Magazine, recognised by the Malaysian Ministry of Health.

Most Prominent Wellness Brand – The Feminine Recognition Awards 2018

Nutrimoist wins the award in conjunction with The Feminine Magazine 40th anniversary celebration.

DSAM Honorary Award

CNI was conferred the Honorary award in conjunction with Direct Selling Association of Malaysia's (DSAM) 40th anniversary.

Finalist For NUTRA Ingredients Asia Awards 2018

A nomination that acknowledges NuFit and MENEP technology in the production of Well3 L.E.A.F by a panel of European and Asian nutritionists, medical and health products experts.

World Record for "Lee Chong Wei" Movie Premiere

The premiere of the sports biopic movie "Lee Chong Wei" broke the Malaysia Records, and the Guinness World Records for the largest audience for a movie premiere, attracting a crowd of 20,000 people.

Corporate **Events**

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1. **Nufit Technology in New L.E.A.F**

   Well3 L.E.A.F is Life Enzyme advanced formula backed by NuFit technology, and MENEP that had passed Pre-Clinical Test. A patented complex enzyme that is 100% natural to enhance gastrointestinal, liver & blood health.

2. **Lowest in Sodium, Highest in Minerals Well3 SBS Premium Salt**

   A combination of underground mineral salt from Poland and 9 times roasted bamboo salt that is 53% lower in sodium, and higher in natural minerals compared to other table salts.

3. **CNI SBS Coffee with SuperSalt and Bamboo Salt**

   A new, fantastic coffee product and a smarter choice than the average mineral coffee for it contains less sugar, less sodium, and it's rich in minerals.

4. **Well3 Probiotics Complex Powder**

   A new product to enhance gut health and restores immunity by 5 strains of probiotics supported by proprietary Activator Hybrid Culture (AHC™) technology to enhance stability, viability and efficacy.

5. **All-New Well3 D'MG**

   An all-new unique formulation of apricot seed extract, Choline Bitartrate, Vitamin B6 and B12, which serves as a potent metabolic booster, physical and mental performance enhancer.

6. **Yayasan CNI Celebrates 20th Anniversary**

   Yayasan CNI continues to spread love around and make a difference in the community. Since its establishment in 1998, CNI Education Incentive had awarded more than RM1,000,000 to outstanding students to demonstrate our support for education and knowledge.

7. **Sinar Gemilang CNI**

The biggest CBO gathering for 2018 to celebrate CNI's transformation into the future. With a clear direction, new business plan, and course of strategies taking full force in 2019, CNI is revving up to achieve its target.

8. **World Record for "Lee Chong Wei" Movie Premiere**

The premiere of the sports biopic movie "Lee Chong Wei" was held at Bukit Jalil National Stadium on 9 March 2018 and attracted an audience of 20,000 people. It broke the Malaysia Records, and the Guinness World Records for the largest audience for a movie premiere.

9. **Achievers Earned 4 TP Trips**

With the introduction of the new Travel Point system in 2018, CNI had conducted 3 overseas incentive trips and 1 local incentive trip.

Management **Discussion & Analysis**

The Board of Directors of the Company ("Board") and Management is pleased to present the Management Discussion and Analysis ("MD&A") which contains commentary from the Management to give shareholders a better understanding of the Group's business, operations and financial position for the financial year ended 31 December 2018 ("FY2018").

The MD&A should be read in conjunction with the Audited Financial Statements of the Group and the Company for the FY2018.

OVERVIEW OF BUSINESS AND OPERATIONS

During FY2018, there were no major changes to the Group's fundamental business and focus. The growth of the Group continues to be driven by the existing businesses that can be segregated into 2 major reportable segments, comprising Marketing & Trading and Manufacturing.

Our headquarter is located at Shah Alam, Selangor which is our corporate office. The Group has a nationwide presence with branches, distribution centres, sales points, retail centres and service centres across Malaysia, Singapore, Brunei, and Myanmar. The Marketing & Trading segment now has 96 physical stores to support the business of its CNI Business Owners ("CBOs").

The Group also own 3 international accredited manufacturing facilities with certification from ISO, HACCP and GMP and Halal certification from JAKIM. The manufacturing plants are located at Shah Alam, Selangor and Tainan, Taiwan which primarily carry out Original Equipment Manufacturer (OEM) contract manufacturing, manufacturing of foodstuffs and beverages, household and personal care products required by the Marketing & Trading segment.

While most of our products are distributed locally, we also export our products to countries such as Indonesia, China, Hong Kong, Thailand, Taiwan, Canada and USA.

REVIEW OF FINANCIAL RESULTS AND FINANCIAL CONDITION

The Group register growth in the financial results for FY2018, sustained by the Group's competitive strengths and effective strategies built over the years. The Group closed FY2018 with an increase of 1% in revenue of RM86.1 million (FY2017: RM85.0 million). The growth in revenue for FY2018 was contributed by the Manufacturing segment. The Group achieves profitability and registered a profit before taxation ("PBT") of RM3.5 million (FY2017: loss before taxation of RM15,000).

The Group's balance sheet is reflected from the growth in shareholders' funds. As at 31 December 2017, equity attributable to owners of the Company was RM74.5 million. As at 31 December 2018, it increased to RM75.7 million, which represents an increase of RM1.2 million or 1.6%. The improvement in equity attributable to owners of the Company was primarily contributed by the profit earned by the Group during FY2018 of RM0.98 million.

During the financial year, the Group in total incurred approximately RM2.42 million for the capital expenditure. The Group's inventory holding is slightly dropped at RM14.1 million. As a results, the total assets of the Group decreased by RM4.3 million to RM96.2 million as at 31 December 2018.

The Group's total liabilities comprised trade and other payables and finance lease amounted to RM18.8 million as at 31 December 2018 (FY2017: RM24.5 million). The decrease in liabilities was due to settlement of trade and other payables.

The Group maintained adequate cash and cash equivalents and short-term investments of RM21.2 million as at 31 December 2018 (FY2017: RM RM22.0 million).

The Group aims to maintain a prudent financial structure to ensure that it has access to adequate capital and financing on terms which are favourable to the Group.

REVIEW OF SEGMENTAL RESULTS AND OPERATING ACTIVITIES

Marketing & Trading Segment

The Marketing & Trading segment generated revenue of RM60.0 million in FY2018, a decrease of RM4.8 million compared FY2017, mainly due to lower sales from overseas subsidiaries. The Marketing & Trading segment remained as the main driver of revenue for the Group in FY2018.

In FY2018, our CBO force increased by 24% as compared to FY2017. The continuous growth in CBO force was supported by ongoing engagement activities, skills development workshops and training programs organized by the company. Some of the major events organized by the company to ensure that our people remain engaged committed and realized their potential. We are honoured to have our CBOs from all over Malaysia, Singapore, Brunei and Myanmar to participate Sinar Gemilang CNI, our recognition event in Kuala Lumpur and Kuching, Malaysia.

The Marketing & Trading segment has introduced a new incentive trip mechanism called Travel Point system. This allows more CBO able to participate in CNI incentive trips. We also enhance the quality of the trip to provide unique experiences for our CBO, which have worked towards the sales targets.

The Company had capitalised on the sponsorship of Dato' Lee Chong Wei ("LCW") movie through marketing activities of LCW's legendary path to success, and his fighting spirit that is synonymous with CNI fighting spirit. The campaign culminated in a total of 20,000 people turned up for the LCW movie, breaking not only the Malaysian Record, but it also was recorded in the Guinness Book of Records for the largest crowd in a movie premiere. The appearance of CNI brand in the movie has also strengthened CNI brand in Malaysia, China, and other countries that feature this movie.

In term of product offerings, we have new and upgraded products being launched during the FY2018. Some of the

Management **Discussion & Analysis**

products launched created inroads to new market penetration and expansion. We have launched namely Well3 LEAF, Well3 D'MG and Well3 Probiotic Complex Powder.

Well3 LEAF, our star product, utilizes a new biotechnology breakthrough called NuFit (Nutritional and Functional Improvement Technology) which is aimed at doubling the product's enzyme activity. This technology has obtained patent rights from Japan, Taiwan, Australia, China and Germany that add credentials and helps to enhance the marketability. Meanwhile, Well3 Life Enzyme had won the Malaysia Health & Wellness Brand Award 2017 (Health Food Category). Simultaneous, Well3 LEAF was also selected as a finalist for the 1st annual Nutra Ingredients Asia Award held in Singapore. A new flavor was also added to our coffee series, namely CNI SBS Coffee, along with Well3 SBS Premium Salt in FY2018. Well3 SBS Premium Salt is a premium table salt made from natural underground salt that has the lowest sodium content and highest minerals compared to other table salts whereas CNI SBS Coffee is its beverage counterpart that has contains less sugar.

We acknowledged the importance of digitalization and the need to serve our increasing number of CBOs and customers to create performance driven, personalized and convenient shopping experiences for them. We have integrated our online and offline service which allow CBOs to place their orders on demand – 24 hours a day, 7 days a week with more than 700

pick-up points throughout Malaysia for their conveniences. This seamless integration serves to enable CBOs to better manage their businesses easily via mobile apps.

In addition, we are continuous investing our effort to enhance CNI brand awareness through online marketplace like Lazada, Shopee and 11street and fortifying our social media communication platform via whatsapp, facebook and instagram to develop meaningful connections with our CBOs and customers.

We believe the current pattern will continue to serve our brand awareness efforts and in reaching out to a wider consumer market. New strategic affiliate partners have been added to the plan for wider product options and enhance our brand's appeal.

Manufacturing Segment

The Manufacturing segment recorded a revenue of RM48.2 million, a growth of RM3.7 million or 8.4% compared to FY2017, mainly due to increase of local sales.

The Manufacturing segment continue to focus in new products development and formulation enhancement with support from a well-maintained research laboratory and GMP plant facility to further hasten new scientific and innovative product development. We have initiated collaborative research, sharing of expertise and joint development of research with Universiti Tunku Abdul Rahman (UTAR).

Nevertheless, this segment will continue the development and deployment of potential manufacturing processes to enhance product efficacy and reliability via MENEP and NuFit. Enhanced enzyme powder with Bio-Enzyme Nutrition Enhancement Technology (BioENZ) System and Speedy Micronization Alimental Refining Technology (SMART) further enhancing nutrients and increased enzymatic activities.

DIVIDEND

FY2018, the Board had declared an interim dividend of 0.3 sen net per share, amounting to RM2.1 million which has been paid out on 12 April 2019.

Taking into consideration the require capital resources to support its continuous business growth, the Group endeavours to maintain a consistent and regular dividend payment policy that promotes a stable stream of return to its shareholders.

ANTICIPATED RISKS

The Malaysia economy is projected to expand by 4.6%-4.9% in 2019 supported by an accommodating domestic development, where the economy is expected to be driven by domestic demand and private section activity. The private section is expected to continuously provide impetus for domestic demand. The expectation of economy growth is also sustained by strengthening global economic conditions. Although FY2019 looks promising supported by positive domestic macro-economic statistics, the overall economic performance business sentiments, nevertheless, may be affected by external factors such changes in policy rates in developed countries and the US-China trade tension. A slowdown in private consumption is the main downside risk to the growth affected by exposure to the downward pressures of ringgit exchange rate from external factors and bloated household debts. We are cautious in taking into account the downside external risks which continue to affect businesses and consumer sentiments. However, the Board and the Management are committed to evolve the Group's business to ensure can continue to deliver good results for all stakeholders.

FORWARD-LOOKING STATEMENT

For Marketing & Trading segment, we expect to continuously to grow our core business as follows:

1. to make the business attractive to Generation Y
2. strengthening the CBO network and their performance
3. Value creation on products
4. Improving infrastructure, service and support

We expect to continuously grow our core businesses by differentiating the products, promote greater efficiencies and cost discipline. This is coupled with our commitment to increase productivity across our business. Productivity improvements have positive impacts to CBOs and our business. Focus will also be placed on the use of technology to provide best value products and services to our CBOs and customers. For example, the Marketing & Trading segment digital platforms have reduced complexity and costs while giving CBOs a better interacting experience. The Marketing & Trading segment will continue to promote and expand their e-commerce activities.

We expect to see some exciting products line-up for our Marketing & Trading segment that is appealing to Generation Y and X. There will be new launches for health supplements

and beauty products under the Marketing & Trading segment. Existing product packaging design will be progressively updated.

The Manufacturing segment product innovation and renovation as well as our constant focus on efficiencies will continue to be at the heart of our business strategy with OEM customer. Total capital expenditure of RM2.6 million has been allocated to upgrade plant, machinery and equipment to further enhance the production efficiency.

We acknowledge the important of new products development. A new product progresses through sequence of stages from idea creation, scientific research, survey, launching, growth, maturity and decline. The product life cycle now is very competitive and short compare to last decade, as the consumers across the world becoming more demanding in pursuing of higher quality foods and beverages and to keep abreast with fast-changing world, we are actively seeking all opportunities for efficiencies and product innovation.

In line with government's policy in order to promote a healthier and sustainable community, we are committed to launch series of product with more health benefit for example beverage with less sugar, personal care and household product with more natural raw material which will be launched in 2019.

Board of **Directors' Profile**

DATO' KOH PENG CHOR
Non-Independent Non-Executive Chairman
Malaysian, Male, 67 years old

Date of Appointment:
- 11 December 1990

Qualification:
- Honorary Doctor of Philosophy in Multilevel Marketing by Summit University, USA
- Fellow Member of the Institute of Marketing, Malaysia

Working Experience:
- As the main founder, he has been instrumental in the development and growth of CNI.

Board Committee:
- Chairman of the Investment Committee
- Member of the Audit Committee and Nomination and Remuneration Committee

Other Directorship:
- Nil

Family Relationship:
- He is a major shareholder of CNI. He is the father of Mr. Koh How Loon, Group CEO of CNI. He is the spouse of Datin Chuah Tek Lan, a major shareholder of CNI.

KOH HOW LOON
Group Chief Executive Officer
Malaysian, Male, 41 years old

Date of Appointment:
- 1 February 2012

Qualification:
- Bachelor of Administration in Supply Chain Management, University of Michigan State, USA
- Master in Business Administration, University of Victoria, Australia

Working Experience:
- He started his career with CNIE as Management Trainee in 2001. He was the Personal Assistant to the Group Chairman & CEO of CNI. He was appointed as Executive Director of CNIE in 2007 and the CEO of CNIE in 2011. He assumed his current position as the Group CEO of CNI on 1 March 2018.

Board Committee:
- Chairman of the Executive Management Committee
- Member of the Risk Management Committee, Investor Relations & Corporate Disclosure Committee and Investment Committee

Other Directorship:
- Nil

Family Relationship:
- He is the son of Dato' Koh Peng Chor, the Chairman of CNI and a major shareholder of CNI and Datin Chuah Tek Lan, a major shareholder of CNI

CHEW BOON SWEE
Executive Director
Malaysian, Male, 59 years old

Date of Appointment:
- 18 September 2003

Qualification:
- Bachelor of Science, National Taiwan Chung Hsing University
- Professional member of the Malaysian Institute of Food Technologist
- International member of the Institute of Food Technologist

Working Experience:
- He started his career with Empire Food Industries Sdn Bhd and subsequently joined Fortune Lab (M) Sdn Bhd. He was appointed as the CEO of Exclusive Mark (M) Sdn Bhd ("EM") and Q-Pack (M) Sdn Bhd ("QP") in 2003. He is credited for setting up the GMP, ISO and HACCP accreditations for the manufacturing operations of EM and Q-Pack.

Board Committee:
- Member of Executive Management Committee, Investor Relations & Corporate Disclosure Committee and Investment Committee

Other Directorship:
- Nil

Family Relationship:
- Nil

DR. CH'NG HUCK KHOON
Independent Non-Executive Director
Malaysian, Male, 50 years old

Date of Appointment:
- 1 March 2010

Qualification:
- Diploma in Commerce, Business Management, Tunku Abdul Rahman College
- Associate Member of the Institute of Chartered Secretaries and Administrators, UK
- Master of Business Administration (Finance), University of Stirling, UK
- Doctor of Philosophy in Finance, Universiti Sains Malaysia

Working Experience:
- He was a Capital Markets Services Representative License holder with A A Anthony Securities Sdn Bhd for 15 years.

Board Committee:
- Chairman of Nomination and Remuneration Committee and Risk Management Committee
- Member of the Audit Committee

Other Directorship:
- Independent Non-Executive Director of YGL Convergence Berhad and AT Systematization Berhad

Family Relationship:
- Nil

Board of Directors' Profile

LIM LEAN ENG
Independent Non-Executive Director
Malaysian, Male, 52 years old

Date of Appointment:
- 16 November 2007

Qualification:
- Diploma in Financial Accounting, Tunku Abdul Rahman College
- Fellow Member of the Association of Chartered Certified Accountants, UK

Working Experience:
- He joined Oriental Capital Assurance Berhad as Manager, Accounts & Finance in 1995, and was the Investment & Property Manager with PC Marketing Sdn Bhd. He is currently a Director of Daden Culture (M) Sdn. Bhd and Ruzang Culture Sdn Bhd.

Board Committee:
- Chairman of Audit Committee
- Member of the Nomination and Remuneration Committee and Risk Management Committee

Other Directorship:
- Nil

Family Relationship:
- Nil

YEE KEE BING
Non-Independent Non-Executive Director
Malaysian, Male, 60 years old

Date of Appointment:
- 1 January 2018

Qualification:
- Bachelor of Social Science (Major: Communications), Universiti Kebangsaan Malaysia

Working Experience:
- He started his career at Art Beat Communications Sdn Bhd as Accounts Servicing Executive and subsequently joined Amway (Malaysia) Sdn Bhd (Amway) in 1984. He worked in Amway for 32 years before retiring as the Managing Director of Amway on 1 January 2017. He is a certified Train the Trainer and also a Certified Coaching and Mentoring Professional.

Board Committee:
- Nil

Other Directorship:
- Nil

Family Relationship:
- Nil

Notes:
Save as disclosed, the above Directors have no family relationship with any Director and/or major shareholder of CNI, have no conflict of interest with the Company, have not been convicted of any offence within the past 5 years and have not been imposed any penalty by the relevant regulatory bodies during the financial year 2018.

Details of the Directors' attendance at Board meetings are set out in the Corporate Governance Overview Statement on page 28.

Key Senior **Management's Profile**

KOH HOW LOON
Group Chief Executive Officer
Malaysian, Male, 41 years old

Date of Appointment to the current position:
- 1 March 2018

Qualification:
- Bachelor of Administration in Supply Chain Management, University of Michigan State, USA
- Master in Business Administration, University of Victoria, Australia

Working experience:
- He started his career with CNIE as Management Trainee in 2001. He was the Personal Assistant to the Group Chairman & CEO of CNI. He was appointed as Executive Director of CNIE in 2007 and the CEO of CNIE in 2011. He assumed his current position as the Group CEO of CNI on 1 March 2018.

Other Information:
- He is the Chairman of the Executive Management Committee
- He is Member of the Risk Management Committee, Investor Relations & Corporate Disclosure Committee and Investment Committee
- He is the son of Dato' Koh Peng Chor, the Chairman of CNI and a major shareholder of CNI and Datin Chuah Tek Lan, a major shareholder of CNI

CHEW BOON SWEE
Chief Executive Officer of Manufacturing Segment
Malaysian, Male, 59 years old

Date of Appointment to the current position:
- 18 September 2003

Qualification:
- Bachelor of Science, National Taiwan Chung Hsing University
- Professional member of the Malaysian Institute of Food Technologist
- International member of the Institute of Food Technologist

Working experience:
- He started his career with Empire Food Industries Sdn Bhd and subsequently joined Fortune Lab (M) Sdn Bhd. He was appointed as the CEO of Exclusive Mark (M) Sdn Bhd ("EM") and Q-Pack (M) Sdn Bhd ("QP") in 2003. He is credited for setting up the GMP, ISO and HACCP accreditations for the manufacturing operations of EM and Q-Pack.

Other Information:
- He is Member of Executive Management Committee, Investor Relations & Corporate Disclosure Committee and Investment Committee

Notes:
Save as disclosed, the above Key Senior Management have no family relationship with any Director and/or major shareholder of CNI, have no conflict of interest with the Company, have not been convicted of any offence within the past 5 years and have not been imposed any penalty by the relevant regulatory bodies during the financial year 2018.

Sustainability Statement

The Group believes in conducting business in a responsible and ethical way by ensuring the Group's products and services promote sustainable economic and social development, and contributing sustainably to communities, and the environment. We aim to create long-term stakeholder value through the implementation of strategies and policies that focus on the ethical, social, environmental, cultural, and economic dimensions of doing business.

The Board is pleased to present this Sustainability Statement which sets out what the Board considers as material sustainability risks and opportunities (collectively known as "Material Sustainability Matters") to the operations of the Group and how those Material Sustainability Matters are managed.

The scope of this Sustainability Statement extends to the main operations of CNI i.e. MLM, manufacturing and retail and trading. The reporting timeline is from 1 January 2018 to 31 December 2018 (FYE 2018).

This Statement is prepared in accordance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"), the Sustainability Reporting Guide and its accompanying Toolkit issued by Bursa Securities. This Statement considers the economic, environmental and social ("EES") implication the Group is exposed to in ensuring its business is carried out in a sustainable and responsible manner.

Governance Structure

While the Board is primarily responsible for the Group's sustainability practices and performance, it is assisted by the Risk Management Committee ("RMC") which in turn is supported by the Risk Management Unit ("RMU") in managing sustainability-related matters.

The RMC is responsible for monitoring and evaluating sustainability matters of the Group and reports to the Board. The RMC oversees the strategies, policies, initiatives, targets and performance of the Group to ensure that the Group's business is conducted in a sustainable manner.

The RMC is assisted by the RMU which oversees the implementation of the organisation's sustainability approach. All business units under the Group have their own risk management and sustainability working group that provide feedback to the RMU which allows it to leverage existing initiatives in respect of the EES and to ensure integration of sustainability management into their respective business processes.

Stakeholder Engagement

Across all our business operations, we strive to maintain a constant line of communication with our stakeholders, both at a formal and informal level. It is through this practice of open communication that the Company is able to build a trustworthy relationship with and amongst its stakeholders.

Our key stakeholder groups include CNI Business Owners ("CBOs"), employees, vendors and suppliers, certification and regulatory bodies, shareholders and investors, local communities and media. The tables below highlight the main areas of interest of the stakeholder groups as well as the approaches and methods by which we engage them.

CBOs	Employees	Vendors & Suppliers
Engagement Approaches • Marketing plan • Product promotions • Incentive trip campaigns • Training and workshops • Events and conferences • Feedback and surveys • Social media platforms	**Engagement Approaches** • Performance appraisal • Team building activities • Training and development programmes	**Engagement Approaches** • Audits and evaluation • Meetings and trade fairs • Factory visits
Focus Areas • Enhancement of distribution platform • Market demand for CNI products • Product quality and pricing • Product development and innovation • CBO entrepreneurship	**Focus Areas** • Career development and advancement • Work life balance • Employee benefits • Employee health and safety	**Focus Areas** • Food safety • Product quality and branding • Customer service and complaints resolution • Pricing and promotion

Certification & Regulatory Bodies	Shareholders & Investors	Local Communities
Engagement Approaches • Meetings and consultations • Training programmes and dialogues • Audit and verification	**Engagement Approaches** • Meetings and briefings • Financial announcements and reporting • Policies and frameworks • Corporate website	**Engagement Approaches** • Community engagement • Donations and sponsorships • Social and cultural activities
Focus Areas • Regulatory compliance • Approval and permits • Standards and certifications	**Focus Areas** • Financial performance • Regulatory compliance • Corporate governance • Ethical business conduct • Internal control and risk management • Board composition	**Focus Areas** • Community well-being • Community investment

Materiality Sustainability Matters

The Company has identified sustainability matters that are considered material to its operations. Set out below is an overview of the Material Sustainability Matters of the Group and how they are managed according to economic, environmental and social aspects.

ECONOMIC

Businesses that embrace sustainability are able to thrive in the long-term, together with society as a whole. In line with this, across the Group our business units embrace sustainable business practices in tandem with our pursuit of sustainable economic growth.

This includes creating synergies across the organization while generating employment, fostering investment, encouraging entrepreneurship especially amongst CBOs, all the while adhering to stringent regulations and high standards.

CBO Force

The growth and strength of our CBO force is crucial to the success of the Group, it exclusively in the financial perspective, but also in terms of driving brand awareness and reputation. The Group has a diverse, multi-cultural CBO force that reflects the nature of Malaysia's multi-ethnic population. We are continuing our reach into the Bumiputera, Chinese and Tamil segments with enhanced sponsoring rates, market activation, sales and growing the number of successful leaders.

In 2018, our CBO force increased by 24% as compared to 2017. The continuous growth in CBO force was supported by ongoing engagement activities, skills development workshops and training programs organized by the company. Some of the major events organized by the company to ensure that our people remain engaged committed and realized their potential. We are honoured to have our CBOs from all over Malaysia, Singapore, Brunei and Myanmar to participate Sinar Gemilang CNI, our recognition event in Kuala Lumpur and Kuching, Malaysia.

We have introduced a new incentive trip mechanism called Travel Point system. This allows more CBOs able to participate in CNI incentive trips. We also enhance the quality of the trip to provide unique experiences for our CBOs, which have worked towards the sales targets.

We acknowledged the importance of digitalization and the need to serve our increasing number of CBOs and customers to create performance driven, personalized and convenient shopping experiences for them. We have integrated our online and offline service which allow CBOs to place their orders on demand – 24 hours a day, 7 days a week with more than 700 pick-up points throughout Malaysia for their conveniences. This seamless integration serves to enable CBOs to better manage their businesses easily via mobile apps.

In addition, we are continuous investing our effort to enhance CNI brand awareness through online marketplace like Lazada, Shopee and 11street and fortifying our social media communication platform via whatsapp, facebook and instagram to develop meaningful connections with our CBOs and customers.

We believe that strengthening customer service by sharing and exchanging information through various channels of communication will make our customers – consumers, CBOs, shareholders and employees – feel more involved and will stimulate their engagement that is critical for our current success and future performance in a technologically connected society.

Procurement Practices

To procure sustainably the Group strives to ensure that the materials are sources from local suppliers so as to empower and create economic opportunity for local businesses and to reduce the environmental impact of transporting goods from overseas. We support local businesses with our procurement analysis data as follows:

Sustainability Statement

Year	2017	2018
Total number of local suppliers (active)	192	203
Amount spent on local procurement (RM'000)	23,900	31,200
% of local procurement over total procurement	63%	75%

All our suppliers are bound by the CNI's Procurement Code of Ethics that we are emphasis on product quality and safety. It states that the selection of suppliers and vendors aligned with our business values and principles are critical in our procurement process.

We offer higher quality products sourced from ethical suppliers, both locally and internationally with HALAL compliance standard to ensure that our end products respect the religious obligation of our Muslim consumers and are generally safe for all.

ENVIRONMENTAL

The Group is mindful of the impact that its expanding operations can have on the environment and seeks to reduce the impact through effective and efficient management of resources.

Energy Efficiency

Conservation of resources is an important priority for our business. We made conscious effort in improving our manufacturing processes and continuously working towards the reduction in the use of energy and water throughout the factory. In 2018, our manufacturing segment has reduced total electricity (KWH) consumption from 2.58 to 2.10 per kg of output.

We have also enhanced energy efficiency practices in our main administrative building by standardising the air conditioning temperature and fan speed controls in 2018. We have installed LED lights at our office and manufacturing premises. This is free from harmful chemicals and recyclable and energy saving.

Reduce in usage of Resources

As part of our ongoing practice of reducing the use of paper and going paperless, we have reused papers for printing purpose whenever appropriate to reduce purchase of papers and reused carton boxes that were in good condition for packing purposes. In 2018, our manufacturing segment has reduced total paper (A4) consumption from 0.0031 to 0.0024 per kg of output. We have taken efforts to encourage e-statements, e-registration and e-sales kit for our CBOs.

Within retail, we have reduced the use of Polystyrene in packaging. Polystyrene or more commonly known as Styrofoam can be extremely useful and versatile, however, it is also known for its harmful effect on the environment. We have taken a cautious effort to reduce the use of Styrofoam in product packaging.

Waste Management

The Group continuing its focus on effective waste management practices throughout its operations. As part of our initiative to support long term commitment to sustainability, the Group has improved operation efficiencies to reduce hazardous waste generation. As a result, in 2018 we have successfully reduced scheduled waste generated from our manufacturing plants by 20.3% per kg of production output as compared to 2017. This achievement had been possible through effective production planning and thorough review on the usage of chemicals, frequency of product change-over, cleaning and sanitation practices.

SOCIAL

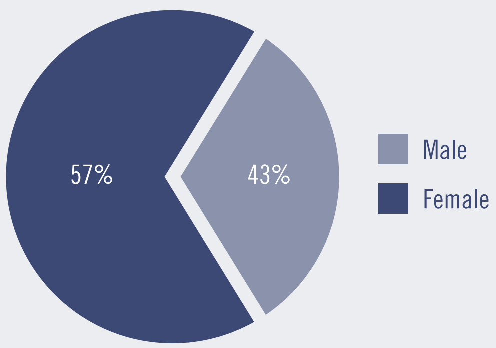
People are our greatest asset and the backbone of our success. Our achievements today would not have been possible without a skilled and dedicated talent pool; hence we invest into providing opportunities for our employees, as well as providing a conducive and harmonious work environment.

Diversity & Work Environment

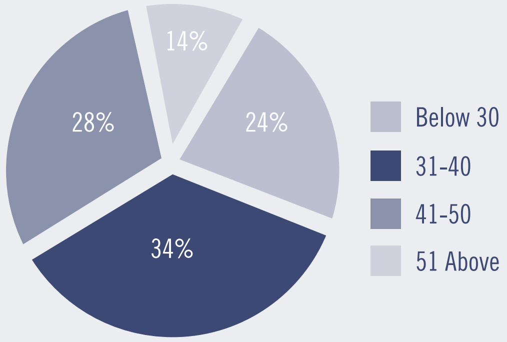
The Group promotes diversity that takes into consideration a range of different skills, gender, age, backgrounds and experiences represented by its employees.

Significant features representing our workforce include a 57% majority of female that contribute to our daily operations. We see this pattern as reflective of the upward trend of women's labour force participation in Malaysia.

Workforce by Gender



Workforce by Age Group



Our workforce is also relatively young with the majority 34% of employees belonging to the 31 – 40 years old and 24% employees aged below 30. This is an important characteristic as we are shifting from our traditional ways to adapt to the dynamic market in order to engage current and future customers at scale as we continue to improve our performance and increase value for our stakeholders.

The Group believes in lifelong learning and strives to develop the competencies of its employees through training and career development plans.

We consistently invest trainings for our employees. These trainings are either conducted in-house or externally by consultants. In FY2018, our Manufacturing Segment alone had invested a total of 268 trainings with 1909 training hours involving 4099 participation from all levels of employment.

Our employees receive in-house as well external training programmes and the key programmes are highlighted in the table below.

- Post GE 14 (Malaysia Capital Market Outlook and Direction)
- Human Resource Legislation
- 2019 Budget and Its Impact on Capital Market
- Setting Objectives and Key Results (OKR) at work
- Fire Drill Training
- Audiometry Briefing
- Abundance 360 Executive Summit
- ACCIM Forum on National Budget 2019
- ISO 9001:2015 Quality Management System
- Updates in ISO14001:2015 Environmental Management System
- GMP according to PICS
- FSSC2200 Version 4.1 Food Safety Management System for Food Manufacturing
- FMM Industry 4.0 Conference
- Food Defense & Food Fraud Prevention Training

Safe Workplace

Across all our business, we ensure that our employees operate in safe and conducive work environment. We provide training which promotes occupational health and safety.

The Group has a Health, Safety and Environment ("HSE") committee that oversee the Occupational Health and Safety Management System ("OHSAS") requirements for plants and offices, chemical controls, waste management and legal requirements of HSE aspects. The objective and target of the HSE is recorded in the Management Programme and is reviewed annually.

In 2018, key health and safety activities included fire drills, evacuation exercises and training in proper use of equipment and course on First Aids and CRP. Our ongoing effects have certainly borne fruit during the year, with reduced incidences of injuries and lost working days recorded.

Apart from that, the Group also provides a gated car park for all staff to ensure employees' safety and the security of their vehicles during business hours.

Employees Recognition

We recognize the importance of creating a workplace that is conducive and encourage employees to work to their full potential. The minimum wage offered to our workers is in line with the amount stipulated by Malaysia's minimum Wage Order 2016. Moving beyond the baseline, we provide competitive and fair remuneration packages to our employees that meet the market standard.

An effect way in which the Company engages its employees is through a monthly gathering namely "Happy Meeting". This gathering is fully organized and managed by the employees and places considerable value on the involvement of employees. The gathering also serves to strengthen the camaraderie among employees via shared activities such as birthday and festival celebrations.

Regular sports sessions, tournaments, recycling campaign and annual dinner are managed by the employees with the Management's support to encourage work-play balance. It has worked well for us to advocate wellness for a better life among employees.

We recognise both high performance and loyalty. Employees identified to have excelled in their respective line of work, receive awards includes a cash prize under the 360° Merit Point Management implemented by the Group.

Loyalty is recognised with the Long Service Award which is given to employees when they complete 5, 10, 15, 20, 25 and 30 years with CNI. They receive a plaque as well as a cash prize that commensurate to the number of years they have worked with the Company.

Sustainability Statement

Award	Recipients (FYE2018)
Long Service Award	51

One of the benefits that every employee is entitled to is the standard discount rate for the purchase of CNI products. The purchase quota is subject to the Company's policy.

Community Relations

Being a socially responsible company, we strive to have a positive impact on the well-being of our surrounding communities. The establishment of Yayasan CNI in1998 reflects our commitment to corporate social responsibility. Since its inception, Yayasan CNI has actively reached out to local communities particularly the less fortunate as well as supported educational and cultural causes in various ways.

The Education Incentive Fund launched in 2004 is meant to appreciate the success of CBOs' children in achieving academic excellence and CBOs' commitment as the responsible parents who contribute to their children's achievements. In FYE 2018, a total of 307 CBOs' children were chosen as recipients of this award along with children of 8 CNI employees.

Part of our contribution in 2018 also went to providing humanitarian aid to the Indonesia earthquake and tsunami victims. Yayasan CNI had contributed cash to help ease the burden of the victims so that they remain steadfast and resilient despite vulnerable circumstances.

In FYE 2018, Yayasan CNI has donated in cash and kind to the media, schools and employees to cover their necessities. Giving back to the community in more ways than one is at the heart of our mission. Other kinds of supportive gestures included participation in the "Rise Against Hunger" meal packing project on 25 September 2018 where a total of 80,000 food packets were successfully packed on that day for the Cambodians flood victims.

On 9 March 2018, the premiere of the first biopic sporting movie on badminton was held at Bukit Jalil National Stadium in Kuala Lumpur. A total of 20,000 fans turned up for the "Lee Chong Wei" movie, breaking not only the Malaysian Record,but it also was recorded in the Guinness Book of Records for the largest crowd in a movie premiere. The movie embodied the spirit of leadership that is never defied, and perseverance to achieve a dream that represented two crucial elements close to CNI's heart.

Communicty service cum environmental awareness were also incalculated among employees particularly a beach cleaning activity in Port Dickson during staff outing cum annual dinner in 2018. About 88 employees took part in this programme and the waste collected was sent to the recycling centre nearby.

On the educational aspect, FYE2018 saw our health consultant, Professor Chau Chi Fai producing a new book that emphasises on food safety awareness. In his book, Professor Chau demonstrated a lot of lab test reports to proof and elaborate the nature of food ingredients and set practical guidelines for consumers to adapt safe eating habit in their daily lives.

Similarly in 2018, Mr. Chan Kok Liang, our Executive Director, had launched his book on business ethics, people development, and leadership in management revolving around his experience of more than 30 years in MLM. The book is a compilations of his writings that was published in Nan Yang Siang Pau throughout the years.

Giving back to the community in more ways than one is at the heart of our mission and we shall continue to give value and support to the community in which we operate.

Brand Credibility & Experience

We place great emphasis on maintaining high quality standards on our products that are healthy and safe for consumption. All CNI products come with clear and comprehensive labelling with instruction on proper application and use. Our product packaging also includes safety and health advisory with clear details on the product ingredients and manufacturer. In fact, our product labeling practice is one of the best in the industry with regard to product regulatory and legal compliance.

Product Labeling Regulatory & Legal Compliance

Clear and comprehensive labeling with instruction on proper application and use

Safety and health advisories / caution with details on product manufacturer and ingredients

The product information on the packaging of products for CNI is made available in 3 languages: English, Chinese and Bahasa Malaysia for the convenience of the CBOs and customers.

In tandem with our concern for quality and safety, our star product - Well2 L.E.A.F - had also underwent pre-clinical test and its findings were published in CYTA Journal of Food in 2018 to ascertain its efficacy and to strengthen our brand credibility.

On top of that, our manufacturing segment adhere to product quality and safety regulations such as Good Manufacturing Practice (GMP), Quality Management Systems ISO 9001:2015 and ISO 14001:2004, Food Safety Management System 22000, Hazard Analysis and Critical Control Point (HACCP) certifications. The Management ensures quality and food safety are built into every process of the manufacturing, starting from the product research and development stage until delivery to customers. Products are developed according to customers' preference and in compliance with all food safety and regulatory requirements.

CNI products also adhere to the chemical composition specifications set out by the Food Act 1983, and in compliance with the Malaysian Guidelines for Control of Cosmetic Products and the Chemical Health Risk Assessment (CHRA) by the Occupational Safety and Health (Use and Standard of Exposure of Chemicals Hazardous to Health) Regulation 2000.

Other quality and safety assurance standards that the Group observes include the Halal regulatory requirements by the Department of Islamic Development Malaysia (JAKIM) as well as the MS ISO/IEC17025:2005 accreditation by Skim Akreditasi Makmal Malaysia (SAMM) for competence of testing and calibration laboratories.

ISO/IEC17025:2005

CNI is also committed to protecting the interest of our CBOs and customers. We uphold this principle by being an active member of Direct Selling Association of Malaysia (DSAM) since 1993 and abide by the rules and ethics drawn by DSAM that are certified by the World Federation of Direct Selling Association (WFDSA).

CNI Receives DSAM Honorary Award

CNI was conferred the Honorary Award in conjunction with the Direct Selling Association of Malaysia's (DSAM) 40th anniversary as a token of appreciation for CNI's active role in activities organised by DSAM since 1993.

Corporate **Governance Overview** Statement

The Board of Directors ("the Board") is pleased to present to the shareholders the Corporate Governance ("CG") Overview Statement of the Company. This CG Overview Statement should be read in conjunction with the CG Report which is available on the Company's website at www.cniholdings.com.my. The CG Report provides details on how the Company has applied each Practice as set out in the Malaysian Code on Corporate Governance ("MCCG") during the financial year ended 31 December 2018 and up to the date of this Report.

The Board recognises the importance of the MCCG and is committed towards achieving high standard of corporate governance practices, values and ethical business conducts.

The CG Overview Statement reports on how the Group has applied the 3 principles, its key focus areas and future priorities with reference to the principles and practices of the MCCG, having considered the Group's structure, business environment and industry practices:

The Board of CNI is committed towards reinforcing its market position in the core business of the Group, whilst remaining true to the Group's established CG. The Board believes that a robust and dynamic CG framework is essential to form the bedrock of responsible and responsive decision making in the Group.

a) Board Leadership and Effectiveness;
b) Effective Audit and Risk Management; and
c) Integrity in Corporate Reporting and meaningful Relationship with Stakeholders.

The Board is satisfied that the practices set out in the MCCG have, in all material aspects, been applied to achieve their intended outcomes which are found to be suitable and appropriate to the Group as set out in this Statement and the CG Report. The departures and non-adoption under the MCCG include the following:

- Practice 4.1: At least half of the Board comprises Independent Directors
- Practice 4.3 Step Up: Policy which limits the tenure of its independent directors to nine years.
- Practice 4.5: The Board discloses the Company's policies on gender diversity, its targets and measures to meet those targets.
- Practice 8.4 Step Up: The Audit Committee should comprise solely of Independent Directors.
- Practice 12.3: The Company with a large number of shareholders or which have meetings in remote locations should leverage technology to facilitate voting in absentia and remote shareholders' participation at general meetings.

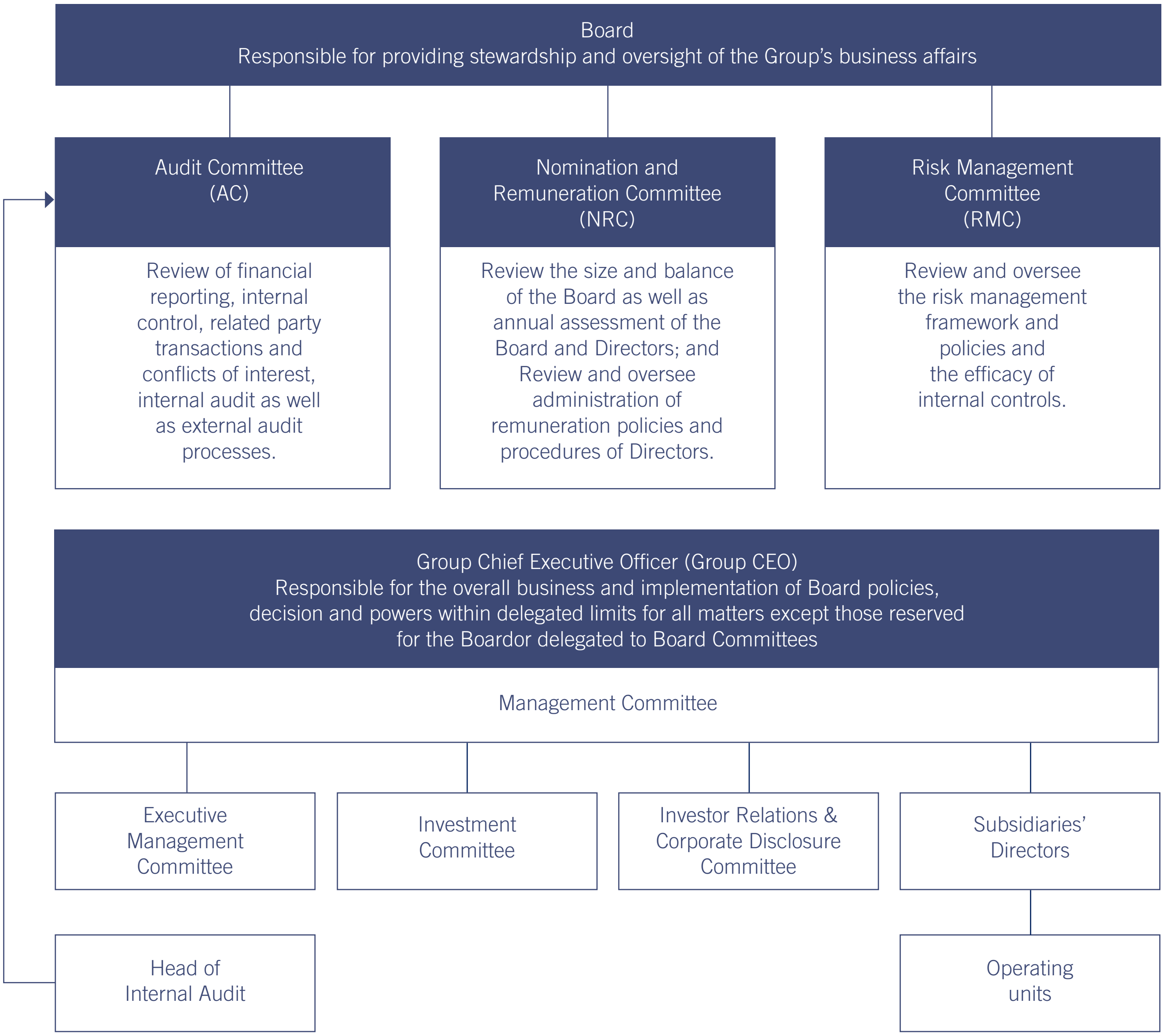
The explanation for the departures, the Company's intended actions and timeframe to address the departure are disclosed in the CG Report.

A summary of the Group's CG practices with reference to the MCCG is described below.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

1. Board Responsibilites

The Board is responsible for the CG practices of the Group. Being at the helm of the Group, the Board governs the affairs of the Group on behalf of the shareholders and retains full and effective control over the Group.



As depicted in the above illustration, Board Committees have been established to assist the Board in its oversight function with reference to specific responsibility areas. It should however be noted that at all times, the Board retains collective oversight over the Board Committees. These Board Committees have been constituted with clear terms of reference and they are actively engaged to ensure that the Group is in adherence with good CG.

The Board has formalized a Board Charter which sets out the Board's strategic intent, roles and responsibilities in discharging its fiduciary and leadership functions. The Board Charter is reviewed periodically and updated in accordance with the needs of the Group to ensure its effectiveness and consistency with the Board's objectives. The Board Charter serves as a primary reference point on governance matters for Directors as well as an induction literature for newly-appointed Directors. The Board Charter is made available on the Company's website at www.cniholdings.com.my.

The Directors allocate sufficient time to discharge their responsibilities effectively and attend Board and Board Committee meetings with sufficient regularity to deliberate on matters under their purview. Board meetings are held at quarterly intervals with additional meetings convened for particular matters, when necessary. During the year, the Board has deliberated on business strategies and critical issues concerning the Group, including business plan, annual budget, financial results as well as key performance indicators. The attendance of individual Directors at Board and Board Committees meetings during the financial year 2018 is outlined below:

Corporate **Governance Overview** Statement

Director	Board	AC	NRC	RMC
Executive Directors				
Koh How Loon	4/4			3/3
Chew Boon Swee	4/4			
Non-Independent Non-Executive Directors				
Dato' Koh Peng Chor[1]	4/4	4/4	3/3	
Yee Kee Bing	3/4			
Independent Non-Executive Directors				
Dr. Ch'ng Huck Khoon	4/4	5/5	3/3	3/3
Lim Lean Eng	4/4	5/5	3/3	3/3

Board /Board Committee Chairman   Member

(1) Appointed as a member of the AC on 1 March 2018

There is clear delineation of roles of the Board and Management. The Group CEO is the conduit between the Board and the Management in driving the success of the Group's governance and management function. The Group CEO manages and implements the Board's policies and decisions through the Management Committees.

In performing their duties, all Directors have access to advice and services of a suitably qualified Company Secretary. The Company Secretary ensures good information flow within Board, Board Committees and Senior Management. The Company Secretary attends all meetings of the Board and Board Committees and advises the Directors on the requirements encapsulated in the Company's Constitution and legislative promulgations such as the Companies Act 2016 and MMLR. Management provides Directors with complete, adequate and timely information prior to meetings and on an ongoing basis to enable them to make informed decisions.

As integrity is a core value of the Group, the Board is cognisant of its responsibility to set the ethical tone for the Group. The 'CNI Values and Ethical Workplace Behavior' has been put in place to foster an ethical culture and allow legitimate ethical concerns to be escalated in confidence. The 'CNI Values and Ethical Workplace Behavior' is available on the Company's website at www.cniholdings.com.my.

The Board has adopted a Whistleblower Policy ("Policy") that provides a mechanism and avenue for employees or any external party to report the serious concerns of improper conduct, including fraud, corruption, bribery or blackmail, criminal offences and any other action that could cause significant harm to the Group. The Policy which states the appropriate communication and reporting channels to facilitate whistleblowing can also be accessed on the Company's website at www.cniholdings.com.my.

The Board is committed to delivering long term sustainable values to all its stakeholders, both internal and external. Thus, in all its business decision the Board is ever mindful that amongst the key considerations are business sustainability and ethical practices. To build business sustainability and maintain ethical practices, the Board continuously instils the need to cultivate and promote good corporate values throughout the organization by upholding the virtue of "Tone from the top".

2. Board Composition

The Board of the Company comprises six (6) members, two (2) of which are Executive Directors, four (4) are Non-Executive Directors. Two (2) of the Directors are Independent Directors. This complies with Paragraph 15.02 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (Bursa Malaysia) ("MMLR") which requires at least two (2) or one-third (1/3) of the Board of the Company, whichever is higher, are Independent Directors.

Practice 4.2 of the MCCG states that the tenure of an Independent Director should not exceed a cumulative term of nine (9) years. Upon completion of the nine (9) years' tenure, an Independent Director may continue to serve on the board as a Non-Independent Director. If the Board intends to retain an Independent Director beyond nine (9) years, it should justify and seek annual shareholders' approval. If the Board continues to retain the Independent Director after the twelfth year, the Board should seek annual shareholders' approval through a two-tier voting process.

At present, the 2 Independent Directors namely Mr. Lim Lean Eng and Dr. Ch'ng Huck Khoon have served the Board for more than 9 years.

The Board recommends that shareholders' approval be sought at the forthcoming AGM for Mr. Lim Lean Eng and Dr. Ch'ng Huck Khoon to continue to act as Independent Directors. Notwithstanding their extended tenure, the Board has determined that Mr. Lim Lean Eng and Dr. Ch'ng Huck Khoon are able to carry out their duties in a fair, impartial and conscientious manner. The Board is of the opinion that they can continue to bring independent and objective judgment to Board deliberations and the decision making process as a whole. They also posses vast experience, display commitment and bring right mix of skills to the Board.

The Board, with the assistance of the NRC, regularly assesses the skills, experience, independence and diversity required collectively for the Board to effectively fulfill its role. The Board was satisfied that there was mutual respect among Directors which contributed to a democratic environment so as to constructively deliberate and undertake a robust decision-making process.

The Board reviews its performance, and that of Board Committees and individual Directors on annual basis based on a set of predetermined criteria in a process that is facilitated by the NRC. For the year under review, the NRC's key activity was to assess the overall Board and Board Committees' performance and effectiveness as a whole. The NRC was satisfied that the Board and Board Committees' composition had fulfilled the criteria required, possess a right blend of knowledge, experience and mix of skills. In addition, the NRC also recommended for the Board to endorse the re-election of the relevant Directors at the forthcoming Annual General Meeting (AGM).

The Board acknowledges the recommendation of the MCCG on the establishment of gender diversity policy. There is no plan by the Board to implement a gender diversity policy or targets, as the Board adheres to the practice of non-discrimination of any form, whether based on age, gender, ethnicity or religion throughout the Group. This includes the selection of Board members and senior management. In addition, the Group believes that it is of utmost importance that the Board comprises the best qualified individuals who possess the requisite knowledge, experience, independence, foresight and good judgement to ensure the Board functions effectively and is able to discharge its duties in the best interests of the Company and shareholders.

The Board acknowledge that continuous education is essential for its members to gain insight into the state of economy, technology advances, regulatory updates and management strategies.

The following are the training programmes, seminars and briefings attended by Directors during the financial year 2018:

Name	Programme Title
Executive Directors	
Koh How Loon	Abundance 360 Executive Summit
	Post GE 14 (Malaysia Capital Market Outlook and Direction)
	Human Resource Legislation
	ACCIM Forum on National Budget 2019
	Trade Mission to Tokyo for 36th JAMECA-MAJECA Joint Conference
	2019 Budget and Its Impact on Capital Market
Chew Boon Swee	2019 Budget and Its Impact on Capital Market
Non-Executive Directors	
Dato' Koh Peng Chor	Post GE 14 (Malaysia Capital Market Outlook and Direction)
	Human Resource Legislation
	2019 Budget and Its Impact on Capital Market
Yee Kee Bing	Post GE 14 (Malaysia Capital Market Outlook and Direction)
	Human Resource Legislation
	DSAM Convention - Global Direct Selling Updates & Direct Selling in a Technologically Enhanced Future
	2019 Budget and Its Impact on Capital Market

Corporate **Governance Overview** Statement

Name	Programme Title
Non-Executive Directors	
Dr Ch'ng Huck Khoon	Post GE 14 (Malaysia Capital Market Outlook and Direction)
	Human Resource Legislation
	2019 Budget and Its Impact on Capital Market
Lim Lean Eng	Post GE 14 (Malaysia Capital Market Outlook and Direction)
	Human Resource Legislation
	2019 Budget and Its Impact on Capital Market

The Directors are encouraged to participate in other relevant training programmes to further enhance their knowledge and skills in discharging their responsibilities more effectively.

3. Remuneration

CNI aims to set remuneration at levels which are sufficient to attract and retain high calibre Directors and Senior Management needed to run the business successfully, taking into consideration all relevant factors including the function, workload and responsibilities involved.

The Board has in place policies and procedures to determine the remuneration of Directors and Senior Management, which takes into account the demands, complexities and performance of the company as well as skills and experience required.

Details of the remuneration of Directors (both the Company and the Group) who served during the financial year ended 31 December 2018 are as follows:

	Fees (RM)	Salaries (RM)	Bonuses (RM)	Retirement benefits (RM)	Allowances (RM)	Benefits -in-kind (RM)	Total (RM)
Group							
Executive Directors							
Koh How Loon	-	528,443	47,040	-	-	21,250	596,733
Chew Boon Swee	16,066	579,186	60,620	81,142	-	21,250	758,264
Cheong Chin Tai(1)	-	85,846	-	59,015	-	2,500	147,361
Non-Executive Directors							
Dato' Koh Peng Chor	204,000	-	-	-	8,500	15,269	227,769
Tan Sia Swee(1)	8,000	-	-	-	1,000	-	9,000
Law Yang Ket(1)	8,000	-	-	-	1,000	-	9,000
Yee Kee Bing	48,000	-	-	-	5,000	-	53,000
Zulkifli Bin Mohamad Razali (2)	20,000	-	-	-	3,500	-	23,500
Dr. Ch'ng Huck Khoon	48,000	-	-	-	6,000	-	54,000
Lim Lean Eng	48,000	-	-	-	6,000	-	54,000
Total	**400,066**	**1,193,475**	**107,660**	**140,157**	**31,000**	**60,269**	**1,932,627**

3. Remuneration (cont'd)

	Fees (RM)	Salaries (RM)	Bonuses (RM)	Retirement benefits (RM)	Allowances (RM)	Benefits -in-kind (RM)	Total (RM)
Company							
Executive Directors							
Koh How Loon	-	471,169	-	-	-	17,708	488,877
Cheong Chin Tai[(1)]	-	85,846	-	59,015	-	2,500	147,361
Non-Executive Directors							
Dato' Koh Peng Chor	204,000	-	-	-	8,500	15,269	227,769
Tan Sia Swee[(1)]	8,000	-	-	-	1,000	-	9,000
Law Yang Ket[(1)]	8,000	-	-	-	1,000	-	9,000
Yee Kee Bing	48,000	-	-	-	5,000	-	53,000
Zulkifli Bin Mohamad Razali[(2)]	20,000	-	-	-	3,500	-	23,500
Dr. Ch'ng Huck Khoon	48,000	-	-	-	6,000	-	54,000
Lim Lean Eng	48,000	-	-	-	6,000	-	54,000
Total	**384,000**	**557,015**	**-**	**59,015**	**31,000**	**35,477**	**1,066,507**

[(1)] Resigned on 1 March 2018
[(2)] Retired at the AGM held on 31 May 2018

The Board has determined that the Senior Management is the CEO of the Company and its subsidiaries and who are primarily responsible for the business operations of the Company's core business.

The detailed remuneration on a named basis of the Senior Management is set out in the table below:

Name	Fees (RM)	Salaries (RM)	Bonuses (RM)	Retirement benefits (RM)	Benefits -in-kind (RM)	Total (RM)
Koh How Loon	-	528,443	47,040	-	21,250	596,733
Chew Boon Swee	16,066	579,186	60,620	81,142	21,250	758,264

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

4. Audit Committee

The AC is relied upon by the Board to, amongst others, provide advice in the areas of financial reporting, external audit, internal control environment and internal audit process, review of related party transactions as well as conflict of interest situations. The AC also undertakes to provide oversight on the risk management framework of the Group.

The AC is chaired by an Independent Director who is distinct from the Chairman of the Board. All members of the AC are financially literate, whilst the current Chairman of the AC is a fellow member of the Association of Chartered Certified Accountants (ACCA). The AC has full access to both the internal and external auditors who, in turn, have access at all times to the Chairman of the AC. The role of the AC and the number of meetings held during the financial year as well as the attendance record of each member are set out in the AC Report in the Annual Report.

Corporate **Governance Overview** Statement

5. Risk Management And Internal Control Framework

The Board is cognisant that a robust risk management and internal control framework helps the Group to achieve its value-creation targets by providing risk information to enable better formulation of the Group's strategies and decision making. The Group has established policies and framework for the oversight and management of material business risks and has adopted a formal Risk Management Policy. The Group, through the Risk Management Committee, maintains detailed risk registers which are reviewed and updated on quarterly yearly basis. Focus areas of risks are reported and deliberated at the AC meetings.

The internal audit function is carried out by the in-house Internal Audit Department (IAD) of CNI. The IAD is led by Head of Internal Audit who reports directly to the AC, and is independent of the activities it audits. IAD's authority, scope and responsibilities are governed by an Internal Audit Charter, approved by the AC. Further information on the Group's risk management and internal control framework is made available on the Statement of Risk Management and Internal Control of the Annual Report.

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

6. Communication With Stakeholders

The Group is committed to maintain a high standard for the dissemination of relevant and material information on the development of the Group. The Group also places strong emphasis on the importance of timely and equitable dissemination of information to shareholders and stakeholders. Key shareholder and stakeholder communication modes include Annual Report, announcement to Bursa Malaysia, corporate website and investor relation activities.

The Group's investor relations activities are aimed at developing and maintaining a positive relationship with all the stakeholders through active two-way communication. Contact for enquiries regarding investor relation matters of the Group via e-mail: ckng@cni.com.my.

7. Conduct Of General Meetings

The Group is of the view that General Meetings are important platforms to engage with its shareholders as well as to address their concerns. During the immediate preceding five years, all Directors were present at the AGMs to answer questions raised by shareholders. The Group encourage shareholders to attend and participate in the AGM by providing adequate advance notice and holding the AGM at a readily accessible location.

The voting at the 29th AGM of the Company held on 31 May 2018 was conducted through electronic voting system. The Company continues to explore the leveraging of technology, to enhance the quality of engagement with its shareholders and facilitate further participation by shareholders at AGMs of the Company.

FOCUS AREAS ON CORPORTE GOVERNANCE AND PRIORITIES

The Board recognises the importance of the MCCG. During the year under review, the Board has reviewed the composition of the Board and the respective Board Committees and evaluated the gap that is required to meet the practices as recommended by the MCCG.

The Board, through the NRC, is currently reviewing the selection of an additional Independent Non-Executive Director to be appointed to the Board. The candidate once identified, will be considered as an additional member of the AC. The composition of the AC will be changed to comprise solely of Independent Directors.

It is also the practice of the Company to seek annual approval of the shareholders to retain an independent director beyond 9 years. However, the Board with the recommendation of the NRC must justify the decision and seek shareholders' approval at general meeting if the Board intends to retain the Director as Independent Director after the respective Independent Director has served a cumulative term of nine (9) years.

The Company is consistently studying the infrastructure and facility required to leverage on technology to facilitate voting in absentia and remote shareholders' participation at General Meetings should there be a requirement by a reasonable large number of shareholders, as per recommended under Practice 12.3.

This CG Overview Statement was approved by the Board of Directors of CNI on 5 April 2019.

Statement on **Risk Management** and **Internal Control**

Introduction

Pursuant to the 15.26 (b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (MMLR), the Board of Directors (Board) is pleased to provide the Statement of Risk Management and Internal Control for the financial year ended 31 December 2018 which was prepared in accordance with Practice 9.1 and 9.2 of the Malaysia Code of Corporate Governance (MCCG) and the "Statement of Risk Management and Internal Control – Guidelines for Directors of Listed Issuers".

BOARD'S RESPONSIBILITY

The Board acknowledges its overall responsibility for maintaining a sound system of internal control to safeguard shareholders' investments and the Group's assets and for reviewing the adequacy and integrity of the system. The system of internal control covers governance, risk management, financial, strategy, operational and compliance controls.

The board recognizes that this system is designed to manage, rather than eliminate, the risks of not adhering to the Group's policies and achieving goals and objectives within the risk tolerance established by the Board and Management. Therefore, the system provides reasonable, but not absolute assurance against the occurrence of any material misstatement, losses or fraud.

The board does not regularly review internal control systems of the associate company as the Board does not have direct control over their operations. Notwithstanding the above, the Group interest is served through representation on the board of the associate company and review of the management accounts and enquiries thereon.

RISK MANAGEMENT

The Board has established an Enterprise Risk Management (ERM) framework to pursue a disciplined, comprehensive and integrated approach to risk management. By adopting a proactive risk management culture and with the appropriate tools, the Board aims to manage business risks effectively and mitigate its risk exposures.

The board has empowered the Risk Management Committee (RMC) to review and ensure the ERM framework is carried out within the Group. The RMC is chaired by an Independent Non-Executive Director and its members consist of Group CEO and another Independent Non-Executive Director.

The reporting structure of the risk management of the Group is illustrated as follows:

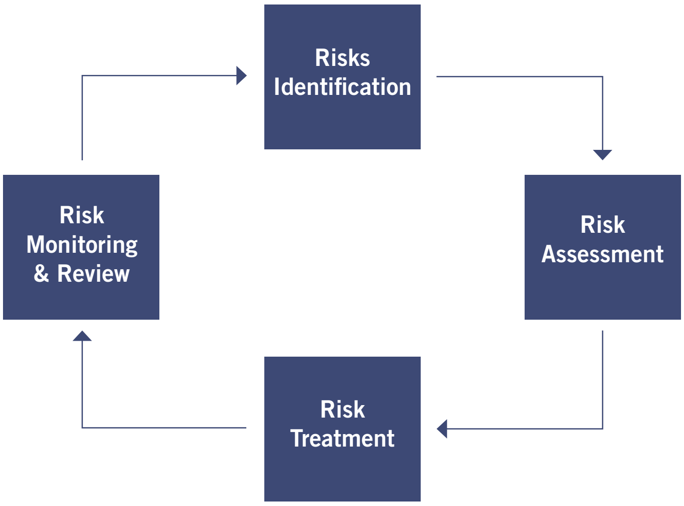
RMC reports to the Board of Directors of CNI Holdings Berhad. The RMC review the strategies risks and risks affecting long-term success of the Group. RMC is assisted by RMU which led by Group CEO and its members comprised of divisional heads. RMU is responsible for implementation and coordination of the risk management process on behalf of the RMC. RMU coordinates with the business units within the Group to identify and treat business risks and submits quarterly risk registers to the RMC.

During the financial year, four RMC meetings had been conducted to review the business risks faced by the Group and ensure relevant mitigation controls are carried out by the business unit. In RMC meeting, RMC chairperson may invite RMU members or key risk owners to attend RMC meeting to deliberate on the key risks and new risks identified and to update on the status and management action plans . The outcomes of the RMC meeting were presented to the board accordingly.

Statement on **Risk Management** and **Internal Control**

RISK MANAGEMENT PROCESS

The Group has implemented an ongoing risk management process as illustrated below, to manage potential risk exposure which may affect the achievement of the Group's corporate and business objectives:



Risk Identification
The RMC prioritises risk management strategies and coordinates with the risk owners of the respective business units to identify the key business risks towards achieving the business objectives and strategies.

Risk Assessment
The assessment of risks within the group is quantified through the use of a risk impact and likelihood matrix.

Risk Treatment
For each of the risks identified, the risk owner is assigned to ensure appropriate action plans are carried out in a timely manner.

Risk Monitoring & Review
Management actions plans and status update would be discussed and reviewed by the RMC. The outcomes of the RMC meetings were documented and reported to Audit Committee and Board accordingly.

KEY ELEMENTS OF INTERNAL CONTROL

Internal control is embedded in the Group's operations as follows:

1. The group has clearly defined lines of responsibilities and authorization for day-to-day operations and accountability. A Delegated Authority Policy has been established and adopted within the Group to promote better control, accountability and corporate governance over operational, strategic and investment decision.

2. Annual result planning and budget of respective units are submitted to the Board for approval. Performance achievements are reviewed against the targeted results on monthly basis allowing timely responses and corrective actions to be taken to mitigate risks.

3. The Group's Executive Management Committee conducts monthly meetings with the Head of Divisions/Subsidiaries to review the business performance of the Group. Strategic issues like financial performance and business direction reviews are carried out in these meetings to ensure business goals and approved financial budget are closely monitored. Explanation is provided for any major variances and action plan is formulated to increase likelihood of achieving the budgeted financial performance. Potential risks and oppourtunities were highlighted and discussed in the meetings.

4. The Board oversees the conduct of the Group's operations through various management meetings and reporting mechanisms. Monthly Management Meeting and financial reports are prepared by the Management and reported to the Group's CEO for review and decision-making purposes.

5. The Board reviews the Group’s actual performance against the budget on a quarterly basis with detailed explanation of any major variances.

6. Manufacturing segment of the Group are governed by the Standard Operating Procedures (“SOP”) certified by ISO, Hazard Analysis & Critical Control Point (“HACCP”) and Good Manufacturing Practice (“GMP”) to ensure consistency of the product quality produced.

7. Employees are briefed on Code of Ethics, CNI Values and Ethical Workplace Behavior during induction. They are required to sign and adhere to the Code of Ethics, which upholds the Group’s corporate values and ethical code of conduct. Formal guidelines are also available to govern staff’s termination and resignation.

8. The Employee’s Performance Appraisal System is linked to their KPIs which are aligned to the Group’s business goals and financial targets respectively.

9. The Human Resource Management has arranged and facilitated regular internal and external training programmes for its employees in relation to their respective areas of work.

10. The Group has established a Crisis Communication Policy with the objective of handling effectively the flow and dissemination of communication to the external parties such as media, government agencies and the Group’s other stakeholders during a crisis.

11. The Board has established a 5 years long range business plan for the key subsidiary to ensure the company moving towards achieving the long term objectives and goals.

Internal Audit Function

Pursuant to Paragraph 15.27 of MMLR, the Board has established an internal audit function which reports directly to Audit Committee. The Internal Audit function undertakes regular reviews of the Group’s operations, risk management and the systems of internal control. Regular reviews are carried out on the business processes to examine and evaluate the adequacy and efficiency of financial and operating control. Significant risks and non-compliance impacting the Group are highlighted and where applicable, recommendations are provided to improve on the effectiveness of risk management, internal control system and governance processes. Further details of the internal audit department are set out in the Audit Committee Report on page 36 to 38 of this Annual Report.

Conclusion

The Board has reviewed and received assurance from the Group CEO and Chief Financial Officer that the Group’s risk management and internal control system is operating adequately and effectively, in all material aspects, during the financial year under review.

The Board is of the opinion that the system of internal control and risk management processes are adequate and effective for the financial year under review, and up to the date of approval of this Statement, for identifying, evaluating and managing the significant risks faced by the Group and this process is regularly reviewed by the Board to safeguard the shareholders’ investment, the interests of customers, regulators and employees, and the Group’s assets.

The Board, in striving for continuous improvement will put in place appropriate action plans, where necessary, to further enhances the Group’s risk management and internal control system.

During the current financial year, there were no major weaknesses of internal control which result in material losses, contingencies or uncertainties that would require disclosure in the Annual Report.

Review of the Statement by External Auditors

As required by Paragraph 15.23 of MMLR, the external auditors have reviewed this Statement on Risk Management and Internal Control for inclusion in the 2018 Annual Report and have reported to the Board that nothing has come to their attention that causes them to believe this Statement is inconsistent with their understanding of the processes the Board has adopted in reviewing the adequacy and effectiveness of the risk management and internal control system of the Group.

This Statement was approved by the Board of Directors on 5 April 2019.

Audit Committee Report

COMPOSITION

The Audit Committee ("AC") comprises three members, all of whom are Non-Executive Directors ("NEDs"); two being Independent NEDs. This meets the requirements of paragraph 15.09(1)(a) and (b) of the Main Market Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa Securities").

The AC Chairman, Mr. Lim Lean Eng is a fellow member of the Association of Chartered Certified Accountants (ACCA). Accordingly, the Company compliances with Paragraph 15.09(1)(c)(i) of the Listing Requirements.

The Terms of Reference of the AC was reviewed and updated in February 2018 to reflect the requirements of the applicable practices and guidance of the Malaysian Code on Corporate Governance (MCCG).

ATTENDANCE AND MEETINGS

The AC members and their attendance at the AC meetings held during the financial year ended 31 December 2018 are as follows:

Members	Number of Meetings Attended
Lim Lean Eng Chairman, Independent Non-Executive Director	5/5
Dr. Ch'ng Huck Khoon Member, Independent Non-Executive Director	5/5
Dato' Koh Peng Chor[(1)] Member, Non-Independent Non-Executive Director	4/4

[(1)] Appointed as a member of the AC on 1 March 2018

The AC held five (5) meetings in 2018 without the presence of other Directors and employees, except when the AC requested their attendance. The Group Chief Executive Officer (CEO) was invited to all AC meetings to facilitate direct communication as well as to provide clarification on audit issues and the Group's operations. The Head of Internal Audit Department (IAD) attended all AC meetings to table the respective Internal Audit (IA) reports. The relevant responsible Management members of the respective auditees were invited to brief the AC on specific issues arising from the audit reports or any matters of interest.

Minutes of each AC meeting were recorded and tabled for confirmation at the next following AC meeting and subsequently presented to the Board for notation. In 2018, the AC Chairman presented to the Board the Committee's recommendations to approve the annual and quarterly financial statements. The AC Chairman also conveyed to the Board matters of significant concern as and when raised by the external auditors or internal auditors in the respective quarterly presentations.

ACTIVITIES DURING THE FINANCIAL YEAR

During the year, the AC carries out its duties as set out in its Terms of Reference. The main activities undertaken were as follows:

Financial Reporting

1. Reviewed the quarterly unaudited financial results of the Group to ensure compliance with the Listing Requirements, applicable approval accounting standards and other statutory and regulatory requirements prior to recommending for approval by the Board of Directors;
2. Reviewed the audited financial statements of the Group to ensure compliance with the applicable approval accounting standards and other statutory and regulatory requirements with the external auditors prior to submission to the Board for their consideration and approval;
3. Reviewed the impact of any changes to the accounting policies and adoption of new accounting standards as well as accounting treatments used in the financial statements.

External Audit

During the year, the AC together with the external auditors:

1. Reviewed 2018 audit plan and scope of work for the Group;
2. Reviewed the audit fees, the number of experience of audit staff assigned to the audit engagement, resources and effectiveness of the external auditors;
3. Reviewed the performance of external auditors, their independence and objectivity;
4. Discussed on audit report and evaluation of the systems of the internal controls;
5. Reviewed major audit findings and reservations arising from the interim and final audits, significant accounting issues and any matter the external auditors may wish to discuss;
6. Reviewed the results of the audit of the financial statements and their report as well as the management's responses.

The AC met with the external auditors twice during the year in the absent of the Management to discuss amongst others, audit issues and reservations arising from the interim and final audits.

The external auditors have assured the AC that in accordance with the terms of all relevant professional and regulatory requirements, they had been independence throughout the audit engagement for 2018.

The external auditors' non-audit service fees and the statutory audit fees are available on page 135 of this Annual Report.

Internal Audit

During the year, the AC:

1. Reviewed with IA on their annual audit plan which is risk-based and ensure adequate scope and comprehensive coverage over the operations of the Group;
2. Reviewed and deliberated the IA reports and to monitor / follow-up on remedial action;
3. Reviewed the corrective actions taken by the Management in addressing and resolving issues as well as ensuring that all key issues were adequately addressed on timely basis;
4. Reviewed the adequacy of resource requirements and competencies of staff within IAD function to execute the annual audit plan and the results of the work;
5. Reviewed the effectiveness of IA processes and the resources allocated to IAD;
6. Reviewed the risk management updates from the Risk Management Committee meetings;
7. Reviewed the AC Report, Corporate Governance Overview Statement and Statement on Risk Management and Internal Control and recommend to the Board for approval prior to their inclusion in the Company's Annual Report.

Related Party Transactions

1. Reviewed the Circular to Shareholders relating to shareholders' mandate for recurrent related party transactions of revenue or trading nature prior to recommending it for the Board's approval;
2. Monitored the related party transactions entered by the Company and the Group pursuant to the shareholders' mandate obtained at the Annual General Meeting held on 31 May 2018
3. Reviewed the related party transactions entered by the Company and the Group as well as the disclosure and the procedures relating to related party transactions.

INTERNAL AUDIT FUNCTION

Para 15.27 Listing Requirement states that a listed issuer must establish an internal audit functions which is independent of the activities and reports to AC. In compliance to that, an in-house IA function has been established and the scope, responsibilities and authority of the IA activity are defined in the IA Charter approved by AC. The IAD is led by the Head of Internal Audit, which report directly to AC.

The principal objective of IAD is to undertake regular and systematic review of the system of internal controls so as to provide reasonable assurance that the system continues to operate satisfactorily and effectively within the Group.

The IA personnel are free from any relationships or conflicts of interests which could impair their objectivity and independence in carrying out the function. IA personnel are able to access information to enable it carry out its functions effectively. The AC is satisfied that the internal auditors' independence have been maintained as adequate.

Audit Committee Report

IAD adopts a risk-based methodology in planning and conducting audits by focusing on key risks areas and activities that are aligned with the Group's strategic plans. IA function is carried out according to the International Professional Practices Framework (IPPF) where applicable. The IA Plan 2018 was reviewed and approved by the AC.

During the year, IAD has completed and issued the IA reports based on approved annual audit plan and ad hoc request from AC and Management. The audit assignments covered various operations management of the selected subsidiaries and risk management review within the Group. The reports are issued to AC and to the respective operations management, incorporating audit recommendations and Management's responses with regards to any audit finding on the weaknesses in the systems and controls of the operations.

The AC received quarterly reports and status of management actions from the IAD on audit reviews carried out, management's response to the findings and progress status in rectifying the identified issues. The management were made responsible and ensuring that corrective actions on the control deficiencies were taken within the required time frame.

As a value-added activity, IAD also performed data analysis on sales and distributionship for MLM segment and quarterly revenue and profit performance by respective companies within the group for AC review.

The total costs incurred for the IA function for the financial year ended 31 December 2018 was RM222,484 (2017: RM206,327). The AC reviewed and approved the IAD budget and human resource requirements to ensure that the function is adequately resourced.

Directors' Responsibility Statement

The Directors are required by the Companies Act, 2016 (Act) to prepare financial statements for each financial year which have been made out in accordance with the applicable Malaysia Financial Reporting Standards (MFRSs), the International Financial Reporting Standards (IFRSs), the requirements of the Act in Malaysia, and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

The Directors are responsible to ensure that the financial statements give a true and fair view of the state of affairs of the Group and of the Company at the end of the financial year, and of the results and cash flows of the Group and of the Company for the financial year.

In preparing the financial statements, the Directors have:

- adopted appropriate accounting policies and applied them consistently;
- made judgements and estimates that are reasonable and prudent; and
- prepared the financial statements on a going concern basis.

The Directors are responsible to ensure that the Group and the Company keep accounting records which disclose the financial position of the Group and of the Company with reasonable accuracy, enabling them to ensure that the financial statements comply with the Act.

The Directors are responsible for taking such steps as are reasonably open to them to safeguard the assets of the Group and of the Company, and to detect and prevent fraud and other irregularities.

Directors' **Report**

DIRECTORS' REPORT

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 principal activities of the Company are investment holding and provision of management services. The principal activities of its subsidiaries are disclosed in Note 14 to the financial statements.

There have been no significant changes in the nature of these activities of the Group and of the Company during the financial year.

RESULTS

	Group RM	Company RM
Profit for the financial year attributable to:		
Owners of the Company	604,757	489,153
Non-controlling interests	373,093	-
	977,850	489,153

RESERVES AND PROVISIONS

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

ISSUANCE OF SHARES OR DEBENTURES

The Company has not issued any shares or debentures 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.

TREASURY SHARES

During the financial year, the Company repurchased 200,000 of its issued ordinary shares from the open market at an average price of RM0.096 per ordinary share. The total consideration paid for the shares repurchased including transaction costs was RM19,143. The shares repurchased are being held as treasury shares in accordance with Section 127 of the Companies Act 2016 in Malaysia.

As at 31 December 2018, the Company held a total of 7,257,100 ordinary shares of its 720,000,000 issued ordinary shares as treasury shares. Such treasury shares are held at a carrying amount of RM1,717,968. Further details are disclosed in Note 23 to the financial statements.

DIVIDENDS

On 26 February 2019, the Directors declared an interim single tier dividend of RM0.003 per ordinary share for the financial year ended 31 December 2018 amounting to RM2,137,929 which is payable on 12 April 2019.

DIRECTORS OF THE COMPANY

The Directors of the Company in office since the beginning of the financial year to the date of this report are:

Dato' Koh Peng Chor
Koh How Loon
Chew Boon Swee
Dr. Ch'ng Huck Khoon
Lim Lean Eng
Yee Kee Bing (Appointed on 1January 2018)
Zulkifli bin Mohamad Razali (Retired on 31 May 2018)
Cheong Chin Tai (Resigned on 1 March 2018)
Law Yang Ket (Resigned on 1 March 2018)
Tan Sia Swee (Resigned on 1 March 2018)

DIRECTORS OF SUBSIDIARIES OF THE COMPANY

Pursuant to Section 253(2) of the Companies Act 2016, the Directors who served in the subsidiaries of the Company since the beginning of the financial year to the date of this report excluding those who are already the Directors of the Company are as follows:

Wong Siew Fong
Chan Kok Liang
Koh Tiah Siew
Koh Teng Kiat
Soo Wei Huey
Thong Lai Yeen
Chu Yang Ang
Jean Chuen-Jiang

DIRECTORS' INTERESTS

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

	Number of Ordinary Shares			
	At 1.1.2018 Unit	**Bought Unit**	**Sold Unit**	**At 31.12.2018 Unit**
Name of Director				
Ordinary shares in the Company				
CNI Holdings Berhad				
Direct interest:				
- Dato Koh Peng Chor	5,028,680	-	-	5,028,680
- Chew Boon Swee	1,128,614	-	-	1,128,614
- Koh How Loon	1,679,180	-	-	1,679,180
Indirect interest:				
- Dato Koh Peng Chor	373,983,483	-	-	373,983,483
- Koh How Loon	370,671,643	-	-	370,671,643
- Chew Boon Swee	6,534,120	-	-	6,534,120
- Dr. Ch'ng Huck Khoon	1,000	-	-	1,000
- Lim Lean Eng	62,520	-	-	62,520

Directors' **Report**

	At 1.1.2018 Unit	Bought Unit	Sold Unit	At 31.12.2018 Unit
	Number of Ordinary Shares			
Name of Director				
Ordinary shares in the Ultimate Holding Company				
Marvellous Heights Sdn. Bhd.				
Direct interest:				
- Dato Koh Peng Chor	71,660	-	-	71,660
- Chew Boon Swee	7,902	-	-	7,902
Indirect interest:				
- Dato Koh Peng Chor	137,989	-	-	137,989
- Koh How Loon	137,989	-	-	137,989

Dato' Koh Peng Chor and Koh How Loon are deemed to have interest in the shares held by the Company in its subsidiaries by virtue of their substantial interest in shares of the Company.

The other Directors in office at the end of the financial year did not have any interest in the ordinary shares of the Company or its related corporations during the financial year.

DIRECTORS' REMUNERATION AND BENEFITS

The amount of fees and other benefits paid to or receivable by the Directors or past Directors of the Company and the estimated money value of any other benefits received or receivable by them otherwise than in cash from the Company or its subsidiaries for their services to the Company or its subsidiaries were as follows:

	Company RM	Subsidiaries RM
Salaries and other emoluments	527,500	678,306
Fees	384,000	87,354
Contributions to defined contribution plan and social security	60,515	80,937
Benefit-in-kind	35,477	24,792
Retirement benefits	59,015	81,142
	1,066,507	952,531

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than Directors' emoluments received or due and receivable as disclosed in the financial statements or the fixed salary of a full-time employee of the Company) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a Company in which the Director has a substantial financial interest, other than as disclosed in Note 32 to the financial statements.

There were no arrangements during or 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.

OTHER STATUTORY INFORMATION

(a) Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps:

  (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts has been written off and that adequate provision had been made for doubtful debts; and

  (ii) to ensure that any current assets which were unlikely to be realised in the ordinary course of business including their values as shown in the accounting records of the Group and of the Company have been written down to an amount which they might be expected so to realise.

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

  (i) which would render the amount written off for bad debts or the amount of the provision for doubtful debts inadequate to any substantial extent;

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

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

  (iv) not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements misleading.

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

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

  (ii) any contingent liability of the Group and of the Company which has arisen since the end of the financial year.

(d) In the opinion of the Directors:

  (i) no contingent or other liability has become enforceable, or likely to be become enforceable, within the period of twelve months after the end of the financial year, which will or may affect the ability of the Group and of the Company to meet their obligations as and when they fall due;

  (ii) the results of the operations of the Group and of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature; and

  (iii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

(e) The total amount paid to or receivable by the auditors as remuneration for their services as auditors for the financial year from the Company and its subsidiaries is RM147,530.

(f) There was no amount paid to or receivable by any third party in respect of the services provided to the Company or any of its subsidiary by any Director or past Director of the Company.

(g) The Company maintains a liability insurance for the Directors and Officers of the Group throughout the financial year, which provides appropriate insurance cover for the Directors and Officers of the Group. The amount of insurance premium paid for the financial year ended 31 December 2018 was RM14,108.

  There was no indemnity given to or insurance effected for auditors of the Company and its subsidiaries.

Directors' **Report**

ULTIMATE HOLDING COMPANY

The Directors regard Marvellous Heights Sdn. Bhd., a company incorporated in Malaysia, as the ultimate holding company.

AUDITORS

The auditors, Messrs. Moore Stephens Associates PLT, have expressed their willingness to continue in office.

Approved and signed on behalf of the Board in accordance with a resolution of the Directors dated 15 April 2019.

KOH HOW LOON

CHEW BOON SWEE

Statement by Directors & Statutory Declaration

STATEMENT BY DIRECTORS
Pursuant to Section 251(2) of the Companies Act 2016

We, the undersigned, being two of the Directors of the Company, do hereby state that, in the opinion of the Directors, the accompanying financial statements as set out on pages 50 to 133 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the Companies Act 2016 in Malaysia, so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2018 and of their financial performance and cash flows for the financial year then ended.

Approved and signed on behalf of the Board in accordance with a resolution of the Directors dated 15 April 2019.

KOH HOW LOON

CHEW BOON SWEE

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

I, Foong Lai Kwan, being the officer primarily responsible for the financial management of the Company, do solemnly and sincerely declare that the financial statements as set out on pages 50 to 133 are to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by the
abovenamed
at Kuala Lumpur in the Federal Territory
on 15 April 2019

FOONG LAI KWAN

Before me,

Independent Auditors' Report

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
CNI HOLDINGS BERHAD
Company No.: 181758-A
(Incorporated in Malaysia)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of CNI Holdings Berhad, which comprise the statements of financial position as at 31 December 2018 of the Group and of the Company, and the statements of 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 50 to 133.

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 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 IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significant 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.

Key audit matters	Our audit performed and responses thereon
<u>Recognition of deferred tax assets</u> As at 31 December 2018, the Group recognised net deferred tax assets of RM159,176 as disclosed in Note 16 to the financial statements. The net deferred tax assets are mainly contributed by one of the subsidiaries which recognised a net deferred tax asset of RM487,000 comprising mainly unutilised tax losses. The recognition of deferred tax assets relies on the application of judgement by the Directors of the Group in respect of assessing the probability and sufficiency of future taxable profits to utilise such tax losses in the future. Due to the associated uncertainty surrounding recoverability of the deferred tax assets, this is considered a key audit matter.	We have performed the following procedures: • Compared management's forecasts and projections of future profits to historical results and evaluated the assumptions used in the forecasts and projections. • Tested the mathematical accuracy of the forecasts and projections calculation. • Performed a sensitivity analysis around the key inputs that are expected to be most sensitive to the future taxable profits. • Assessed the adequacy of the disclosures on the deferred tax assets.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CNI HOLDINGS BERHAD (CONT'D)
Company No.: 181758-A
(Incorporated in Malaysia)

Key Audit Matters (cont'd)

Key audit matters	Our audit performed and responses thereon
Investment in an associate As at 31 December 2018, the Group and the Company have an investment in an associate with the carrying amounts of RM1,930,969 and RM4,866,282 respectively as disclosed in Note 15 to the financial statements. This is considered a key audit matter in view of the significant judgements involved in the management's impairment assessment of the investment in associate. The determination of its recoverable amount for impairment assessment is subject to significant management judgement and estimates about the future results. The key assumptions include forecast growth in future revenues and operating profit margin, as well as determining an appropriate pre-tax discount rate and growth rates.	We have performed the following procedures: • Assessed whether the recoverable amounts were prepared by management based on the approved budgets by the Directors of the associate. • Compared the key assumptions including forecasted revenue, growth rates, gross margin and discount rates against our knowledge of the associate's historical performance and business strategies based on facts and circumstances currently available. • Performed a sensitivity analysis by changing certain key assumptions used in the forecasts and projections calculations and assessed the impact of the recoverable amounts of the investment in the associate.
Digital currencies held for payment As at 31 December 2018, a total carrying amount of intangible assets representing digital currencies held for payment amounting of RM380,228 (2017: RMNil). This is considered a key audit matter in view of the significant judgements involved in assessing the accounting treatment and management's impairment assessment of such digital currencies held for payment and the amount of time spent to understand the nature of the transaction that requires payment by digital currencies. Management has performed assessment at the end of reporting period whether there is any indication that the digital currencies held for payment may be impaired. The determination of its recoverable amount in impairment assessment is subject to management assessment using fair value of the respective digital currencies rate as at financial year end. If there is shortfall between initial cost recognition and the fair value, the differences will be recognised in profit or loss for the financial year ended.	We have performed the following procedures: • Evaluated the internal sources and external sources of information to identify impairment indications. • Test the mathematical accuracy of deriving the impairment amount during the year. • Review the Group's board minutes on the approval of such investment. • Obtain and understanding of the nature of such investment that required payment by digital currencies. • Assessed the appropriateness of accounting treatment of such digital currencies held for payment under MFRS 138 Intangible Assets and the adequacy of the disclosures in the financial statements.

Independent Auditors' Report

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
CNI HOLDINGS BERHAD (CONT'D)
Company No.: 181758-A
(Incorporated in Malaysia)

Information Other than the Financial Statements and Auditors' Report Thereon

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

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

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

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report the 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 Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

(a) 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.

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

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CNI HOLDINGS BERHAD (CONT'D)
Company No.: 181758-A
(Incorporated in Malaysia)

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

(d) Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

(e) Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

(f) 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 report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 14 to the financial statements.

Other Matter

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

MOORE STEPHENS ASSOCIATES PLT
LLP0000963-LCA & AF002096
Chartered Accountants

STEPHEN WAN YENG LEONG
02963/07/2019 J
Chartered Accountant

Petaling Jaya, Selangor
Date: 15 April 2019

Statements of **Comprehensive Income**

For The Financial Year Ended 31 December 2018

		Group		Company	
		2018	2017	2018	2017
	Note	RM	RM	RM	RM
Revenue	4	86,147,502	85,038,117	3,082,304	2,602,293
Direct operating costs	5	(40,968,091)	(34,791,302)	(5,336)	(4,626)
Gross profit		45,179,411	50,246,815	3,076,968	2,597,667
Other income		4,712,993	4,862,946	611,455	1,112,942
Distribution costs		(28,904,442)	(33,139,607)	-	-
Administrative costs		(15,715,313)	(18,657,760)	(2,843,700)	(3,749,220)
Other expenses		(1,519,450)	(2,578,678)	(347,835)	(324,626)
Profit/(Loss) from operations		3,753,199	733,716	496,888	(363,237)
Finance costs		(68,594)	(71,699)	(7,735)	(5,355)
Share of results of associate		(169,951)	(677,443)	-	-
Profit/(Loss) before tax	6	3,514,654	(15,426)	489,153	(368,592)
Tax expense	7	(2,536,804)	(1,383,258)	-	(995,796)
Profit/(Loss) net of tax, for the financial year		977,850	(1,398,684)	489,153	(1,364,388)
Other comprehensive income, net of tax					
Foreign currency translation difference for foreign operations		(50,390)	122,734	-	-
Defined benefit plan actuarial gain/(loss)		55,875	88,174	(500)	66,196
Share of other comprehensive income of an associate		21,330	146,030	-	-
Total other comprehensive income for the year		26,815	356,938	(500)	66,196
Total comprehensive income for the year		1,004,665	(1,041,746)	488,653	(1,298,192)

	Note	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
Profit/(Loss) for the year attributable to:					
Owners of the Company		604,757	(2,082,291)	489,153	(1,364,388)
Non-controlling interests		373,093	683,607	-	-
		977,850	(1,398,684)	489,153	(1,364,388)
Total comprehensive income attributable to:					
Owners of the Company		636,358	(1,755,374)	488,653	(1,298,192)
Non-controlling interests		368,307	713,628	-	-
		1,004,665	(1,041,746)	488,653	(1,298,192)
Basic earning/(loss) per ordinary share (sen)	8	0.08	(0.29)		

The annexed notes form an integral part of,
and should be read in conjunction with, these financial statements.

Statements of **Financial Position**

As At 31 December 2018

		Group		Company	
		2018	**2017**	**2018**	**2017**
	Note	**RM**	**RM**	**RM**	**RM**
ASSETS					
Non-current assets					
Property, plant and equipment	9	34,290,242	34,576,892	478,093	539,656
Investment properties	10	2,549,550	2,369,550	1,980,000	1,800,000
Intangible assets	11	629,599	1,291,954	7,713	9,871
Investment in preference shares	12	-	3,500,000	-	-
Other investments	13	500,001	1	1	1
Investment in subsidiaries	14	-	-	80,421,374	79,921,374
Investment in an associate	15	1,930,969	2,085,587	4,866,282	4,866,282
Deferred tax assets	16	1,104,149	1,248,964	-	-
Goodwill on consolidation	17	-	-	-	-
		41,004,510	45,072,948	87,753,463	87,137,184
Current assets					
Intangible assets	11	380,228	-	380,228	-
Inventories	18	14,139,819	14,142,774	-	-
Trade receivables	19	13,492,702	13,502,608	-	-
Other receivables	20	2,516,166	5,229,403	3,965,872	4,948,724
Tax recoverable		10,984	563,507	-	28,496
Investment in preference shares	12	3,500,000	-	-	-
Cash and cash equivalents	21	21,155,065	21,996,314	3,692,039	5,565,878
		55,194,964	55,434,606	8,038,139	10,543,098
Total assets		96,199,474	100,507,554	95,791,602	97,680,282

	Note	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
EQUITY AND LIABILITIES					
EQUITY					
Share capital	22	72,000,000	72,000,000	72,000,000	72,000,000
Treasury shares	23	(1,717,968)	(1,698,825)	(1,717,968)	(1,698,825)
Translation reserve	24	(81,101)	(671,976)	-	-
Legal capital reserve	25	93,305	-	-	-
Retained earnings		3,300,272	4,870,874	23,062,799	24,712,075
Equity attributable to owners of the Company		73,594,508	74,500,073	93,344,831	95,013,250
Non-controlling interests		1,688,817	1,481,862	-	-
Total equity		75,283,325	75,981,935	93,344,831	95,013,250
LIABILITIES					
Non-current liabilities					
Finance lease liabilities	26	580,995	848,538	8,339	100,795
Retirement benefits	27	1,868,901	4,111,149	-	2,267,015
Deferred tax liabilities	16	944,973	806,041	-	-
		3,394,869	5,765,728	8,339	2,367,810
Current liabilities					
Finance lease liabilities	26	574,727	465,567	100,545	100,830
Trade payables	28	3,934,951	4,536,261	-	-
Other payables	29	10,139,173	13,212,198	199,958	198,392
Provision for employee benefits expense	30	-	-	-	-
Tax payable		734,500	545,865	-	-
Dividend payable	31	2,137,929	-	2,137,929	-
		17,521,280	18,759,891	2,438,432	299,222
Total liabilities		20,916,149	24,525,619	2,446,771	2,667,032
Total equity and liabilities		96,199,474	100,507,554	95,791,602	97,680,282

The annexed notes form an integral part of,
and should be read in conjunction with, these financial statements.

Statements of **Changes in Equity**

For The Financial Year Ended 31 December 2018

		Attributable to owners of the Company							
		Non-distributable				Distributable			
2018	**Note**	**Share Capital RM**	**Legal Capital Reserve RM**	**Translation Reserve RM**	**Treasury Shares RM**	**Retained Earnings RM**	**Total RM**	**Non-Controlling Interests RM**	**Total Equity RM**
Group									
At 1 January 2018		72,000,000	-	(671,976)	(1,698,825)	4,870,874	74,500,073	1,481,862	75,981,935
Foreign currency translation difference for foreign operations		-	-	(45,604)	-	-	(45,604)	(4,786)	(50,390)
Defined benefit plan actuarial gain	27	-	-	-	-	55,875	55,875	-	55,875
Share of other comprehensive income of an associate		-	-	21,330	-	-	21,330	-	21,330
Total other comprehensive income for the financial year		-	-	(24,274)	-	55,875	31,601	(4,786)	26,815
Profit net of tax		-	-	-	-	604,757	604,757	373,093	977,850
Total comprehensive income for the financial year		-	-	(24,274)	-	660,632	636,358	368,307	1,004,665
Reservation of legal capital reserve	25	-	93,305	-	-	(93,305)	-	-	-
Shares repurchased		-	-	-	(19,143)	-	(19,143)	-	(19,143)
Realisation of translation reserve on disposal of a subsidiary		-	-	615,149	-	-	615,149	-	615,149
Dividend to owners of the Company	31	-	-	-	-	(2,137,929)	(2,137,929)	-	(2,137,929)
Dividend paid to non-controlling interest	31	-	-	-	-	-	-	(161,352)	(161,352)
Total transactions with Owners of the Company		-	93,305	615,149	(19,143)	(2,231,234)	(1,541,923)	(161,352)	(1,703,275)
At 31 December 2018		72,000,000	93,305	(81,101)	(1,717,968)	3,300,272	73,594,508	1,688,817	75,283,325

		Attributable to owners of the Company						
		Non-distributable			Distributable			
	Note	Share Capital	Translation Reserve	Treasury Shares	Retained Earnings	Total	Non-Controlling Interests	Total Equity
2017		RM	RM	RM	RM	RM	RM	RM
Group								
At 1 January 2017		72,000,000	(910,719)	(1,682,702)	6,864,991	76,271,570	968,234	77,239,804
Foreign currency translation difference for foreign operations		-	92,713	-	-	92,713	30,021	122,734
Defined benefit plan actuarial gain	27	-	-	-	88,174	88,174	-	88,174
Share of other comprehensive income of an associate		-	146,030	-	-	146,030	-	146,030
Total other comprehensive income for the financial year		-	238,743	-	88,174	326,917	30,021	356,938
(Loss)/Profit net of tax		-	-	-	(2,082,291)	(2,082,291)	683,607	(1,398,684)
Total comprehensive income for the financial year		-	238,743	-	(1,994,117)	(1,755,374)	713,628	(1,041,746)
Shares repurchased		-	-	(16,123)	-	(16,123)	-	(16,123)
Disposal of non-controlling interest		-	-	-	-	-	(200,000)	(200,000)
Total transactions with Owners of the Company		-	-	(16,123)	-	(16,123)	(200,000)	(216,123)
At 31 December 2017		72,000,000	(671,976)	(1,698,825)	4,870,874	74,500,073	1,481,862	75,981,935

Statements of **Changes in Equity**

For The Financial Year Ended 31 December 2018

	Note	Non-distributable Share Capital RM	Treasury Shares RM	Distributable Retained Earnings RM	Total Equity RM
Company					
At 1 January 2017		72,000,000	(1,682,702)	26,010,267	96,327,565
Defined benefit plan actuarial gain, representing total other comprehensive income	27	-	-	66,196	66,196
Loss net of tax		-	-	(1,364,388)	(1,364,388)
Total comprehensive income for the financial year		-	-	(1,298,192)	(1,298,192)
Shares repurchased, representing total transactions with owners of the Company		-	(16,123)	-	(16,123)
At 31 December 2017		72,000,000	(1,698,825)	24,712,075	95,013,250
At 1 January 2018		72,000,000	(1,698,825)	24,712,075	95,013,250
Defined benefit plan actuarial loss, representing total other comprehensive income	27	-	-	(500)	(500)
Profit net of tax		-	-	489,153	489,153
Total comprehensive income for the financial year		-	-	488,653	488,653
Dividend to owners of the company	31	-	-	(2,137,929)	(2,137,929)
Shares repurchased		-	(19,143)	-	(19,143)
Total transactions with Owners of the Company		-	(19,143)	(2,137,929)	(2,157,072)
At 31 December 2018		72,000,000	(1,717,968)	23,062,799	93,344,831

The annexed notes form an integral part of,
and should be read in conjunction with, these financial statements.

Statements of **Cash Flows**
For The Financial Year Ended 31 December 2018

	Note	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
Cash Flows from Operating Activities					
Profit/(Loss) before tax		3,514,654	(15,426)	489,153	(368,592)
Adjustments for:					
Amortisation of intangible assets		516,362	393,159	2,158	2,035
Bad debts written off/(recovered)		131,781	30,030	(2,469)	-
Depreciation of property, plant and equipment		2,408,851	2,382,785	74,450	71,307
Dividend income:					
- Preference Shares	12	(840,000)	-	-	-
- Subsidiaries		-	-	(1,500,000)	(1,000,000)
Fair value gain on investment properties		(180,000)	(400,000)	(180,000)	(400,000)
Loss on disposal of intangible assets		6,120	166	-	-
Gain on disposal of property, plant and equipment		(6,824)	(88,591)	-	-
Loss on disposal of a subsidiary	14	690,176	49,507	-	-
Impairment loss on:					
- Other receivables		-	381,645	-	-
- Trade receivables		236,977	108,822	-	-
- Amount due from subsidiary		-	-	91,833	207,158
- Intangible assets		228,994	-	228,994	-
Intangible assets written off		243,314	5,369	-	-
Interest expense		68,594	22,475	7,735	5,355
Interest income		(600,817)	(474,756)	(294,955)	(330,162)
Inventories written off		237,289	204,102	-	-
Inventories written down		11,661	353,371	-	-
Reversal of employee benefit expense		-	(43,885)	-	-
Property, plant and equipment written off		195,223	124,588	1,386	14
Retirement benefit expense		140,157	188,509	59,015	1,003,291
Reversal of impairment loss on:					
- Trade receivables		(157,634)	(83,918)	-	-
- Other receivables		-	(1,184)	-	-
Share of results of an associate		169,951	677,443	-	-
Unrealised (gain)/loss on foreign exchange		(98,701)	1,555,989	9,552	55,297
Operating profit/(loss) before changes in working capital, balance carried down		6,916,128	5,370,200	(1,013,148)	(754,297)

Statements of **Cash Flows**
For The Financial Year Ended 31 December 2018

	Note	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
Operating profit/(loss) before changes in working capital, balance brought forward		6,916,128	5,370,200	(1,013,148)	(754,297)
Changes in working capital:					
Inventories		(454,306)	(1,240,458)	-	-
Receivables		2,459,914	(3,739,748)	883,936	588,731
Payables		(3,368,846)	2,460,286	1,566	(301,427)
Net cash flow generated from/ (used in) operating activities		5,552,890	2,850,280	(127,646)	(466,993)
Dividend received		840,000	-	1,500,000	1,000,000
Interest received		600,817	474,756	294,955	330,162
Interest paid		(68,594)	(22,475)	(7,735)	(5,355)
Tax refund		47,252	213,242	28,496	33,525
Tax paid		(1,551,093)	(747,093)	-	-
Net cash from operating activities		5,421,272	2,768,710	1,688,070	891,339
Cash Flows from Investing Activities					
Acquisition of other investment		(500,000)	-	-	-
Proceeds from disposal of intangible assets		141	2,206	-	336
Proceeds from disposal of property, plant and equipment		26,932	309,698	-	709
Purchase of intangible assets		(712,327)	(232,285)	(609,222)	(2,015)
Purchase of property, plant and equipment		(2,020,969)	(1,039,252)	(14,273)	(16,017)
Net cash (outflow)/inflow of disposal of a subsidiary	14	(2,223)	200,908	-	-
Net cash used in investing activities		(3,208,446)	(758,725)	(623,495)	(16,987)

	Note	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
Cash Flows from Financing Activities					
Additional investment in a subsidiary		-	-	(500,000)	-
Payment of retirement benefit expense		(2,326,530)	(3,000,000)	(2,326,530)	(3,000,000)
Purchase of treasury shares		(19,143)	(16,123)	(19,143)	(16,123)
Repayment of finance lease liabilities		(558,383)	(209,788)	(92,741)	(78,375)
Dividend paid to non-controlling interest	31	(161,352)	-	-	-
Net cash used in financing activities		(3,065,408)	(3,225,911)	(2,938,414)	(3,094,498)
Net decrease in cash and cash equivalents		(852,582)	(1,215,926)	(1,873,839)	(2,220,146)
Cash and cash equivalents at beginning of the financial year		21,996,314	23,398,911	5,565,878	7,786,024
Effect of exchange rate changes on cash and cash equivalents held		11,333	(186,671)	-	-
Cash and cash equivalents at end of the financial year	21	21,155,065	21,996,314	3,692,039	5,565,878

The annexed notes form an integral part of,
and should be read in conjunction with, these financial statements.

Notes to The **Financial Statements**
31 December 2018

1. CORPORATE INFORMATION

The Company is a public limited company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad.

The registered office and principal place of business of the Company is located at Wisma CNI, No.2, Jalan Perunding U1/17, Hicom-Glenmarie Industrial Park Seksyen U1, 40150 Shah Alam, Selangor Darul Ehsan.

The principal activities of the Company are investment holding and provision of management services. The principal activities of its subsidiaries are disclosed in Note 14. There have been no significant changes in the nature of these activities of the Group and of the Company during the financial year.

The Directors regard Marvellous Heights Sdn. Bhd., a company incorporated in Malaysia, as the ultimate holding company.

The financial statements were authorised for issue in accordance with a Board of Directors' resolution dated 15 April 2019.

2. 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.

New and Revised MFRSs, Amendments/Improvements to MFRSs, New IC Interpretations ("IC Int") and Amendments to IC Int

(i) Adoption of New MFRS, Amendments/Improvements to MFRSs and IC Int

The Group and the Company had adopted the following new MFRS, Amendments/Improvements to MFRSs and IC Int that are mandatory for the current financial year:

MFRS 9	Financial Instruments (IFRS 9 as issued by IASB in July 2014)
MFRS 15	Revenue from Contracts with Customers
Amendments to MFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to MFRS 15	Clarification to MFRS 15: Revenue from Contracts with Customers
Amendments to MFRS 4	Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts
Amendments to MFRS 140	Transfers of Investment Property
IC Interpretations 22	Foreign Currency Transactions and Advance Consideration

Annual Improvements to MFRSs 2014-2016 Cycle

The adoption of the new MFRSs, amendments/improvements to MFRSs and IC Int did not have any significant effect on the financial statements of the Group and of the Company.

2. BASIS OF PREPARATION (cont'd)

(a) Statement of compliance (cont'd)

New and Revised MFRSs, Amendments/Improvements to MFRSs, New IC Interpretations ("IC Int") and Amendments to IC Int (cont'd)

(ii) New MFRSs, Amendments/Improvements to MFRSs and IC Int that are issued but not yet effective and have not been early adopted

The Group and the Company have not adopted the following new MFRSs, amendments/improvements to MFRSs and IC Int that have been issued as at the date of authorisation of these financial statements but are not yet effective for the Group and the Company:

Effective for financial periods beginning on or after 1 January 2019

MFRS 16	Leases
Amendments to MFRS 9	Prepayment Features with Negative Compensation
Amendments to MFRS 119	Plan Amendment, Curtailment or Settlement
Amendments to MFRS 128	Long-term Interests in Associates and Joint Ventures
IC Interpretations 23	Uncertainty over Income Tax Treatments
Annual Improvements to MFRSs 2015-2017 Cycle	

Effective for financial periods beginning on or after 1 January 2020

Amendments to MFRS 2	Share-based Payment
Amendments to MFRS 3	Business Combinations
Amendments to MFRS 6	Exploration for and Evaluation of Mineral Resources
Amendments to MFRS 14	Regulatory Deferral Accounts
Amendments to MFRS 101	Presentation of Financial Statements
Amendments to MFRS 108	Accounting Policies, Changes in Accounting Estimates and Errors
Amendments to MFRS 134	Interim Financial Reporting
Amendments to MFRS 137	Provisions, Contingent Liabilities and Contingent Assets
Amendments to MFRS 138	Intangible Assets
Amendments to IC Interpretation 12	Service Concession Arrangements
Amendments to IC Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments
Amendments to IC Interpretation 20	Stripping Costs in the Production Phase of a Surface Mine
Amendments to IC Interpretation 22	Foreign Currency Transactions and Advance Consideration
Amendments to IC Interpretation 132	Intangible Assets – Web Site Costs

Effective for financial periods beginning on or after 1 January 2021

MFRS 17	Insurance Contracts

Effective date to be announced

Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

2. BASIS OF PREPARATION (cont'd)

(a) Statement of compliance (cont'd)

New and Revised MFRSs, Amendments/Improvements to MFRSs, New IC Interpretations ("IC Int") and Amendments to IC Int (cont'd)

(ii) New MFRSs, Amendments/Improvements to MFRSs and IC Int that are issued but not yet effective and have not been early adopted (cont'd)

The Group and the Company will adopt the above pronouncements when they become effective in the respective financial periods. These pronouncements are not expected to have any effect to the financial statements of the Group and of the Company upon their initial application, except as described below:

MFRS 16 Leases

MFRS 16 will replace MFRS 117 Leases, IC Interpretation 4 Determining whether an Arrangement contains a Lease, IC Interpretation 115 Operating Lease-Incentives and IC Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on- balance sheet model similar to the accounting for finance leases under MFRS 117.

At the commencement date of a lease, a lessee will recognise a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. Lessees will be required to recognise interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessor accounting under MFRS 16 is substantially the same as the accounting under MFRS 117. Lessors will continue to classify all leases using the same classification principle as in MFRS 117 and distinguish between two types of leases: operating and finance leases.

MFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted but not before an entity applies MFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group and the Company are currently assessing the impact of MFRS 16 and plan to adopt the new standards on the required effective date.

(b) Basis of measurement

The financial statements have been prepared on the historical cost convention except for those as disclosed in the accounting policy notes.

(c) Functional and presentation currency

The individual financial statement of each entity in the Group are measured using the currency of the primary economic environment in which they operate ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional currency.

(d) Significant accounting estimates and judgements

The summary of accounting policies as described in Note 3 are essential to understand the Group's and the Company's result of operations, financial position, cash flows and other disclosures. Certain of these accounting policies require critical accounting estimates that involve complex and subjective judgements and the use of assumptions, some of which may be for matters that are inherently uncertain and susceptible to change. Directors exercise their judgement in the process of applying the Group's and the Company's accounting policies.

Estimates, assumptions concerning the future and judgements are made in the preparation of the financial statements. They affect the application of the Group's and the Company's accounting policies and reported amounts of assets, liabilities, income and expenses, and disclosures made. Estimates and underlying assumptions are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances. The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results.

2. BASIS OF PREPARATION (cont'd)

(d) Significant accounting estimates and judgements (cont'd)

The key assumptions concerning the future and other key sources of estimation or uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are set out below.

(a) Depreciation of Property, Plant and Equipment

The cost of property, plant and equipment is depreciated on a straight line balance method. The Directors estimate the useful lives of these property, plant and equipment to be within 5 to 50 years.

The Group and the Company anticipate that the residual values of its property, plant and equipment will be insignificant. As a result, residual values are not being taken into consideration for the computation of the depreciable amount.

Changes in the expected level of usage and technological development could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

(b) Income Taxes

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

(c) Impairment of non-financial assets

When the recoverable amount of an asset is determined based on the estimated of the value-in-use of the cash-generating unit to which the asset is allocated, the management is required to make an estimate of the expected future cash flows from the cash-generating unit and also to apply a suitable discount rate in order to determine the present value of those cash flows.

(d) Impairment of goodwill

Goodwill is tested for impairment annually and at other times when such indicators exist. This requires management to estimate the expected future cash flows of the cash-generating unit to which goodwill is allocated and to apply a suitable discount rate in order to determine the present value of those cash flows. The future cash flows are most sensitive to budgeted gross margins, growth rates estimated and discount rate used. If the expectation is different from the estimation, such difference will impact the carrying value of goodwill.

(e) Impairment of financial assets and receivables

The Group and the Company assess at each reporting date whether there is any objective evidence that a financial assets and receivables is impaired. To determine whether there is objective evidence of impairment, the Group an d the Company consider factors such as the probability of insolvency or significant financial difficulties of the debtor or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amounts of the Group's and the Company's financial assets and receivables at the reporting date are disclosed in note to the financial statements.

In adoption of MFRS 9, the Group and the Company assess on a forward-looking basis the expected credit loss associated with its debt instruments carried at amortised cost. The impairment methodology applied as disclosed in Note 3(p) depends on whether there has been a significant increase in credit risk which requires management judgements.

2. BASIS OF PREPARATION (cont'd)

(d) Significant accounting estimates and judgements (cont'd)

(f) Write-down of inventories

Reviews are made periodically by management on damaged, obsolete and slow-moving inventories. These reviews required judgement and estimates. Possible changes in these estimates could result in revisions to the valuation of inventories.

(g) Deferred tax assets and liabilities

Deferred tax implications arising from the changes in corporate income tax rates are measured with reference to the estimated realisation and settlement of temporary differences in the future periods in which the tax rates are expected to apply, based on the tax rates enacted or substantively enacted at the reporting date. While management's estimates on the realisation and settlement of temporary differences are based on the available information at the reporting date, changes in business strategy, future operating performance and other factors could potentially impact on the actual timing and amount of temporary differences realised and settled. Any difference between the actual amount and the estimated amount would be recognised in the profit or loss in the period in which actual realisation and settlement occurs.

(h) Defined benefit plan

The Group and the Company have unfunded defined benefit plans for eligible directors. The measurement of the present value of defined benefit obligations is based on a number of assumptions and factors that are determined on an actuarial basis. The assumptions used in the measurement of the defined benefit costs and the related liabilities or assets include projected directors salaries, inflation, interest cost and an appropriate discount rate using yields of high qualify corporate bonds. Any changes in these assumptions will have an impact on the carrying amount of the defined benefit obligations.

The details of the other assumptions are further disclosed in Note 27.

(i) Control over an investee

The Directors considers that the Group has de facto 100% control of Creative Network International (Thailand) Co., Ltd. ("CNIT") even though it has less than 50% of the equity shares. Based on the terms under which this entity was established, the Group receives the full returns related to its operations and net assets and has the current ability to direct CNIT's activities. Consequently, it is regarded as a wholly owned subsidiary of the Group.

(j) Carrying value of investments in subsidiaries

Investments in subsidiaries are reviewed for impairment annually in accordance with its accounting policy whenever events or changes in circumstances indicate that the carrying values may not be recoverable.

Significant judgement is required in the estimation of the present value of future cash flows generated by the subsidiaries, which involves uncertainties and are significantly affected by assumptions and judgements made regarding estimates of future cash flows and discount rates. Changes in assumptions could significantly affect the carrying value of investment in subsidiaries.

(k) Fair value estimates for certain financial assets and liabilities

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

2. BASIS OF PREPARATION (cont'd)

(d) Significant accounting estimates and judgements (cont'd)

(l) Impairment of investments in associate

The Group and the Company assess at each reporting date whether the carrying amount of its investments in associate is impaired. This involves measuring the recoverable amounts which includes fair value less costs to sell and valuation techniques. Valuation techniques include the use of discounted cash flow analysis, considering the current market value indicators and recent arms-length market transactions. These estimates provide reasonable approximations to the computation of recoverable amounts. In performing discounted cash flow analysis, discount rate and growth rates used reflect, amongst others, the maturity of the business development cycle as well as the industry growth potential. The growth rates used to forecast the projected cash flow for the following year approximate the performances of the respective investments based on the latest available management accounts.

(m) Accounting treatment on digital currencies

There is no specific MFRS issued by MASB in governing accounting treatment on digital currencies. Furthermore, due to the diversity and pace of innovation associated with digital currencies, the facts and circumstances of each individual case will differ, making it difficult to draw general conclusions on the accounting treatment. The Group has relied on IFRS on guidance regarding interpretations and accounting treatment for digital currencies which is considered as investments held for own account. The digital currencies are likely to meet the definition of MFRS 138 Intangible Assets as follows:

(i) it is a resource controlled by an entity, that is the entity has the power to obtain economic benefits that the asset will generate and to restrict the access of others to those benefits as a result of past events and from which future benefits are expected to flow to the entity;

(ii) it is identifiable, because it can be sold, exchanged or transferred individually;

(iii) it is not cash or a non-monetary asset; and

(iv) it has no physical form.

The Group has concluded MFRS 138 Intangible Assets it the most reflective standards in treating cryptocurrencies despite the lack of accounting standards in governing such nature of transactions.

3. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of consolidation

Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the reporting date. The financial statements of the subsidiary used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied for like transactions and events in similar circumstances. The Company controls an investee if and only if the Company has all the following:

(i) Power over the investee (i.e. existing rights that give it the current ability to direct the relevant power activities of the investee);
(ii) Exposure, or rights, to variable returns from its investment with the investee; and
(iii) The ability to use its power over the investee to affect its returns.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(a) Basis of consolidation (cont'd)

Consolidation (cont'd)

When the Company has less than a majority of the voting rights of an investee, the Company considers the following in assessing whether or not the Company's voting rights in an investee are sufficient to give it power over the investee:

(i) The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
(ii) Potential voting rights held by the Company, other vote holders or other parties;
(iii) Rights arising from other contractual arrangements; and
(iv) Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Subsidiaries are consolidated when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary.

Losses within a subsidiary are attributed to the non-controlling interests even if that results in a deficit balance.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interest and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. The resulting difference is recognised directly in equity and attributed to owners of the parent.

When control ceases, the disposal proceeds and the fair value of any retained investment are compared to the Group's share of the net assets disposed. The difference together with the carrying amount of allocated goodwill and the exchange reserve that relate to the subsidiary is recognised as gain or loss on disposal.

Business combination

Acquisitions of subsidiaries are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. The Group elects on a transaction-by-transaction basis whether to measure the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Transaction cost incurred are expensed and included in administrative expenses.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes in the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with MFRS 9 either in profit or loss or a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of MFRS 9, it is measured in accordance with the appropriate MFRS.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Goodwill is initially measured at cost, being excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(a) Basis of consolidation (cont'd)

Business combination (cont'd)

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

Subsidiaries

A subsidiary is an entity over which the Group has all the following:

(i) Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
(ii) Exposure, or rights, to variable returns from its investment with the investee; and
(iii) The ability to use its power over the investee to affect its returns.

In the Company's separate financial statements, investment in subsidiary is accounted for at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in the profit or loss.

Business combinations under common control are accounted using the predecessor method of merger accounting where the profit or loss and other comprehensive income include the results of each of the combining entities from the earliest date presented or from the date when these entities came under the control of the common controlling party (if later).

The assets and liabilities of the combining entities are accounted for based on the carrying amounts from the perspective of the common controlling party, or the combining entities if the common controlling party does not prepare consolidated financial statements.

The difference in cost of acquisition over the aggregate carrying value of the assets and liabilities of the combining entities as of the date of the combination is taken to equity. Transaction cost for the combination is recognised in the profit or loss.

Similar treatment applies in the Company's separate financial statements when assets and liabilities representing the underlying businesses under common control are directly acquired by the Company. In accounting for business combinations in the Company's separate financial statements, the excess of the cost of acquisition over the aggregate carrying amounts of assets and liabilities as of the date of the combinations is taken to equity.

Associates

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(a) Basis of consolidation (cont'd)

Associates (cont'd)

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

Investment in associates are measured in the Company's statement of financial position at cost less any impairment losses. The cost of investment includes transaction costs.

Non-Controlling Interests

Non-controlling interest in a partly-owned subsidiary represents its share of net assets, other than goodwill, of the subsidiary and is presented as a component of equity separately from owner's equity. Non-controlling interest is initially measured at acquisition-date share of net assets other than goodwill as of the acquisition date and is subsequently adjusted for the changes in the net assets of the subsidiary after the acquisition date.

The Group treats a change in a parent's controlling interest in a subsidiary that does not result in a loss of control as a transaction with equity holders in their capacity as equity holders. Accordingly, the carrying amount of the non-controlling interest is adjusted to reflect the change in the parent's interest in the subsidiary's net assets. Any difference between the amount by which the non-controlling interest is so adjusted and the fair value of the consideration paid or received, if any, is recognised directly in equity and attributed to the owners of the parent.

Transactions eliminated on consolidation

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

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

(b) Foreign currency

(i) Foreign currency transactions

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded in functional currencies using the exchange rates prevailing at the dates of the transactions. Monetary items denominated in foreign currencies at the reporting date are translated to the functional currencies at the exchange rates on the reporting date. Non-monetary items denominated in foreign currencies are not retranslated at the reporting date except for those that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in profit or loss for the year except for exchange differences arising on monetary items that form part of the Group's and of the Company's net investment in foreign operation.

(ii) Foreign operations denominated in functional currencies other than Ringgit Malaysia ("RM')

The results and financial position of foreign operations that have a functional currency different from the presentation currency, RM of the consolidated financial statements are translated into RM as follows:

- Assets and liabilities for each reporting date presented are translated at the closing rate prevailing at the reporting date;
- Income and expenses are translated at average exchange rates for the year, which approximates the exchange rates at the dates of the transactions; and

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(b) Foreign currency (cont'd)

(ii) Foreign operations denominated in functional currencies other than Ringgit Malaysia (“RM’) (cont'd)

- All resulting exchange differences are taken to other comprehensive income.

Exchange reserve in respect of a foreign operation is recognised to profit or loss when control, joint control or significant influence over the foreign operation is lost. On partial disposal without losing control, a proportion of the exchange reserve in respect of the subsidiary is re-attributed to the non-controlling interest. The proportionate share of the cumulative translation differences is reclassified to profit or loss in respect of all other partial disposals.

(c) Revenue and other income

Revenue is recognised when or as a performance obligation in the contract with customer is satisfied, i.e. when the “control” of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation is a promise to transfer a distinct goods or service (or a series of distinct goods or services that are substantially the same and that have the same pattern of transfer) to the customer that is explicitly stated in the contract and implied in the Group’s and the Company’s customary business practices.

Revenue is measured at the amount of consideration to which the Group and the Company expect to be entitled in exchange for transferring the promised goods or services to the customers, excluding amounts collected on behalf of third parties such as sales taxes or goods and services taxes. If the amount of consideration varies due to discounts, rebates, refunds, credits, incentives, penalties or other similar items, the Group and the Company estimate the amount of consideration to which it will be entitled based on the expected value or the most likely outcome. If the contract with customer contains more than one performance obligation, the amount of consideration is allocated to each performance obligation based on the relative stand-alone selling prices of the goods or services promised in the contract.

The revenue is recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainly associated with the variable consideration is subsequently resolved.

The control of the promised goods or services may be transferred over time or at a point in time. The control over the goods or services is transferred over time and revenue is recognised over time if:

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

Revenue from sales of goods is recognised upon delivery of goods where the control of the goods has been passed to the customers, or performance of services, net of sales and goods and services taxes and discounts.

Revenue for performance obligation that is not satisfied over time is recognised at the point in time at which the customer obtains control of the promised goods or services.

Other revenue earned by the Group and the Company are recognised on the following basis:

<u>Rental income</u>

Rental income from investment property is recognised 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.

<u>Dividend income</u>

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

Notes to The **Financial Statements**
31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(c) Revenue and other income (cont'd)

Interest income

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

Management fees

Management fees are recognised when services are rendered.

(d) Employee benefits

(i) Short term employee benefits

Wages, salaries, social security contributions and bonuses are recognised as an expense in the financial year in which the associated services are rendered by employees of the Group and the Company. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short term non-accumulating compensated absences such as sick leave are recognised when absences occur.

The expected cost of accumulating compensated absences is measured as additional amount expected to be paid as a result of the unused entitlement that has accumulated at the end of the reporting period.

(ii) Defined contribution plans

As required by law, companies in Malaysia make contributions to the state pension scheme, the Employees Provident Fund (“EPF”). Such contributions are recognised as an expense as incurred. Once the contributions have been paid, the Group and the Company have no further payment obligations.

(iii) Defined benefit plans

The Group’s and the Company’s net obligation in respect of defined benefit retirement plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. Any unrecognised past service costs and the fair value of any plan assets are deducted. The discount rate is the yield at the end of the reporting period on government bond that are denominated in the same currency in which the benefits are expected to paid. The calculation is performed annually by a qualified actuary using the projected unit credit method.

When the calculation results in a benefit to the Group and the Company, the recognised asset is limited to the total of any unrecognised past service costs and the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Group and the Company. An economic benefit is available to the Group and the Company if it is realisable during the life of the plan, or on settlement of the plan liabilities.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised in profit or loss on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in profit or loss.

The Group and the Company recognise all actuarial gains and losses arising from defined benefit plans in other comprehensive income and all expenses related to defined benefit plans in personnel expenses in profit or loss.

The Group and the Company recognise gains and losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on curtailment comprises any resulting change in the fair value of plan assets, change in the present value of defined benefit obligation and any related actuarial gains and losses and past service cost that had not previously been recognised.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(e) Borrowing costs

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

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

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

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

(f) Income taxes

Current tax

Tax expense represents the aggregate amount of current and deferred tax. Current tax is the expected amount payable in respect of taxable income for the financial year, using tax rates enacted or substantively enacted by the reporting date, and any adjustments recognised for prior years' tax. When an item is recognised outside profit or loss, the related tax effect is recognised either in other comprehensive income or directly in equity.

Deferred tax

Deferred tax is recognised using the liability method, on all temporary differences between the tax base of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is not recognised if the temporary difference arises from the initial recognition of an asset or liability in a transaction, which is not a business combination and at the time of the transaction, affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to apply in the period in which the assets are realised or the liabilities are settled, based on tax rates and tax laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets are recognised only to the extent that there are sufficient taxable temporary differences relating to the same taxable entity and the same taxation authority to offset or when it is probable that future taxable profits will be available against which the assets can be utilised.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will be available for the assets to be utilised.

Deferred tax assets relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transactions either in other comprehensive income or directly in equity and deferred tax arising from business combination is adjusted against goodwill on acquisition or the amount of any excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the acquisition cost.

(g) Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or asset or the arrangement conveys a right to use the asset, even if that right is not explicitly specific in an arrangement.

Notes to The **Financial Statements**
31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(g) Leases (cont'd)

(i) Finance Lease

Leases in terms of which the Group and the Company assume substantially all the risks and rewards of ownership are classified as finance lease. 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 finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the profit or loss. 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.

(ii) Operating Lease

Leases, where the Group and the Company do 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.

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 is in substance is an operating lease is classified as prepaid lease payments and amortised on a straight-line basis over the lease period as disclosed in the notes to the financial statements.

(h) Earnings per share

Basic earnings per share (“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 year, 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 share held, for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees.

(i) Property, plant and equipment

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

(i) Recognition and measurement

Cost includes expenditures that are directly attributable to the acquisition of the assets and any other costs directly attributable to bringing the asset to working condition for its intended use, cost of replacing component parts of the assets, and the present value of the expected cost for the decommissioning of the assets after their use. 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. All other repair and maintenance costs are recognised in profit or loss as incurred.

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.

Property, plant and equipment are derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(i) Property, plant and equipment (cont'd)

(ii) Subsequent costs

The cost of replacing part 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 part will flow to the Group and the Company and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in the 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 the profit or loss on straight line basis over its estimated useful lives of each component of an item of property, plant and equipment at the following annual rates:

Buildings	2%
Plant & machinery & laboratory equipment	10%
Motor vehicles	10% - 20%
Office equipment, furniture & fittings, renovation, electrical installation & computer hardware	10% - 20%

Freehold land has an indefinite useful life and therefore is not depreciated.

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

Fully depreciated property, plant and equipment are retained in the financialstatements until they are no longer in use and no further charge for depreciation is made in respect of these property, plant and equipment.

(j) Capital Work-In-Progress

Capital work-in-progress is stated at cost less any accumulated impairment losses and includes borrowing cost incurred during the period of construction.

No depreciation is provided on capital work-in-progress and upon completion of construction, the cost will be transferred to property, plant and equipment.

(k) Investment property

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value. Fair value is arrived at by reference to market evidence of transaction prices for similar properties and is performed by registered independent valuers having an appropriate recognised professional qualification and recent experience in the location and category of the properties being valued.

Gain or losses arising from changes in the fair values of investment properties are recognised in profit or loss in the financial year in which they arise.

A property interest under an operating lease is classified and accounted for as an investment property on a property-by-property basis when the Group and the Company hold it to earn rentals or for capital appreciation or both. Any such property interest under and operating lease classified as an investment property is carried at fair value.

Notes to The **Financial Statements**

31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(k) Investment property (cont'd)

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefits is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the financial year in which they arise.

When an item of property, plant and equipment is transferred to investment property following a change in its use, any difference arising at the date of transfer between the carrying amount of the item immediately prior to transfer and its fair value is recognised directly in equity as a revaluation of property, plant and equipment. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in profit or loss.

Upon disposal of an investment property, any surplus previously recorded in equity is transferred to retained earnings; the transfer is not made through profit or loss.

When the use of a property changes such that it is reclassified as property, plant and equipment of inventories, its fair value at the date of reclassification becomes its cost for subsequent accounting.

(l) Intangible assets

Goodwill

Goodwill acquired in a business combination represents the difference between the purchase consideration and the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities in the subsidiary companies at the date of acquisition.

Goodwill is allocated to cash generating units and is stated at cost less accumulated impairment losses, if any. Impairment test is performed annually. Goodwill is also tested for impairment when indication of impairment exists. Impairment losses recognised are not reversed in subsequent periods.

Upon the disposal of investment in the subsidiary, the related goodwill will be included in the computation of gain or loss on disposal of investment in the subsidiary in the profit or loss.

Other intangible assets

Intangible assets, other than goodwill, which have finite useful lives, are measured at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets, other than goodwill, which have indefinite lives and are not yet available for use are stated at cost less impairment losses.

Amortisation

Amortisation is calculated based on the cost of an asset less its residual value.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use.

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

Computer software	10% - 20%
Trademark	2%

Amortisation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted, if appropriate.

Goodwill, intangible assets with indefinite useful lives and intangible assets not yet available for use are not amortised but are tested for impairment annually and whenever there is an indication that they may be impaired.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(m) Inventories

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

Costs incurred in bringing the inventories to their present location and condition are accounted for as follows:

- raw materials: purchase costs on a weighted average cost basis.
- finished goods and work-in-progress: cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity. These costs are assigned on a weighted average cost basis.
- consumable tools, packaging materials and sales aid items: purchase costs on a weighted average cost basis.

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

(n) Cash and cash equivalents

Cash and cash equivalents consist of cash at banks and on hand, deposits placed with licensed banks and short-term fund that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value.

(o) Financial instruments

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

(i) Initial recognition and measurement

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

<u>Current financial year</u>

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.

<u>Previous financial year</u>

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

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised as 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.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(o) Financial instruments (cont'd)

(ii) Financial instrument categories and subsequent measurement

The Group and the Company categorise financial instruments as follows:

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.

(a) Amortised cost

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

(b) Fair value through profit or loss

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

All financial assets, except for those measured at fair value through profit or loss, are subject to impairment assessment under Note 3(p)(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:

(a) Financial assets at fair value through profit or loss

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

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost. Other financial assets categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(o) Financial instruments (cont'd)

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

The Group and the Company categorise financial instruments as follows: (cont'd)

Previous financial year (cont'd)

(b) Loans and receivables

Loans and receivables category comprise debt instruments that are not quoted in an active market.

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

All financial assets, except for those measured at fair value, through profit or loss, are subject to review for impairment.

Financial liabilities

Current financial year

(a) Fair value through profit or loss

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

On initial recognition, the Group or the Company may irrevocably designate a financial liability that otherwise meets the requirements to be measured at amortised cost as at fair value through profit or loss:

(a) if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise;

(b) a group of financial liabilities or assets and financial liabilities is managed, and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the Group’s and the Company’s key management personnel; or

(c) if a contract contains one or more embedded derivatives and the host is not a financial asset in the scope of MFRS 9, where the embedded derivative significantly modifies the cash flows and separation is not prohibited.

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

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

Notes to The **Financial Statements**
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3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(o) Financial instruments (cont'd)

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

The Group and the Company categorise financial instruments as follows: (cont'd)

Financial liabilities (cont'd)

<u>Current financial year</u> (cont'd)

(b) Amortised cost

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

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

<u>Previous financial year</u>

In the previous financial year, financial liabilities of the Group and the Company were subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

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

Derivatives that are linked to and must be settled by delivery of equity instruments that do not have a quoted price in an active market for identical instruments whose fair values otherwise cannot be reliably measured are measured at cost.

Other financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

(iii) 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.

(iv) Financial guarantee contracts

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

<u>Current financial year</u>

Financial guarantees issued are initially measured at fair value. Subsequently, they are measured at higher of:
- the amount of the loss allowance; and
- the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance to the principles of MFRS 15, Revenue from Contracts with Customers.

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(o) Financial instruments (cont'd)

(iv) Financial guarantee contracts (cont'd)

Previous financial year

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

(v) Regular way purchase or sale of financial assets

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

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

(vi) 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 control of the asset is not retained or substantially all 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 and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

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

(p) Impairment

(i) Financial assets

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

Current financial year

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

Loss allowance of the Group and the Company are measured on either of the following bases:

(i) 12-month ECL - represents the ECL that result from default events that are possible within the 12 months after the reporting date (or for a shorter period if the expected life of the instrument is less than 12 months); or

Notes to The **Financial Statements**
31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(p) Impairment (cont'd)

(i) Financial assets (cont'd)

Current financial year (cont'd)

Loss allowance of the Group and the Company are measured on either of the following bases: (cont'd)

(ii) Lifetime ECL- represents the ECL that will result from all possible default events over the expected life of a financial instrument or contract asset.

The impairment methodology applied depends on whether there has been a significant increase in credit risk.

Simplified approach- trade receivables, lease receivables and contract assets

The Group and the Company apply the simplified approach to provide ECL for all trade receivables, lease receivables and contract assets as permitted by MFRS 9. The simplified approach required expected lifetime losses to be recognised from initial recognition of the receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's and the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where applicable.

General approach- other financial instruments and financial guarantee contracts

The Group and the Company apply the general approach to provide for ECL on all other financial instruments and financial guarantee contracts, which requires the loss allowance to be measure at an amount equal to 12-months ECL at initial recognition.

At each reporting date, the Group and the Company assess whether the credit risk of a financial instrument has increased significantly since initial recognition. When credit risk has increased significantly since initial recognition, loss allowance is measure at an amount equal to lifetime ECL. In assessing whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, 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 and the Company's historical experience and informed credit assessment and including forward looking information, where available.

If credit risk has not increase significantly since initial recognition or if the credit quality of the financial instruments improves such that there is no longer a significant in credit risk since intial recognition, loss allowance is measure at an amount equal to 12-month ECL.

The Group and the Company consider the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that a financial asset to be in default when:

- The borrower is unlikely to pay its credit obligations to the Group and the Company in full, without recourse by the Group and the Company to actions such as realising security (if any is held); or

- The financial asset is more than 180 days past due.

The Group and the Company consider a financial guarantee contract to be in default when the debtor of the loan is unlikely to pay its credit obligations to the creditors and the Group and the Company in full, without recourse by the Group and Company to actions such as realising security (if any is held). The Group and the Company only apply a discount rate if, and to the extent that, the risks are not taken into account by adjusting the expected cash shortfalls.

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(p) Impairment (cont'd)

(i) Financial assets (cont'd)

Current financial year (cont'd)

Credit Impaired financial assets

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

Evidence that a financial asset is credit impaired includes the observable data about the following events:

- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as a default or past due event (e.g being more than 180 days past due)
- The lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower or a concession that the lender would not other consider (e.g the restructuring of a a loan or advance by the Group and the Company on terms that the Group and the Company would not consider otherwise);
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- The disappearance of an active market for security because of financial difficulties.

Write-off policy

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. Any recoveries made are recognised in profit or loss.

Previous financial year

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

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

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

(ii) Non-financial assets

The carrying amounts of non-financial assets 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.

Notes to The **Financial Statements**
31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(p) Impairment (cont'd)

(ii) Non-financial assets (cont'd)

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised immediately in profit or loss, unless the asset is carried at a revalued amount, in which such impairment loss is recognised directly against any revaluation surplus for the asset to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that same asset. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups.

The recoverable amount of an asset or cash-generating units is the greater of its value in use and its fair value less costs to sell. 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.

Except for goodwill, assets that were previously impaired are reviewed for possible reversal of the impairment at the end of each reporting period. Any subsequent increase in recoverable amount is recognised in the profit or loss unless it reverses an impairment loss on a revalued asset in which case it is taken to revaluation reserve. Reversal of impairment loss is restricted by the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years.

An impairment loss recognised for goodwill is not reversed.

An impairment loss is recognised for the amount by which the carrying amount of the subsidiary, joint venture or associate exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and present value of the estimated future cash flows expected to be derived from the investment including the proceeds from its disposal. Any subsequent increase in recoverable amount is recognised in profit or loss.

(q) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group and of the Company after deducting all of their liabilities. Ordinary shares are equity instruments.

<u>Ordinary shares</u>

Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

<u>Treasury shares</u>

When issued shares of the Company are repurchased, the consideration paid, including any attributable transaction cost is presented as a change in equity. Repurchased shares that have not been cancelled are classified as treasury shares and presented as a deduction from equity. No gain or loss is recognised in the profit or loss on the sale, re-issuance or cancellation of treasury shares.

When treasury shares are re-issued by resale, the difference between the sales consideration and the carrying amount of the treasury shares is shown as a movement in equity.

3 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(r) Provisions

A provision is recognised if, as a result of a past event, the Group and the Company have a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

(s) Operating segments

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

(t) Contingencies

(i) 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.

(ii) Contingent assets

Where is not probable that there is an inflow of economic benefits, or the amount cannot be estimated reliably, the asset is not recognised in the statements of financial position and is disclosed as a contingent asset, unless the probability of inflow 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 assets unless the probability of inflow of economic benefits is remote.

(u) Fair value measurements

Fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of 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 and the Company use observable market data as far as possible. Fair value are categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group and the Company 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.

3 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(u) Fair value measurements (cont'd)

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

4. REVENUE

		Group		Company	
	Note	2018 RM	2017 RM	2018 RM	2017 RM
Sale of goods	(i)	85,222,757	84,081,039	-	-
Sales of food and beverage	(ii)	804,745	837,078	-	-
Management fees	(iii)	-	-	1,462,304	1,482,293
Rental income from investment properties	(iv)	120,000	120,000	120,000	120,000
Dividend income	(v)	-	-	1,500,000	1,000,000
		86,147,502	85,038,117	3,082,304	2,602,293

The performance obligation and timing for revenue recognition for each revenue streams are as follows:

(i) Sales of goods

The Group is principally engaged in marketing and distributing coffee and other related beverage products to overseas customers. Geographical locations of the customers are mainly from Hong Kong, Taiwan and China.

Performance obligation (“PO”)

PO included delivery of end products which are distinct and is able to be performed separately. However, the delivery charges of end products was immaterial to be considered as separate PO. Hence, contracts with respective customers are considered as a single PO. The PO is satisfied upon delivery of the goods. Payment is generally due within 30 - 60 days from the date when PO is satisfied.

Timing of recognition

Revenue is recognised when control over the goods have been transferred to the customer upon completion of delivery process. The revenue is recognised at a point in time when customers have acknowledged the receipt of goods sold.

(ii) Sales of food and beverage

The Group provides food and beverage services and catering services towards internal staffs and external customers.

Performance Obligation (“PO”)

PO is satisfied upon delivery of food to customers and payment is generally due upon delivery of foods and completion of services rendered. No allocation of transaction price required to PO as each contract consist of one PO only and transaction price is determined based on selling price of the goods.

Timing of recognition

Revenue is recognised at point in time when the food and beverages are served and accepted by the customers.

4. REVENUE (cont'd)

The performance obligation and timing for revenue recognition for each revenue streams are as follows: (cont'd)

(iii) Management fee

Fees from management are recognised in the period in which the services are rendered.

(iv) Rental income

Rental income from investment property is recognised in profit or loss on a straight-line basis over the rental terms.

(v) Dividend income

Dividend income is recognised as revenue in profit or loss when the right to receive the payment is established.

5. DIRECT OPERATING COSTS

	Group		Company	
	2018 RM	**2017 RM**	**2018 RM**	**2017 RM**
Cost of goods sold	39,769,422	33,479,649	-	-
Cost of food and beverages sold	1,193,333	1,307,027	-	-
Operating expenses of income generated from investment properties	5,336	4,626	5,336	4,626
	40,968,091	34,791,302	5,336	4,626

6. PROFIT/(LOSS) BEFORE TAX

Profit/(Loss) before tax is arrived at after charging/(crediting):

	Group		Company	
	2018 RM	**2017 RM**	**2018 RM**	**2017 RM**
Amortisation of intangible assets	516,362	393,159	2,158	2,035
Auditors' remuneration:				
- Statutory audits				
- Current year	147,530	199,233	16,000	13,000
- Other services	5,000	3,000	5,000	3,000
- Underprovision in prior year	5,000	-	5,000	-
Bad debts written off/(recovered)	131,781	30,030	(2,469)	-
Depreciation of property, plant and equipment	2,408,851	2,382,785	74,450	71,307

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6. PROFIT/(LOSS) BEFORE TAX (cont'd)

Profit/(Loss) before tax is arrived at after charging/(crediting): (cont'd)

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Dividend income from:				
- Preference Shares (Note 12)	(840,000)	-	-	-
- Subsidiaries	-	-	(1,500,000)	(1,000,000)
Employees benefit expenses [Note 6(a)]	22,616,509	21,970,968	2,000,061	2,946,840
Fair value gain on investment properties	(180,000)	(400,000)	(180,000)	(400,000)
Gain on disposal of property, plant and equipment	(6,824)	(88,591)	-	-
Loss on disposal of intangible assets	6,120	166	-	-
Loss on disposal of a subsidiary	690,176	49,507	-	-
(Gain)/Loss on foreign exchange:				
- Realised	(125,131)	(296,175)	(12,140)	513
- Unrealised	(98,701)	1,555,989	9,552	55,297
Impairment loss on:				
- Other receivable	-	381,645	-	-
- Trade receivables	236,977	108,822	-	-
- Amount due from subsidiary	-	-	91,833	207,158
- Intangible assets	228,994	-	228,994	-
Intangible assets written off	243,314	5,369	-	-
Interest expense	68,594	22,475	7,735	5,355
Interest income	(600,817)	(474,756)	(294,955)	(330,162)
Inventories written off	237,289	204,102	-	-
Inventories written down	11,661	353,371	-	-
Property, plant and equipment written off	195,223	124,588	1,386	14
Rental income	(606,406)	(598,854)	(58,611)	-
Rental of premises	1,255,380	1,635,759	177,360	194,720
Rental of equipment	9,091	8,236	-	-
Reversal of provision for employee benefits	-	(43,885)	-	-
Retirement benefit expense	140,157	188,509	59,015	1,003,291
Reversal of impairment loss on:				
- Trade receivables	(157,634)	(83,918)	-	-
- Other receivables	-	(1,184)	-	-

6. PROFIT/(LOSS) BEFORE TAX (cont'd)

(a) Employees benefit expenses comprise:

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Staff costs				
Salaries, wages, allowances, overtime and benefits	17,091,725	16,651,057	861,784	834,160
Contributions to defined contribution plan and social security	1,716,478	1,698,946	107,247	101,408
	18,808,203	18,350,003	969,031	935,568
Executive Directors				
Fees	220,013	128,769	-	-
Salaries and other emoluments	2,709,841	2,556,616	496,500	459,000
Contributions to defined contribution plan and social security	323,295	297,956	60,515	55,981
Retirement benefit expense	140,157	188,509	59,015	1,003,291
	3,393,306	3,171,850	616,030	1,518,272
Non-executive Directors				
Fees	384,000	444,000	384,000	444,000
Other emoluments	31,000	49,000	31,000	49,000
	415,000	493,000	415,000	493,000
Total Directors' remuneration	3,808,306	3,664,850	1,031,030	2,011,272
Reversal of employee benefit expense	-	(43,885)	-	-
Total employee benefit expenses	22,616,509	21,970,968	2,000,061	2,946,840

The estimated monetary value of benefit-in-kind received by executive and non- executive Directors otherwise than in cash from the Group and the Company amounted to RM85,053 (2017: RM81,426) and RM35,477 (2017: RM39,121) respectively.

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7. TAX EXPENSE

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM	**RM**	**RM**	**RM**
Current income tax:				
Current year	1,540,329	879,961	-	-
Underprovision in prior financial year	706,731	80,040	-	-
	2,247,060	960,001	-	-
Deferred tax (Note 16):				
Origination of temporary differences	149,192	294,381	-	995,796
Underprovision in prior financial year	134,555	134,659	-	-
	283,747	429,040	-	995,796
Share of tax of equity accounted associate	5,997	(5,783)	-	-
	2,536,804	1,383,258	-	995,796

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

The reconciliations from the tax amount at statutory income tax rate to the Group's and the Company's tax expense are as follows:

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM	**RM**	**RM**	**RM**
Profit/(Loss) before tax	3,514,654	(15,426)	489,153	(368,592)
Tax at the Malaysian statutory income tax rate of 24%	843,517	(3,702)	117,397	(88,462)
Effect of different tax rates in other countries	(4,910)	(224,024)	-	-
Tax effect arising from:				
- Non-deductible expenses	850,954	832,283	207,060	81,751
- Double deduction expenses	(128,140)	(47,326)	-	-
- Income not subject to tax	(247,070)	(228,779)	(477,495)	(175,239)
Deferred tax assets not recognised	377,476	892,258	153,038	1,177,746
Losses surrendered under group relief	(2,306)	(46,368)	-	-
Underprovision in prior financial year:				
- Income tax	706,731	80,040	-	-
- Deferred tax	134,555	134,659	-	-
Share of an associate's tax	5,997	(5,783)	-	-
	2,536,804	1,383,258	-	995,796

7. TAX EXPENSE (cont'd)

The Group and the Company have estimated unutilised tax losses, unabsorbed capital allowances and unutilised reinvestment allowances available for set-off against future taxable profits as follows:

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Unutilised tax losses	27,720,550	26,295,299	13,891,385	11,077,517
Unabsorbed capital allowances	985,215	2,172,838	132,667	110,391
Unutilised reinvestment allowances	43,325	43,323	-	-
	28,749,090	28,511,460	14,024,052	11,187,908

The availability of the tax losses will be subject to Inland Revenue Board discretion and approval to offset against future taxable profit.

<u>Announcement of Malaysia 2019 Budget Highlight</u>

In the announcement of Malaysia 2019 Budget Highlight, any unabsorbed losses in a year of assessment can only be allowed to carried forward up to a maximum of 7 consecutive years of assessment effective from YA2019.

8. BASIC EARNINGS/(LOSS) PER ORDINARY SHARE

Basic earnings/(loss) per ordinary share for the financial year is calculated by dividing the profit/(loss) after tax attributable to owners of the parent by the weighted average number of ordinary shares outstanding during the financial year.

	Group	
	2018 RM	2017 RM
Profit/(Loss) after tax attributable to the Owners of the Company	604,757	(2,082,291)
Weighted average number of ordinary shares for basic earnings/(loss) per share (adjusted for treasury shares)	712,834,567	713,029,566
Basic earnings/(loss) per ordinary share (sen)	0.08	(0.29)

Diluted earnings/(loss) per share is the same as basic earnings/(loss) per share as there is no dilutive potential ordinary shares outstanding during the financial year.

9. PROPERTY, PLANT AND EQUIPMENT

2018	Note	Freehold land RM	Buildings RM	Plant & Machinery & Laboratory Equipment RM	Motor Vehicles RM	Office Equipment, Furniture & Fittings, Renovation, Electrical Installation & Computer Hardware RM	Capital Work-in-progress RM	Total RM
Group								
Cost								
At 1 January 2018		4,621,097	35,694,373	24,640,837	3,889,862	16,731,871	965,489	86,543,529
Additions	(ii)	-	-	551,332	163,354	233,531	1,472,752	2,420,969
Disposals		-	-	(71,780)	(17,468)	(7,987)	-	(97,235)
Disposal of a subsidiary		-	-	-	(120,389)	(155,056)	-	(275,445)
Written off		-	-	(78,005)	-	(1,652,306)	-	(1,730,311)
Exchange differences		-	(7,180)	(6,075)	1,410	(9,703)	-	(21,548)
At 31 December 2018		4,621,097	35,687,193	25,036,309	3,916,769	15,140,350	2,438,241	86,839,959
Accumulated depreciation								
At 1 January 2018		-	13,000,673	22,534,415	2,220,187	13,750,298	-	51,505,573
Charge for the financial year		-	800,611	433,354	298,635	876,251	-	2,408,851
Disposals		-	-	(71,479)	-	(5,648)	-	(77,127)
Disposal of a subsidiary		-	-	-	(108,269)	(98,390)	-	(206,659)
Written off		-	-	(70,320)	-	(1,464,768)	-	(1,535,088)
Exchange differences		-	(2,397)	(1,592)	1,294	(4,338)	-	(7,033)
At 31 December 2018		-	13,798,887	22,824,378	2,411,847	13,053,405	-	52,088,517
Accumulated impairment								
At 1 January 2018		-	-	-	-	69,286	391,778	461,064
Exchange differences		-	-	-	-	136	-	136
At 31 December 2018		-	-	-	-	69,422	391,778	461,200
Net carrying amount								
At 31 December 2018		4,621,097	21,888,306	2,211,931	1,504,922	2,017,523	2,046,463	34,290,242

9. PROPERTY, PLANT AND EQUIPMENT (cont'd)

2017	Note	Freehold land RM	Buildings RM	Plant & Machinery & Laboratory Equipment RM	Motor Vehicles RM	Office Equipment, Furniture & Fittings, Renovation, Electrical Installation & Computer Hardware RM	Capital Work-in-progress RM	Total RM
Group								
Cost								
At 1 January 2017		4,621,097	34,470,129	24,339,140	4,025,635	18,892,756	391,779	86,740,536
Additions	(ii)	-	-	537,229	1,023,237	226,818	573,710	2,360,994
Disposals		-	-	(29,790)	(1,157,822)	(607,106)	-	(1,794,718)
Disposal of a subsidiary		-	-	-	-	(21,065)	-	(21,065)
Reclassification		-	1,245,785	(144,867)	-	(1,100,918)	-	-
Written off		-	-	(40,095)	-	(636,921)	-	(677,016)
Exchange differences		-	(21,541)	(20,780)	(1,188)	(21,693)	-	(65,202)
At 31 December 2017		4,621,097	35,694,373	24,640,837	3,889,862	16,731,871	965,489	86,543,529
Accumulated depreciation								
At 1 January 2017		-	11,662,609	22,266,579	3,094,555	14,264,577	-	51,288,320
Charge for the financial year		-	807,579	410,028	258,450	906,728	-	2,382,785
Disposals		-	-	(28,946)	(1,131,674)	(412,991)	-	(1,573,611)
Disposal of a subsidiary		-	-	-	-	(11,580)	-	(11,580)
Reclassification		-	544,254	(62,454)	-	(481,800)	-	-
Written off		-	-	(39,519)	-	(501,655)	-	(541,174)
Exchange differences		-	(13,769)	(11,273)	(1,144)	(12,981)	-	(39,167)
At 31 December 2017		-	13,000,673	22,534,415	2,220,187	13,750,298	-	51,505,573
Accumulated impairment								
At 1 January 2017		-	-	-	-	82,373	391,778	474,151
Written off		-	-	-	-	(11,254)	-	(11,254)
Exchange differences		-	-	-	-	(1,833)	-	(1,833)
At 31 December 2017		-	-	-	-	69,286	391,778	461,064
Net carrying amount								
At 31 December 2017		4,621,097	22,693,700	2,106,422	1,669,675	2,912,287	573,711	34,576,892

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9. PROPERTY, PLANT AND EQUIPMENT (cont'd)

	Motor Vehicles RM	Office Equipment, Furniture & Fittings RM	Computer Hardware RM	Total RM
2018				
Company				
Cost				
At 1 January 2018	690,901	4,193	72,473	767,567
Additions	-	5,206	9,067	14,273
Written off	-	(1,999)	(5,993)	(7,992)
At 31 December 2018	690,901	7,400	75,547	773,848
Accumulated depreciation				
At 1 January 2018	169,915	2,499	55,497	227,911
Charge for the financial year	69,090	677	4,683	74,450
Written off	-	(616)	(5,990)	(6,606)
At 31 December 2018	239,005	2,560	54,190	295,755
Net carrying amount				
At 31 December 2018	451,896	4,840	21,357	478,093
2017				
Company				
Cost				
At 1 January 2017	396,500	4,193	73,519	474,212
Additions	294,401	-	1,616	296,017
Disposals	-	-	(2,490)	(2,490)
Written off	-	-	(172)	(172)
At 31 December 2017	690,901	4,193	72,473	767,567
Accumulated depreciation				
At 1 January 2017	105,009	2,238	51,296	158,543
Charge for the financial year	64,906	261	6,140	71,307
Disposals	-	-	(1,781)	(1,781)
Written off	-	-	(158)	(158)
At 31 December 2017	169,915	2,499	55,497	227,911
Net carrying amount				
At 31 December 2017	520,986	1,694	16,976	539,656

9. PROPERTY, PLANT AND EQUIPMENT (cont'd)

(i) The net carrying amount of property, plant and equipment of the Group and of the Company held under finance leases arrangements were RM1,915,188 (2017: RM1,492,052) and RM240,427 (2017: RM269,867) respectively.

(ii) Acquisition of property, plant and equipment are satisfied by the following:

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Cash	2,020,969	1,039,252	14,273	16,017
Finance lease arrangements	400,000	1,321,742	-	280,000
	2,420,969	2,360,994	14,273	296,017

(iii) Included in the capital work-in-progress is an amount of RM1 (2017: RM1) at carrying amount and RM391,779 (2017: RM391,779) at cost is in respect of the acquisition of a service apartment by a subsidiary, Exclusive Mark (M) Sdn. Bhd. The development project was abandoned by the developer when it was 85% completed in prior years.

10. INVESTMENT PROPERTIES

	Leasehold Land and Building RM	Freehold Building RM	Total RM
Group			
2018			
At fair value			
At 1 January 2018	1,800,000	569,550	2,369,550
Fair value gain	180,000	-	180,000
At 31 December 2018	1,980,000	569,550	2,549,550
2017			
At fair value			
At 1 January 2017	1,400,000	-	1,400,000
Additions	-	569,550	569,550
Fair value gain	400,000	-	400,000
At 31 December 2017	1,800,000	569,550	2,369,550

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10. INVESTMENT PROPERTIES (cont'd)

	Leasehold Land and Building RM
Company	
2018	
At fair value	
At 1 January 2018	1,800,000
Fair value gain	180,000
At 31 December 2018	1,980,000
2017	
At fair value	
At 1 January 2017	1,400,000
Fair value gain	400,000
At 31 December 2017	1,800,000

The fair values were arrived at by reference to market evidence of transaction prices for similar properties and were performed by registered independent professional valuers having an appropriate recognised professional qualification and recent experience in the location and category of the properties being valued.

The unexpired lease period of leasehold land of the Group and of the Company is more than 50 years.

11. INTANGIBLE ASSETS

Group	Software RM	Trademark RM	Total RM
2018			
Non-current assets			
Cost			
At 1 January 2018	5,502,614	105,827	5,608,441
Additions	13,458	77,635	103,105
Disposals	(12,880)	-	(12,880)
Written off	(3,017,447)	-	(3,029,459)
Exchange differences	-	559	559
At 31 December 2018	2,485,745	184,021	2,669,766
Accumulated amortisation			
At 1 January 2018	4,306,800	9,687	4,316,487
Charge for the financial year	502,739	13,623	516,362
Disposals	(6,619)	-	(6,619)
Written off	(2,786,145)	-	(2,786,145)
Exchange differences	-	82	82
At 31 December 2018	2,016,775	23,392	2,040,167
Net carrying amount			
At 31 December 2018	468,970	160,629	629,599

11. INTANGIBLE ASSETS (cont'd)

	Computer Software RM	Trademark RM	Total RM
Group			
2017			
Non-current assets			
Cost			
At 1 January 2017	6,288,773	25,779	6,314,552
Additions	170,131	62,154	232,285
Disposals	(3,898)	-	(3,898)
Written off	(22,946)	-	(22,946)
Reclassifications	(18,991)	18,991	-
Exchange differences	-	(1,097)	(1,097)
Disposal of a subsidiary	(910,455)	-	(910,455)
At 31 December 2017	5,502,614	105,827	5,608,441
Accumulated amortisation			
At 1 January 2017	4,697,604	-	4,697,604
Charge for the financial year	391,087	2,072	393,159
Disposals	(1,526)	-	(1,526)
Written off	(17,577)	-	(17,577)
Reclassifications	(7,926)	7,926	-
Exchange differences	-	(311)	(311)
Disposal of a subsidiary	(754,862)	-	(754,862)
At 31 December 2017	4,306,800	9,687	4,316,487
Net carrying amount			
At 31 December 2017	1,195,814	96,140	1,291,954

	Computer Software RM
Company	
2018	
Non-current assets	
Cost	
At 1 January 2018/31 December 2018	35,271
Accumulated amortisation	
At 1 January 2018	25,400
Charge for the financial year	2,158
At 31 December 2018	27,558
Net carrying amount	
At 31 December 2018	7,713

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11. INTANGIBLE ASSETS (cont'd)

Company **2017**	**Computer Software** **RM**
Non-current assets	
Cost	
At 1 January 2017	34,344
Additions	2,015
Disposals	(1,088)
At 31 December 2017	35,271
Accumulated amortisation	
At 1 January 2017	24,117
Charge for the financial year	2,035
Disposals	(752)
At 31 December 2017	25,400
Net carrying amount	
At 31 December 2017	9,871

Group and Company **2018**	**Digital currencies held for payment** **RM**
Current assets	
Cost	
At 1 January 2018	-
Additions	609,222
At 31 December 2018	609,222
Accumulated impairment	
At 1 January 2018	-
Charge for the financial year	228,994
At 31 December 2018	228,994
Net carrying amount	
At 31 December 2018	380,228

11. INTANGIBLE ASSETS (cont'd)

Digital currencies held for payment

During the financial year, the Company together with its related parties have agreed to enter into a business arrangement with Jinvovo Network Technology Co. Ltd ("JVV") to set up a JV Co to operate an e-commerce direct selling platform. The Company and its related parties collective will hold 30% and JVV will hold 70% of JV Co respectively. The paid up capital of JV Co will be denominated in digital currencies, OLO Token issued by IBD Technology Singapore, which is JVV's business partner, through the exchange of Bitcoin.

On 29 June 2018, the Company has acquired 24.515 Bitcoin ("BTC") at a total consideration of RM609,222, which is held in trust by a Director of the Company for the purpose of exchanging into OLO Token as a capital contribution for the Company's equity stake in the JV Co. During the formation process of the JV Co, the major joint venturer, JVV, changed the business direction of the JV Co from e-commerce direct selling platform to retail platform. In view of the change of business direction, the Company decided to withdraw from the investment in the JVCo. The Bitcoin held as at year end is treated as investment in digital currencies.

The Company will adopt cost model for subsequent measurement of investment in digital currency under MFRS 138 Intangible Assets. Investment in digital currencies with indefinite useful lives are not amortised but are tested for impairment annually whenever there is an indication that they may be impaired. Impairment loss charge during the year is derived from difference between the initial purchase price per unit and market price per unit as at year end.

The BTC held in preparation for payment will be disposed within the next 12 months when the BTC prices improves.

12. INVESTMENT IN PREFERENCE SHARES

	Group	
	2018 **RM**	**2017** **RM**
Non-current		
Financial assets at amortised cost:		
- Non-convertible redeemable preference shares	-	3,500,000
Current		
Financial assets at amortised cost:		
- Non-convertible redeemable preference shares	3,500,000	-

Dividend at the rate of twelve percentage of the price of the preference shares amounting to RM840,000 has been received by the Group in current financial year ended which has been disclosed in the Note 6 to the financial statements.

The redemption price for the non-convertible preference shares which represents the sum guaranteed by a former related party, is calculated as follows:

(a) RM1.00 for each preference share if the total dividends received by the Group within 24 months from the date of allotment of the preference shares equal to or is more than RM840,000;

(b) RM1.15 for each preference share if the total dividends received by the Group within 24 months from the date of allotment of the preference shares is more than RM420,000 but less than RM840,000;

(c) RM1.25 for each preference share if the total dividends received by the Group within 24 months from the date of allotment of the preference shares is more than RM210,000 but less than RM420,000; or

(d) RM1.35 for each preference share if:
  (i) No dividend has been paid or received by the Group; or
  (ii) The total dividends received within 24 months from the date of allotment is less than or equal to RM210,000.

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12. INVESTMENT IN PREFERENCE SHARES (cont'd)

During the financial year, the redemption of preference shares as mentioned above are in process to be extended for a period of 6 months to 23 October 2019 upon expiry of the existing redemption period of 12 months on 23 April 2019. The Group has reclassified such investment in preference share from non-current to current asset given that the issuer will redeem the preference shares within the next 12 months at the reporting date. The issuer has issued a letter of undertaking for such redemption.

13. OTHER INVESTMENTS

	Group		Company	
	2018 RM	**2017 RM**	**2018 RM**	**2017 RM**
Financial assets				
Unquoted shares				
At beginning of the financial year	2,000,000	2,000,000	2,000,000	2,000,000
Addition	500,000	-	-	-
Less: Accumulated impairment loss				
At beginning of the financial year	(1,999,999)	(1,999,999)	(1,999,999)	(1,999,999)
Addition	-	-	-	-
At end of the financial year	(1,999,999)	(1,999,999)	(1,999,999)	(1,999,999)
At end of the financial year	500,001	1	1	1

The current year addition of unquoted shares relates to 6.5% equity investment in ordinary share of a courier services company, Collectco Services Sdn. Bhd. The unquoted equity instruments are carried at cost because there is insufficient more recent information is available to measure fair value by taking into consideration at wide range of possible fair value measurements namely market approach, income approach and adjusted net assets approach. Such methods are not appropriate to measure the fair value of such investment given that the investee has just been incorporated during the financial year and has yet to commence its business operation as at the date of this report.

14. INVESTMENT IN SUBSIDIARIES

	Company	
	2018 RM	**2017 RM**
Unquoted shares, at cost		
At beginning of the financial year	83,168,802	83,168,802
Addition	500,000	-
Less: Accumulated impairment loss	(3,247,428)	(3,247,428)
At end of the financial year	80,421,374	79,921,374

14. INVESTMENT IN SUBSIDIARIES (cont'd)

Name of companies	Country of incorporation	Effective equity interest 2018 %	Effective equity interest 2017 %	Principal activities
CNI Enterprise (M) Sdn. Bhd.	Malaysia	100	100	Sale and distribution of health care and consumer products
Exclusive Mark (M) Sdn. Bhd.	Malaysia	100	100	Manufacturing, trading and packaging of all kinds of foodstuffs and beverages
Q-Pack (M) Sdn. Bhd.	Malaysia	100	100	Manufacturing, trading and packaging of all household and personal care products
Symplesoft Sdn. Bhd.	Malaysia	100	100	Dormant
Infuso Sdn. Bhd.	Malaysia	100	100	Property trading and investment, supply of food and beverage
Lotus Supplies Sdn. Bhd.	Malaysia	70	70	Import and distribution of food ingredients
Subsidiaries of CNI Enterprise (M) Sdn. Bhd.				
Creative Network International (S) Pte. Ltd.*	Singapore	100	100	Sale and distribution of health care and consumer products
CNI Global (Malaysia) Sdn. Bhd.	Malaysia	100	100	Dormant
Creative Network International (Thailand) Co., Ltd.*#	Thailand	-	49	Sale and distribution of health care and consumer products
GTI Eco Solutions Sdn. Bhd.	Malaysia	100	100	Dormant
Subsidiary of CNI Global (Malaysia) Sdn. Bhd.				
Creative Network International (Myanmar) Co.,Ltd.*	Myanmar	99	99	Sale and distribution of health care and consumer products

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14. INVESTMENT IN SUBSIDIARIES (cont'd)

Name of companies	Country of incorporation	Effective equity interest 2018 %	Effective equity interest 2017 %	Principal activities
Subsidiaries of Exclusive Mark (M) Sdn. Bhd.				
Bright Way Avenue Sdn. Bhd.	Malaysia	100	100	Marketing and distributing coffee and other related beverage products
Top One Biotech Co., Ltd.*	Taiwan	70	70	Manufacturing, sale and distribution of foodstuffs and groceries products
Subsidiary of Symplesoft Sdn. Bhd.				
Symplesoft eSolutions Sdn. Bhd.	Malaysia	100	100	Dormant

* Not audited by Moore Stephens Associates PLT.

\# The Directors consider that the Group has de facto 100% control of Creative Network International (Thailand) Co., Ltd ("CNIT") even though it has less than 50% of the equity shares. Based on the terms under which this entity was established, the Group receives the full returns related to its operations and net assets and has the current ability to direct CNIT's activities. Consequently, it is regarded a wholly-owned subsidiary of the Group. The subsidiary has been disposed during the financial year.

Changes in the Group structure during the financial year

(a) During the year, the Board of Directors of the Group has decided to dispose one of its subsidiaries, Creative Network International (Thailand) Co., Ltd ("CNIT"). The disposal of CNIT was completed on 30 August 2018.

Effect of disposal on the financial position of the Group:

	Group 2018 RM
Net assets disposed:	
Assets	378,565
Liabilities	(303,537)
Attributable assets disposed	75,028
Realisation of translation reserve on disposal of a subsidiary	615,149
Total disposal proceeds	1
Loss on disposal of a subsidiary	(690,176)
Cash outflow arising on disposal:	
Cash consideration received	1
Cash and cash equivalents of subsidiary disposed	(2,224)
Net cash outflow on disposal	(2,223)

14. INVESTMENT IN SUBSIDIARIES (cont'd)

Changes in the Group structure during the financial year (cont'd)

(b) On 24 December 2018, the Company has subscribed to the additional allotment and issuance of paid-up share capital of Q-Pack (M) Sdn. Bhd. comprising 500,000 ordinary shares of RM1.00 each for a cash consideration of RM500,000.

Changes in the Group structure in prior financial year

(a) On 16 October 2017, the Group announced the decision of its Board of Directors to dispose one of its subsidiaries, Sierra Edge Sdn. Bhd. ("SE"). The disposal of SE was completed on 15 December 2017.

Effect of disposal on the financial position of the Group:

	Group 2017 RM
Net assets disposed:	
Assets	424,084
Liabilities	(119,598)
Non-controlling interest - share of retained earnings	2,991
Attributable assets disposed	307,477
Total disposal proceeds (net receivables)	257,970
Loss on disposal of a subsidiary	(49,507)
Cash inflow arising on disposal:	
Cash consideration received	257,970
Cash and cash equivalents of subsidiary disposed	(57,062)
Net cash inflow on disposal	200,908

The subsidiaries of the Group that have non-controlling interests ("NCI")

	Lotus Supplies Sdn. Bhd. RM	Top One Biotech Co., Ltd. RM	Total RM
2018			
NCI percentage of ownership and voting interest (%)	30%	30%	
Carrying amount of NCI	478,544	1,210,273	1,688,817
Profit for the year allocated to NCI	12,722	360,371	373,093
Total comprehensive income for the year allocated to NCI	12,722	355,585	368,307

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14. INVESTMENT IN SUBSIDIARIES (cont'd)

The subsidiaries of the Group that have non-controlling interests ("NCI") (cont'd)

	Lotus Supplies Sdn. Bhd. RM	Sierra Edge Sdn. Bhd. RM	Top One Biotech Co., Ltd. RM	Total RM
2017				
NCI percentage of ownership and voting interest (%)	30%	-	30%	
Carrying amount of NCI	465,822	-	1,016,040	1,481,862
(Loss)/Profit for the year allocated to NCI	(35,042)	(71,245)	789,894	683,607
Total comprehensive income for the year allocated to NCI	(35,042)	(71,245)	819,915	713,628

No NCI arose from Creative Network International (Thailand) Co.,Ltd. as the Group receives the full returns related to its operations and net assets from the subsidiary.

The summarised financial information (before intra-group elimination) of the Group's subsidiaries that have NCI

	Lotus Supplies Sdn. Bhd. RM	Top One Biotech Co., Ltd. RM	Total RM
2018			
Assets and liabilities			
Non-current assets	33,301	1,234,384	1,267,685
Current assets	1,602,428	3,219,785	4,822,213
Current liabilities	(40,583)	(419,927)	(460,510)
Net assets	1,595,146	4,034,242	5,629,388
Results			
Revenue	2,791,250	4,470,656	7,261,906
Profit for the year	42,408	1,201,236	1,243,644
Total comprehensive income	42,408	1,185,283	1,227,691
Cash flows from:			
- Operating activities	160,103	837,213	997,316
- Investing activities	(799)	(113,200)	(113,999)
- Financing activities	22,281	(682,890)	(660,609)

14. INVESTMENT IN SUBSIDIARIES (cont'd)

The summarised financial information (before intra-group elimination) of the Group's subsidiaries that have NCI (cont'd)

	Lotus Supplies Sdn. Bhd. RM	Sierra Edge Sdn. Bhd. RM	Top One Biotech Co., Ltd. RM	Total RM
2017				
Assets and liabilities				
Non-current assets	53,230	-	1,397,296	1,450,526
Current assets	1,555,212	-	2,607,534	4,162,746
Current liabilities	(55,704)	-	(618,032)	(673,736)
Net assets	1,552,738	-	3,386,798	4,939,536
Results				
Revenue	2,751,242	-	6,280,119	9,031,361
(Loss)/Profit for the year	(116,807)	(170,633)	2,405,039	2,117,599
Total comprehensive income	(116,807)	(170,633)	2,296,179	2,008,739
Cash flows from:				
- Operating activities	370,803	-	1,154,393	1,525,196
- Investing activities	(2,359)	-	(66,629)	(68,988)
- Financing activities	(219,310)	-	(1,045,433)	(1,264,743)

The loss for the prior financial year of Sierra Edge Sdn. Bhd. has been shared up to the date of 30 November 2017.

15. INVESTMENT IN AN ASSOCIATE

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Unquoted shares, at cost				
At cost	4,866,282	4,866,282	4,866,282	4,866,282
Share of post-acquisition reserves				
At beginning of the financial year	(2,780,695)	(2,255,065)	-	-
Addition	(154,618)	(525,630)	-	-
At end of the financial year	(2,935,313)	(2,780,695)	-	-
	1,930,969	2,085,587	4,866,282	4,866,282

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15. INVESTMENT IN AN ASSOCIATE (cont'd)

The details of the associate are as follows:

Name of companies	Country of incorporation	Effective equity interest 2018 %	Effective equity interest 2017 %	Principal activities
CNI Corporation Sdn. Bhd.	Malaysia	30	30	Investment holding and provision of management service and commision agent

The summarised financial information of the associate is as follows:

	2018 RM	2017 RM
Assets and liabilities		
Non-current assets	1,024,093	360,345
Current assets	8,573,025	10,734,617
Current liabilities	(8,514,159)	(9,617,994)
Non-current liabilities	(121,384)	-
Net assets	961,575	1,476,968
Results		
Revenue	14,586,479	13,088,903
Loss for the financial year	(586,492)	(2,238,865)
Other comprehensive income for the financial year	71,099	430,740
Total comprehensive income for the financial year	(515,393)	(1,808,125)

The reconciliation of net assets of associate to the carrying amount of the investment in an associate is as follows:

	2018 RM	2017 RM
Reconciliation of net assets to carrying amount at end of the financial year		
Group's share of net assets	288,473	443,091
Goodwill	1,642,496	1,642,496
Carrying amount in the statement of financial position	1,930,969	2,085,587
Group's share of results for the financial year ended 31 December		
Loss for the financial year	(175,948)	(671,660)
Other comprehensive income	21,330	146,030
Total comprehensive income	(154,618)	(525,630)

16. DEFERRED TAX (ASSETS)/LIABILITIES

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
At beginning of financial year	(442,923)	(812,814)	-	(995,796)
Recognised in profit or loss (Note 7)	283,747	429,040	-	995,796
Disposal of a subsidiary (Note 14)	-	(62,274)	-	-
Exchange differences	-	3,125	-	-
At end of financial year	(159,176)	(442,923)	-	-

The components of estimated deferred tax liabilities/(assets) prior to offsetting are as follows:

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Deferred tax liabilities				
Difference between the carrying amount of property, plant and equipment and their tax base	2,868,363	2,179,006	15,224	17,507
Other taxable temporary differences	33,135	40,860	-	-
	2,901,498	2,219,866	15,224	17,507

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Deferred tax assets				
Unutilised tax losses	(1,230,779)	(693,894)	-	-
Unabsorbed capital allowances	(38,366)	(119,317)	(1,060)	-
Unutilised reinvestment allowances	(10,398)	(10,398)	-	-
Unrealised profits on inventories	(617,149)	(581,964)	-	-
Other deductible temporary differences	(1,163,982)	(590,768)	(14,164)	(17,507)
Inventories written down	-	(155,994)	-	-
Retirement benefits expense	-	(510,454)	-	-
	(3,060,674)	(2,662,789)	(15,224)	(17,507)

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16. DEFERRED TAX (ASSETS)/LIABILITIES (cont'd)

The estimated amount of temporary differences for which no deferred tax assets are recognised in the financial statements are as follows:

	Group		Company	
	2018 RM	**2017 RM**	**2018 RM**	**2017 RM**
Unutilised tax losses	22,592,304	19,742,355	13,891,385	11,077,517
Unabsorbed capital allowances	825,357	1,725,651	128,250	110,392
Other deductible temporary differences	762,483	1,139,322	-	2,194,067
	24,180,144	22,607,328	14,019,635	13,381,976

17. GOODWILL ON CONSOLIDATION

	Group	
	2018 RM	**2017 RM**
Cost		
At beginning of the financial year	946,709	1,146,709
Disposal of a subsidiary	-	(200,000)
At end of the financial year	946,709	946,709
Accumulated impairment loss		
At beginning of the financial year	(946,709)	(1,146,709)
Disposal of a subsidiary	-	200,000
At end of the financial year	(946,709)	(946,709)
Net carrying amount	-	-

18. INVENTORIES

	Group 2018 RM	Group 2017 RM
At Cost		
Raw materials	6,907,099	7,735,864
Work-in-progress	130,834	192,624
Consumable tools	352,518	61,477
Packaging materials	2,221,830	2,320,023
Finished goods	4,060,176	3,379,850
Sales aid items	428,892	417,031
	14,101,349	14,106,869
At net realisable value:		
Raw materials	25,426	23,872
Packaging materials	13,044	12,033
	38,470	35,905
	14,139,819	14,142,774

During the financial year, inventories of the Group recognised as cost of sales amounted to RM37,381,348 (2017: RM33,106,709).

19. TRADE RECEIVABLES

	Group 2018 RM	Group 2017 RM
External parties	12,542,764	8,922,502
Related parties	1,200,395	5,568,809
	13,743,159	14,491,311
Less: Accumulated impairment loss		
- External parties		
At beginning of the financial year	988,703	973,933
Addition	-	108,822
Reversal	(157,634)	(83,918)
Written off	(817,589)	-
Exchange differences	-	(10,134)
At end of the financial year	13,480	988,703
- Related parties		
At beginning of the financial year	-	-
Addition	236,977	-
At end of the financial year	236,977	-
	250,457	988,703
	13,492,702	13,502,608

The normal credit terms of trade receivables of the Group range from 30 to 120 days (2017: 30 to 120 days).

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20. OTHER RECEIVABLES

	Note	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
Amounts owing by subsidiaries	(a)	-	-	3,979,309	5,062,150
Other receivables	(b)	1,108,207	3,362,897	128,415	70,627
Deposits		770,442	793,174	1,200	1,846
Prepayments	(c)	868,385	1,545,483	39,261	21,259
		2,747,034	5,701,554	4,148,185	5,155,882
Less: Accumulated impairment loss					
- Other receivables					
At beginning of the financial year		472,151	91,690	-	-
Addition		-	381,645	-	-
Reversal		-	(1,184)	-	-
Written off		(241,283)	-	-	-
- At end of the financial year		230,868	472,151	-	-
- Amounts owing by subsidiaries					
At beginning of the financial year		-	-	207,158	3,832,726
Addition		-	-	91,833	207,158
Written off		-	-	(116,678)	(3,832,726)
At end of the financial year		-	-	182,313	207,158
		230,868	472,151	182,313	207,158
		2,516,166	5,229,403	3,965,872	4,948,724

(a) These amounts are non-trade in nature, unsecured, interest free [except for amounts due from a subsidiary of RM3,433,200 (2017: RM3,999,338) with interest bearing of 3.75% (2017: 3.75%) and are collectible on demand.

(b) Included in other receivables of the Group are amount due from related parties amounting of RM61,473 (2017: RM98,412). These amounts are non-trade in nature, unsecured, interest free and are collectible on demand.

(c) Included in the prepayments of the Group is advance payments to suppliers of RM74,276 (2017: RM258,392).

21. CASH AND CASH EQUIVALENTS

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Deposits placed with licensed banks	3,061,214	1,541,027	-	-
Short-term fund	7,967,596	11,894,609	2,741,396	5,107,015
Cash and bank balances	10,126,255	8,560,678	950,643	458,863
	21,155,065	21,996,314	3,692,039	5,565,878

The effective interest rates of the deposits placed with licensed banks range from 0.10% to 2.20% (2017: 0.10% to 4.15%) per annum and have maturity periods of three months to one year.

22. SHARE CAPITAL

	Group and Company			
	Number of ordinary shares		Amount	
	2018 Unit	2017 Unit	2018 RM	2017 RM
Authorised:				
At beginning of the financial year	-	1,000,000,000	-	100,000,000
Abolition of authorised share capital under the Companies Act 2016	-	(1,000,000,000)	-	(100,000,000)
At end of the financial year	-	-	-	-
Issued and fully paid:				
At beginning/end of the financial year	720,000,000	720,000,000	72,000,000	72,000,000

"No Par Value" Regime

The Company's issued and fully paid-up share capital comprises ordinary shares with a par value of RM0.10 each. The new Companies Act 2016, which came into operation on 31 January 2017, introduces the "no par value" regime. Accordingly, the concepts of "authorised share capital" and "par value" have been abolished.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and is entitled to one vote per share at meetings of the Company. All shares rank equally with regards to the Company's residual assets.

23. TREASURY SHARES

Treasury shares relate to ordinary shares of the Company that are repurchased and held by the Company. The amount consists of the acquisition costs of treasury shares net of the proceeds received on their subsequent sale or issuance.

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23. TREASURY SHARES (cont'd)

The shareholders of the Company, by an ordinary resolution passed in a general meeting held 31 May 2018, renewed their approval for the Company's plan to repurchase its own ordinary shares. The Directors of the Company are committed to enhancing the value of the Company for its shareholders and believe that the repurchase plan can be applied in the best interests of the Company and its shareholders.

During the financial year, the Company repurchased 200,000 (2017: 220,000) of its issued ordinary shares from the open market at an average price of RM0.096 (2017: RM0.073) per ordinary share. The total consideration paid for the shares repurchased including transaction costs was RM19,143 (2017: RM16,123). The shares repurchased are being held as treasury shares in accordance with Section 127 of the Companies Act 2016 in Malaysia.

The repurchased transactions were financed by internally generated funds. The shares repurchased are being held as treasury shares in accordance with Section 127 of the Companies Act 2016.

Such treasury shares are held at carrying amount of RM1,717,968 (2017: RM1,698,825) as at financial year end.

As at 31 December 2018, the Company had a total of 7,257,100 (2017: 7,057,100) ordinary shares of its 720,000,000 ordinary shares as treasury shares.

The details of repurchase of treasury shares during the financial year are as follows:

	Number of shares repurchased Unit	Highest RM	Lowest RM	Average RM	Total consideration RM
Month					
2018					
February 2018	100,000	0.110	0.110	0.110	11,085
September 2018	100,000	0.080	0.080	0.080	8,058
	200,000				19,143
Month					
2017					
March 2017	120,000	0.075	0.075	0.075	9,069
August 2017	100,000	0.070	0.070	0.070	7,054
	220,000				16,123

There was no resale, cancellation or distribution of treasury shares during the financial year.

24. TRANSLATION RESERVE

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign subsidiaries.

25. LEGAL CAPITAL RESERVE

Top One Biotech Co. Ltd, a subsidiary of the Group, when allocating its profits after provision of tax expense shall first set aside ten percent of the said profits as legal capital reserve under Article 237 Taiwan Companies Act. Where such legal capital reserve amounts to the total authorised capital, this Article will not be applicable.

The legal capital reserve shall not be used except for making good the loss of the mentioned subsidiary under Article 239 Taiwan Companies Act.

26. FINANCE LEASE LIABILITIES

The aggregate commitment for future finance lease payments are as follows:

	Group		Company	
	2018 **RM**	**2017** **RM**	**2018** **RM**	**2017** **RM**
Minimum finance lease payments:				
Within 1 year	622,175	522,178	108,841	108,846
More than 1 year and less than 5 years	432,244	476,252	8,373	108,844
More than 2 years and less than 5 years	174,630	428,386	-	-
	1,229,049	1,426,816	117,214	217,690
Less: Future finance charges	(73,327)	(112,711)	(8,330)	(16,065)
Present value of finance lease liabilities	1,155,722	1,314,105	108,884	201,625
Present value of finance lease liabilities				
Within 1 year	574,727	465,567	100,545	100,830
More than 1 year and less than 5 years	414,410	438,674	8,339	100,795
More than 2 years and less than 5 years	166,585	409,864	-	-
	1,155,722	1,314,105	108,884	201,625
Representing:				
Current	574,727	465,567	100,545	100,830
Non-current	580,995	848,538	8,339	100,795
	1,155,722	1,314,105	108,884	201,625

Interest rate per annum of the Group and of the Company are as follows:

	Group		Company	
	2018 **%**	**2017** **%**	**2018** **%**	**2017** **%**
Finance lease liabilities	2.33 - 5.13	2.55 - 5.68	2.55	2.55

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27. RETIREMENT BENEFITS

	Group		Company	
	2018 RM	**2017 RM**	**2018 RM**	**2017 RM**
Movement in the present value of defined benefit obligations				
At beginning of the financial year	4,111,149	7,010,814	2,267,015	4,329,920
Current service cost and interest [Note 6(a)]	140,157	188,509	59,015	104,739
Transfer from a subsidiary	-	-	-	898,552
Benefits paid	(2,326,530)	(3,000,000)	(2,326,530)	(3,000,000)
Actuarial (gain)/loss in other comprehensive income	(55,875)	(88,174)	500	(66,196)
At end of the financial year	1,868,901	4,111,149	-	2,267,015

Actuarial assumptions

	Group and Company	
	2018 %	**2017 %**
Discount rate	4.40	4.40
Inflation rate	2.00	3.00
Salary increment rate	1.00	2.00

Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below:

	Defined benefit obligation	
	Increase RM	**Decrease RM**
Group		
2018		
Discount rate (1% movement)	32,587	(31,726)
Inflation rate (1% movement)	18,504	(18,504)
Salary increase (1% movement)	18,504	(18,504)
2017		
Discount rate (1% movement)	93,217	(89,613)
Inflation rate (1% movement)	99,700	(97,509)
Salary increase (1% movement)	99,700	(97,509)

27. RETIREMENT BENEFITS (cont'd)

Sensitivity analysis (cont'd)

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below: (cont'd)

	Defined benefit obligation	
	Increase	Decrease
	RM	RM
Company		
2017		
Discount rate (1% movement)	42,928	(41,120)
Inflation rate (1% movement)	63,363	(61,527)
Salary increase (1% movement)	63,363	(61,527)

28. TRADE PAYABLES

The normal trade credit terms granted by the trade creditors to the Group range from 30 to 90 days (2017: 30 to 90 days).

Included in trade payables of the Group is an amount due to a related party amounting to RMNil (2017: RM51,788). This amount is trade in nature, unsecured, interest free and is subject to normal credit terms.

29. OTHER PAYABLES

		Group		Company	
	Note	2018 RM	2017 RM	2018 RM	2017 RM
Other payables	(a)	2,439,949	3,445,962	508	66,611
Deposits		1,341,946	1,406,594	35,000	35,000
Accruals		6,357,278	8,216,422	164,450	96,781
Amounts owing to a Director of a subsidiary	(b)	-	143,220	-	-
		10,139,173	13,212,198	199,958	198,392

(a) Included in the Group's other payables are advance receipts from customers and amounts due to related parties of RM629,720 (2017: RM767,943) and RM422,230 (2017: RM460,424) respectively. The amounts due to related parties are non-trade in nature, unsecured, interest free, and are repayable on demand.

(b) These amounts are non-trade in nature, unsecured, interest free, and are repayable on demand.

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30. PROVISION FOR EMPLOYEE BENEFITS EXPENSE

	Group	
	2018 **RM**	**2017** **RM**
At beginning of the financial year	-	43,885
Reversal [Note 6(a)]	-	(43,885)
At end of the financial year	-	-

This is in respect of provision for short term accumulating compensated absence for Directors and employees of the Group.

The provision is made based on the number of days of outstanding compensated absence of each employee multiplied by their respective salary as at financial year end.

31. DIVIDENDS

	Group	
	2018 **RM**	**2017** **RM**
Interim single tier dividend for financial year ended 2018:		
RM0.36 per share (paid on 14 August 2018)		
to non-controlling interest by a subsidiary	161,352	-

	Group and Company	
	2018 **RM**	**2017** **RM**
Interim single tier dividend for financial year ended 2018:		
RM0.003 per share (payable on 12 April 2019)		
to Owners of the Company	2,137,929	-

32. RELATED PARTY TRANSACTIONS

Identity of related parties

For the purpose of these financial statements, parties are considered to be related to the Group if the Group or the Company have the ability to directly control the party or exercise significant influence over the party in making financial and operating decision, or vice versa, or where the Group and the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

The Company has related party relationships with its subsidiaries, related parties, associate and key management personnel. Related parties refer to companies in which certain Directors of the Company have substantial financial interests and/or are also Directors of the companies.

Related party balances are disclosed in Notes 19, 20, 28 and 29.

32. RELATED PARTY TRANSACTION (cont'd)

Identity of related parties (cont'd)

Related party transactions during the financial year are as follows:

	Group	
	2018 **RM**	**2017** **RM**
Transactions with related parties are as follows:		
Management fee	311,295	337,742
Sales	(2,111,231)	(10,607,466)
Commission payable	495,845	626,471
Information communication technologies share services	-	(210,420)
Research and development expenses	437,358	387,126
Royalty payable	241,855	259,487
Rental income	(158,600)	(324,025)
Transactions with Directors of the Group are as follows:		
Consultancy services	-	72,000

	Company	
	2018 **RM**	**2017** **RM**
Transactions with subsidiaries are as follows:		
Dividend income	(1,500,000)	(1,000,000)
Information communication technologies shared charges paid and payable	43,317	43,698
Management fee	(1,462,304)	(1,482,293)
Purchases	-	129,423
Rental of premises	177,360	194,720
Transactions with an associate are follows::		
Interest income	(134,765)	(148,701)
Rental income	(58,611)	-
Transactions with Directors of the Company and its subsidiaries are as follows:		
Consultancy services	-	72,000

Compensation of key management personnel

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

The remuneration paid by the Group and the Company to key management personnel during the financial year has been disclosed in Note 6(a).

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33. OPERATING LEASE COMMITMENTS

The future lease commitments in respect of rental payable by the Group for rental of premises under non-cancellable operating lease as at the end of the financial year are as follows:

	Group	
	2018 **RM**	**2017** **RM**
Not later than one year	822,361	776,831
Later than one year but not later than five years	575,527	478,737
	1,397,888	1,255,568

34. CAPITAL COMMITMENTS

	Group	
	2018 **RM**	**2017** **RM**
Approved and contracted for:		
Purchase of property, plant and equipment	1,414,027	620,000
Approved but not contracted for:		
Purchase of property, plant and equipment	3,167,117	1,478,724

35. OPERATING SEGMENTS

For management purposes, the Group is organised into business units based on its productsand services, and has three reportable operating segments as follows:

Manufacturing:	Manufacturing, trading and packaging of consumer, health, personal care products, food and beverages.
Marketing and trading:	Sales and distribution of health care and consumer products, import and distributions of food ingredients, provision of software solution and software research and development, marketing and distributing coffee and other related beverage products
Others	Investment in shares, investment, renting out of properties, operation of food and beverages outlets and dormant companies.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which is measured differently from operating profit or loss in the consolidated statement of comprehensive income. Group financing (including finance costs) and income taxes are managed on a group basis and are not allocated to operating segments.

35. OPERATING SEGMENTS (cont'd)

2018	Note	Manufacturing RM	Marketing & Trading RM	Others RM	Adjustments & Eliminations RM	Consolidated RM
Revenue						
External revenue		27,809,516	57,413,242	924,744	-	86,147,502
Inter-segment revenue	(a)	20,384,937	2,619,407	3,444,918	(26,449,262)	-
Total revenue		48,194,453	60,032,649	4,369,662	(26,449,262)	86,147,502
Results						
Interest income		145,648	453,538	296,349	(294,718)	600,817
Dividend income		-	-	2,340,000	(1,500,000)	840,000
Depreciation and amortisation		(869,378)	(1,654,493)	(189,709)	(211,633)	(2,925,213)
Share of results of an associate		-	-	(175,948)	-	(175,948)
Other non-cash (expense)/income	(b)	(303,738)	5,011,665	(211,685)	(6,174,775)	(1,678,533)
Segment profit before tax	(c)	3,495,086	10,041,536	1,054,076	(11,076,044)	3,514,654
Segment assets						
Investment in associates		-	-	4,866,282	(2,935,313)	1,930,969
Additions to non-current assets	(d)	799,218	1,705,953	18,903	-	2,524,074
Segment assets	(e)	48,176,230	50,119,821	99,992,660	(102,089,237)	96,199,474
Segment liabilities	(f)	13,953,956	18,073,658	6,140,567	(17,252,032)	20,916,149

35. OPERATING SEGMENTS (cont'd)

2017	Note	Manufacturing RM	Marketing & Trading RM	Others RM	Adjustments & Eliminations RM	Consolidated RM
Revenue						
External revenue		21,541,402	62,539,637	957,078	-	85,038,117
Inter-segment revenue	(a)	22,894,912	2,291,940	2,990,009	(28,176,861)	-
Total revenue		44,436,314	64,831,577	3,947,087	(28,176,861)	85,038,117
Results						
Interest income		102,009	433,742	330,162	(391,157)	474,756
Dividend income		-	-	1,000,000	(1,000,000)	-
Depreciation and amortisation		(872,169)	(1,978,788)	(191,320)	266,333	(2,775,944)
Share of results of an associate		-	-	(671,660)	-	(671,660)
Other non-cash income/(expense)	(b)	1,145,543	8,834,789	(4,573,833)	(7,791,019)	(2,384,520)
Segment profit/(loss) before tax	(c)	3,780,044	(412,345)	5,066,811	(8,449,936)	(15,426)
Segment assets						
Investment in an associate		-	-	4,866,282	(2,780,695)	2,085,587
Additions to non-current assets	(d)	1,391,742	1,467,797	303,290	-	3,162,829
Segment assets	(e)	45,971,502	59,484,067	101,916,294	(106,864,309)	100,507,554
Segment liabilities	(f)	11,690,667	34,406,348	4,693,691	(26,265,087)	24,525,619

35. OPERATING SEGMENTS (cont'd)

(a) Inter-segment revenue are eliminated on consolidation.

(b) Other material non-cash expenses/(income) consist of the following items as presented in the respective notes:

	Group	
	2018 RM	2017 RM
Bad debts written off	131,781	30,030
Gain on disposal of property, plant and equipment	(6,824)	(88,591)
Fair value gain on investment properties	(180,000)	(400,000)
Loss on disposal of a subsidiary	690,176	49,507
Loss on disposal of intangible assets	6,120	166
Impairment loss on:		
- Other receivables	-	381,645
- Trade receivables	236,977	108,822
- Intangible assets	228,994	-
Intangible assets written off	243,314	5,369
Inventories written off	237,289	204,102
Inventories written down	11,661	353,371
Reversal of provision for employee benefit expense	-	(43,885)
Property, plant and equipment written off	195,223	124,588
Retirement benefit expense	140,157	188,509
Reversal of impairment loss on:		
- Trade receivables	(157,634)	(83,918)
- Other receivables	-	(1,184)
Unrealised (gain)/loss on foreign exchange	(98,701)	1,555,989
	1,678,533	2,384,520

(c) The following items are added to/(deducted from) segment profit/(loss) before tax to arrive at profit/(loss) before tax presented in the consolidated statement of comprehensive income:

	Group	
	2018 RM	2017 RM
Share of results of an associate	(169,951)	(677,443)
Profit from inter-segment sales	(3,646,370)	(3,809,986)
Finance cost	274,930	391,157
Unallocated corporate expenses	10,401,190	12,748,526
Other income	(17,935,843)	(17,102,190)
	(11,076,044)	(8,449,936)

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35. OPERATING SEGMENTS (cont'd)

(d) Additions to non-current assets (excluding fair value gain) consist of:

	Group 2018 RM	Group 2017 RM
Property, plant and equipment	2,420,969	2,360,994
Other intangible assets	91,093	232,285
Investment property	-	569,550
	2,512,062	3,162,829

(e) The following items are added to/(deducted from) segment assets to arrive at total assets reported in the consolidated statement of financial positions:

	Group 2018 RM	Group 2017 RM
Deferred tax assets	1,104,149	1,248,964
Inter-segment assets	(103,193,386)	(108,113,273)
	(102,089,237)	(106,864,309)

(f) The following items are added to/(deducted from) segment liabilities to arrive at total liabilities reported in the consolidated statement of financial position:

	Group 2018 RM	Group 2017 RM
Retirement benefits expense	1,868,901	4,111,149
Deferred tax liabilities	944,973	806,041
Inter-segment liabilities	(20,065,906)	(31,182,277)
	(17,252,032)	(26,265,087)

(g) Geographical information

Revenue information based on the geographical location of customers is as follows:

	Group 2018 RM	Group 2017 RM
China	1,050,222	11,734,464
Hong Kong	516,994	578,884
Indonesia	2,598,147	1,977,063
Malaysia	73,572,014	59,046,666
Myanmar	3,157,439	4,309,680
Singapore	2,849,637	3,304,771
Sri Lanka	291,311	341,986
South Africa	-	137,808
Taiwan	558,695	955,331
Thailand	486,177	1,509,352
United States of America	370,148	1,138,885
Vietnam	3,750	3,227
Others	692,968	-

35. OPERATING SEGMENTS (cont'd)

(g) Geographical information (cont'd)

The following is the analysis of non-current assets other than financial instruments and deferred tax assets analysed by the Group's geographical location.

	Malaysia	Singapore	Taiwan	Thailand	Myanmar	Consolidated
2018	**RM**	**RM**	**RM**	**RM**	**RM**	**RM**
Property, plant and equipment	33,117,998	28,065	1,112,407	-	31,772	34,290,242
Investment properties	2,549,550	-	-	-	-	2,549,550
Investment in an associate	1,930,969	-	-	-	-	1,930,969
Intangible assets	507,783	-	121,816	-	-	629,599
Total non-current assets (excluding financial instruments and deferred tax assets)	38,106,300	28,065	1,234,223	-	31,772	39,400,360
2017						
Property, plant and equipment	33,027,738	32,367	1,339,808	111,210	65,769	34,576,892
Investment properties	2,369,550	-	-	-	-	2,369,550
Investment in an associate	2,085,587	-	-	-	-	2,085,587
Intangible assets	1,234,466	-	57,488	-	-	1,291,954
Total non-current assets (excluding financial instruments and deferred tax assets)	38,717,341	32,367	1,397,296	111,210	65,769	40,323,983

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36. FINANCIAL INSTRUMENTS

Categories of financial instruments

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

	Group 2018 RM	Company 2017 RM
Financial assets		
Fair value through profit or loss		
- Other investment*	500,001	1
Amortised cost		
- Investment in preference shares	3,500,000	-
- Trade receivables	13,492,702	-
- Other receivables	1,647,781	3,926,611
- Cash and cash equivalents	21,155,065	3,692,039
	39,795,548	7,618,650
	40,295,549	7,618,651

	Group 2018 RM	Company 2017 RM
Financial assets		
Available for sale		
- Other investment	1	1
Held for maturity		
- Investment in preference shares	3,500,000	-
Loans and receivables		
- Trade receivables	13,502,608	-
- Other receivables	3,683,920	4,927,465
- Cash and cash equivalents	21,996,314	5,565,878
	39,182,842	10,493,343
	42,682,843	10,493,344

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Financial liabilities				
Amortised cost				
- Finance lease liabilities	1,155,722	1,314,105	108,884	201,625
- Trade payables	3,934,951	4,536,261	-	-
- Other payables	10,139,173	13,212,198	199,958	198,392
- Dividend payable	2,137,929	-	2,137,929	-
	15,229,846	19,062,564	308,842	400,017

** Inability to determine the fair value on other investment as disclosed in Note 13.*

36. FINANCIAL INSTRUMENTS (cont'd)

Financial Risk Management Objectives and Policies

The Group's and the Company's activities are exposed to a variety of financial risks which include credit risk, liquidity risk, foreign currency risk, and interest rate risk. The Group's and the Company's overall financial risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's and the Company's financial performance.

Risk management is integral to the whole business of the Group and of the Company. Management continually monitors the Group's and the Company's risk management process to ensure that an appropriate balance between risk and control is achieved. Risk management policies and systems are reviewed regularly to reflect changes in the market conditions and the Group's and the Company's activities.

There have been no changes to the Group's and the Company's exposure to these financial risks or the manner in which it manages and measures the risk.

(a) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from their receivables (which consist of trade receivables and other receivables). For other financial assets (including cash and bank balances, deposits placed with licensed banks and short-term fund), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

The Group's and the Company's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group and the Company trade only with recognised and creditworthy third parties. It is the Group's and the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's and the Company's exposure to bad debts is not significant. For transactions that do not occur in the country of the relevant operating units, the Group and the Company do not offer credit terms without the approval of the executive Directors.

Trade receivables

Exposure to credit risk, credit quality and collateral

As at the end of the financial year, the maximum exposure to credit risk arising from receivables and financial assets is represented by the carrying amounts in the statements of financial position.

The Group has collateral held as security to minimise credit risk as follows:

	Group	
	2018 RM	**2017 RM**
Nature of receivables		
Deposits collected from Distribution Centre (DC)	1,215,616	1,270,295
Trade receivables (due more than 180 days)	379,473	600,205
Surplus	836,143	670,090

Trade receivables of the Group comprises of amount owing by DC for goods purchased. The Group's policy is to collect deposit from each DC once they register as DC with the Group. These deposits collected from DC serve as collateral held as security by the Group in the event of default in payment. The collateral held is in cash basis, thus there is no cost of obtaining and selling of the collateral. There is no allowance for impairment loss arising from these receivables as the credit risk is mitigated by the realisation of collateral held upon default in payment.

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36. FINANCIAL INSTRUMENTS (cont'd)

Financial Risk Management Objectives and Policies (cont'd)

(a) Credit risk (cont'd)

Trade receivables (cont'd)

Credit risk concentration profile

At the reporting date, approximately 9% (2017: 38%) of the Group's gross trade receivables were due from its related parties.

Recognition and measurement

The Group and the Company apply the MFRS 9 simplified approach to measuring Expected Credit Losses ("ECL") which uses a lifetime expected loss allowance for trade receivables.

The Group and the Company assess impairment of trade receivables on individual and collective basis.

For individual assessment, it is due to the number of debtors is minimal and these debtors can be individually managed by the Group and the Company in an effective and efficient manner. The Group and the Company have reasonable and supportable information available to assess the impairment individually. All these customers have low risk of default.

For collective assessment, the Group and the Company use an allowance matrix to measure ECL of collective assessed receivables as they are grouped based on shared credit risk characteristics, the days past due and similar types of contracts which have similar risk characteristics. Consistent with the debt recovery process, invoices which are past due more than 180 days as applicable to the relevant Group's and Company's entities will be considered as credit impaired.

Loss rates under collective assessment are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency to 180 days past due. Loss rates are based on actual credit loss experienced over the past three years. The Group and Company also consider differences between (a) economic conditions during the period over which the historic data has been collected, (b) current conditions and (c) the Group's and Company's view of economic conditions over the expected lives of the receivables.

Impairment losses

The following table provides information about the exposure to credit risk and ECL for trade receivables as at 31 December 2018 and 31 December 2017:

Group	Gross RM	Loss allowances RM	Net RM
2018			
Not past due	2,502,991	-	2,502,991
Past due not impaired:			
Less than 30 days	4,052,281	-	4,052,281
31 days to 60 days	2,475,590	-	2,475,590
61 days to 90 days	1,584,966	-	1,584,966
More than 90 days	2,876,874	-	2,876,874
	10,989,711	-	10,989,711
	13,492,702	-	13,492,702
Credit impaired			
Individually impaired	250,457	(250,457)	-
	13,743,159	(250,457)	13,492,702

36. FINANCIAL INSTRUMENTS (cont'd)

Financial Risk Management Objectives and Policies (cont'd)

(a) Credit risk (cont'd)

Trade receivables (cont'd)

Impairment losses (cont'd)

Group	Gross RM	Loss allowances RM	Net RM
2017			
Not past due	8,149,087	-	8,149,087
Past due not impaired:			
Less than 30 days	1,705,712	-	1,705,712
31 days to 60 days	514,098	-	514,098
61 days to 90 days	188,497	-	188,497
More than 90 days	2,945,214	-	2,945,214
	5,353,521	-	5,353,521
	13,502,608	-	13,502,608
Credit impaired			
Individually impaired	988,703	(988,703)	-
	14,491,311	(988,703)	13,502,608

The gross carrying amounts of credit impaired trade receivables are written off when there is no realistic prospect of recovery. This is generally the case when the Group and the Company determine that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to write-off. Nevertheless, trade receivables that are written off could still be subject to enforcemen activities.

Credit impaired

Receivables that are individually determined to be credit impaired at the financial year end relate to debtors who are in significant financial difficulties and have defaulted on payments.

Receivables that are past due but not impaired

The Group has not provided for these trade receivables as there has been no significant change in their credit quality and the amounts are still considered recoverable which are not past due for more than 180 days. These relate to a number of independent customers for whom there is no recent history of default.

Previous accounting policy for impairment of trade receivables

In the prior year, the impairment of trade receivables was assessed based on the incurred loss model. Individual receivables which were known to be uncollectible were written off by reducing the carrying amount directly. The other receivables were assessed collectively to determine whether there was objective evidence that an impairment had been incurred but not yet been identified. For these receivables the estimated impairment losses were recognised in a separate provision for impairment. The Group considered that there was evidence of impairment if any of the following indicators were present:

- significant financial difficulties of the debtor
- probability that the debtor will enter bankruptcy or financial reorganisation, and
- default or late payments

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36. FINANCIAL INSTRUMENTS (cont'd)

Financial Risk Management Objectives and Policies (cont'd)

(a) Credit risk (cont'd)

Previous accounting policy for impairment of trade receivables (cont'd)

Receivables for which an impairment provision was recognised were written off against the provision when there was no expectation of recovering additional cash.

The movements in the allowance for impairment losses of trade receivables are as follows:

	Group	
	2018	**2017**
	RM	**RM**
At beginning of the financial year	988,703	973,933
Addition	236,977	108,822
Reversal	(157,634)	(83,918)
Written off	(817,589)	-
Exchange differences	-	(10,134)
At end of the financial year	250,457	988,703

Cash and cash equivalents

Cash and cash equivalents are held with banks and financial institutions. As at the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statements of financial position. These banks and financial institutions have low credit risks. Hence, a loss allowance is not necessary.

Other receivables and deposits

Expected credit loss of other receivables is determined individually after considering the financial strength of the other receivables. As at the end of the reporting period, the maximum exposure to credit risks is represented by their carrying amounts in the statements of financial position. The Group and the Company have provided allowances for expected credit losses on these amounts as disclosed in Note 20.

Credit risk concentration profile

At the reporting date, approximately 96% (2017: 98%) of the Company's gross other receivables were due from its subsidiaries.

Inter company balances

The Company provides unsecured loans and advances to subsidiaries. The Company monitors the ability of its subsidiaries to repay the loans and advances on an individual basis.

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statements of financial position. Loans and advances provided are not secured by any collateral or supported by any other credit enhancements.

Intercompany loans between entities within the Group are repayable on demand. For loans that are repayable on demand, expected credit losses are assessed based on the assumption that repayment of the loan is demanded at the reporting date.

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 a subsidiary's loan or advance to be credit impaired when the subsidiary is unlikely to repay its loan or advances to the Company in full given insufficient highly liquid resources when the loan is demanded.

36. FINANCIAL INSTRUMENTS (cont'd)

Financial Risk Management Objectives and Policies (cont'd)

(a) Credit risk (cont'd)

Inter company balances (cont'd)

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

At the reporting date, the Company assumes that there is a significant increase in credit risk given the subsidiaries' financial position has deteriorated significantly which may lead to high probability of default for the advance to the subsidiaries. As a result, the Company has made an allowance for impairment loss of RM91,833 (2017: RM207,158) on such advance during the financial year.

Investment in preference share

At the end of the reporting period, the Group and Company have an investment in non-convertible redeemable preference share. The maximum exposure to credit risk is represented by the carrying amounts in the statements of financial position. Such investment is considered to be performing, has low risk of default and historically, the contractual cash flows obligation has been met. In addition, the credit risk on such investment is mitigated by the security held by the Company through a letter of undertaking.

(b) Liquidity risk

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

The Group and the Company practice prudent risk management by maintaining sufficient cash balances and the availability of funding through certain committed credit facilities.

The following table sets out the maturity profile of the financial liabilities as at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period):

Group	Carrying amount RM	Contractual cash flows RM	On demand or within 1 year RM	1 - 2 years RM	2 - 5 years RM
2018					
Finance lease liabilities	1,155,722	1,229,049	622,175	432,244	174,630
Trade payables	3,934,951	3,934,951	3,934,951	-	-
Other payables	10,139,173	10,139,173	10,139,173	-	-
Dividend payable	2,137,929	2,137,929	2,137,929	-	-
	17,367,775	17,441,102	16,834,228	432,244	174,630

Group	Carrying amount RM	Contractual cash flows RM	On demand or within 1 year RM	1 - 2 years RM	2 - 5 years RM
2017					
Finance lease liabilities	1,314,105	1,426,816	522,178	476,252	428,386
Trade payables	4,536,261	4,536,261	4,536,261	-	-
Other payables	13,212,198	13,212,198	13,212,198	-	-
	19,062,564	19,175,275	18,270,637	476,252	428,386

36. FINANCIAL INSTRUMENTS (cont'd)

Financial Risk Management Objectives and Policies (cont'd)

(b) Liquidity risk (cont'd)

Company	Carrying amount RM	Contractual cash flows RM	On demand or within 1 year RM	1 - 2 years RM	2 - 5 years RM
2018					
Finance lease liabilities	108,884	117,214	108,841	8,373	-
Other payables	199,958	199,958	199,958	-	-
Dividend payable	2,137,929	2,137,929	2,137,929	-	-
	2,446,771	2,455,101	2,446,728	8,373	-
Company					
2017					
Finance lease liabilities	201,625	217,690	108,846	108,844	-
Other payables	198,392	198,392	198,392	-	-
	400,017	416,082	307,238	108,844	-

The maturity profiles of the Group’s financial liabilities at the reporting date have been disclosed in the table above except for retirement benefit as disclosed in Note 27 which is repayable upon retirement of key management personnel.

(c) Foreign currency risk

The Group is exposed to foreign currency risk on sales and purchases that are denominated in a currency other than the functional currency of the Group. The currencies giving rise to this risk are primarily Singapore Dollar (“SGD”), Thailand Baht (“THB”), Brunei Dollar (“BND”), United States Dollar (“USD”) and Hong Kong Dollar (“HKD”).

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

36. FINANCIAL INSTRUMENTS (cont'd)

Financial Risk Management Objectives and Policies (cont'd)

(c) Foreign currency risk (cont'd)

	Denominated in					
	SGD	THB	BND	USD	HKD	Total
	RM	RM	RM	RM	RM	RM
Group						
Trade receivables	-	-	-	1,767,067	-	1,767,067
Other receivables	-	-	-	145,583	-	145,583
Cash and cash equivalents	10,050	-	183,473	214,032	-	407,555
Trade payables	-	-	-	(2,514,869)	-	(2,514,869)
Other payables	-	-	(6,967)	(301,944)	-	(308,911)
	10,050	-	176,506	(690,131)	-	(503,575)

	SGD	THB	BND	USD	HKD	Total
Group						
2017						
Trade receivables	-	62,744	-	4,523,028	-	4,585,772
Other receivables	-	930	-	187,367	161	188,458
Cash and cash equivalents	10,020	-	254,896	639,029	-	903,945
Trade payables	-	-	-	(432,633)	-	(432,633)
Other payables	(11,409)	-	(121,591)	(197,965)	-	(330,965)
	(1,389)	63,674	133,305	4,718,826	161	4,914,577

36. FINANCIAL INSTRUMENTS (cont'd)

Financial Risk Management Objectives and Policies (cont'd)

(c) Foreign currency risk (cont'd)

Foreign currency risk sensitivity analysis

The sensitivities of the Group's profit after tax and equity to the possible change in the following foreign currencies against the respective functional currencies of the Group entities are shown below. This analysis assumes that all other variables, in particular interest rates, remained constant and ignores any impact of forecasted sales and purchases.

A 5% strengthening of the functional currency of the Group entities against the foreign currencies at the end of the reporting period would have increased/(decreased) profit after tax and equity by the amounts shown below:

	2018		2017	
	Profit after tax RM	Equity RM	Profit after tax RM	Equity rm
Group				
Functional currency/ Foreign currencies				
RM/SGD	(382)	(382)	53	53
RM/THB	-	-	(2,420)	(2,420)
RM/BND	(6,707)	(6,707)	(5,066)	(5,066)
RM/USD	26,225	26,225	(179,315)	(179,315)
RM/HKD	-	-	(6)	(6)

A 5% weakening of the functional currencies of the Group entities against the foreign currencies at the end of the reporting period would have equal but opposite effect on profit after tax and equity.

(d) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's and the Company's exposure to interest rate risk arises mainly from interest-bearing financial assets and liabilities.

Exposure in interest rate risk

The Group and the Company did not have any floating rate instruments as at 31 December 2018 and 2017, a change in interest rates would not have any impact to the profit after tax and equity of the Group and the Company.

37. FAIR VALUES INFORMATION

<u>Financial instrument other than those carried at fair value</u>

Financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value.

The carrying amounts of financial assets and financial liabilities approximate their fair values due to relatively short term nature of these financial instruments and insignificant impact of discounting.

37. FAIR VALUES INFORMATION (cont'd)

Financial instrument other than those carried at fair value (cont'd)

Table below analyses asset and liability carried at fair value and those not carried at fair value for which fair value is disclosed together with the carrying amounts shown in the statement of financial position.

	Level 1 RM	Level 2 RM	Level 3 RM	Total fair value RM	Carrying amount RM
2018					
Group					
Asset					
Investment properties	-	2,549,550	-	2,549,550	2,549,550
Other investment*	-	-	500,001	500,001	500,001
Liability					
Finance lease liabilities (non-current)	-	-	557,431	557,431	580,995
2017					
Group					
Asset					
Investment properties	-	2,369,550	-	2,369,550	2,369,550
Liability					
Finance lease liabilities (non-current)	-	-	837,885	837,885	848,538

Notes to The **Financial Statements**
31 December 2018

37. FAIR VALUES INFORMATION (cont'd)

	Level 1 RM	Level 2 RM	Level 3 RM	Total fair value RM	Carrying amount RM
2018					
Company					
Asset					
Investment property	-	1,980,000	-	1,980,000	1,980,000
Liability					
Finance lease liabilities (non-current)	-	-	7,616	7,616	8,339
2017					
Company					
Asset					
Investment property	-	1,800,000	-	1,800,000	1,800,000
Liability					
Finance lease liabilities (non-current)	-	-	99,008	99,008	100,795

Level 1:

The fair value of other investments at fair value through profit or loss is determined by reference to their quoted prices (unadjusted) in active markets for identical assests and liabilities.

Level 2:

Inputs other than quoted prices included within Level 1 that are observable for the asset of liability, either directly (i.e prices) or indirectly (i.e derived from prices).

Level 3:

The fair value of finance lease liabilities is determined by discounting the relevant cash flows using interest rates for similar instruments at the end of the reporting period. The interest rate used to discount the estimated cash flows ranges from 2.33% to 5.13% (2017: 2.7% to 5.13%)

** Inability to determine the fair value on other investment as disclosed in Note 13.*

There was no material transfer between Level 1, Level 2 and Level 3 during the financial year.

38. CAPITAL MANAGEMENT

The Group's and the Company's objectives when managing capital is to maintain a strong capital base and safeguard the Group's ability to continue as a going concern. The Group and the Company monitor and maintains an optimal debt-to-equity ratio that complies with debt covenants and regulatory requirements.

The Group and the Company monitor capital using net debt-to-equity ratio which is the net debt divided by total capital. Net debt includes loans and borrowings, less cash and cash equivalents balances whilst total capital is equity attributable to owners of the parent.

The net debt-to-equity ratios at end of the reporting period are as follows:

	Group		Company	
	2018 RM	**2017 RM**	**2018 RM**	**2017 RM**
Finance lease liabilities (Note 26)	1,155,722	1,314,105	108,884	201,625
Less: Cash and cash equivalents	(21,155,065)	(21,996,314)	(3,692,039)	(5,565,878)
Total net debts	(19,999,343)	(20,682,209)	(3,583,155)	5,364,253)
Total equity attributable to the Owners of the Company	73,594,508	74,500,073	93,344,831	95,013,250
Debt to equity ratio	N/A	N/A	N/A	N/A

N/A: Not applicable

There were no changes in the Group's and the Company's approach to capital management during the financial year.

The Group and the Company are not subject to any externally imposed capital requirements.

List of **Properties**

The properties held by the Group and the Company as at 31 December 2018 are as follows:

Location / Postal address	Description / existing use	Land area / built-up area (sq. feet)	Land Tenure (expiry date)	Approximate age (year)	Audited net book value as at 31.12.18 (RM'000)	Date of Acquisition/ last revaluation
Geran 215137 Lot 61741, Bandar Glenmarie, Daerah Petaling, Selangor Darul Ehsan Wisma CNI, No. 2, Jalan Perunding U1/17, Hicom-Glenmarie Industrial Park,Seksyen U1, 40150 Shah Alam, Selangor Darul Ehsan	Commercial Buildings / Office cum factory	175,592 / 197,421	Freehold	22	20,027	1 Apr 1994
Country Lease, No. 015636807, District of Kota Kinabalu, Locality of Kuala Menggatal, State of Sabah Lot No. 144 (DBKK No. Q-6), Block Q, Alamesra Plaza Permai, Lorong Plaza Permai 1, Sulaman Coastal Highway, 88450 Kota Kinabalu, Sabah	3-storey shop cum office (corner) / Renting out to third parties	2,273 / 6,504	Leasehold – 99 years (31 Dec 2098)	12	1,980	19 Jun 2008/ 10 Dec 2018
HSD 28228 PT 9114 Mukim and Daerah of Sepang, State of Selangor (Parcel No. 1B-080 Type: Travelers Palm Upper 1, Storey No. Level 2 (First Floor), Building No. L06, The Golden Palm Tree Water Villas) Villa No. 080 Golden Palm Tree Water Villas, No. 67 Jalan Pantai Bagan Lalang, Kg Bagan Lalang, 43950 Sungai Pelek, Selangor Darul Ehsan	2-storey water villas (first floor) / Renting out to third parties	- / 570	Leasehold – 90 years (1st May 2107)	8	570	15 Mar 2017 / -

Additional Compliance Information

The information set out below is disclosed in compliance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"):

1. Utilisation of Proceeds Raised from Corporate Proposals

There were no proceeds raised from corporate proposals during the financial year ended 31 December 2018.

2. Audit and Non-audit Fees

The amount of audit and non-audit fees paid or payable by the Company and the Group to the external auditors or a firm or corporation affiliated to the auditors' firm for the financial year ended 31 December 2018 are as follows:

	Company (RM)	**Group** (RM)
Audit fees	16,000	147,530
Non-audit fees	5,000	5,000

3. Material Contracts

Save as those described in Note 32 to the Audited Financial Statements on pages 114 to 115 of this Annual Report, there were no material contracts entered into by the Company and its subsidiaries involving the interests of directors and major shareholders, either still subsisting at the end of the financial year ended 31 December 2018 or entered into since the end of the previous financial year.

4. Recurrent Related Party Transactions of a Revenue or Trading Nature

At the Annual General Meeting held on 31 May 2018, the Company obtained a mandate from its shareholders to allow the Group to enter into recurrent related party transactions of a revenue or trading nature.

The details of the recurrent related party transactions conducted during the financial year ended 31 December 2018 pursuant to the said shareholders' mandate are disclosed as follows:

Transacting Party	**company within CNI Group**	**Interested Related Parties**	**Amount transacted during the financial year RM'000**	**Nature of transactions**
CNI Corporation Sdn Bhd (CNI Corp)	CNI Enterprise (M) Sdn Bhd (CNIE)	Dato' Koh Peng Chor Koh How Loon Tan Sia Swee	311	Provision of management services to CNIE
	Symplesoft Sdn Bhd (SSB)	Cheong Chin Tai Chew Boon Swee Law Yang Ket	210	Provision of IT and e-commerce related services by SSB

Additional Compliance Information

Transacting Party	company within CNI Group	Interested Related Parties	Amount transacted during the financial year RM'000	Nature of transactions
	CNIE		413	Purchase of health care and consumer products
	EM		491	Commission payable to CNI Corp for securing sales order for EM
	EM		715	Purchase of beverages and supplements from EM
CNI Venture Sdn Bhd	Exclusive Mark (M) Sdn Bhd (EM)	Dato' Koh Peng Chor Koh How Loon Tan Sia Swee Chew Boon Swee	332	Provision of research, development and testing services to EM
CNI IPHC	CNIE	Dato' Koh Peng Chor Law Yang Ket	242	Payment of trademark fee by CNIE
Law Yang Ket	CNI Holdings Berhad (CNI)	Law Yang Ket	51	Provision of sales development and marketing advisory to CNI
CNI (China) Co., Ltd	EM	Tan Sia Swee Chew Boon Swee Law Yang Ket	229	Purchase of beverages and supplements from EM
	Q-Pack (M) Sdn Bhd (Q-Pack)		81	Purchase of household and personal care products from Q-Pack

Analysis of **Shareholdings**
as at 29 March 2019

Total Number of Issued Shares	:	720,000,000
Issued Share Capital	:	RM72,000,000.00
Class of Shares	:	Ordinary shares
Voting Rights	:	One vote per ordinary share

DISTRIBUTION OF SHAREHOLDINGS

	Shareholders				No. of Issued Shares			
	Malaysian		Foreigner		Malaysian		Foreigner	
Size of shareholdings	No.	%	No.	%	No.	%	No.	%
Less than 100	331	3.66	5	0.06	9,928	(1)	190	(1)
100 - 1,000	3,502	38.74	266	2.94	1,854,409	0.26	158,240	0.02
1,001 – 10,000	3,311	36.62	102	1.13	10,013,594	1.41	253,360	0.04
10,001 – 100,000	1,154	12.76	14	0.15	44,006,210	6.18	657,200	0.09
100,001 – 35,632,144 (*)	349	3.86	6	0.07	272,032,488	38.17	20,131,158	2.82
35,632,145 and above (**)	1	0.01	0	0	363,526,123	51.01	0	0
Total	8,648	95.65	393	4.35	691,442,752	97.03(2)	21,200,148	2.97(2)

Notes:
(*) Less than 5% of issued shares(2)
(**) 5% and above of issued shares(2)
(1) Less than 0.01%
(2) Excluding a total of 7,357,100 CNI Holdings Berhad ("CNI") shares bought-back by CNI and retained as treasury shares as at 29 March 2019

DIRECTORS' DIRECT AND DEEMED INTERESTS IN SHARES IN THE COMPANY BASED ON THE REGISTER OF DIRECTORS' SHAREHOLDINGS

	Direct Interests		Deemed Interests	
Name of Directors	No. of Issued Shares	% of Issued Shares(5)	No. of Issued Shares	% of Issued Shares(5)
Dato' Koh Peng Chor	5,028,680	0.71	373,983,483(1)	52.48
Koh How Loon	1,679,180	0.24	370,671,643(2)	52.01
Chew Boon Swee	1,128,614	0.16	6,534,120(3)	0.92
Yee Kee Bing	-	-	-	-
Dr. Ch'ng Huck Khoon	-	-	1,000(3)	(4)
Lim Lean Eng	-	-	62,520(3)	0.01

Notes:
(1) Deemed interested pursuant to Section 8 of the Companies Act, 2016 by virtue of his shareholdings in Marvellous Heights Sdn Bhd and PC Marketing Sdn Bhd and disclosure made pursuant to Section 59(11)(c) of the Companies Act, 2016 on the interests held by his spouse and children.
(2) Deemed interested pursuant to Section 8 of the Companies Act, 2016 by virtue of his shareholdings in Marvellous Heights Sdn Bhd and PC Marketing Sdn Bhd.
(3) Disclosure made pursuant to Section 59(11)(c) of the Companies Act, 2016 on the interests held by his spouse or parent.
(4) Less than 0.01%
(5) Excluding a total of 7,357,100 CNI shares bought-back by CNI and retained as treasury shares as at 29 March 2019.

Analysis of **Shareholdings**

as at 29 March 2019

SUBSTANTIAL SHAREHOLDERS BASED ON THE REGISTER OF SUBSTANTIAL SHAREHOLDERS

	Direct Interests		Deemed Interests	
Name	No. of Issued Shares	% of Issued Shares[4]	No. of Issued Shares	% of Issued Shares[5]
Marvellous Heights Sdn Bhd	363,526,123	51.01	-	-
PC Marketing Sdn Bhd	7,145,520	1.00	363,526,123[1]	51.01
Dato' Koh Peng Chor	5,028,680	0.71	373,983,483[2]	52.48
Datin Chuah Tek Lan	1,167,200	0.16	377,844,963[2]	53.02
Koh How Loon	1,679,180	0.24	370,671,643[3]	52.01
Wong Siew Fong	27,902,980	3.92	14,396,090[4]	2.02

Notes:

(1) Deemed interested pursuant to Section 8 of the Companies Act, 2016 by virtue of its shareholdings in Marvellous Heights Sdn Bhd.

(2) Deemed interested pursuant to Section 8 of the Companies Act, 2016 by virtue of his/her shareholdings in Marvellous Heights Sdn Bhd and PC Marketing Sdn Bhd and disclosure made pursuant to Section 59(11)(c) of the Companies Act, 2016 on the interests held by his/her spouse and children.

(3) Deemed interested pursuant to Section 8 of the Companies Act, 2016 by virtue of his shareholdings in Marvellous Heights Sdn Bhd and PC Marketing Sdn Bhd.

(4) Disclosure made pursuant to Section 59(11)(c) of the Companies Act, 2016 on the interests held by her spouse and child.

(5) Excluding a total of 7,357,100 CNI shares bought-back by CNI and retained as treasury shares as at 29 March 2019.

TOP 30 SECURITIES ACCOUNT HOLDERS

(Without aggregating the securities from different securities accounts belonging to the same Depositor)

	Name	No. of Issued Shares	% of Issued Shares[1]
1.	Marvellous Heights Sdn Bhd	363,526,123	51.01
2.	Wong Siew Fong	27,902,980	3.92
3.	Gan Chooi Yang	15,612,826	2.19
4.	Toh Siew Kee	11,721,954	1.64
5.	Gan Ah Seng	9,745,139	1.37
6.	Tan Yuan Fang	9,715,710	1.36
7.	Ginawan Chondro	9,576,271	1.34
8.	Tan Kim Choon	9,233,214	1.30
9.	Chong Yee Min	7,570,060	1.06
10.	Chan Sook Cheng	7,145,405	1.00
11.	CIMSEC Nominees (Tempatan) Sdn Bhd CIMB for PC Marketing Sdn Bhd	6,760,920	0.95
12.	Tan Chong Liang @ Than Chong Kim	6,717,000	0.94
13.	Moy Mee Leng	6,334,120	0.89
14.	Stephanus Abrian Natan	6,175,555	0.87
15.	Ong Teck Seng	5,717,000	0.80
16.	CIMSEC Nominees (Tempatan) Sdn Bhd CIMB for Koh Peng Chor	5,028,680	0.71
17.	Law Yang Ket	4,691,898	0.66
18.	Tan Sia Swee	4,680,380	0.66
19.	Heng Hoay Liang @ Heng Hoye Ee	4,500,000	0.63
20.	Bo Eng Chee	3,690,000	0.52
21.	Malacca Equity Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Ho Kok Kiang	3,503,300	0.49
22.	Lau Ting Hwa	3,500,000	0.49
23.	Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Beh Hang Kong	3,351,372	0.47
24.	Suharman Subianto	3,102,532	0.44
25.	Yow Siew Lian	3,000,000	0.42
26.	Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Tan Chen Pang	2,845,200	0.40
27.	Subramaniam A/L Karuppiah	2,600,000	0.36
28.	Cheong Chee Kee	2,463,666	0.35
29.	Koh Tiah Siew	2,295,857	0.32
30.	Yap Yut Leong	1,728,700	0.24
	Total	554,435,862	77.80

Note:

(1) Excluding a total of 7,357,100 CNI shares bought-back by CNI and retained as treasury shares as at 29 March 2019.

Notice of **Annual General Meeting**

NOTICE IS HEREBY GIVEN that the Thirtieth (30th) Annual General Meeting of CNI Holdings Berhad ("CNI" or "the Company") will be held at Diamond Hall, First Floor, Wisma CNI, No. 2 Jalan Perunding U1/17, Hicom-Glenmarie Industrial Park, Seksyen U1, 40150 Shah Alam, Selangor Darul Ehsan on Friday, 14 June 2019 at 11.00 a.m. for the purpose of transacting the following business:

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. — Refer to Explanatory Note 1

2. To re-elect the following Directors who retire by rotation in accordance with Article 91 of the Company's Constitution and being eligible, offer themselves for re-election:

   (1) Dato' Koh Peng Chor — **Resolution 1**
   (2) Dr. Ch'ng Huck Khoon — **Resolution 2**

3. To approve the payment of Directors' fees amounting to RM384,000 for the Non-Executive Directors of the Company in respect of the financial year ended 31 December 2018. — **Resolution 3**

4. To approve the payment of benefits payable to the Non-Executive Directors of the Company up to an amount of RM50,000 from 15 June 2019 until the next Annual General Meeting of the Company. — **Resolution 4**

5. To re-appoint Messrs. Moore Stephens Associates PLT having consented to act as the Auditors of the Company for the financial year ending 31 December 2019 and to authorise the Directors to fix their remuneration. — **Resolution 5**

SPECIAL BUSINESS

To consider and, if thought fit, pass the following Ordinary Resolutions:

6. **RETENTION OF INDEPENDENT NON-EXECUTIVE DIRECTOR** — **Resolution 6**

   "THAT authority be and is hereby given to Mr. Lim Lean Eng who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine years, to continue to serve as an Independent Non-Executive Director of the Company until the conclusion of the next Annual General Meeting in accordance with the Malaysian Code on Corporate Governance 2017."

7. **RETENTION OF INDEPENDENT NON-EXECUTIVE DIRECTOR** — **Resolution 7**

   "THAT subject to the passing of Ordinary Resolution 2, authority be and is hereby given to Dr. Ch'ng Huck Khoon who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine years, to continue to serve as an Independent Non-Executive Director of the Company until the conclusion of the next Annual General Meeting in accordance with the Malaysian Code on Corporate Governance 2017."

8. **AUTHORITY TO ISSUE SHARES** — **Resolution 8**

   "THAT, subject always to the Companies Act, 2016, the Company's Constitution and the approvals of the relevant governmental/regulatory authorities, if applicable, the Directors be and are hereby empowered, pursuant to Section 75 and Section 76 of the Companies Act, 2016, to issue shares in the Company from time to time 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 issued pursuant to this resolution does not exceed 10% of the total number of issued shares of the Company for the time being and that the Directors be and are also empowered to obtain approval for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad and that such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company."

9. **PROPOSED RENEWAL OF EXISTING SHAREHOLDERS' MANDATE AND NEW SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE ("PROPOSED SHAREHOLDERS' MANDATE")** **Resolution 9**

"THAT subject to the provisions of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given to the Company and/or its subsidiary companies to enter into recurrent related party transactions of a revenue or trading nature as set out in Part A of the Circular to Shareholders dated 30 April 2019, provided that such transactions are undertaken in the ordinary course of business, on arm's length basis, on normal commercial terms which are not more favourable to the related parties than those generally available to the public and are not detrimental to the minority shareholders;

THAT such approval shall continue to be in force until the earlier of:

a) the conclusion of the next Annual General Meeting of the Company at which time it will lapse, unless the authority is renewed by a resolution passed at the next Annual General Meeting;

b) the expiration of the period within which the next Annual General Meeting to be held pursuant to Section 340(2) of the Companies Act, 2016 ("the Act") (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or

c) such approval is revoked or varied by resolution passed by the shareholders in a general meeting before the next Annual General Meeting;

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

10. **PROPOSED RENEWAL OF AUTHORITY COMPANY TO PURCHADSE ITS OWN SHARES ("PROPOSED RENEWAL OF SHARE BUY-BACK AUTHORITY")** **Resolution 10**

"THAT, subject always to the Companies Act, 2016, the Company's Constitution and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and all other applicable laws, guidelines, rules and regulations, the Company be and is hereby authorised to purchase such amount of ordinary shares in the Company as may be determined by the Directors of the Company from time to time through Bursa Securities as the Directors may deem fit and expedient in the interests of the Company, provided that:

a) the aggregate number of shares purchased does not exceed 10% of the total number of issued ashares of the Company as quoted on Bursa Securities as at the point of purchase(s);

b) the maximum funds to be allocated by the Company for the purpose of purchasing the shares shall not exceed the aggregate of the retained profits of the Company based on the latest audited financial statements and/or the latest management accounts of the Company (where applicable) available at the time of the purchase(s); and

c) the Directors of the Company may decide either to retain the shares purchased as treasury shares or cancel the shares or retain part of the shares so purchased as treasury shares and cancel the remainder or to resell the shares or distribute the shares as dividends;

THAT the authority conferred by this resolution shall commence immediately and shall continue to be in force until the conclusion of the next Annual General Meeting of the Company following the passing of this Ordinary Resolution, unless earlier revoked or varied by an ordinary resolution of the shareholders of the Company in a general meeting;

AND THAT authority be and is hereby given to the Directors of the Company to act and take all such steps and do all things as are necessary or expedient to implement, finalise and give full effect to the aforesaid purchase."

Notice of **Annual General Meeting**

11. **SPECIAL RESOLUTION** **Resolution 11**
PROPOSED ADOPTION OF NEW CONSTITUTION IN SUBSTITUTION OF EXISTING CONSTITUTION OF THE COMPANY

"THAT, approval be and is hereby given to revoke the existing Constitution of the Company with immediate effect and in place thereof, the proposed new Constitution of the Company as set out in Part C of the Circular to Shareholders dated 30 April 2019 accompanying the Company's Annual Report for the financial year ended 31 December 2018, be and is hereby adopted as the Constitution of the Company, AND THAT the Directors of the Company's be and are hereby authorised to assent to any modifications, variations and/or amendments as may be required by the relevant authorities and to do all acts and things and take all such steps as may be considered necessary to give full effect to the foregoing."

12. To transact any other business of which due notice shall have been given in accordance with the Companies Act 2016 and the Company's Constitution.

BY ORDER OF THE BOARD

CHIN YOKE KWAI (MAICSA 7032000)
Company Secretary

Shah Alam
30 April 2019

NOTES:

1. *A member entitled to attend and vote at the meeting is entitled to appoint not more than two (2) proxies to exercise all or any of his rights to attend, participate, speak and vote at the meeting on his/her behalf. Where a member appoints more than one (1) proxy, the appointments shall be invalid unless he/she specifies the proportions of his/her shareholdings to be represented by each proxy. A proxy may, but need not, be a member of the Company.*
2. *A member may appoint any person to be his/her proxy without any restriction as to the qualification of such person.*
3. *Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all the resolutions set out in this Notice shall be put to vote by way of poll.*
4. *Where a member of the Company is an Authorised Nominee as defined under the Securities Industry (Central Depositories) Act 1991 ("SICDA"), he/she may appoint not more than two (2) proxies in respect of each securities account he/she holds with ordinary shares of the Company standing to the credit of the said securities account to attend and vote at a meeting of the Company instead of him.*
5. *Where a member of the Company is an Exempt Authorised Nominee as defined under SICDA which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("omnibus account"), there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.*
6. *The instrument appointing a proxy shall be in writing singed by the appointor or his/her attorney duly authorised in writing or, if the appointor is a corporation, either under its common seal or signed by an officer or attorney so authorised. Any alteration to the instrument appointing a proxy must be initialled.*
7. *The Form of Proxy must be deposited at the Company's registered office at Wisma CNI, No. 2 Jalan Perunding U1/17, Hicom-Glenmarie Industrial Park, Seksyen U1, 40150 Shah Alam, Selangor Darul Ehsan, not less than 48 hours before the time set for holding the meeting or at any adjournment thereof.*
8. *Only members registered in the Record of Depositors as at 7 June 2019 ("General Meeting Record of Depositors") shall be entitled to attend, speak and vote at the meeting or appoint proxy(ies) to attend, speak and/vote on their behalf.*

EXPLANATORY NOTES

1. Audited Financial Statements

   The Audited Financial Statements laid at this meeting pursuant to Section 340(1)(a) of the Companies Act 2016, are meant for discussion only. It does not require shareholders' approval, and therefore, shall not be put forward for voting.

2. Ordinary Resolution 4 – Payment of benefits payable to the Non-Executive Directors ("NEDs")

   The benefits payable (excluding Directors' fees) to the NEDs comprise allowances and other benefits. The total estimated amount of benefits payable is calculated based on the number of scheduled Board's and Board Committees' meetings for the period commencing 15 June 2019 until the next Annual General Meeting. This authority, unless revoked or varied by the Company in a general meeting will expire at the conclusion of the next Annual General Meeting of the Company.

3. Ordinary Resolution 5 – Re-appointment of Auditors

   The Board and Audit Committee of the Company are satisfied with the quality of service, adequacy of resources provided, communication, interaction skills and independence, objectivity and professionalism demonstrated by the external auditors in carrying out their functions. Being satisfied with the external auditors' performance, the Board recommends their re-appointment for shareholders' approval.

4. Ordinary Resolutions 6 and 7 - Retention of Independent Non-Executive Director

   The Board through the Nomination and Remuneration Committee (NRC), has determined that Mr. Lim Lean Eng and Dr. Ch'ng Huck Khoon are fair and impartial in carrying out their duties to the Company. As Directors, they continue to bring independent and objective judgements to Board deliberations and the decision making process as a whole. They also possess vast experience and bring the right mix of skills to the Board. The Board therefore, endorsed the NRC's recommendation for them to be retained as Independent Directors.

5. Ordinary Resolution 8 – Authority to Issue Shares

   This is the renewal of the general mandate obtained from the shareholders of the Company at the last Annual General Meeting which was not utilised and accordingly no proceeds were raised.

   The proposed resolution, if passed, will provide flexibility to the Directors to undertake fund raising exercises, including but not limited to placement of shares for the funding of the Company's future investments projects, working capital and/or acquisition, by the issuance of shares in the Company to such person at any time, as the Directors may deem fit, without having to convene a general meeting. This authority, unless revoked or varied by the Company in a general meeting will expire at the conclusion of the next Annual General Meeting of the Company.

6. Ordinary Resolution 9 – Proposed Shareholders' Mandate

   The proposed resolution, if passed, will allow the Company and its subsidiary companies to enter into recurrent related party transactions of a revenue or trading nature pursuant to the provisions of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

   Please refer to the Circular to Shareholders dated 30 April 2019 for further information.

7. Ordinary Resolution 10 – Proposed Renewal of Share Buy-Back Authority

   The proposed resolution, if passed, will allow the Company to purchase its own shares of up to 10% of the total number of issued shares of the Company by utilising the funds allocated which shall not exceed the aggregate of the retained profits of the Company.

   Based on the Audited Financial Statements of the Company as at 31 December 2018, the Company's retained profits amounted to RM23,062,799.

   Please refer to the Share Buy-Back Statement dated 30 April 2019 for further information.

8. Special Resolution 11 – Proposed Adoption of New Constitution in Substitution of Existing Constitution

   The proposed special resolution, if passed, will bring the Company's Constitution in line with the amended Main Market Listing Requirements of Bursa Malaysia Securities Berhad which was issued on 29 November 2017 and will enhance administrative efficiency. The proposed new Constitution is set out in the Circular to Shareholders dated 30 April 2019 accompanying the Company's Annual Report.

Statement Accompanying Notice of **Annual General Meeting**

(Pursuant to Paragraph 8.27(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad)

The profile of the Directors who are standing for re-election (as per Resolutions 1 to 2 as stated above) at the Thirtieth (30th) Annual General Meeting of CNI Holdings Berhad are set out in the Profile of Directors" section on pages 16 to 17 of the Company's Annual Report.

The details of the Directors' interest in the securities of the Company as at 29 March 2019 are stated on page 137 of the Company's Annual Report.

Distribution Centres/Sales Points/**E-Sales Points**

Distribution Centres/ Sales Points/ e-Sales Points (DC, SP & eSP)		Address	Tel & Email	Fax
		PERLIS		
DC	Jejawi, Arau DC	5, Lot 342, Jaan Jelawi Sematang, Taman Muhibbah Fasa 2 Jejawi 02600 Arau.	04-9771288 / 019-4100355	04-9771288
		KEDAH		
RC	Alor Star RC	Lot 46, Ground Flr, Kompleks Perniagaan Sultan Abdul Hamid, Persiaran Sultan Abdul Hamid 3, 05050 Alor Setar.	04-7720918	04-7720918
DC	Kulim DC	70, Tingkat 1, Lorong Semarak 3, Taman Semarak 09000 Kulim.	04-4951564	04-4951564
	Langkawi DC	87, Persiaran Mutiara Pusat Dagangan Kelana Mas, 07000 Langkawi.	04-9672460	04-9672460
	Sungai Petani DC	Wisma Zainal Yusoff, 7, Lengkok Cempaka, Persiaran Cempaka, Amanjaya 08000 Sg Petani.	04-4419897 / 012-9871175 / 013-9339897	04-4428897
	Changlon DC	5, Pekan Changlon 2, 06010 Changlon.	04-9246923 / 012-4932758 / 019-4442758	04-9246923
eSP	Baling	No. H6 Tingkat 1, Pekan Baru Baling 09100 Baling.	013-4239606 espbaling@mycni.com.my	
SP	Pendang SP	No. 4, Bangunan Orkid, 06700 Pendang.	019-9189897/013-4239897	
	Jitra SP	3-B Jalan 1PJ2, 06000 Jitra.	017-5239447 / 012-5815552	
	Simpang Empat SP	120 Taman Desa Damai, Batu 5 Simpang Empat, 06650 Simpang Empat.	012-4902437	
		PULAU PINANG		
RC	Perai RC	30, Jalan Perai Jaya 2, Bdr Perai Jaya, 13600 Perai, Butterworth.	04-3986050	
DC	Perak Road Dc	175, Perak Road, 10150 Penang.	04-2271092	
eSP	Permatang Pauh	19, Lorong Cermai 3, Tmn Sama Gagah, 13500 Permatang Pauh, Butterworth.	04-3906418/012-4286418	04-3902471
	Bayan Lepas	119, Jalan Tun Dr Awang, Tmn Melawati, Bukit Jambul, 11900 Bayan Lepas.	04-6449637/019-5657126	
		PERAK		
DC	Tg Malim DC	No. 1, Jalan U1, Tmn Universiti, 35900 Tg Malim.	05-4590029 / 4597469 (R) / 012-5386669	05-4583462
	Ipoh DC	14, Jalan Ghazali Jawi, 31400 Ipoh (In front of stadium).	05-5460393 / 012-5069339	05-5476032
	Taiping DC	17, Jalan Wayang Gambar, 34000 Taiping.	05-8070981 / 012-5072686	05-8070981
	Teluk Intan DC	Lot 12650, 1st Flr, Jln Changkat Jong, 36000 Teluk Intan.	05-6217795 / 016-5510870	05-6217795
	Sitiawan DC	No. 5 (1st Floor), Taman Sitiawan Maju 2, 32300 Sitiawan.	05-6912918	05-6912918

Distribution Centres/ Sales Points/ e-Sales Points (DC, SP & eSP)		Address	Tel & Email	Fax
		PERAK		
DC	Ipoh DC	17A, Medan Lagenda 1, Medan Lapangan Lagenda, 31350 Ipoh.	05-3111450 / 019-3262542 / 019-5208577	05-3111450
	Bercham DC	13, Persiaran Medan Bercham 4, Pusat Bandar Baru Bercham, 31400 Ipoh.	05-5363691	05-5363597
	Tapah DC	No. 54A, Jalan Besar, 35000 Tapah.	05-4010793	05-4010793
eSP	Ayer Tawar	No. 1 Taman Ayer Tawar 2, Ayer Tawar 32400.	05-6721366 / 016-410 9629	
	Batu Gajah	No 93A PSN Pinggiran Saujana Taman Pinggiran Saujana 31000 Batu Gajah.	011-6462238 / 05-2881848	
SP	Kemunting SP	No 24, Jalan Sepat, Taman Kamunting Perdana, 34600 Kemunting.	05-8830131 / 016-5508517	
	Pulai SP	No 28, Jln Pulai Height 4, Taman Pulai Height, 31300 Ipoh.	012-3783185	
		SELANGOR		
DC	Klang DC	No. 10A, Tingkat 1 Lorong Gudang Nanas 2, Off Jalan Pasar 41400 Klang, Selangor.	03-33591536	
	Seri Kembangan DC	No. 2E-1, Tingkat 1, Jalan Raya Dua, Kawasan Perusahaan Seri Kembangan, 43300 Seri Kembangan, Selangor.	03-89385911	
	Rawang DC	No B-5, Jalan Rawang Mutiara 2, Rawang Mutiara Business Centre, 48000 Rawang.	03-60928461 / 012-3823678	03-60928525
	Ampang DC	1-12, Jalan Dagang B/3A, Tmn Dagang, 68000 Ampang.	03-42701897 / 019-2137779	03-42706279
	Batu Caves DC	573, Jalan Samudera Utara 1, Tmn Samudera 68100 Batu Caves, Selangor.	03-61841897	
	Bangi DC	43A-1-1A, Jalan Medan PB2, Medan PB2 Pusat Bdr Bangi, 43650 Bdr Baru Bangi.	03-89202475	03-89202475
	Petaling Jaya DC	53A, Jalan SS3/29, Tmn Universiti, 47300 Petaling Jaya.	03-78739897	03-78739897
	Puchong DC	No 6-3 (3rd Floor), Jalan Puteri 1/5, Bandar Puteri 47100, Puchong.	03-80664178	03-80527143
eSP	Tmn Dato' Harun	4, Jalan 13, Taman Dato' Harun, 46000 PJ.	03-77841859 / 016-3133466 esptamandatoharun@mycni.com.my	
	Banting	161, Jalan Sultan Abdul Samad, 42700 Banting.	03-31872333 / 012-3027433 espbanting@mycni.com.my	
	Sungai Buaya	No 33, Jalan Kemboja Sari 3, Bandra Sungai Buaya, 48010 Rawang.	013-4239606 espsgbuaya@mycni.com.my	
	Teluk Panglima Garang SP	Lot 2323, Lorong Aman, Kg Sijangkang, 42500 Teluk Panglima Garang.	03-31227021/ 016-3552162	
	Kajang SP	No 1B-1, Jalan Reko Sentral 1, Reko Sentral, 43000 Kajang.	012-3379947	

Distribution Centres/Sales Points/**E-Sales Points**

Distribution Centres/ Sales Points/ e-Sales Points (DC, SP & eSP)		Address	Tel & Email	Fax
		WILAYAH PERSEKUTUAN		
DC	Setapak DC	211 A, Jalan Genting Klang, 53300 Setapak.	03-40245133 / 03-40315508	03-40239195
	Cheras DC	54-A, Jalan Serkut, Tmn Pertama, 56100 Cheras.	03-92814913 / 016-5267825	03-92814913
SP	OUG SP	57A, Jalan Hujan Emas 8, Overseas Union Garden, 58200 Kuala Lumpur.	03-79715128 / 012-2818478	
	Panas Air Panas, Setapak SP	Gerai No. 132, Pasar Air Panas, 53300 Setapak.	016-9299665	
		NEGERI SEMBILAN		
DC	Seremban DC	656, Jalan Haruan 4/10, Pusat Komersial Oakland, 70300 Seremban.	06-6338337	06-6339337
	Tampin DC	No.1052, Tingkat Atas, Jalan Perhentian Bas Pulau Sebang, 73000 Tampin.	06-4415128	06-4415128
	Nilai DC	PT4768, Jalan TS1/19, Taman Semarak, 71800 Nilai.	06-7940823	06-7940823
		MELAKA		
DC	Batu Berendam DC	11, Jalan BBP 1, Taman Berendam Putra, 75350 Batu Berendam.	06-2338827	
	Pernu SP	590-1, KM 12, Kampung Pernu, 75460 Pernu.	06-2610012 / 010-5057109	06-2610012
	Paya Rumput SP	No. 22, Jalan IKS PR2, IKS Paya Rumput, 76450 Paya Rumput	06-3162001 / 011-39018624	
		JOHOR		
DC	Taman Nusa Bestari DC	No. 19-01, Jalan Bestari ¼, Taman Nusa Bestari, 79150 Iskandar Puteri.	07-5111318	07-5115113
	Taman Molek DC	7, Jalan Molek 2/5, Taman Molek, 81100 Johor Bahru.	07-3524731	
	Muar DC	No. 3, Taman Seri Gemilang, Jalan Salleh, 84000 Muar.	06-9526590 / 019-6556563	06-9545191
	Kluang DC	No. 13, Bwh Jalan Seri Impian 1/1, Bdr Seri Impian, 86000 Kluang.	014-2768867	
	Kulai DC	14, Tingkat 1, Jalan Raya, Kulai Besar, 81000 Kulai.	07-6633467	07-6636467
eSP	Yong Peng	29, Jalan Panorama 7, Taman Kota Panorama, 83700 Yong Peng.	07-4675089 / 019-7149165 espypeng@mycni.com.my	
SP	Tangkak SP	23, Kampung Baru Satu, 84900 Tangkak.	06-97820258 / 012-2317321	
	Skudai SP	42, Jalan PE2/7n, Taman Pulai Mas, 81300 Skudai.	07-5215620 / 013-7305335 / 019-7173515	
	Masai SP	8, Jalan Bayan 31/1, Taman Megah Ria, Masai, 81750 Johor Bahru.	017-7189463	
	Segamat SP	45, Jalan Intan 2, Taman Intan Bukit Siput, 85020 Segamat.	019-6556563	

Distribution Centres/ Sales Points/ e-Sales Points (DC, SP & eSP)		Address	Tel & Email	Fax
		KELANTAN		
DC	Kota Bharu DC	PT397, Tingkat Bawah, Jln Dusun Raja, Sri Cemerlang, 15400 Kota Bharu.	09-7405265	
	Pasir Mas	W2/458, Jalan Hospital, 17000 Pasir Mas.	019-9184408 / 014-8193317	
SP	Pasir Putih SP	Kg. Alor Hijau, Selising, 16810 Pasir Putih.	09-7892988 / 019-9101825	
		TERENGGANU		
DC	Kemaman DC	40-A, Jalan Jakar, Chukai, 24000 Kemaman.	09-8591028 / 012-9886118	09-8591028
	Dungun DC	15K, Jalan Pak Sabah, 23000 Dungun.	018-2954858	
	Kuala Terengganu DC	219, Tingkat Atas, Jln Sultan Zainal Abidin, 20000 Kuala Terengganu.	09-6228351	
eSP	Gong Badak	PT 13650K, Tmn Permint Makmur, Wakaf Tembusu, Gong Badak 20300 Kuala Terengganu.	09-6666308 / 013-9436988 espgongbadak@mycni.com.my	
		PAHANG		
DC	Kuantan DC	B.58, Jalan 1 M3/10 BIM Point, Bandar Indera Mahkota, Jalan Kuantan, 25200 Kuantan.	09-5730834	09-5730834
	Mentakab DC	No. 16, Jalan Anggerik, 28400 Mentakab.	09-2771463	09-2771463
SP	Kuala Lipis SP	101A, Medan Niaga Baganunan MARA, Jalan Stesen, 27200 Kuala Lipis.	019-9726897	
	Jengka SP	Kedai Pelbagai, Jengka Street, 26400 Bandar Jengka.	013-9719572 / 013-6020451	
		SARAWAK		
DC	Sarawak Branch	Lot 9392, Section 64, Kuching Town Land District 3 1/2 Mile, Jalan Pending, 93450 Kuching.	082-340619 / 340620 / 340621	082 - 347176 082 - 345280
	Sibu DC	No. 1, 1st Flr, Pusat Tanahwang, Jln Pedada, 96000 Sibu.	084-321284	084 - 321305
	Kuching DC	302, 1st Floor, Lot 2754 Central Park Commercial Centre, Jalan Tun Ahmad Zaidi Adruce, 93150 Kuching.	082-424313 / 019-8182623	082 - 424313
	Bintulu DC	189, Park City Commerce Square, 97000 Bintulu.	086-310611 / 019-8151611	086 - 310611
	Sri Aman DC	No. 6, Lot 1752, Jln Hospital, 95000 Bdr. Sri Aman.	083-325313 / 019-8195313	083 - 327313
	Petra Jaya DC	Lot 9820, Sublot 4 Section 65 K.T.L.D. Jalan Semarak, Petra Jaya, 93050 Kuching.	082-428714	082 - 428714
	Miri DC	Unit 5, Ground Floor (next to Mega Hotel), Soon Hup Tower, Jln Merbau, 98000 Miri.	085-424528	085 - 424528
eSP	Sarikei 2	No. 7, Jalan Bersatu, Jubli Mutiara, 96100 Sarikei.	019-8861300	

Distribution Centres/Sales Points/**E-Sales Points**

Distribution Centres/ Sales Points/ e-Sales Points (DC, SP & eSP)		Address	Tel & Email	Fax
		SARAWAK		
eSP	Miri	Lot 6626, Jalan Oncidium Off Jalan Bakam, 98000 Miri.	019-8848410	
SP	Mukah SP	83, Newtowship, 96400 Mukah.	084-871867 / 013-8063268	
	Bau SP	1, Tingkat 1, Market Serbaguna, Majlis Daerah Bau, 94000 Bau.	013 -8099005	
	Sarikei SP	No 20 Jalan Bawal, Lorong 4C, 96100 Sarikei.	084-644566 / 019-8178229	
	Serian SP	No 1 Serian Bazaar, 94700 Serian.	014-8811112	
		SABAH		
DC	Sabah Branch	Lot 121, Block N-5, Ground & 1st Floor, Lorong Plaza Permai 3, Jalan Sulaman Highway, 88450 Kota Kinabalu.	088-281899 / 088-282899	088 - 281899
	Keningau DC	Lot 18, Tkt 2 Ribumi Complex, Jalan Masak, Keningau 89000.	087-333715 / 013-8658865	087 - 333715
	Kota Kinabalu DC	Lot 1.25,1st Floor,asia City Complex, Asia City,88000 Kota Kinabalu.	088-484968 / 013-8604168	088 - 487968
	Tawau DC	TB999, Jalan Utara, 91000 Tawau.	089-768154 / 014-8617839 / 013-8604168	089 - 776867
	Sandakan DC	Lot 52 (Tingkat 1), Bdr Prima Batu 4, Jalan Utara 90000, Sandakan.	089-224868 / 016-8283799 / 012-8106279	089 - 211723
SP	Lahad Datu SP	Lot.56, MDLD 0813 Raya 3, Public Villa Jalan Segama, 91110 Lahad Datu.	089-882090 / 014-3580166	089 - 882090
	Tambunan SP	Peti Surat 14, Pekan Tambunan, Tambunan 89657.	017-8360146	
		BRUNEI		
DC	Brunei Branch CNI Enterprise (M) SDN BHD	Simpang 88 Unit No. 9, Block B, Bangunan Begawan Pehin Hj Md. Yusof, Kampung Kiulap BE1518 Negara Brunei Darussalam.	00673-2-37293 e-mail: fce212@brunet.bn	00673 - 2 - 237294

CNI HOLDINGS BERHAD
181758-A

Form of **Proxy**

No. of Shares Held	CDS Account No
	- -

I/We .... (FULL NAME IN BLOCK LETTERS) NRIC/Co. No. ....

of .... (FULL ADDRESS)

Tel No. .... being a member of CNI HOLDINGS BERHAD, hereby appoint ....

.... (FULL NAME IN BLOCK LETTERS) NRIC No. ....

of .... (FULL ADDRESS)

*and/or, ... (FULL NAME IN BLOCK LETTERS) NRIC No. ....

of .... (FULL ADDRESS)

or failing *him/both, the CHAIRMAN OF THE MEETING as my/our proxy/proxies to attend and vote for me/us on my/our behalf at the Thirtieth Annual General Meeting of the Company to be held at Diamond Hall, First Floor, Wisma CNI, No. 2 Jalan Perunding U1/17, Hicom-Glenmarie Industrial Park, Seksyen U1, 40150 Shah Alam, Selangor Darul Ehsan on Friday, 14 June 2019 at 11.00 a.m. or any adjournment thereof, in the manner indicated below:

		FOR	AGAINST
Ordinary Business			
Resolution 1	To re-elect Dato' Koh Peng Chor as Director of the Company		
Resolution 2	To re-elect Dr. Ch'ng Huck Khoon as Director of the Company		
Resolution 3	To approve the payment of Directors' Fees		
Resolution 4	To approve the payment of Directors' Benefits		
Resolution 5	To re-appoint Messrs Moore Stephens Associates PLT as Auditors and to authorise the Directors to fix their remuneration		
Special Business			
Resolution 6	To retain Mr. Lim Lean Eng as Independent Non-Executive Director		
Resolution 7	To retain Dr. Ch'ng Huck Khoon as Independent Non-Executive Director		
Resolution 8	To approve the authority to issue shares		
Resolution 9	To approve the Proposed Shareholders' Mandate		
Resolution 10	To approve the Proposed Renewal of Share Buy-Back Authority		
Resolution 11	To approve the Proposed Adoption of New Constitution in Substitution of Existing Constitution of the Company		

(Please indicate with an "X" in the boxes provided below how you wish your vote to be cast. If you do not do so, the proxy shall vote as he thinks fit, or at his discretion, abstain from voting)

Dated this.................... day of.................................. 2019

For appointment of two proxies, percentage of shareholdings to be represented by the proxies:

	No. of Shares	Percentage
Proxy 1		%
Proxy 2		%
Total		100%

....

Signature(s) / Common Seal of Member(s)

* Delete whichever is/are not applicable

Notes:

1. A member entitled to attend and vote at the meeting is entitled to appoint not more than two (2) proxies to exercise all or any of his rights to attend, participate, speak and vote at the meeting on his/her behalf. Where a member appoints more than one (1) proxy, the appointments shall be invalid unless he/she specifies the proportions of his/her shareholdings to be represented by each proxy. A proxy may, but need not, be a member of the Company.
2. A member may appoint any person to be his/her proxy without any restriction as to the qualification of such person.
3. Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all the resolutions set out in this Notice shall be put to vote by way of poll.
4. Where a member of the Company is an Authorised Nominee as defined under the Securities Industry (Central Depositories) Act 1991 ("SICDA"), he/she may appoint not more than two (2) proxies in respect of each securities account he/she holds with ordinary shares of the Company standing to the credit of the said securities account to attend and vote at a meeting of the Company instead of him.
5. Where a member of the Company is an Exempt Authorised Nominee as defined under SICDA which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("omnibus account"), there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.
6. The instrument appointing a proxy shall be in writing singed by the appointor or his/her attorney duly authorised in writing or, if the appointor is a corporation, either under its common seal or signed by an officer or attorney so authorised. Any alteration to the instrument appointing a proxy must be initialled.
7. The Form of Proxy must be deposited at the Company's registered office at Wisma CNI, No. 2 Jalan Perunding U1/17, Hicom-Glenmarie Industrial Park, Seksyen U1, 40150 Shah Alam, Selangor Darul Ehsan, not less than 48 hours before the time set for holding the meeting or at any adjournment thereof.
8. Only members registered in the Record of Depositors as at 7 June 2019 ("General Meeting Record of Depositors") shall be entitled to attend, speak and vote at the meeting or appoint proxy(ies) to attend, speak and/vote on their behalf.

Fold this flap for sealing

Then fold here

AFFIX
STAMP

The Company Secretary
CNI HOLDINGS BERHAD
Wisma CNI, No.2, Jalan Perunding U1/17
Hicom-Glenmarie Industrial Park
Seksyen U1, 40150 Shah Alam
Selangor Darul Ehsan Malaysia.

1st fold here

CNI HOLDINGS BERHAD 181758-A
Wisma CNI, No.2,
Jalan Perunding U1/17
Hicom-Glenmarie Industrial Park
Seksyen U1, 40150 Shah Alam
Selangor Darul Ehsan Malaysia.

Tel: 03-5569 4000
Fax: 03-5569 3308

Email: info@cniholdings.com.my
www.cniholdings.com.my