CNI HOLDINGS BERHAD
198901004452 (181758-A)

ANNUAL REPORT 2019

TOWARDS A NEW DIRECT SALES

TOWARDS A NEW DIRECT SALES

CNI is moving towards a new direct sales that converges the advantage of online and offline business. In order to meet this ideal, we are implementing digitalisation in our system, workplace and how we do business – connecting people, process, data and things to provide intelligence and actionable insights to enhance our business outcomes.

We are progressively improving our business operations, processes and activities by leveraging digital technologies and a broader use and context of digitized data, which is then turned into intelligence and actionable knowledge to achieve higher productivity and enhanced customer engagement, especially across the social media platforms.

In the workplace, we strive towards a minimum use of paper. It means that we are working differently, using tools such as the mobile devices and technologies that make us mobile and using social collaboration and unified communication platforms to enable us to stay connected, while creating new opportunities to engage differently.

We see the new direct sales as the road of moving towards the creation of new – digital – revenue streams and offerings. It’s an impressive goal and one which requires change. We are ready, our spirit is ignited and we are united to stride together as a team.

CONTENTS

CORPORATE REVIEW

SUSTAINABILITY & GOVERNANCE

FINANCIAL REPORT

ADDITIONAL INFORMATION

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.

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.

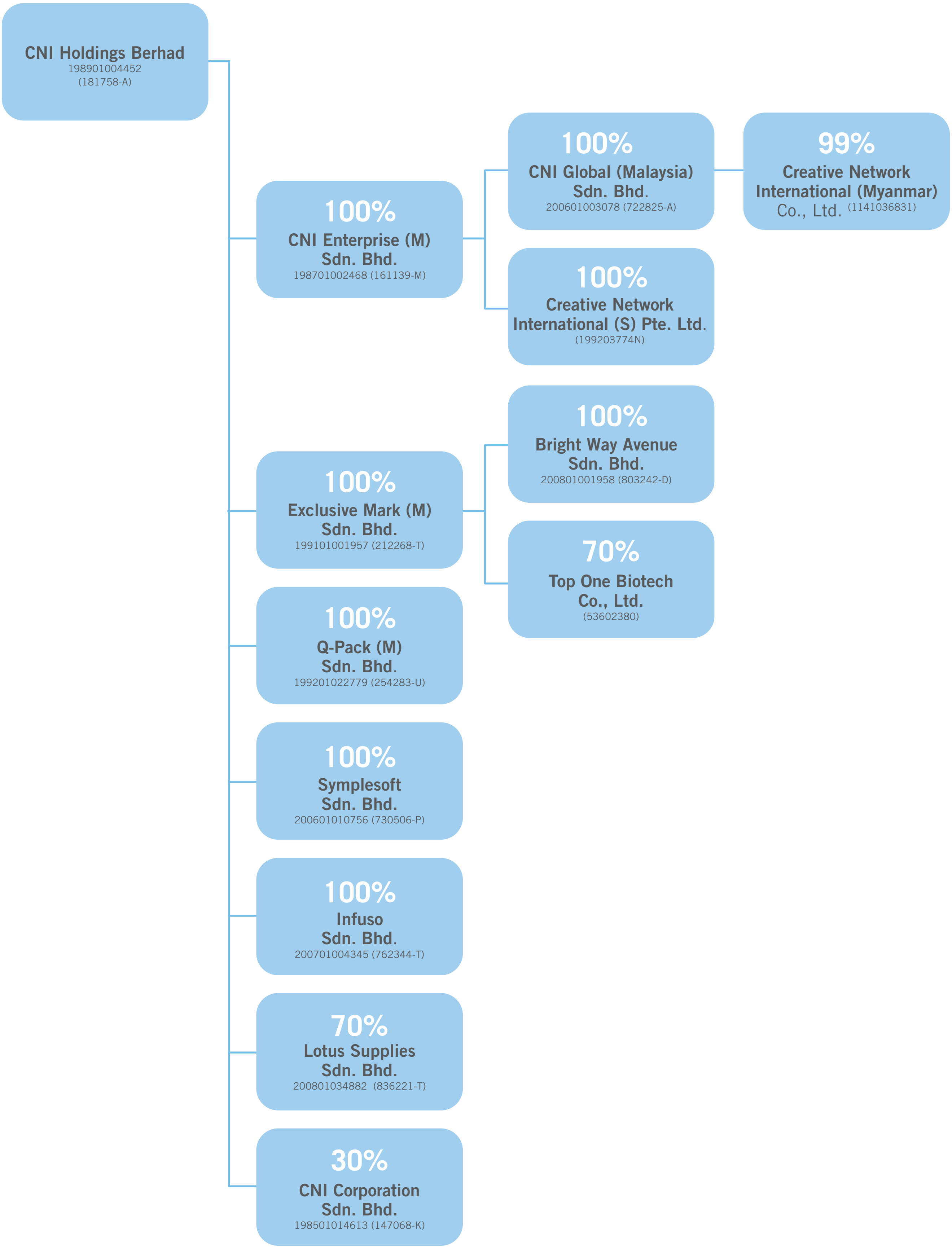
Under their stewardship, the company ventured into Brunei, Singapore and Mynamar besides aggressively building its network locally. Over 200 products under 5 categories namely nutritional & health, personal care & cosmetics, food & beverage, auto care and lastly, household, are available to provide complete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

EM, QP and TOB have been accredited with GGood Manufacturing Practice (GMP), Quality Management Systems (ISO 9001:2015), Environmental Management System (ISO 14001:2015), Occupational Health and Safety Management System (BS OHSAS 18001:2007), Food Safety Management System (Food Safety System Certification FSSC 22000, Hazard Analysis and Critical Control Point (MS1480:2007) & Good Manufacturing Practice (GMP) for Food (MS1514:2009) 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 Brand towards a better life for all.

GROUP CORPORATE STRUCTURE



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.) 11th Floor, Menara Symphony No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13 46200 Petaling Jaya, Selangor, Malaysia Tel: 03-7890 4700 Fax: 03-7890 4670 Website: www.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

	2019	2018	2017	2016 Restated	2015
Performance (RM'000)					
Revenue	**66,738**	86,148	85,038	88,121	93,261
Profif / (Loss) Before Taxation	**(4,502)**	3,515	(15)	(5,972)	(3,356)
Attributable Profif / (Loss)	**(5,132)**	605	(2,082)	(5,110)	(6,163)
Key Balance Sheet Data (RM'000)					
Share Capital	**72,000**	72,000	72,000	72,000	72,000
Shareholders' Equity	**68,415**	73,594	74,500	76,272	82,793
Total Assets	**87,492**	96,199	100,508	101,292	109,413
Borrowings	**2,499**	1,156	1,314	202	72
Financial Ratios					
Net Earnings Per Share ("EPS") (sen)	**(0.72)**	0.08	(0.29)	(0.72)	(0.86)
Net Dividend Per Share (sen)	**0.30**	-	-	0.30	0.30
Net Assets Per Share ("APS") (sen)	**9.59**	10.62	10.45	10.69	11.61
Gearing Ratio (%)	**0.35**	0.16	0.18	0.03	0.09

BEIM Award

CNI won the Gold Ethics Award from the Business Ethics Institute of Malaysia (BEIM) at the 5th Business Ethics Roundtable in recognition of the Company's commitment to deliver the highest level of integrity, ethical business practice and social responsibility in all its business activities.

DSAM Outstanding Entrepreneur Award

3 outstanding CBOs, namely DDAM Kong Siew Weng, DDAM Irman Hami and PAM Fatimah Salim, received this prestigious award at the 41st Anniversary of The Direct Selling Association of Malaysia for their contribution to the nation's economic development, their entrepreneurial spirit, and for being the role model of DSAM's code of ethics.

Stay Healthy Be Happy

Stay Healthy, Be Happy Campaign to highlight the importance of healthy lifestyle for better living. 5 health packages were introduced to meet different individual needs of all ages.

Online Business Marketing Workshop

A series of workshop were held to educate CBOs on essential skills and strategies to kickstart their CNI online business via social media platforms and how to maximise CNI apps and tools.

Winners' Trip Incentive

(a) 3 days of good food and fun in Genting Highlands. A trip to Genting World and all its splendour, shopping at the Premium Outlet and a detour to Bukit Tinggi's French and Japanese villages.

(b) Annyeong-haseyo! CNI organised a trip to Seoul - the home of K-Pop and beautiful sceneries - for some of the most unique experiences.

(c) First-ever personalised programmes for CBOs in the trip to Bali was another testimony of CNI's aspiration to be different and pleasant surprises for an awesome holiday.

MoU With IIUM

Yayasan CNI signed an MoU with International Islamic University Malaysia (IIUM) and contributed in cash and kind for their CSR activities.

New Products

(a) Little Wonder Smart Beverage Maker - The multifunctional smart beverage maker to brew soup, and hot beverages.

(b) Be-fit Firming Pants and Shortz with Kodenshi® made in Japan with German technology to shape the body, enhance metabolism and circulation.

(c) Well3 ISP-18 Protein Powder improved plant protein with MENEP technology, and vitamins B Complex for energy, muscle growth and development.

Sinar Gemilang CNI Extravaganza

Celebrated CBOs from all over Malaysia, Singapore and Brunei gathered at Geno Hotel, Shah Alam to listen to business icon Dato' Rosyam Noor, entertainment icon, Datin Alyah and international motivator Cikgu Gan Ah Seng for this extravagant CBO recognition dinner.

Nurturing Harmonious Society With JCI

Yayasan CNI spread its love to nurture a harmonious society by sponsoring the "Buddy Not Bully" Award organised by the Junior Chamber International (JCI).

Staff Engagement Initiative

As part of CNI's continuous employee engagement efforts, 360 Staff Outing was organised at The Rift in Mid Valley Mall that included a variety of virtual reality games, lucky draw and long service recognition.

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 2019 ("FY2019").

The MD&A should be read in conjunction with the Audited Financial Statements of the Group and the Company for the FY2019.

ISO/IEC17025:2005

OVERVIEW OF BUSINESS AND OPERATIONS

During FY2019, 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 and distribution channels across Malaysia, Singapore, Brunei, and Myanmar. The Marketing & Trading segment now has 55 physical stores to support the business of its CNI Business Owners ("CBOs").

The Group also owns 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 as required by the Marketing & Trading segment.

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

REVIEW OF FINANCIAL RESULTS AND FINANCIAL CONDITION

As a result of the prolonged weakness in consumer spending, the Group recorded a 22% drop in revenue to RM66.7 million in FY2019, compared with RM86.1 million recorded in FY2018. This was primarily attributed to the Manufacturing segment which suffered a 37% drop in revenue.

The Group sustained a loss before taxation ("LBT") of RM4.5million as compared to FY2018 profit before tax of RM3.5 million. This is attributed to higher marketing and branding costs as well as impairment loss on investment in associates and impairment on trade receivable, compared to FY 2018.

The financial position of the Group remained positive with total assets of RM87.5 million as at 31 December 2019, out of which RM15.8 million comprised liquid assets in the form of cash and cash equivalent and short-term investments. Total liabilities of the Group as at 31 December 2019 amounted to RM17.5 million, which comprised trade and other payables and lease liabilities. The equity attributable to owners of the Company as at 31 December 2019 was RM68.4 million, equivalent to RM 0.096 per share.

The cash and cash equivalents and short-term investments totaled RM15.8 million as at 31 December 2019. This was lower compared to 2018, reflecting the cash dividend payout, the increase in inventory holding as well as additional investments incurred for property, plant and equipment ("PPE") during the year. Cash utilised to reward shareholders' loyalty in the form of dividend amounted to RM2.1 million in FY2019 (interim dividends declared for FY2018 but paid in FY2019).

In FY2019, the capital investment incurred for refurbishment and upgrading of machinery and equipment (PPE) amounted to RM1.1 million as compared to FY2018 of RM0.8 million. This was to support long-term growth in production capacity of the Manufacturing segment which in turn will generate revenue for the Group in the immediate and near term. The investment was mainly financed by lease facilities.

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.

DIVIDEND

The Board has taken into consideration the Group and the Company's financial position, operational working capital requirements and the need to conserve cash in the current uncertain economic climate. Arising therefrom, the Board does not recommend and declare any dividend for FY2019.

REVIEW OF SEGMENTAL RESULTS AND OPERATING ACTIVITIES

Marketing & Trading Segment

The Marketing & Trading segment generated revenue of RM51.7 million in FY2019, a decrease of RM8.3 million compared FY2018, mainly due to the cutback in CBO and consumer spending. The Marketing & Trading segment remained as the main driver of revenue for the Group in FY2019.

As at 31 December 2019, our CBO force grew by 7% as compared to year 2018. The encouraging expansion was mainly driven by the sales and marketing programmes and

various growth initiatives implemented which we believe will foster a positive impact on CBOs' business.

We have enhanced existing marketing plans and infrastructure to support the continued growth of our CBOs, with a particular focus on helping our CBOs attract and activate new CBOs, grow the number of loyal buyers, develop young leaders and co-develop growth plans with promising CBO Leaders that address their specific business needs.

In 2019, we continued to actively engage with CBO Leaders via various events and forums. These events were platforms through which the Group provided CBO Leaders with major updates, identified major challenges and formulated plans for future growth. The events also served as an avenue for CBO Leaders to voice their feedback and concerns to the Management, to ensure that healthy partnerships are fostered and maintained.

We also engaged with key CBO communities and groups to address entrepreneurship issues specific to their segment, social media and brand awareness matters, community relevant products, networking training, workshops, and more. The sessions for 2019 were namely YES Seminar, CAP Workshop, PKP Training, product talks and online business marketing workshops.

On the other hand, as part of our strategic marketing efforts to strengthen our brand position in the market, we have launched a number of new products in different product categories. We rolled out a smart beverage maker namely "Little Wonder" and 5 flavours of beverage in a capsule; a new health supplement called "Well3 Collagen Peptide 4000" and a beauty care series named "Be-fit Firming Pants and Shortz with Kodenshi". Simultaneously, we are changing our packaging design in stages for health supplements and food and beverage products that imparts a minimalist and vivid visual impact.

We continue to invest in creating rewarding CNI experiences for our CBOs. Given the proliferation of technology and widespread use of social media, the Group believes that an

integrated branding strategy which employs conventional and digital media is crucial to engage our CBOs and the larger market.

During the FY2019, we focused on enhancing applications which enabled our CBOs to monitor their routine tasks / sales and to get updates on periodic promotions. Amongst various changes we introduced during the year were CNI Business Center Apps and Digital Library. New applications and updates were added to the existing platforms to increase efficiency and effectiveness. The features of our CBOs' online portal which could be viewed on mobile phones has been enhanced to cover areas such as product information, marketing and event updates and registration, business opportunities and e-commerce. Some of the enhancements for e-application pave the way towards a paperless business environment; while other added features help to provide frequent updates on promotional activities.

As for social media, CNI continues to maintain and update its Facebook homepage, Instagram and website to disseminate the latest information on products, services and activities as well as to encourage instant two-way communication between CNI, CBOs and customers.

We believe that strengthening customer service by sharing and exchanging information through various channels of communication will enhance CBOs' engagement that is critical for our success and future performance in a technologically-connected society.

Manufacturing Segment

The Manufacturing segment recorded revenue of RM30.4 million, a decrease of RM17.8 million or 37% compared to FY2018, mainly due to decreased local sales.

The Manufacturing segment continues to focus on new product development and formulation enhancement with support from a well-maintained research laboratory and GMP plant facility to promote new scientific and innovative product development.

The Manufacturing segment's continuous innovation, improvement and focus on efficiencies will remain to be at the heart of our business strategy with OEM customers. Total capital expenditure of RM1.9 million was incurred to upgrade the plant, machinery and equipment to further enhance the production efficiency.

It is worth noting here that this segment is currently exploring new ultrafiltration technology to extract plant bioactive compounds. Its on-going project-bromelain enzyme extraction - has been published in a scientific journal (enzyme & inulin) to support Well3 L.E.A.F.

ANTICIPATED RISKS

Risks to global outlook are tilted to the downside, a re-escalation for lingering trade tensions and the severity and duration of the Coronavirus (COVID-19) outbreak could also cause a resurgence of financial market volatility that further weigh down on global growth prospects.

For Malaysia, the economy expanded by 4.3% in 2019. The overall impact on the Malaysian economy will depend on the duration and spread of the outbreak as well as policy responses by authorities. For the year as a whole, growth will be supported by household spending. Meanwhile, the external sector is expected to benefit from the gradual recovery in global growth and trade.

The growth momentum is subject to high near-term downside risks, such as the prolonged impact of COVID-19, uncertainties remain in global economic and financial conditions. On the domestic side, risks emanate mainly from weaknesses in the commodities section and delays in project implementation.

2020 is an exceptionally challenging year for the global economy. Confronted with an unprecedented health crisis, global growth is expected to contract. As an open economy, Malaysia will not be spared. Malaysia's GDP growth is projected to be between -2.0% and +0.5% in 2020, affected by weak global demand, supply chain disruptions and COVID-19 containment measures both abroad and domestically. While the Movement Control Order and measures to promote social distancing will dampen economic activity temporarily, they are necessary to contain the spread of the virus.

There remain significant uncertainties surrounding the growth outlook, with both upside and downside risks to the outlook. Downside risks stems from more prolonged and wider spread of COVID-19 globally and domestically, recurring commodities supply disruptions and tighter financial conditions following heightened volatility in financial markets. However, there are also upside risks, emanating from potentially larger-than-expected impact from the pro-growth measures, faster normalisation in activity amid pent-up demand and better-than-expected global economy, arising from the various stimulus measures.

These coming years will be crucial for the Group. Whilst we remain cautious over the outlook of the economy, the Group will continue to seek new business opportunities to invest in as it has adequate funds for such purposes. The Group will continue to reinvest and improve the business and will take affirmative steps to expand the Group' scope of business operations in ensuring lasting sustainability and profitability for its business.

FORWARD-LOOKING STATEMENT

We foresee 2020 will be another challenging year for the direct selling industry on the back of reduced public and private sector expenditure and overall consumer perception. Competition is also expected to increase with the entry of new players across our product categories.

Nevertheless, there are pockets of opportunities for us to engage new members to join our business while people are finding alternatives to earn supplemental income. Our business model will be just right for those who aspire to be an entrepreneur with minimal start-up fees.

Moving forward, the Group will continue to endeavour in making the Group's business opportunity more appealing to a younger market segment through social media marketing.

Internally, we will continue to adopt rationality in cost control while constantly seeking ways and means in ensuring the relevancy and long-term sustainability of our business while supporting our CBOs in their business by assisting them to retain loyal buyers and develop new leaders. Given our strong brand positioning and established goodwill that we have built through our 30 years' existence in the market as well as solid bond and collaboration with our CBOs, the Group is well poised for better performance in 2020.

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 customers.

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

BOARD OF DIRECTORS' PROFILE

DATO' KOH PENG CHOR
Non-Independent
Non-Executive Chairman
Malaysian, Male, 68 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, 42 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, 60 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 is 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, 51 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

LIM LEAN ENG
Independent
Non-Executive Director
Malaysian, Male, 53 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, 61 years old

Date of Appointment:
- 11 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 in 1984. He had served Amway as Managing Director for 32 years. He is a certified Train the Trainer and also a Certified Coaching and Mentoring Professional.

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 2019.

Details of the Directors' attendance at Board meetings are set out in the Corporate Governance Overview Statement on page 29.

KEY SENIOR MANAGEMENT'S PROFILE

KOH HOW LOON
Group Chief Executive Officer
Malaysian, Male, 42 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,60 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 is 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 2019.

The Group will continue to maintain its sustainability agenda to ensure business continuity, taking into consideration the key economic, environmental and social ("EES") parameters that play a significant role in the Group's growth strategies.

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. marketing & trading, manufacturing and retail. The reporting timeline is from 1 January 2019 to 31 December 2019.

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") implications the Group are 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

The Group takes into consideration both internal as well as external perspective when identifying, defining and prioritizing materiality matters to ensure inclusivity. Towards this end, we have engaged multiple stakeholder groups through various communication channels to obtain information on their views and concerns.

This allows for a comprehensive and balanced view of ideas, perspectives and feedback from stakeholders, helping us to better identify and define materiality matters.

Stakeholder Group	Engagement Approach	Focus Area
CNI Business Owners ("CBOs")	• Marketing plan • Product promotions • Incentive trip campaigns • Training and workshops • Events and conferences • Feedback and enquiry forms • Social media platforms	• Enhancement of distribution platform • Market demand for CNI products • Product quality and pricing • Product development and innovation • CBO entrepreneurship
Employees	• Intranet • Engagement events (in-house talks, training, development programmes and social events) • Performance appraisal	• Career development and goals • Work-life balance • Employee benefits • Employee health and safety

Stakeholder Group	Engagement Approach	Focus Area
Vendor & Suppliers	• Audits and evaluations • Meetings and trade fairs • Factory visits	• Food safety • Product quality and branding • Customer service and complaints resolution • Pricing and promotion
Certification & Regulatory Bodies	• Meetings and consultations • Training programmes and dialogues • Audits and verification	• Regulatory compliance • Standards and certifications • Approval and permits
Shareholders & Investors	• Annual Reports • Annual General Meetings • Financial reports • Investor relations page on company's website	• Business goals and performance • Regulatory compliance • Ethical business conduct • Internal control and risk management
Local Communities	• Sales, marketing and promotions • Corporate Social Responsibility activities • Social media • Donations and sponsorships • Direct Selling industry engagement	• Community investment, development and impact

Material Sustainability Matters

Having actively engaged with the stakeholders and by integrating the insights derived from our knowledge and understanding of our business environment, the Group is well positioned to define its materiality topics, aspects and disclosures.

ECONOMIC

We constantly seek opportunities to strengthen our business and contribute to the growth of the local economy. Driven by our goal to become a sustainable Multi-Level Marketing ("MLM") company, this section discusses our direct and indirect economic impact towards the communities.

CBO Force

We continuously invest in our MLM, which is one of our main economic contributors, to create job opportunities and a platform for entrepreneurship.

CBOs have a roaring entrepreneurial spirit and act as the key ambassadors for our business. Our commitment to our CBOs has been increasing over the years. Beyond financial reward, we have also continued to increase our support to our CBOs via education, training and digital/mobile tools to drive their business growth, brand awareness and new product launches to excite the market, creating opportunities for CBOs to converge their business interests or support worthy causes via community-focused activities.

In 2019, we organized more than 47 training programmes for our CBOs which saw participation of over 2,000 CBOs.

Training/seminar	Objective
Product talk and product knowledge	To provide platform for CBOs to gain knowledge of CNI products
YES seminar	To motivate and inform CBOs to prepare them for the company's yearly strategies
CAP workshop	To educate CBOs on the new business development plan
PKP training	To educate CBOs on how to do health screening and to promote CNI products
Business Online Marketing	To tap the virtual market and capitalize on current trends in digital marketing

In addition to training and education, we also incentivize high-performing CBOs via monthly sales bonus, trips, premium invitation as guest speaker, rank progression and other privileges, as well as awards including New Agency Manager, Winners' Trip and Yearly Outstanding Performance CBO.

These awards are conferred during major events such as Sinar Gemilang CNI (SGC) and Jelajah Juara CNI (JJC) which was held regionally.

Furthermore, 3 of our CBOs had been selected to receive the Outstanding Entrepreneur Award 2019 from the Direct Selling Association of Malaysia (DSAM) in recognition of their contribution to the nation's economic development, their entrepreneurial spirit, and for being the role model of DSAM's code of ethics.

As a result of our concerted efforts in 2019, our CBO force has experienced a steady growth which represented a healthy cross-section of Malaysia's multicultural and diverse population. As at 31 December 2019, our CBO force grew by 7% as compared to year 2018. In addition, our continuous push to make inroads into the Bumiputera segment has resulted in a growth of 13% in 2019.

We continue to invest in creating rewarding CNI experiences for stakeholders. Given the proliferation of technology and widespread use of social media, the Group believes that an integrated branding strategy that employs conventional and digital media is crucial to engage our CBOs and the larger market.

As for social media, CNI continues to maintain and update its Facebook homepage, Instagram, and website to disseminate the latest info on products, services and activities as well as to encourage instant two-way communication between CNI, CBOs and customers.

In 2019, we also introduced CNI Business Center Apps, which allows our CBO to access their business information and track their network progress in real time.

We have also integrated our online and offline services which allow CBOs to place their orders via mobile apps – 24 hours a day, 7 days a week- with more than 1,000 collection points throughout Malaysia for their conveniences. This seamless integration serves to enable CBOs to better serve their customers and manage their business.

We believe that strengthening customer service by sharing and exchanging information through various channels of communication will enhance CBOs' engagement that is critical for our success and future performance in a technologically connected society.

Procurement Practice

To procure sustainably is to engage local suppliers to create economic opportunity for local businesses and to reduce the environmental impact of transporting goods from overseas. In support of local businesses, we procure 79% of our products from local suppliers.

We ensure sustainable procurement by adhering to our purchasing control procedures. All our suppliers are required to conform to CNI procedures and be consistent in delivering quality, competitive costing, responsiveness and supply reliability. In addition, proper procedures and controls must be followed across all relevant operations.

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 remains committed towards environmental conservation efforts. The Group continues to work closely with relevant stakeholders to ensure the most efficient energy usage.

Energy Efficiency

We continued with our Group-wide initiative to switch to LED lighting which contributed to the reduction of power consumption and thereby electricity costs. The Group has maintained its practice of standardizing the air conditioning temperature in 2019.

As a result of our effort, in 2019, the Group successfully reduced electricity consumption by over 48,000kWh in the office and over 773,500kWh in the factory as compared to 2018. This resulted in savings of more than RM245,000 in 2019.

Reduced use of Resources

In 2019, the Group continued to reduce the use of paper across the organization. The success of our effort stems from the continued digitalization of internal and external business processes and materials. This included the use of electronic/online version of documents such as e-statements, e-vouchers and e-card for our CBOs, printed material etc, which is a far more sustainable alternative compared to printed materials.

Our recycling effort for carton boxes, plastic, shrink wrap and metal saved more than 9,800 kg worth of materials from going to the landfill. The recyclable materials were sourced from across our business operations. The materials were aggregated at various collection points and are then retrieved by designated recyclers.

We are committed towards further reducing our carbon footprint and will seek out other resource-saving initiatives.

Waste Management

The Group is committed in effective waste management practices throughout its operations. As part of our initiative to support long term commitment to sustainability, the Group has improved operations efficiency to reduce hazardous waste generation by effective production planning and thorough review on the use of chemicals, frequency of product change-over, cleaning and sanitation practices.

In 2019, total scheduled waste produced per metric tonne output was comparable with 2018, less than 0.1% additional waste was generated in 2019. The additional waste generated may contribute to lower production output and increased frequency of cleaning and sanitation from more frequent product changeover.

SOCIAL

The Group understands and acknowledges that its people are at the core of its business activities, success and growth. Cognizant of this, the Group strives to create and maintain a work environment that is conducive and satisfactory with rewards, recognitions and remuneration that remains attractive and competitive.

Simultaneously, the Group also places emphasis on high performance and continues to strive towards creating a culture of excellence in its working environment. It is the Group's goal to ensure that employees are self-motivated and driven to accomplish tasks and projects in helping CNI deliver excellence to our CBOs and customers.

Employee Engagement

The Group's engagements with employees are in the form of feedback and regular two-way communication with managers and superiors and with all staff in periodical gatherings. Development programmes are regularly organized to enrich the employees, in terms of working knowledge and self-development.

CNI also organizes various social and recreational activities to strengthen the relationships between colleagues and also with the Management.

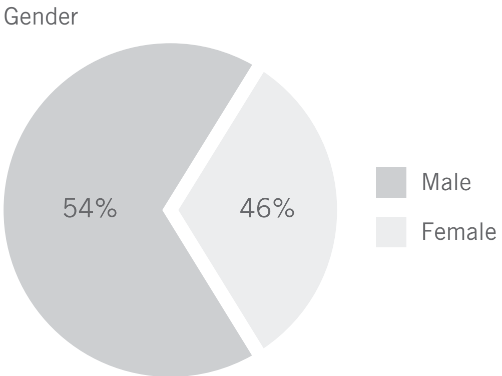
A total of 73 employees participated in our outing to the RIFT at Mid Valley Megamall in the month of October 2019. At that outing we have a series of team building games between staff and management. A Long Service Award ceremony was also conducted over lunch.

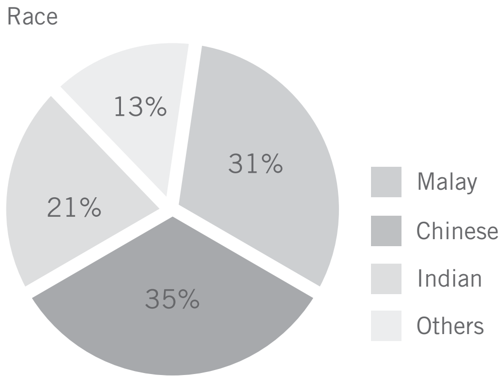
Employee wellness programme such as yoga classes were run throughout the year to promote work-life management, work-life balance and a healthy lifestyle.

Diversity

Existing as a corporate entity in a multi-racial community, CNI firmly believes that it is only right that its workforce reflects this diversity and is all-inclusive. This is also beneficial as it creates a working environment that is diverse, open and transparent that is conducive for inter-learning opportunities as each individual brings various talents and initiatives to the table.

Summary of Headcount





Training and Development

As CNI's commitment to ensure that its employees remain dynamic and motivated with continuous learning incorporated into growth and development, the Group invested a total of 278 trainings with 2,500 training hours involving 4,610 participation from all levels of employment

Employees Recognition

We recognise both high performance and loyalty. Employees identified to have excelled in their respective line of work, received awards including 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 of service respectively with CNI. Each of them will receive a plaque as well as a cash/product voucher that commensurate with the number of years they have worked with the Company.

Award	Recipients (FYE2018)	Recipients (FYE2019)
Long Service Award	43	45

Occupational Health & Safety

The Occupational Health, Safety, Security and Environment (HSSE) of our employees is paramount to the Group, especially due to the nature of work carried out. We are committed to providing a safe and healthy working environment for everyone, and one of the ways in which we ensure this is through educating our employees. This is done through various safety talks and initiatives focusing on various aspects of the office, factories, sites and locations to create awareness.

Safe working environments are essential elements to the performance of a company. CNI continues to equip employees with the knowledge and skills to increase workplace safety and improve productivity in the last financial year. HSSE activities that promote safety at the workplace and encourage the analysis of potential hazards related to a task before execution were regularly conducted.

In addition to these, several internal programmes were undertaken to elevate health and safety awareness and increase protection and general wellbeing of employees. These programmes include Personal Protective Equipment (PPE) and Hazard at Workplace training, Basic Occupational First Aid as well as Forklift Operation and Safety Training.

The Company takes reasonable care of the safety of its employees and we have implemented ongoing programmes to foster a safe and healthy work environment.

Such efforts include the completion of hazard identification risk assessment and risk control projects. We have also ensured that all fire extinguishers and first aid boxes are replaced/replenished accordingly. Security management meetings and security audits were also conducted on a regular basis.

We apply the same high level of safety standards to our employees. Our health and safety management systems are OHSAS 18001:2007 certified, and the health and safety committee have rolled out safety inspections and health programmes. This has contributed to having achieved two years of zero lost time injury frequency (LTIF) for the Group.

Community Relations

CNI remains a responsible corporate citizen and has actively incorporated various engagements with the community into its activities and operations via Yayasan CNI. Such activities were carried out with strong participation from employees, which in turn helps CNI to create better communication platforms with its CBOs and customers.

The Group's CSR activities revolved around creating shared values and advancing the economic and social conditions of the communities in which it operates. CNI's CSR programmes focused on the following items:

1. Inspiring Children – to provide assistance to selected children from poor families and inspiring youth below 21 years old

2. A Little Spark Program – to provide financial assistance or product sponsorship to victims of natural disasters

3. CNI Cares / We make a difference – to organise charity activities by CNI employees

As a continuation of these efforts, Yayasan CNI will maintain its primary focus of providing incentive to appreciate CBOs' children who achieve academic excellence. In FYE 2019, a total of 338 CBOs' children along with 8 employees' children were successfully awarded.

In 2019, CNI teamed up with various NGOs for the following initiatives:

- Collaborated with International Islamic University Malaysia (IIUM) by sponsoring RM25,000 worth of CNI products for the needy/students and the Naruto Run on 28 September 2019
- Joined 30-hours Famine World Vision Malaysia in July 2019 (3D2N)
- Donated 50 units of WaterLife Gen3 to selected schools
- Collaborated with JCI on Be a Buddy, Not Bully Project
- Sponsored "Berakit 50km" programme in conjunction with Universiti Sains Malaysia (USM) 50th Anniversary celebration
- Sponsored National Women Wushu Athlete, Tan Cheong Min, for winning the second gold medal for Malaysia in World Wushu Championships in Shanghai on 20 – 23 October 2019

In 2019, Yayasan CNI donated a total of RM85,000 in cash and kind to the media agencies, schools and employees for various charitable causes.

Brand Credibility & Experience

Our products are relevant and well supported by substantiated information, while the CNI sales and marketing plan and business model are clearly laid out, enabling customers and potential CBOs to make informed choices.

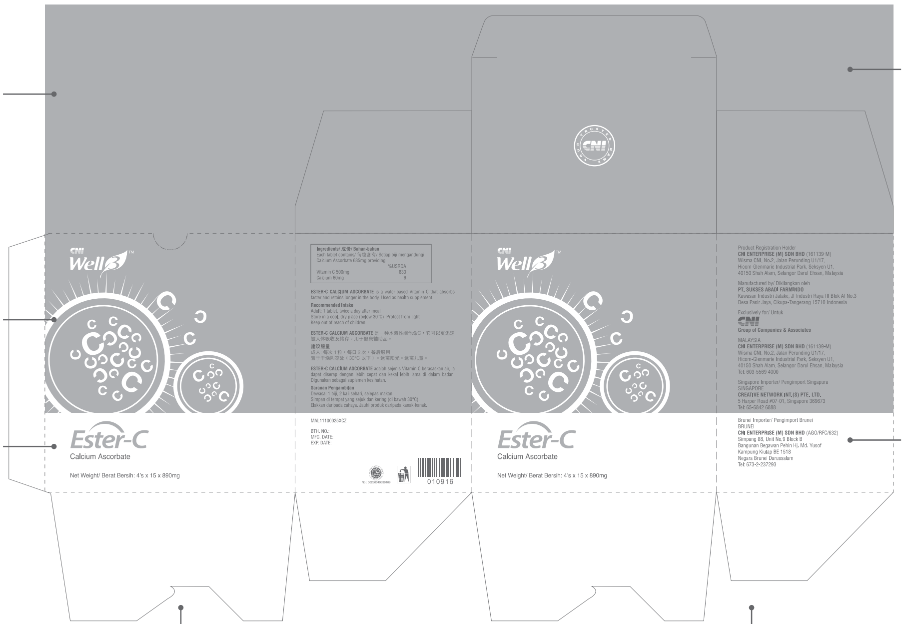
Every CNI product has a clear and comprehensive label that display its ingredients, proper application and use, as well as safety and health advisories, wherever required and applicable. In fact, our product labeling practice is one of the best in the industry with regard to product regulatory and legal compliance.

Product Labelling Regulatory & Legal Compliance

Our colour are cheerful and pleasant to establish trust and familiarity by evoking positive emotions in our customers.

Our design is clean, fresh with bold lines that merge with the best abstract forms, typography and colour scheme to accentuate the products' active ingredients.

The prime colour is white to convey subtlety while adding contrast to the vivid secondary tones of each product packaging.



100% recyclable and reusable. No glossy additional finishing for environment friendly. With just a seal of quality checked CNI security sticker.

Our product label can provide very specific information about product ranging from ingredients to country of origin, expiration dates and mandatory information that could potentially impact public health and safety according to the guidelines set by NPRA (MOH).

Our total wellbeing philosophy for all stages of life is transalted in a fresgh new design and bright colours to evoke positive emotion to help you achieve your best potential.

Our product information on the packaging is made available in 3 languages: English, Chinese and Bahasa Malaysia for the convenience of the distributors and customers.

On top of that, our manufacturing segment adheres to product quality and safety regulations such as Good Manufacturing Practice (GMP), Quality Management Systems (ISO 9001:2015), Environmental Management System (ISO 14001:2015), Occupational Health and Safety Management System (BS OHSAS 18001:2007), Food Safety Management System (Food Safety System Certification FSSC 22000, Hazard Analysis and Critical Control Point (MS1480:2007) & Good Manufacturing Practice (GMP) for Food (MS1514:2009) 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 are certified Halal and complied to the guidelines of Department of Islamic Development Malaysia (JAKIM) and the States Department of Religious Affairs (JAIN)/ Islamic Religious Affairs Councils (MAIS) Inspection Officers.

Our manufacturing segment Testing Laboratory is one of the SAMM accredited laboratory by Standard Malaysia. The lab fulfilled the requirement of MS ISO/IEC 17025 – General Requirements for the Competence of Testing and Calibration Laboratories.

Our manufacturing segment is also in compliance with the GUIDELINES FOR CONTROL OF COSMETIC PRODUCTS IN MALAYSIA and the Use and Standard of Exposure of Chemical Hazardous to Health (USECHH), 2000 Regulation.

ISO/IEC17025:2005

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 2019 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:

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; and
- 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.

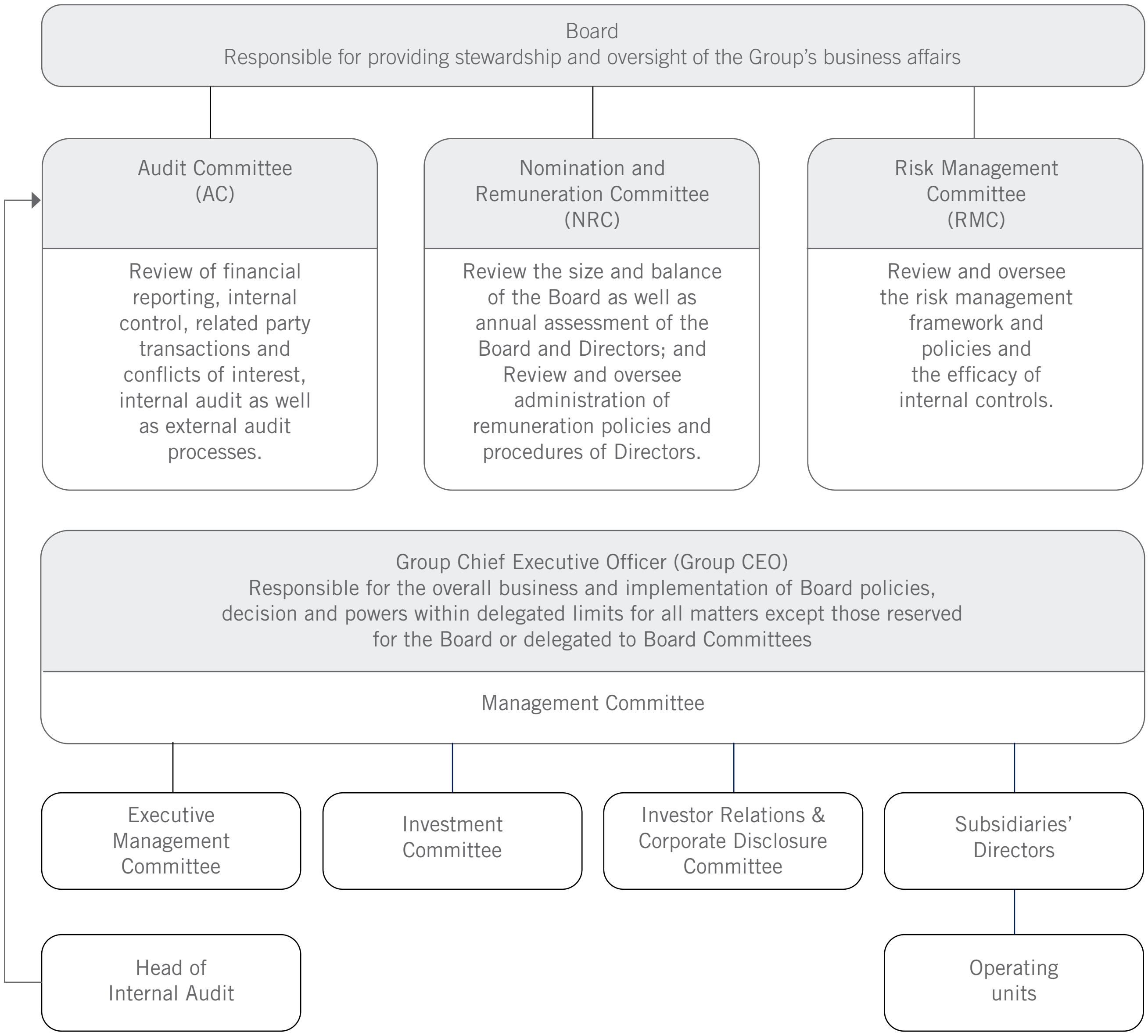
The explanation for the departures, the Company's intended actions and timeframe to address the departure are disclosed in the CG Report.

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 2019 is outlined below:

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

Board /Board Committee Chairman   Member

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, an Independent Director namely Mr. Lim Lean Eng has served the Board for more than 12 years and another Independent Director namely, Dr. Ch'ng Huck Khoon has 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 through a "two-tier" voting process as below and Dr. Ch'ng Huck Khoon to continue to act as Independent Directors.

- The first tier comprises approval of the Large Shareholder of the Company; and

- The second tier comprises approval of the shareholders other than Large Shareholder.

Notwithstanding their extended tenure, the Board has determined and satisfied 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. They challenge the Management in an effective and constructive manner, providing check and balance in Board proceedings. They actively participate in Board discussion and provided an independent voice on 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 fulfil 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 2019:

Name	Programme Title
Executive Directors	
Koh How Loon	Discover your Cyber Security Risk and into the world of White Hat Hacking Talk
	Potential of the Fintech Industry
	Bursa Malaysia Thought Leadership Series: The Convergence of Digitalization and Sustainability
	National Economic Forum
	Shared Prosperity Vision 2030 and Budget 2020
	Digital Summit 2019
	Direct Sales Transformation - New Retail Model
Chew Boon Swee	Potential of the Fintech Industry
	Shared Prosperity Vision 2030 and Budget 2020
	Direct Sales Transformation - New Retail Model

Name	Programme Title
Non-Executive Directors	
Dato' Koh Peng Chor	Potential of the Fintech Industry
	Tax Talk
	Shared Prosperity Vision 2030 and Budget 2020
	Direct Sales Transformation - New Retail Model
Yee Kee Bing	Potential of the Fintech Industry
	Shared Prosperity Vision 2030 and Budget 2020
	Direct Sales Transformation - New Retail Model
Dr Ch'ng Huck Khoon	Shared Prosperity Vision 2030 and Budget 2020
	Direct Sales Transformation - New Retail Model
Lim Lean Eng	Shared Prosperity Vision 2030 and Budget 2020
	Direct Sales Transformation - New Retail Model

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 2019 are as follows:

	Fees	Salaries (RM)	Retirement benefits (RM)	Allowances (RM)	Benefits -in-kind (RM)	Total`(RM) (RM)
			Group			
Executive Directors						
Koh How Loon	-	566,327	-	-	21,250	587,577
Chew Boon Swee	16,068	580,488	82,232	-	21,250	700,038
Non-Executive Directors						
Dato' Koh Peng Chor	204,000	-	-	9,500	10,625	224,125
Yee Kee Bing	48,000	-	-	8,500	-	56,500
Dr. Ch'ng Huck Khoon	48,000	-	-	5,500	-	53,500
Lim Lean Eng	48,000	-	-	5,500	-	53,500
Total	**364,068**	**1,146,815**	**82,232**	**29,000**	**53,125**	**1,675,240**

3. REMUNERATION (cont'd)

	Fees	Salaries (RM)	Retirement benefits (RM)	Allowances (RM)	Benefits -in-kind (RM)	Total`(RM) (RM)
			Company			
Executive Directors						
Koh How Loon	-	135,323	-	-	-	135,323
Non-Executive Directors						
Dato' Koh Peng Chor	204,000	-	-	9,500	10,625	224,125
Yee Kee Bing	48,000	-	-	8,500	-	56,500
Dr. Ch'ng Huck Khoon	48,000	-	-	5,500	-	53,500
Lim Lean Eng	48,000	-	-	5,500	-	53,500
Total	**384,000**	**135,323**	**-**	**29,000**	**10,625**	**522,948**

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	-	566,327	-	-	21,250	587,577
Chew Boon Swee	16,068	580,488	82,232	-	21,250	700,038

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

4. AUDIT COMMITTEE ("AC")

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.

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 basis. Focus areas of risks are reported and deliberated at the AC meetings.

5. RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK (cont'd)

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 functionally to the AC. 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 in 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: cnisec @cni.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 30th AGM of the Company held on 14 June 2019 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 Independent Non-Executive Directors to be appointed to the Board.

During the year 2019, the Board was satisfied that none of the Independent Non-Executive Directors had any relationships that could materially interfere with, or perceived to be materially interfere with their unfettered and independent judgement and ability to act in the best interest of the Company.

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 29 April 2020.

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 2019 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 is committed to establishing and maintaining a sound, effective and efficient system of risk management and internal control to safeguard shareholders' investment and the Group's assets. As such, continuous review of processes is undertaken by the Board to ensure adequacy and integrity of the system. The system of risk management and internal control is designed to identify and manage the Group's risk within the acceptable risk tolerance, rather than to eliminate the risk of failure in achieving the Group's corporate objective in accordance with the Group's strategy. Therefore, it can only provide reasonable assurance 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 members of RMC comprises three (3) members, two (2) of which are Independent Non-Executive Directors and one (1) is Executive Director.

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

The RMC reports to the Board of Directors of CNI Holdings Berhad. The RMC reviews the strategies risks of the Group and the inherent risks arising from business operations. RMC is assisted by RMU comprised of divisional heads and senior management. RMU is responsible for implementation of the risk management process on behalf of the RMC. RMU coordinates with the business units within the Group for risk identification and execution of appropriate risk mitigation measures.

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 the RMC meeting, RMC chairperson may invite RMU chairperson or key risk owners to attend the RMC meeting to deliberate on the key 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.

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 classified into High, Medium or Low according to the 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 the 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.

3. The Group's Executive Management Committee conducts monthly meetings with the Head of Divisions/Subsidiaries to review the business performance of the Group. Business objectives and financial performance are reviewed and monitored in the meeting. Explanation is provided for any major variances and action plan is formulated to increase likelihood of achieving the budgeted financial performance. Potential business risks and opportunities 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 CEO for review and decision-making purposes.

5. The Board reviews the Group's financial 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 OKR (Objectives and Key Results) which are aligned to the company'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 adopted a whistleblower 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 harm to the Group.

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 pages 37 to 39 of this Annual Report.

Conclusion

The Board has reviewed and received assurance from the Group CEO and Senior Manager, Corporate Finance and Treasury 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 that 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 2019 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 29 April 2020.

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 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 Member, Non-Independent Non-Executive Director	4/5

The AC held five (5) meetings in 2019 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 2019, 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 2019 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 2019.

The external auditors' non-audit service fees and the statutory audit fees are available on page 141 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 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 14 June 2019.
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 the 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 the AC. The IAD is led by the Head of Internal Audit, which report to the 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.

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 2019 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 the 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 the AC, Executive Directors and 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.

The total costs incurred for the IA function for the financial year ended 31 December 2019 was RM215,724 (2018: RM222,484). 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 an 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

The Directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2019.

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 13 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
(Loss)/Profit for the financial year attributable to:		
Owners of the Company	(5,132,232)	(4,865,709)
Non-controlling interests	15,181	-
	(5,117,051)	(4,865,709)

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 100,000 of its issued ordinary shares from the open market at an average price of RM0.075 per ordinary share. The total consideration paid for the shares repurchased including transaction costs was RM7,555. 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 2019, the Company held a total of 7,357,100 ordinary shares of its 720,000,000 issued ordinary shares as treasury shares. Such treasury shares are held at a carrying amount of RM1,725,523. Further details are disclosed in Note 23 to the financial statements.

DIVIDENDS

As proposed and disclosed in the last year's report, 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 was paid on 12 April 2019.

The Directors do not recommend any dividend in respect of the current financial year.

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

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 1.1.2019 Unit	**Bought Unit**	**Sold Unit**	**At 31.12.2019 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' INTERESTS (cont'd)

	Number of Ordinary Shares			
	At 1.1.2019 Unit	Bought Unit	Sold Unit	At 31.12.2019 Unit
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	Subsidaries RM
Salaries and other emoluments	149,000	901,200
Fees	348,000	16,068
Contributions to defined contribution plan and social security	15,323	110,292
Retirement benefit expense	-	82,232
Benefit in kind	10,625	42,500
	522,948	1,152,292

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 value as shown in the accounting records of the Group and of the Company have been written down to an amount which they might be expected so to realise.

(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 RMRM187,900.

(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 2019 was RM14,108.

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

ULTIMATE HOLDING COMPANY

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

SUBSEQUENT EVENT

The details of subsequent event have been disclosed in Note 37 to the financial statements.

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 4 May 2020.

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 139 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 2019 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 4 May 2020.

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 139 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 4 May 2020

FOONG LAI KWAN

Before me,

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
CNI HOLDINGS BERHAD
Company No.: 198901004452 (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 2019 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 139.

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 2019, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our 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 matter that, in our professional judgement, were of the most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

We have determined that there is no key audit matters to communicate in our report.

Information Other than the Financial Statements and Auditors' Report Thereon

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

Our opinion on the financial statements of the Group and of the Company does not cover the 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
CNI HOLDINGS BERHAD (cont'd)
Company No.: 198901004452 (181758-A)
(Incorporated in Malaysia)

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.

(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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
CNI HOLDINGS BERHAD (cont'd)
Company No.: 198901004452 (181758-A)
(Incorporated in Malaysia)

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

(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.

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 13 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
201304000972 (LLP0000963-LCA)
Chartered Accountants (AF002096)

TAN KEI HUI
03429/04/2021 J
Chartered Accountant

Petaling Jaya, Selangor
Date: 4 May 2020

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

		Group		Company	
		2019	2018	2019	2018
	Note	RM	RM	RM	RM
Revenue	4	66,738,177	86,147,502	1,543,094	3,082,304
Direct operating costs	5	(33,055,245)	(40,968,091)	(3,764)	(5,336)
Gross profit		33,682,932	45,179,411	1,539,330	3,076,968
Other income		3,057,804	4,712,993	953,214	611,455
Distribution costs		(25,748,778)	(28,904,442)	-	-
Administrative costs		(12,011,670)	(15,715,313)	(2,440,667)	(2,843,700)
Other expenses		(2,829,932)	(1,519,450)	(4,910,446)	(347,835)
(Loss)/Profit from operations		(3,849,644)	3,753,199	(4,858,569)	496,888
Finance costs		(144,802)	(68,594)	(7,140)	(7,735)
share of results of an associate, before tax		(507,660)	(169,951)	-	-
(Loss)/Profit before tax	6	(4,502,106)	3,514,654	(4,865,709)	489,153
Tax expense	7	(614,945)	(2,536,804)	-	-
(Loss)/Profit net of tax, for the financial year		(5,117,051)	977,850	(4,865,709)	489,153
Other comprehensive income, net of tax					
Foreign currency translation difference for foreign operations		(37,572)	(50,390)	-	-
Defined benefit plan actuarial gain/(loss)		7,567	55,875	-	(500)
Share of other comprehensive to result of an associate		(25,621)	21,330	-	-
Total other comprehensive income for the year		(55,626)	26,815	-	(500)
Total comprehensive income for the year		(5,172,677)	1,004,665	(4,865,709)	488,653

	Note	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
(Loss)/Profit for the year attributable to:					
Owners of the Company		(5,132,232)	604,757	(4,865,709)	489,153
Non-controlling interests		15,181	373,093	-	-
		(5,117,051)	977,850	(4,865,709)	489,153
Total comprehensive income attributable to:					
Owners of the Company		(5,171,890)	636,358	(4,865,709)	488,653
Non-controlling interests		(787)	368,307	-	-
		(5,172,677)	1,004,665	(4,865,709)	488,653
Basic (loss)/earning per ordinary share (sen)	8	(0.72)	0.08		

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 2019

		Group		Company	
		2019	2018	2019	2018
	Note	RM	RM	RM	RM
ASSETS					
Non-current assets					
Property, plant and equipment	9	35,384,706	34,290,242	407,518	478,093
Investment properties	10	2,549,550	2,549,550	1,980,000	1,980,000
Intangible assets	11	772,888	629,599	7,019	7,713
Other investments	12	500,001	500,001	1	1
Investment in subsidiaries	13	-	-	80,421,374	80,421,374
Investment in an associate	14	-	1,930,969	-	4,866,282
Deferred tax assets	15	873,195	1,104,149	-	-
Goodwill on consolidation	16	-	-	-	-
		40,080,340	41,004,510	82,815,912	87,753,463
Current assets					
Intangible assets	11	-	380,228	-	380,228
Inventories	17	14,174,696	14,139,819	-	-
Trade receivables	18	11,258,089	13,492,702	-	-
Other receivables	19	2,625,997	2,516,166	3,916,207	3,965,872
Tax recoverable		64,486	10,984	-	-
Investment in preference shares	20	3,500,000	3,500,000	-	-
Cash and cash equivalents	21	15,787,911	21,155,065	2,936,124	3,692,039
		47,411,179	55,194,964	6,852,331	8,038,139
Total assets		87,491,519	96,199,474	89,668,243	95,791,602

	Note	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
EQUITY AND LIABILITIES					
EQUITY					
Share capital	22	72,000,000	72,000,000	72,000,000	72,000,000
Treasury shares	23	(1,725,523)	(1,717,968)	(1,725,523)	(1,717,968)
Translation reserve	24	(128,326)	(81,101)	-	-
Legal capital reserve	25	178,989	93,305	-	-
(Accumulated loss)/ Retained earnings		(1,910,077)	3,300,272	18,197,090	23,062,799
Equity attributable to Owners of the Company		68,415,063	73,594,508	88,471,567	93,344,831
Non-controlling interests		1,545,691	1,688,817	-	-
Total equity		69,960,754	75,283,325	88,471,567	93,344,831
LIABILITIES					
Non-current liabilities					
Finance lease liabilities	26	-	580,995	-	8,339
Lease liabilities	27	1,311,850	-	-	-
Retirement benefits	28	1,943,566	1,868,901	-	-
Deferred tax liabilities	15	444,973	944,973	-	-
		3,700,389	3,394,869	-	8,339
Current liabilities					
Finance lease liabilities	26	-	574,727	-	100,545
Lease liabilities	27	1,186,720	-	15,548	-
Trade payables	29	4,236,988	3,934,951	-	-
Other payables	30	8,348,646	10,139,173	1,181,128	199,958
Tax payable		58,022	734,500	-	-
Dividend payable	31	-	2,137,929	-	2,137,929
		13,830,376	17,521,280	1,196,676	2,438,432
Total liabilities		17,530,765	20,916,149	1,196,676	2,446,771
Total equity and liabilities		87,491,519	96,199,474	89,668,243	95,791,602

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 2019

		Attributable to owners of the Company							
		Non-distributable				Distributable			
2019	Note	Share Capital RM	Legal Capital Reserve RM	Translation Reserve RM	Treasury Shares RM	Retained Earnings/ (Accumulated loss) RM	Total RM	Non-Controlling Interests RM	Total Equity RM
Group									
At 1 January 2019		72,000,000	93,305	(81,101)	(1,717,968)	3,300,272	73,594,508	1,688,817	75,283,325
Foreign currency translation difference for foreign operations		-	-	(21,604)	-	-	(21,604)	(15,968)	(37,572)
Defined benefit plan actuarial gain	28	-	-	-	-	7,567	7,567	-	7,567
Share of other comprehensive result of an associate		-	-	(25,621)	-	-	(25,621)	-	(25,621)
Total other comprehensive income for the financial year		-	-	(47,225)	-	7,567	(39,658)	(15,968)	(55,626)
(Loss)/Profit net of tax		-	-	-	-	(5,132,232)	(5,132,232)	15,181	(5,117,051)
Total comprehensive income for the financial year		-	-	(47,225)	-	(5,124,665)	(5,171,890)	(787)	(5,172,677)
Reservation of legal capital reserve	25	-	85,684	-	-	(85,684)	-	-	-
Shares repurchased		-	-	-	(7,555)	-	(7,555)	-	(7,555)
Dividend paid to non-controlling interest	31	-	-	-	-	-	-	(142,339)	(142,339)
Total transactions with Owners of the Company		-	85,684	-	(7,555)	(85,684)	(7,555)	(142,339)	(149,894)
At 31 December 2019		72,000,000	178,989	(128,326)	(1,725,523)	(1,910,077)	68,415,063	1,545,691	69,960,754

2018	Note	Share Capital RM	Legal Capital Reserve RM	Translation Reserve RM	Treasury Shares RM	Distributable Retained Earnings RM	Total RM	Non-Controlling Interests RM	Total Equity RM
		Attributable to owners of the Company							
		Non-distributable							
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	28	-	-	-	-	55,875	55,875	-	55,875
Share of other comprehensive result 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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	Non-distributable Share Capital RM	Treasury Shares RM	Distributable Retained Earnings RM	Total Equity RM
Company					
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	28	-	-	(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
At 1 January 2019		72,000,000	(1,717,968)	23,062,799	93,344,831
Loss net of tax, representing total comprehensive income for the financial year		-	-	(4,865,709)	(4,865,709)
Shares repurchased, representing total transactions with Owners of the Company		-	(7,555)	-	(7,555)
At 31 December 2019		72,000,000	(1,725,523)	18,197,090	88,471,567

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 2019

		Group		Company	
	Note	2019 RM	2018 RM	2019 RM	2018 RM
Cash Flows from Operating Activities					
(Loss)/Profit before tax		(4,502,106)	3,514,654	(4,865,709)	489,153
Adjustments for:					
Amortisation of intangible assets		127,277	516,362	694	2,158
Bad debts written off/(recovered)		31,149	131,781	2,302	(2,469)
Depreciation of property, plant and equipment		1,945,749	2,408,851	73,584	74,450
Dividend income:					
- Preference Shares	20	(630,000)	(840,000)	-	-
- Subsidiaries		-	-	-	(1,500,000)
Fair value gain on investment properties		-	(180,000)	-	(180,000)
(Gain)/Loss on disposal of intangible assets		(228,994)	6,120	(228,994)	-
Gain on disposal of property, plant and equipment		(2,911)	(6,824)	-	-
Loss on disposal of a subsidiary	13	-	690,176	-	-
Impairment loss on:					
- Other receivables		168,877	-	-	-
- Trade receivables		481,851	236,977	-	-
- Amount owing by subsidiaries		-	-	316	91,833
- Intangible assets		-	228,994	-	228,994
- Investment in an associate		1,393,609	-	4,866,282	-
Intangible assets written off		1	243,314	-	-
Interest expense		144,802	68,594	7,140	7,735
Interest income					
- Short term fund and fixed deposits placed with licensed banks		(659,241)	(600,817)	(345,517)	(160,190)
- Amount owing by a subsidiary		-	-	(119,928)	(134,765)
Inventories written off		105,465	237,289	-	-
Inventories written down		250,704	11,661	-	-
Property, plant and equipment written off		83,661	195,223	11	1,386
Retirement benefit expense		82,232	140,157	-	59,015
Reversal of impairment loss on trade receivables		-	(157,634)	-	-
Share of results of an associate		507,660	169,951	-	-
Unrealised (gain)/loss on foreign exchange		(16,170)	(98,701)	(8,442)	9,552
Waiver of debt on amount due to a subsidiary		-	-	(116,857)	-
Operating (loss)/profit before changes in working capital, balance carried down		(716,385)	6,916,128	(735,118)	(1,013,148)

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

		Group		Company	
	Note	2019 RM	2018 RM	2019 RM	2018 RM
Operating (loss)/profit before changes in working capital, balance brought forward		(716,385)	6,916,128	(735,118)	(1,013,148)
Changes in working capital:					
Inventories		(379,914)	(454,306)	-	-
Receivables		1,473,974	2,459,914	31,315	883,936
Payables		(1,555,940)	(3,368,846)	(62,082)	1,566
Net cash flow (used in)/generated from operating activities		(1,178,265)	5,552,890	(765,885)	(127,646)
Dividend received		630,000	840,000	-	1,500,000
Interest received		659,241	600,817	465,445	294,955
Interest paid		(144,802)	(68,594)	(7,140)	(7,735)
Tax refund		33,583	47,252	-	28,496
Tax paid		(1,643,444)	(1,551,093)	-	-
Net cash (used in)/from operating activities		(1,643,687)	5,421,272	(307,580)	1,688,070
Cash Flows from Investing Activities					
Acquisition of other investment		-	(500,000)	-	-
Proceeds from disposal of intangible assets		609,222	141	609,222	-
Proceeds from disposal of property, plant and equipment		3,099	26,932	-	-
Purchase of intangible assets		(269,862)	(712,327)	-	(609,222)
Purchase of property, plant and equipment		(1,115,365)	(2,020,969)	(3,020)	(14,273)
Net cash outflow of disposal of a subsidiary	13	-	(2,223)	-	-
Net cash (used in)/from investing activities		(772,906)	(3,208,446)	606,202	(623,495)

	Note	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
Cash Flows from Financing Activities					
Additional investment in a subsidiary		-	-	-	(500,000)
Advances from subsidiaries		-	-	1,184,283	-
Payment of retirement benefit expense		-	(2,326,530)	-	(2,326,530)
Purchase of treasury shares		(7,555)	(19,143)	(7,555)	(19,143)
Repayment of lease liabilities	(i) (ii)	(659,144)	(558,383)	(93,336)	(92,741)
Dividend paid		(2,137,929)	-	(2,137,929)	-
Dividend paid to non-controlling interest	31	(142,339)	(161,352)	-	-
Net cash used in financing activities		(2,946,967)	(3,065,408)	(1,054,537)	(2,938,414)
Net decrease in cash and cash equivalents		(5,363,560)	(852,582)	(755,915)	(1,873,839)
Cash and cash equivalents at beginning of the financial year		21,155,065	21,996,314	3,692,039	5,565,878
Effect of exchange rate changes on cash and cash equivalents held		(3,594)	11,333	-	-
Cash and cash equivalents at end of the financial year	21	15,787,911	21,155,065	2,936,124	3,692,039

(i) Cash outflow for leases as a lessee are as follows:

	2019 Group RM	2019 Company RM
Included in net cash (used in)/from operating activities:		
Interest paid in relation to lease liabilities	144,802	7,140
Payment relating to lease:		
- Lease of low value of asset	197,418	-
- Short term lease rental	1,574,292	177,776
Included in net cash used in financing activities:		
Payment for the principal portion of lease liabilities	659,144	93,336
	2,575,656	278,252

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

	Group		Company	
	2019	2018	2019	2018
	RM	RM	RM	RM
Lease liabilities/finance lease liabilities				
At beginning of financial year	1,155,722	1,314,105	108,884	201,625
Effect on adoption of MFRS 16	967,646	-	-	-
At beginning of financial year, restated	2,123,368	1,314,105	108,884	201,625
Repayment during the financial year	(659,144)	(558,383)	(93,336)	(92,741)
Drawdown during the financial year	1,034,346	400,000	-	-
At end of the financial year	2,498,570	1,155,722	15,548	108,884

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

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 13. 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 4 May 2020.

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:

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 Interpretation 23	Uncertainty over Income Tax Treatments

Annual Improvements to MFRSs 2015 - 2017 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 except for the adoption of MFRS 16 "Leases".

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)

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

MFRS 16 "Leases"

MFRS 16 replaces the guidance in MFRS 117 "Leases", IC Interpretation 4 "Determining whether an Arrangement contains a Lease", IC Interpretation 115 "Operating Leases – Incentives" and IC Interpretation 127 "Evaluating the Substance of Transactions Involving the Legal Form of a Lease". MFRS 16 introduces a single, on-balance sheet lease accounting model for lessees.

For lessee, MFRS 16 requires the recognition of a right-of-use ("ROU") asset representing its right to use the underlying asset and a lease liability representing its obligations to make lease payments. ROU asset is depreciated throughout the lease period in accordance with the depreciation requirements of MFRS 116 "Property, Plant and Equipment" whereas lease liability is accreted to reflect interest and is reduced to reflect lease payments made. Lease that were classified as finance leases under MFRS 117, the carrying amount of the ROU asset and lease liability at the date of initial application shall be the carrying amount of the lease asset and lease liability immediately before the date of initial application.

For lessors, MFRS 16 retains most of the requirements in MFRS 117. Lessors continue to classify all leases as either operating leases or finance leases and account for them differently.

The modified retrospective transition approach measures the lease liabilities based on the present value of future lease payments calculated using incremental borrowing rate at date of transition. Lease payments would be split into principal and interest payments, using the effective interest method. The modified retrospective approach requires the impact of the adoption to be included in the opening retained earnings on 1 January 2019. As such, comparative information was not restated and continues to be reported under MFRS 117 and related interpretations.

The Group and the Company have applied the following practical expedients under MFRS 16:

- No adjustments are made on transition for leases for which the underlying assets are of low value; and
- The Group and the Company do not apply the standard to leases which lease terms end within 12 months.
- Applying a single discount rate of 6.83% to a portfolio of leases with reasonably similar characteristic.

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)

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

MFRS 16 “Leases” (cont’d)

The adoption of MFRS 16 required the Group and the Company to make judgement on the discount rates used on transition to discount future lease payments (i.e. the Group’s and the Company’s incremental borrowing rates). These rates have been calculated to reflect the underlying lease terms and observable inputs. The risk-free rate component has been based on Base Lending rate over the same term as the lease and has been adjusted for credit risk.

The following table explains the difference between operating lease commitments disclosed applying MFRS 117 at 31 December 2018, and lease liabilities recognised in the statements of financial position at 1 January 2019:

	Total RM
Group	
Operating lease commitments as disclosed at 31 December 2018	1,397,888
Effect from discounting at the incremental borrowing rate of 6.83%	(21,911)
Add:	
Transfer from finance lease obligations upon initial application of MFRS 16	1,155,722
Less:	
Short-term lease rental	(408,331)
Lease liabilities recognised as at 1 January 2019	2,123,368

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)

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

MFRS 16 "Leases" (cont'd)

The effect arising from initial application of MFRS 16 on the statements of financial position of the Group and the Company as at 1 January 2019 as per below:

	Previously reported RM	Effect on adoption of MFRS 16 RM	Restated RM
Group			
Non-current asset			
Property, plant and equipment	34,290,242	967,646	35,257,888
Non-current liabilities			
Finance lease liabilities	580,995	(580,995)	-
Lease liabilities	-	1,548,641	1,548,641
	580,995	967,646	1,548,641
Current liabilities			
Finance lease liabilities	574,727	(574,727)	-
Lease liabilities	-	574,727	574,727
	574,727	-	574,727
	1,155,722	967,646	2,123,368
Company			
Non-current liabilities			
Finance lease liabilities	8,339	(8,339)	-
Lease liabilities	-	8,339	8,339
	8,339	-	8,339
Current liabilities			
Finance lease liabilities	100,545	(100,545)	-
Lease liabilities	-	100,545	100,545
	100,545	-	100,545
	108,884	-	108,884

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 2020

Amendments to MFRSs

Amendments to MFRS 9 and MFRS 7	Interest Rate Benchmark Reform
Amendments to MFRS 3	Business Combinations
Amendments to MFRS 101 and MFRS 108	Definition of Material

Amendments to References to the Conceptual Framework in MFRS Standards

Amendments to MFRS 2	Share-based Payment
Amendments to MFRS 6	Exploration for and Evaluation of Mineral Resources
Amendments to MFRS 14	Regulatory Deferral Accounts
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 for financial periods beginning on or after 1 January 2022

Amendments to MFRS 101	Classification of Liabilities as Current or Non-Current

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.

(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.

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) 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.

(b) 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.

2. BASIS OF PREPARATION (cont'd)

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

(c) 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.

(d) 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 28.

(e) 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.

(f) 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.

(g) 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 and the Company have 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;

2. BASIS OF PREPARATION (cont'd)

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

(g) Accounting treatment on digital currencies (cont'd)

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

(iv) it has no physical form.

The Group and the Company have concluded MFRS 138 Intangible Assets is the most reflective accounting standards in treating digital currencies 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.

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 Company.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(a) Basis of consolidation (cont'd)

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.

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).

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(a) Basis of consolidation (cont'd)

Subsidiaries (cont'd)

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

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.

When the Group's interest in an associate decrease but does not result in a loss of significant influence, any retained interest is not re-measured. Any gain or loss arising from the decrease in interest is recognised in profit or loss. Any gains or losses previously recognised in other comprehensive income are also reclassified proportionately to 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.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(a) Basis of consolidation (cont'd)

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
- 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.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

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 do 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 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.

<u>Interest income</u>

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

<u>Management fees</u>

Management fees are recognised when services are rendered.

Subscription revenue is recognised when payment for annual renewal fee received and new membership received.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(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 of the Company. Short term accumulating compensated absences such as paid annual leave is 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 be 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.

(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.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(e) Borrowing costs (cont'd)

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

Current financial year

The Group and the Company recognise a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or site on which it is located, less any lease incentives received.

3. **SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

(g) **Leases (cont'd)**

Current financial year (cont'd)

The right-of-use asset is subsequently depreciated using the straight-line or systematic basis from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of the right-of-use assets are determined on the same basis as those of property, plant and equipment.

The estimated useful lives of the right-of-use assets are determined on the same basis as those of property, plant and equipment except for the lease of premises as disclosed in Note 9 which are depreciated over the lease term period of 2 years.

If right-of-use assets relate to a class of property, plant and equipment to which the lessee applies the revaluation model in MFRS 116, a lessee may elect to apply that revaluation model to all of the right-of-use assets that relate to that class of property, plant and equipment.

The right-of-use assets are presented as part of property, plant and equipment and investment properties in the statements of financial position.

In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurement of the lease liability except for investment properties which accounted using fair value model under Note 3(k).

The lease liability is initially measured at the present value of future lease payments at the commencement date, discounted using the Group’s and the Company’s incremental borrowing rates. Lease payments included in the measurement of the lease liability include fixed payments, any variable lease payments, amount expected to be payable under a residual value guarantee, and exercise price under an extension option that the Group and the Company is reasonably certain to exercise.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in rate, or if the Group and the Company change its assessment of whether it will exercise an extension or termination option.

Lease payments associated with short term leases and leases of low value assets are recognised on a straight-line basis as an expense in profit or loss. Short term leases are leases with a lease term of 12 months or less.

Previous financial year

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.

(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.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(g) Leases (cont'd)

Previous financial year (cont'd)

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

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

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.

(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 their costs 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.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

(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 financial statements 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 or intangible assets.

(k) Investment properties

Investment properties are properties which are owned or held under a leasehold interest to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment properties are measured initially at its cost. Cost includes expenditure that is directly attributable to the acquisition of the investment properties. The cost of self-constructed investment properties includes the cost of materials and direct labour, any other cost directly attributable to bringing the investment properties to a working condition for their intended use.

Investment properties are subsequently measured at fair value with any change therein recognised in profit or loss for the period in which they arise.

Fair value gain or loss arising from the reclassification from property, plant and equipment to investment property is recognised in profit or loss.

The investment properties are derecognised on its disposal, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal. The difference between the net disposal proceeds and the carrying amount is recognised in profit or loss in the period in which the items in derecognised.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(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.

(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.

3. **SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

(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**

(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.

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.

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

The Group and the Company categorise financial instruments as follows:

Financial assets

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

(a) **Amortised cost**

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

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 assets (cont'd)

(b) Fair value through profit or loss (cont'd)

Financial assets that are equity instruments comprise mainly of investments in equity securities. Subsequent to initial recognition, all equity investments are measured at fair value. Changes in the fair value through profit or loss equity investments are recognised in profit and 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).

Financial liabilities

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.

(iii) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statements 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) 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.

(v) Derecognition

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or 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.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(o) Financial instruments (cont'd)

(v) Derecognition (cont'd)

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

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

(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

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

3. **SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

(p) **Impairment (cont'd)**

(i) Financial assets (cont'd)

General approach- other financial instruments (cont'd)

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 from the date of invoice past due after observation period

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

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 from the date of invoice past due after observation period)

- 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.

(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.

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. 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.

(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.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(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 a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When measuring the fair value of an asset or a liability, the Group 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.

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

	Note	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
Manufacturing, marketing and trading of goods	(i)	65,900,193	85,222,757	-	-
Sales of food and beverage	(ii)	717,984	804,745	-	-
Management fees	(iii)	-	-	1,423,094	1,462,304
Rental income from investment properties	(iv)	120,000	120,000	120,000	120,000
Dividend income	(v)	-	-	-	1,500,000
		66,738,177	86,147,502	1,543,094	3,082,304

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

(i) Manufacturing, marketing and trading of goods

The Group is principally engaged in manufacturing and marketing of health personal care products, food ingredients, coffee and other related beverage products to local and overseas customers. Geographical locations of the customers are mainly from Malaysia, Brunei, Singapore, Taiwan and China.

Performance obligation ("PO")

POs includes 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 fees

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

(iv) Rental income from investment properties

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

(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	
	2019 RM	2018 RM	2019 RM	2018 RM
Cost of goods sold	31,943,073	39,769,422	-	-
Cost of food and beverages sold	1,117,408	1,193,333	-	-
Operating expenses of income generated from investment properties	3,764	5,336	3,764	5,336
	33,055,245	40,968,091	3,764	5,336

6. (LOSS)/PROFIT BEFORE TAX

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

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Amortisation of intangible assets	127,277	516,362	694	2,158
Auditors' remuneration:				
- Statutory audits				
- Current year	187,900	147,530	16,000	16,000
- Other services	5,000	5,000	5,000	5,000
- (Over)/Underprovision in prior year	(7,082)	5,000	(7,082)	5,000
Bad debts written off/(recovered)	31,149	131,781	2,302	(2,469)
Depreciation of property, plant and equipment	1,945,749	2,408,851	73,584	74,450
Dividend income from:				
- Preference Shares (Note 20)	(630,000)	(840,000)	-	-
- Subsidiaries	-	-	-	(1,500,000)

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

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

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Employees benefit expenses [Note 6(a)]	21,040,855	22,616,509	1,604,547	2,000,061
Fair value gain on investment properties	-	(180,000)	-	(180,000)
Gain on disposal of property, plant and equipment	(2,911)	(6,824)	-	-
(Gain)/loss on disposal of intangible assets	(228,994)	6,120	(228,994)	-
Loss on disposal of a subsidiary	-	690,176	-	-
Loss/(Gain) on foreign exchange:				
- Realised	31,367	(125,131)	-	(12,140)
- Unrealised	(16,170)	(98,701)	(8,442)	9,552
Impairment loss on:				
- Trade receivables	481,851	236,977	-	-
- Other receivables	168,877	-	-	-
- Amounts owing by subsidiaries	-	-	316	91,833
- Intangible assets	-	228,994	-	228,994
- Investment in an associate	1,393,609	-	4,866,282	-
Intangible assets written off	1	243,314	-	-
Interest expense on lease liabilities	144,802	68,594	7,140	7,735
Interest income				
- Short term fund and deposits placed with licensed banks	(659,241)	(600,817)	(345,517)	(160,190)
- Amount owing by a subsidiary	-	-	(119,928)	(134,765)
Inventories written off	105,465	237,289	-	-
Inventories written down	250,704	11,661	-	-
Property, plant and equipment written off	83,661	195,223	11	1,386
Rental income	(518,725)	(606,406)	(100,476)	(58,611)
Rental of premises	-	1,255,380	-	177,360
Rental of equipment	-	9,091	-	-
Retirement benefit expense	82,232	140,157	-	59,015
Reversal of impairment loss on trade receivables	-	(157,634)	-	-
Right-of-use of asset:				
- Lease of low value of asset	197,418	-	-	-
- Short term lease rental	1,574,292	-	177,776	-
Waiver of debt on amount due to a subsidiary	-	-	(116,857)	-

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

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

(a) Employees benefit expenses comprise:

	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
Staff costs				
Salaries, wages, allowances, overtime and benefits	15,600,895	17,091,725	973,020	861,784
Contributions to defined contribution plan and social security	1,945,974	1,716,478	119,204	107,247
	17,546,869	18,808,203	1,092,224	969,031
Executive Directors				
Fees	164,340	220,013	-	-
Salaries and other emoluments	2,557,366	2,709,841	120,000	496,500
Contributions to defined contribution plan and social security	313,048	323,295	15,323	60,515
Retirement benefit expense	82,232	140,157	-	59,015
	3,116,986	3,393,306	135,323	616,030
Non-executive Directors				
Fees	348,000	384,000	348,000	384,000
Other emoluments	29,000	31,000	29,000	31,000
	377,000	415,000	377,000	415,000
Total Directors' remuneration	3,493,986	3,808,306	512,323	1,031,030
Total employees benefit expenses	21,040,855	22,616,509	1,604,547	2,000,061

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 RM86,584 (2018: RM85,053) and RM10,625 (2018: RM35,477) respectively.

7. TAX EXPENSE

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Current income tax:				
Current year	621,664	1,540,329	-	-
Underprovision in prior financial year	258,217	706,731	-	-
	879,881	2,247,060	-	-
Deferred tax (Note 15):				
(Reversal)/Origination of temporary differences	(242,635)	149,192	-	-
(Over)/Underprovision in prior financial year	(26,380)	134,555	-	-
	(269,015)	283,747	-	
Share of tax of equity accounted of an associate	4,079	5,997	-	-
	614,945	2,536,804	-	-

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 prevailingin 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	
	2019 RM	2018 RM	2019 RM	2018 RM
(Loss)/Profit before tax	(4,502,106)	3,514,654	(4,865,709)	489,153
Tax at the Malaysian statutory income tax rate of 24%	(1,080,505)	843,517	(1,167,770)	117,397
Effect of different tax rates in other countries	(2,434)	(4,910)	-	-
Tax effect arising from:	-		-	
- Non-deductible expenses	1,068,947	850,954	1,294,263	207,060
- Double deduction expenses	(68,920)	(128,140)	-	-
- Income not subject to tax	(493,601)	(247,070)	(166,665)	(477,495)
Deferred tax assets not recognised	955,542	377,476	40,172	153,038
Losses surrendered under group relief	-	(2,306)	-	-
Under/(Over)provision in prior financial year:				
- Income tax	258,217	706,731	-	-
- Deferred tax	(26,380)	134,555	-	-
Share of an associate's tax	4,079	5,997	-	-
	614,945	2,536,804	-	-

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	
		Restated		Restated
	2019 RM	2018 RM	2019 RM	2018 RM
Unutilised tax losses	21,891,526	18,448,208	8,487,072	8,283,613
Unabsorbed capital allowances	2,638,095	1,951,437	145,354	127,825
Unutilised reinvestment allowances	43,323	43,323	-	-
	24,572,944	20,442,968	8,632,426	8,411,438

The comparative figures have been restated to reflect the actual tax losses, capital allowances and reinvestment allowances carried forward available to the Group and the Company.

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

Announcement of Malaysia 2019 Budget Highlight

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

8. BASIC (LOSS)/EARNINGS PER ORDINARY SHARE

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

	Group	
	2019 RM	2018 RM
(Loss)/Profit after tax attributable to the Owners of the Company	(5,132,232)	604,757
Weighted average number of ordinary shares for basic (loss)/earnings per share (adjusted for treasury shares) (units)	712,658,517	712,825,366
Basic (loss)/earnings per ordinary share (sen)	(0.72)	0.08

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

9. PROPERTY, PLANT AND EQUIPMENT

2019	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	Lease of premises RM	Total RM
Group								
Cost								
At 1 January 2019, previously stated	4,621,097	35,687,193	25,036,309	3,916,769	15,140,350	2,438,241	-	86,839,959
Effect on adoption of MFRS 16	-	-	-	-	-	-	967,646	967,646
At 1 January 2019, restated	4,621,097	35,687,193	25,036,309	3,916,769	15,140,350	2,438,241	967,646	87,807,605
Additions (Note ii)	-	8,500	895,206	149,604	310,211	786,190	-	2,149,711
Disposals	-	-	(37,000)	-	(900)	-	-	(37,900)
Written off	-	-	(2,412)	-	(368,521)	-	-	(370,933)
Exchange differences	-	7,575	7,111	-	4,031	-	-	18,717
At 31 December 2019	4,621,097	35,703,268	25,899,214	4,066,373	15,085,171	3,224,431	967,646	89,567,200

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

2019	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	Lease of premises RM	Total RM
Group (cont'd)								
Accumulated depreciation								
At 1 January 2019	-	13,798,887	22,824,378	2,411,847	13,053,405	-	-	52,088,517
Charge for the financial year	-	819,370	341,211	244,725	265,042	-	275,401	1,945,749
Disposals	-		(36,999)	-	(713)	-	-	(37,712)
Written off	-	-	(2,411)	-	(284,861)	-	-	(287,272)
Exchange differences	-	5,045	4,222	-	2,675	-	-	11,942
At 31 December 2019	-	14,623,302	23,130,401	2,656,572	13,035,548	-	275,401	53,721,224
Accumulated impairment loss								
At 1 January 2019	-	-	-	-	69,422	391,778	-	461,200
Exchange differences	-	-	-	-	70	-	-	70
At 31 December 2019	-	-	-	-	69,492	391,778	-	461,270
Net carrying amount								
At 31 December 2019	4,621,097	21,079,966	2,768,813	1,409,801	1,980,131	2,832,653	692,245	35,384,706

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

2018	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 (Note 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

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

2018	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 (cont'd)							
Accumulated impairment loss							
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)

	Motor Vehicles RM	Office Equipment, Furniture & Fittings RM	Computer Hardware RM	Total RM
2019				
Company				
Cost				
At 1 January 2019	690,901	7,400	75,547	773,848
Additions	-	-	3,020	3,020
Written off	-	-	(7,160)	(7,160)
At 31 December 2019	690,901	7,400	71,407	769,708
Accumulated depreciation				
At 1 January 2019	239,005	2,560	54,190	295,755
Charge for the financial year	69,090	560	3,934	73,584
Written off	-	-	(7,149)	(7,149)
At 31 December 2019	308,095	3,120	50,975	362,190
Net carrying amount				
At 31 December 2019	382,806	4,280	20,432	407,518
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

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 as at 31 December 2018 were RM1,915,188 and RM240,427 respectively.

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

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Cash	1,115,365	2,020,969	3,020	14,273
Finance through lease arrangements	1,034,346	400,000	-	-
	2,149,711	2,420,969	3,020	14,273

(iii) The net carrying amount of right-of-use of assets recognised by the Group and theCompany are as follows:

	2019	
	Group RM	Company RM
Plant & machinery & laboratory equipment	1,189,083	-
Motor vehicles	1,209,469	210,987
Capital work-in-progress	389,000	-
Lease of premises	692,245	-
	3,479,797	210,987

The depreciation on right of use assets recognised by the Group and the Company for the financial year ended 31 December 2019 is RM560,501 and RM29,440 respectively.

Lease of premises is depreciated over the lease term period of 2 years.

(iv) Included in the capital work-in-progress is an amount of RM1 (2018: RM1) at carrying amount and RM391,779 (2018: 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			
2019			
At fair value			
At 1 January/31 December 2019	1,980,000	569,550	2,549,550
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

	Leasehold Land and Building RM
Company	
2019	
At fair value	
At 1 January/31 December 2019	1,980,000
2018	
At fair value	
At 1 January 2018	1,800,000
Fair value gain	180,000
At 31 December 2018	1,980,000

Current financial year

The fair value of leasehold land and building was 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 on 30 December 2019.

The fair value of freehold building was determined based on the comparison of similar properties within the proximity based on Directors' assumption.

Previous financial year

The fair values of leasehold land and building and freehold building 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 on 30 December 2018.

10. INVESTMENT PROPERTIES (cont'd)

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

The right-of-use assets recognised by the Group and the Company are as follows:

	2019	
	Group RM	Company RM
Leasehold land and building	1,980,000	1,980,000

11. INTANGIBLE ASSETS

Group	Software RM	Trademark RM	Total RM
2019			
Non-current assets			
Cost			
At 1 January 2019	2,485,745	184,021	2,669,766
Additions	269,862	-	269,862
Written off	(13,000)	-	(13,000)
Exchange differences	-	939	939
At 31 December 2019	2,742,607	184,960	2,927,567
Accumulated amortisation			
At 1 January 2019	2,016,775	23,392	2,040,167
Charge for the financial year	109,676	17,601	127,277
Written off	(12,999)	-	(12,999)
Exchange differences	-	234	234
At 31 December 2019	2,113,452	41,227	2,154,679
Net carrying amount			
At 31 December 2019	629,155	143,733	772,888

11. INTANGIBLE ASSETS (cont'd)

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	25,470	77,635	103,105
Disposals	(12,880)	-	(12,880)
Written off	(3,029,459)	-	(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	2,040,1677
Net carrying amount			
At 31 December 2018	468,970	160,629	629,599

Company	Computer Software RM
2019	
Non-current assets	
Cost	
At 1 January/31 December 2019	35,271
Accumulated amortisation	
At 1 January 2019	27,558
Charge for the financial year	694
At 31 December 2019	28,252
Net carrying amount	
At 31 December 2019	7,019

11. INTANGIBLE ASSETS (cont'd)

Company 2018	Computer Software RM
Non-current assets	
Cost	
At 1 January/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

Group and Company 2019	Digital currencies held for payment RM
Current assets	
Cost	
At 1 January 2019	609,222
Disposal	(609,222)
At 31 December 2019	-
Accumulated impairment	
At 1 January 2019	228,994
Disposal	(228,994)
At 31 December 2019	-
Net carrying amount	
At 31 December 2019	-

11. INTANGIBLE ASSETS (cont'd)

	Digital currencies held for payment RM
Group and Company	
2018	
Current assets	
Cost	
At 1 January 2018	-
Additions	609,222
At 31 December 2018	609,222
Accumulated amortisation	
At 1 January 2018	-
Addition	228,994
At 31 December 2018	228,994
Net carrying amount	
At 31 December 2018	380,228

Digital currencies held for payment

In previous financial year, the Group and the Company together with their 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 paid up capital of JV Co will be denominated in digital currencies.

On 29 June 2018, the Group and the Company have acquired 24.515 Bitcoin ("BTC") at a total consideration of RM609,222, which is held in trust by a Director of the Group and of the Company for the purpose of 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 Group and the Company decided to withdraw from the investment in the JV Co. Subsequently, The Bitcoin held as at previous financial year end is treated as investment in digital currencies. The BTC has been disposed in current financial year.

The Group and the Company have adopted 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 in previous year is derived from difference between the initial purchase price per unit and market price per unit as at previous financial year end.

12. OTHER INVESTMENTS

	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
Investment in unquoted shares				
Fair value through profit or loss				
Unquoted shares				
At beginning of the financial year	2,500,000	2,000,000	2,000,000	2,000,000
Addition	-	500,000	-	-
Written off	(1,999,999)	-	(1,999,999)	-
	500,001	2,500,000	1	2,000,000
Less: Accumulated impairment loss				
At beginning of the financial year	(1,999,999)	(1,999,999)	(1,999,999)	(1,999,999)
Written off	1,999,999	-	1,999,999	-
At end of the financial year	-	(1,999,999)	-	(1,999,999)
At end of the financial year	500,001	500,001	1	1

The previous year addition of unquoted shares amounted to RM500,000 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 was incorporated in previous financial year and is currently still in business incubation period, which estimated to take approximately 3 years.

13. INVESTMENT IN SUBSIDIARIES

	Company 2019 RM	Company Restated 2018 RM
Unquoted shares, at cost		
At beginning of the financial year	83,821,374	83,321,374
Addition	-	500,000
At end of the financial year	83,821,374	83,821,374
Less: Accumulated impairment loss	(3,400,000)	(3,400,000)
Net carrying amount	80,421,374	80,421,374

13. INVESTMENT IN SUBSIDIARIES (cont'd)

Details of the subsidiaries are as follows:

Name of companies	Country of incorporation	Effective equity interest 2019 %	Effective equity interest 2018 %	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
GTI Eco Solutions Sdn. Bhd.^	Malaysia	-	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

13. INVESTMENT IN SUBSIDIARIES (cont'd)

Details of the subsidiaries are as follows: (cont'd)

Name of companies	Country of incorporation	Effective equity interest 2019 %	Effective equity interest 2018 %	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	Dormant

* Not audited by Moore Stephens Associates PLT.

^ These subsidiaries have submitted the application to strike off their names from the register pursuant to Section 550 of the Companies Act 2016 during the financial year. No impact to the profit or loss of the Group upon the striking off of these subsidiaries.

<u>Changes in the Group structure during the financial year</u>

(a) In previous financial year, the Board of Directors of the Group has decided to dispose one of its subsidiaries, Creative Network International (Thailand) Co., Ltd (“CNIT”) at cash consideration of RM1. The disposal of CNIT was completed on 30 August 2018.

In previous financial year, the Directors considered 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.

13. INVESTMENTS IN SUBSIDIARIES (cont'd)

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

(a) 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)

(b) On 24 December 2018, the Company 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.

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

	Lotus Supplies Sdn. Bhd. RM	Top One Biotech Co., Ltd. RM	Total RM
2019			
NCI percentage of ownership and voting interest (%)	30%	30%	
Carrying amount of NCI	513,876	1,031,815	1,545,691
Profit/(Loss) for the year allocated to NCI	35,332	(20,151)	15,181
Total comprehensive income for the year allocated to NCI	35,332	(36,119)	(787)
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

13. INVESTMENTS IN SUBSIDIARIES (cont'd)

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
2019			
Assets and liabilities			
Non-current assets	19,116	975,300	994,416
Current assets	1,781,146	2,522,456	4,303,602
Current liabilities	(87,343)	(58,372)	(145,715)
Net assets	1,712,919	3,439,384	5,152,303
Results			
Revenue	3,267,682	2,006,694	5,274,376
Profit/(Loss) for the year	117,773	(67,170)	50,603
Total comprehensive income	117,773	(120,393)	(2,620)
Cash flows from:			
- Operating activities	83,926	566,611	650,537
- Investing activities	(5,105)	45	(5,060)
- Financing activities	(2,198)	(552,598)	(554,796)
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 AN ASSOCIATE

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 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	(2,935,313)	(2,780,695)	-	-
Addition	(537,360)	(154,618)	-	-
At end of the financial year	(3,472,673)	(2,935,313)	-	-
Less: Accumulated impairment loss				
At beginning of the financial year	-	-	-	-
Addition	(1,393,609)	-	(4,866,282)	-
At end of the financial year	(1,393,609)	-	(4,866,282)	-
At end of the financial year	-	1,930,969	-	4,866,282

The details of the associate are as follows:

Name of companies	Country of incorporation	Effective equity interest 2019 %	Effective equity interest 2018 %	Principal activities
CNI Corporation Sdn. Bhd.	Malaysia	30	30	Investment holding and provision of management service and commision agent

Impairment loss

As at 31 December 2019, the Group and the Company carried out an annual review of the recoverable amount of its investment in the associate by which an impairment loss amounted to RM1,393,609 and RM4,866,282 respectively was recognised in the statement of comprehensive income for the financial year ended 31 December 2019. The recoverable amount was derived based on fair value less cost to sales of the associate represented by the management of the Group and the Company.

14. INVESTMENT IN AN ASSOCIATE (cont'd)

The summarised financial information of the associate is as follows:

	2019 RM	2018 RM
Assets and liabilities		
Non-current assets	883,683	1,024,093
Current assets	6,788,802	8,573,025
Current liabilities	(8,401,805)	(8,514,159)
Non-current liabilities	(100,305)	(121,384)
Net (liabilities)/assets	(829,625)	961,575
Results		
Revenue	6,797,592	14,586,479
Loss for the financial year	(1,705,797)	(586,492)
Other comprehensive income for the financial year	(85,403)	71,099
Total comprehensive income for the financial year	(1,791,200)	(515,393)

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

	2019 RM	2018 RM
Reconciliation of net (liabilities)/assets to carrying amount at end of the financial year		
Group's share of net (liabilities)/assets	(248,887)	288,473
Goodwill	1,642,496	1,642,496
Impairment loss	(1,393,609)	-
Carrying amount in the statements of financial position	-	1,930,969
Group's share of results for the financial year ended 31 December		
Loss for the financial year	(511,739)	(175,948)
Other comprehensive income	(25,621)	21,330
Total comprehensive income	(537,360)	(154,618)

15. DEFERRED TAX (ASSETS)/LIABILITIES

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
At beginning of financial year	(159,176)	(442,923)	-	-
Recognised in profit or loss (Note 7)	(269,015)	283,747	-	-
Exchange differences	(31)	-	-	-
At end of financial year	(428,222)	(159,176)	-	-
Representing:				
Deferred tax asset	(873,195)	(1,104,149)	-	-
Deferred tax liabilities	444,973	944,973	-	-
	(428,222)	(159,176)	-	-

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

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Deferred tax liabilities				
Difference between the carrying amount of property, plant and equipment and their tax base	2,189,823	2,868,363	14,399	15,224
Other taxable temporary differences	16,485	33,135	-	-
	2,206,308	2,901,498	14,399	15,224
Deferred tax assets				
Unutilised tax losses	(620,142)	(1,230,779)	-	-
Unabsorbed capital allowances	(132,342)	(38,366)	(14,399)	(1,060)
Unutilised reinvestment allowances	-	(10,398)	-	-
Unrealised profits on inventories	(536,213)	(617,149)	-	-
Other deductible temporary differences	(1,345,833)	(1,163,982)	-	(14,164)
	(2,634,530)	(3,060,674)	(14,399)	(15,224)

15. 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	
		Restated		Restated
	2019 RM	2018 RM	2019 RM	2018 RM
Unutilised tax losses	19,307,601	16,285,856	8,487,072	8,283,613
Unabsorbed capital allowances	2,086,670	1,789,329	85,358	121,433
Unutilised reinvestment allowances	43,323	-	-	-
Other deductible temporary differences	748,966	129,949	-	-
	22,186,560	18,205,134	8,572,430	8,405,046

The comparative figures have been restated to reflect the actual tax losses, capital allowances and reinvestment allowances carried forward available to the Group and the Company.

16. GOODWILL ON CONSOLIDATION

	Group	
	2019 RM	2018 RM
Cost		
At beginning/end of the financial year	946,709	946,709
Accumulated impairment loss		
At beginning/end of the financial year	(946,709)	(946,709)
Net carrying amount	-	-

17. INVENTORIES

	Group 2019 RM	Group 2018 RM
At Cost:		
Raw materials	6,413,753	6,907,099
Work-in-progress	339,242	130,834
Consumable tools	335,181	352,518
Packaging materials	2,076,703	2,221,830
Finished goods and merchandised goods	4,533,713	4,060,176
Sales aid items	341,198	428,892
	14,039,790	14,101,349
At net realisable value:		
Raw materials	61,299	25,426
Packaging materials	73,607	13,044
	134,906	38,470
	14,174,696	14,139,819

During the financial year, inventories of the Group recognised as cost of sales amounted to RM31,910,143 (2018: RM37,386,513).

18. TRADE RECEIVABLES

	Group 2019 RM	Group 2018 RM
External parties	10,474,213	12,542,764
Related parties	1,265,727	1,200,395
	11,739,940	13,743,159
Less: Accumulated impairment loss		
- *External parties*		
At beginning of the financial year	13,480	988,703
Addition	392,958	-
Reversal	-	(157,634)
Written off	(13,480)	(817,589)
At end of the financial year	392,958	13,480
- *Related parties*		
At beginning of the financial year	236,977	-
Addition	88,893	236,977
Written off	(236,977)	-
At end of the financial year	88,893	236,977
	481,851	250,457
	11,258,089	13,492,702

The normal credit terms of trade receivables of the Group range from 30 to 120 days (2018: 30 to 120 days).

19. OTHER RECEIVABLES

	Note	Group 2019 RM	Group Restated 2018 RM	Company 2019 RM	Company Restated 2018 RM
Amounts owing by subsidiaries	(a)	-	-	3,920,166	3,979,309
Other receivables	(b)	1,099,530	830,372	128,990	128,415
Deposits		558,426	770,442	-	1,200
Prepayments	(c)	1,407,067	1,185,501	14,545	39,261
		3,065,023	2,786,315	4,063,701	4,148,185
Less: Accumulated impairment loss					
- Other receivables					
At beginning of the financial year		270,149	511,432	-	-
Addition		168,877	-	-	-
Written off		-	(241,283)	-	-
At end of the financial year		439,026	270,149	-	-
- Amounts owing by subsidiaries					
At beginning of the financial year		-	-	182,313	207,158
Addition		-	-	316	91,833
Written off		-	-	(35,135)	(116,678)
At end of the financial year		-	-	147,494	182,313
		439,026	270,149	147,494	182,313
		2,625,997	2,516,166	3,916,207	3,965,872

(a) These amounts are non-trade in nature, unsecured, interest free [except for amounts due from a subsidiary of RM3,242,971 (2018: RM3,423,200) with interest bearing of 3.75% (2018: 3.75%)] per annum and are collectible on demand.

(b Included in other receivables of the Group are amount owing by related parties amounting to RM260,954 (2018: RM61,473). 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 RM470,191 (2018: RM219,396).

20. INVESTMENT IN PREFERENCE SHARES

	Group	
	2019 **RM**	**2018** **RM**
Current		
Financial assets at amortised cost:		
- Non-convertible redeemable preference shares	3,500,000	3,500,000

Dividend of the preference shares amounting of RM630,000 (2018: RM840,000) has been received by the Group during the financial year which has been disclosed in the Note 6.

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 equal to or 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 equal to or is more than RM210,000 but less than or equal to 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.

During the financial year, the redemption of the preference shares as mentioned above has been further extended from the previous redemption date on 23 October 2019 and the above terms stipulated in the Principal Agreement dated on 22 April 2014 has been revised as follows:

(a) Dividend of RM271,107 for the period from 24 October 2019 to 30 April 2020 shall be paid to the Group on 30 April 2020:

(b) Dividend at the rate of 15% per annum of the price of the Preference Shares shall be payable to the Group in priority to all other classes of shares in the issuer at the times and in manner set out below;

(c) the right to dividends for the Preference Shares shall be non-cumulative and dividends must first be paid to the Group before holders of ordinary shares or other class of shares of the issuer entitled to receive dividends;

(d) in the event of a winding-up of the issuer, the Preference Shares shall have the right to repayment of capital and the sum equal to the premium paid on the Preference Shares by the Group in priority to ordinary shares or other classes of shares of the issuer and save as aforesaid the Preference Shares shall not further participate in any surplus assets and profits of the issuer;

(e) The preference shares shall be redeemed progressively at the times as follows:

  (i) 1,000,000 Preference Shares shall be redeemed not later than 30 September 2020 at a redemption price of RM1,219,467 unless dividend of not less than RM219,467 for the period from 1 May 2020 to 30 September 2020 ("Redemption Period") have been paid to the Group in which event the redemption price for the 1,000,000 Preference Shares shall be RM1,000,000 only; and

20. INVESTMENT IN PREFERENCE SHARES (cont'd)

(e) The preference shares shall be redeemed progressively at the times as follows: (cont'd)

(ii) the remaining 2,500,000 Preference Shares shall be redeemed not later than 30 December 2020 at a redemption price of RM2,593,238 unless dividend of not less than RM93,238 for the period from 1 October 2020 to 30 December 2020 ("Redemption Period") have been paid to the Group in which event the redemption price for the 2,500,000 Preference Shares shall be RM2,500,000 only.

(f) the issuer is required to pay the Group additional sum of RM0.0125 for each preference shares which has not been redeemed or fully paid for each month of delay in redemption or payment;

(g) the issuer shall comply with all provisions of the Companies Act 2016 and the Constitutions of issue as regards to variation of the terms of the Preference Shares; and

(h) all other terms in the Agreement other than obligations which have been completed shall remain of full force and effect and read together with the variation above.

Such investment in preference share is classified under current asset given that the issuer will redeem the preference shares within the next 12 months at the reporting date.

21. CASH AND CASH EQUIVALENTS

	Group		Company	
	2019	2018	2019	2018
	RM	RM	RM	RM
Deposits placed with licensed banks	61,278	3,061,214	-	-
Short-term fund	7,219,813	7,967,596	1,888,722	2,741,396
Cash and bank balances	8,506,820	10,126,255	1,047,402	950,643
	15,787,911	21,155,065	2,936,124	3,692,039

The effective interest rates of the deposits placed with licensed banks is 1% per annum (2018: range from 1% to 2.20%) per annum and have maturity periods of three months to one year.

Short-term fund represents investment in highly liquid money market instrument and deposits with financial institution in Malaysia. The short-term fund is subject to an insignificant risk of change in value. The distribution income from this fund is tax exempted and is being treated as interest income by the Group and the Company.

22. SHARE CAPITAL

	Group and Company			
	Number of ordinary shares		Amount	
	2019	2018	2019	2018
	RM	RM	RM	RM
Issued and fully paid:				
At beginning/end of the financial year	720,000,000	720,000,000	72,000,000	72,000,000

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.

The shareholders of the Company, by an ordinary resolution passed in a general meeting held 14 June 2019, 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 100,000 (2018: 200,000) of its issued ordinary shares from the open market at an average price of RM0.075 (2018: RM0.096) per ordinary share. The total consideration paid for the shares repurchased including transaction costs was RM7,555 (2018: RM19,143). 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 RM1,725,523 (2018: RM1,717,968) as at financial year end.

As at 31 December 2019, the Company had a total of 7,357,100 (2018: 7,257,100) 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					
2019					
February 2019	100,000	0.075	0.075	0.075	7,555
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

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 incorporated in Taiwan, 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 of the Taiwan Companies Act. Where such legal capital reserve amounts exceed 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:

	2018	
	Group	Company
	RM	RM
Minimum finance lease payments:		
Within 1 year	622,175	108,841
More than 1 year and less than 2 years	432,244	8,373
More than 2 years and less than 5 years	174,630	-
	1,229,049	117,214
Less: Future finance charges	(73,327)	(8,330)
Present value of finance lease liabilities	1,155,722	108,884
Present value of finance lease liabilities		
Within 1 year	574,727	100,545
More than 1 year and less than 2 years	414,410	8,339
More than 2 years and less than 5 years	166,585	-
	1,155,722	108,884
Representing:		
Current	574,727	100,545
Non-current	580,995	8,339
	1,155,722	108,884

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

	2018	
	Group	Company
	%	%
Finance Lease liabilities	4.42 - 5.68	4.85

27. LEASE LIABILITIES

	2019 Group RM	2019 Company RM
Minimum lease payments:		
Within 1 year	1,291,199	16,738
More than 1 year and less than 2 years	1,083,125	-
More than 2 years and less than 5 years	329,760	-
	2,704,084	16,738
Less: Future finance charges	(205,514)	(1,190)
Present value of lease liabilities	2,498,570	15,548
Present value of lease liabilities		
Within 1 year	1,186,720	15,548
More than 1 year and less than 2 years	996,811	-
More than 2 years and less than 5 years	315,039	-
	2,498,570	15,548
Representing:		
Current	1,186,720	15,548
Non-current	1,311,850	-
	2,498,570	15,548

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

	2019 Group %	2019 Company %
Lease liabilities	4.42 - 6.83	4.85

28. RETIREMENT BENEFITS

	Group		Company	
	2019	2018	2019	2018
	RM	RM	RM	RM
Movement in the present value of defined benefit obligations				
At beginning of the financial year	1,868,901	4,111,149	-	2,267,015
Current service cost and interest [Note 6(a)]	82,232	140,157	-	59,015
Benefits paid	-	(2,326,530)	-	(2,326,530)
Actuarial (gain)/loss in other comprehensive income	(7,567)	(55,875)	-	500
At end of the financial year	1,943,566	1,868,901	-	-

Actuarial assumptions

	Group and Company	
	2019	2018
	%	%
Discount rate	3.60	4.40
Inflation rate*	-	2.00
Salary increment rate*	-	1.00

* The Director of the Group and the Company, Chew Boon Siew will retire in October 2020 and will not receive any increases on pensionable salary. Hence, there is no impact on the defined benefit obligation if inflation rate or salary increase assumptions change. Chew Boon Siew is the sole Director who entitled to this retirement benefits.

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	Decrease
	RM	RM
Group		
2019		
Discount rate (1% movement)	15,077	(14,818)
Inflation rate (1% movement)	-	-
Salary increase (1% movement)	-	-
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)

29. TRADE PAYABLES

The normal trade credit terms granted by the trade creditors to the Group range from 30 to 90 days (2018: 30 to 90 days).

Included in the Group's trade payables are amounts owing to related parties of RM36,083 (2018: RMNil) which are trade in nature, unsecured, interest free, and are subject to normal credit term.

30. OTHER PAYABLES

	Group		Company	
	2019	**2018**	**2019**	**2018**
	RM	**RM**	**RM**	**RM**
Other payables	2,528,858	2,439,949	214	508
Deposits	1,261,025	1,341,946	35,000	35,000
Accruals	4,558,763	6,357,278	102,662	164,450
Amounts owing to subsidiaries	-	-	1,043,252	-
	8,348,646	10,139,173	1,181,128	199,958

Included in the Group's other payables are advance receipts from customers and amounts owing to related parties of RM738,894 (2018: RM629,720) and RM220,161 (2018: RM422,230) respectively. The amounts owing to related parties are non-trade in nature, unsecured, interest free, and are repayable on demand.

The amounts owing to subsidiaries are non-trade in nature, unsecured, interest free and are repayable on demand.

31. DIVIDENDS

	Group	
	2019	**2018**
	RM	**RM**
Interim single tier dividend for financial year ended 2019: RM0.29 per share (paid on 22 July 2019) to non-controlling interest by a subsidiary	142,339	-
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	
	2019	**2018**
	RM	**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 parties' balances are disclosed in Notes 18, 19, 29 and 30.

Related parties' transactions during the financial year are as follows:

	Group	
	2019	2018
	RM	RM
Transactions with related parties are as follows:		
Management fee paid and payable	395,001	311,295
Sales to	(1,628,093)	(2,111,231)
Commission payable	49,752	495,845
Research and development expenses	286,525	437,358
Royalty payable	248,681	241,855
Rental income	(302,705)	(158,600)
Transactions with a Director are follows:		
Consultancy fee	58,500	-

	Company	
	2019	2018
	RM	RM
Transactions with subsidiaries are as follows:		
Dividend income	-	(1,500,000)
Information communication technologies shared charges paid and payable	42,468	43,317
Management fee	(1,423,094)	(1,462,304)
Purchases	58,376	-
Rental of premises	177,360	177,360
Transactions with an associate are as follows:		
Interest income	(119,927)	(134,765)
Rental income	-	(58,611)
Transactions with a Director are as follows:		
Consultancy fee	58,500	-

32. RELATED PARTY TRANSACTIONS (cont'd)

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).

33. CAPITAL COMMITMENTS

	Group	
	2019 **RM**	**2018** **RM**
Approved and contracted for:		
Purchase of property, plant and equipment	867,940	1,414,027
Approved but not contracted for:		
Purchase of property, plant and equipment	1,967,836	3,167,117

34. OPERATING SEGMENTS

For management purposes, the Group is organised into business units based on its products and 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.

34. OPERATING SEGMENTS (cont'd)

2019	Note	Manufacturing RM	Marketing & Trading RM	Others RM	Adjustments & Eliminations RM	Consolidated RM
Revenue						
External revenue		14,828,537	51,071,656	837,984	-	66,738,177
Inter-segment revenue	(a)	15,572,460	553,767	1,962,913	(18,089,140)	-
Total revenue		30,400,997	51,625,423	2,800,897	(18,089,140)	66,738,177
Results						
Interest income		123,074	188,205	467,890	(119,928)	659,241
Dividend income		-	-	630,000	-	630,000
Depreciation and amortisation		(847,370)	(1,041,004)	(184,652)	-	(2,073,026)
Share of results of an associate		-	-	(511,739)	-	(511,739)
Other non-cash income/(expense)	(b)	(303,247)	(906,437)	(4,634,138)	3,494,348	(2,349,474)
Segment (loss)/profit before tax	(c)	(3,749,052)	375,389	(4,493,760)	3,365,317	(4,502,106)
Segment assets						
Investment in an associate		-	-	4,866,282	(4,866,282)	-
Additions to non-current assets	(d)	1,157,242	1,063,985	9,550	188,796	2,419,573
Segment assets	(e)	42,182,642	47,801,072	93,932,363	(96,424,558)	87,491,519
Segment liabilities	(f)	11,783,634	18,224,255	4,581,585	(17,058,709)	17,530,765

34. 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 an associate		-	-	4,866,282	(2,935,313)	1,930,969
Additions to non-current assets	(d)	799,218	1,693,941	18,903	-	2,512,062
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

34. 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	
	2019 RM	2018 RM
Bad debts written off	31,149	131,781
Gain on disposal of property, plant and equipment	(2,911)	(6,824)
Fair value gain on investment properties	-	(180,000)
Loss on disposal of a subsidiary	-	690,176
(Gain)/Loss on disposal of intangible assets	(228,994)	6,120
Impairment loss on:		
- Trade receivables	481,851	236,977
- Other receivable	168,877	-
- Intangible assets	-	228,994
- Investment in an associate	1,393,609	-
Intangible assets written off	1	243,314
Inventories written off	105,465	237,289
Inventories written down	250,704	11,661
Property, plant and equipment written off	83,661	195,223
Retirement benefit expense	82,232	140,157
Reversal of impairment loss on:		
- Trade receivables	-	(157,634)
Unrealised gain on foreign exchange	(16,170)	(98,701)
	2,349,474	1,678,533

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

	Group	
	2019 RM	2018 RM
Share of results of an associate	(507,660)	(169,951)
Profit from inter-segment sales	(1,757,060)	(3,646,370)
Finance cost	119,928	134,765
Unallocated corporate expenses	8,678,821	10,401,190
Other income	(3,168,712)	(17,795,678)
	3,365,317	(11,076,044)

34. OPERATING SEGMENTS (cont'd)

(d) Additions to non-current assets consist of:

	Group 2019 RM	Group 2018 RM
Property, plant and equipment	2,149,711	2,420,969
Other intangible assets	269,862	91,093
	2,419,573	2,512,062

(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 2019 RM	Group 2018 RM
Deferred tax assets	873,195	1,104,149
Inter-segment assets	(97,297,753)	(103,193,386)
	(96,424,558)	(102,089,237)

(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 2019 RM	Group 2018 RM
Retirement benefits	1,943,566	1,868,901
Deferred tax liabilities	444,973	944,973
Inter-segment liabilities	(19,447,248)	(20,065,906)
	(17,058,709)	(17,252,032)

(g) Geographical information

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

	Group 2019 RM	Group 2018 RM
China	951,084	1,050,222
Hong Kong	444,768	516,994
Indonesia	1,075,798	2,598,147
Malaysia	57,474,512	73,572,014
Myanmar	519,896	3,157,439
Singapore	2,583,147	2,849,637
Sri Lanka	41,767	291,311
Brunei	1,475,829	-
Taiwan	399,601	558,695
Thailand	567,642	486,177
United States of America	632,294	370,148
Vietnam	-	3,750
Others	571,839	692,968
	66,738,177	86,147,502

34. 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	Myanmar	Consolidated
2019	**RM**	**RM**	**RM**	**RM**	**RM**
Property, plant and equipment	34,502,970	21,497	860,239	-	35,384,706
Investment properties	2,549,550	-	-	-	2,549,550
Investment assets	667,808	-	105,080	-	772,888
Total non-current assets (excluding financial instruments and deferred tax assets)	37,720,328	21,497	965,319	-	38,707,144
2018					
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

35. FINANCIAL INSTRUMENTS

Categories of financial instruments

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

	Group		Company	
	2019	**2018**	**2019**	**2018**
	RM	**RM**	**RM**	**RM**
Financial assets				
Fair value through profit or loss				
- Other investment*	500,001	500,001	1	1
Amortised cost				
- Investment in preference shares	3,500,000	3,500,000	-	-
- Trade receivables	11,258,089	13,492,702	-	-
- Other receivables	1,218,930	1,330,665	3,901,662	3,926,611
- Cash and cash equivalents	15,787,911	21,155,065	2,936,124	3,692,039
	31,764,930	39,478,432	6,837,786	7,618,650
	32,264,931	39,978,433	6,837,787	7,618,651
Financial liabilities				
Amortised cost				
- Finance lease liabilities	-	1,155,722	-	108,884
- Lease liabilities	2,498,570	-	15,548	-
- Trade payables	4,236,988	3,934,951	-	-
- Other payables	8,348,646	10,139,173	1,181,128	199,958
- Dividend payable	-	2,137,929	-	2,137,929
	15,084,204	17,367,775	1,196,676	2,446,771

** Inability to determine the fair value on other investments as disclosed in Note 12.*

35. 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 and foreign currency 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 are 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.

Trade receivables of the Group comprises of amount owing by Distribution Centre ("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.

35. FINANCIAL INSTRUMENTS (cont'd)

Financial Risk Management Objectives and Policies (cont'd)

(a) Credit risk (cont'd)

Trade receivables (cont'd)

Exposure to credit risk, credit quality and collateral (cont'd)

The Group has collateral held as security to minimise credit risk as follows:

	Group	
		Restated
	2019	2018
	RM	RM
Nature of receivables		
Trade receivables from DC (due more than 180 days)	260,716	372,791
Deposits collected from specific DC on trade receivables due more than 180 days	280,445	383,041
Surplus	19,729	10,250

Credit risk concentration profile

At the reporting date, approximately 11% (2018: 9%) of the Group's gross trade receivables were owing by its related parties.

Recognition and measurement

The Group and the Company apply the MFRS 9 simplified approach to measure 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 basis. In previous financial year, the Group and the Company assessed impairment 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 used 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.

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.

Consistent with the debt recovery process, the Group and the Company have set an observation period of 180 days from the date of invoices, balances which are past due after the observation period will be considered as credit impaired.

35. FINANCIAL INSTRUMENTS (cont'd)

Financial Risk Management Objectives and Policies (cont'd)

(a) Credit risk (cont'd)

Trade receivables (cont'd)

Impairment losses

The following table provides information about the exposure to credit risk and ECL for trade receivables as at 31 December 2019 and 31 December 2018:

Group	Gross RM	Loss allowances RM	Net RM
2019			
Not past due nor impair	3,007,724	-	3,007,724
Past due not impaired:			
Less than 30 days	854,841	-	854,841
31 days to 60 days	645,809	-	645,809
61 days to 90 days	184,585	-	184,585
More than 90 days	2,005,728	-	2,005,728
	3,690,963	-	3,690,963
	6,698,687	-	6,698,687
Credit impaired			
Individually impaired	5,041,253	(481,851)	4,559,402
	11,739,940	(481,851)	11,258,089

Group			
2018			
Not past due nor impair	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

35. 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)

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 enforcement activities.

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 i.e. the observation period set by the Group. These relate to a number of independent customers for whom there is no recent history of default.

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.

A debtor of the Group with credit impaired risk on debt outstanding amounted to RM4,559,402 as at 31 December 2019 has been renegotiated with the Group by way of 9 months repayment plan within the next financial year end.

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	
	2019 **RM**	**2018** **RM**
At beginning of the financial year	250,457	988,703
Addition	481,851	236,977
Reversal	-	(157,634)
Written off	(250,457)	(817,589)
At end of the financial year	481,851	250,457

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 19.

35. FINANCIAL INSTRUMENTS (cont'd)

Financial Risk Management Objectives and Policies (cont'd)

(a) Credit risk (cont'd)

Credit risk concentration profile

At the reporting date, approximately 96% (2018: 96%) of the Company's gross balances on other receivables were owing by 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.

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 RM316 (2018: RM91,833) 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 Group and the Company through a letter of undertaking.

35. FINANCIAL INSTRUMENTS (cont'd)

Financial Risk Management Objectives and Policies (cont'd)

(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 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
2019					
Lease liabilities	2,498,570	2,704,084	1,291,199	1,083,125	329,760
Trade payables	4,236,988	4,236,988	4,236,988	-	-
Other payables	8,348,646	8,348,646	8,348,646	-	-
	15,084,204	15,289,718	13,876,833	1,083,125	329,760

Group					
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

35. 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
2019					
Lease liabilities	15,548	16,738	16,738	-	-
Other payables	1,181,128	1,181,128	1,181,128	-	-
	1,196,676	1,197,866	1,197,866	-	-
Company					
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	-

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 28 which is repayable upon retirement of key management personnel.

35. FINANCIAL INSTRUMENTS (cont'd)

Financial Risk Management Objectives and Policies (cont'd)

(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") and United States Dollar ("USD").

The Group's 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:

			Denominated in		
	SGD	**THB**	**BND**	**USD**	**Total**
	RM	**RM**	**RM**	**RM**	**RM**
Group					
2019					
Trade receivables	1,221	-	-	1,132,252	1,133,473
Other receivables	-	160,518	-	332,652	493,170
Cash and cash equivalents	4,402	-	331,495	212,193	548,090
Trade payables	-	(12,874)	-	(2,182,908)	(2,195,782)
Other payables	(3,879)	-	(470)	(336,362)	(340,711)
	1,744	147,644	331,025	(842,173)	(361,760)
Group					
2018					
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)

35. 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:

	2019		2018	
	Profit after tax RM	Equity RM	Profit after tax RM	Equity RM
Group				
Functional currency/ Foreign currencies				
RM/SGD	(66)	(66)	(382)	(382)
RM/THB	(5,610)	(5,610)	-	-
RM/BND	(12,579)	(12,579)	(6,707)	(6,707)
RM/USD	32,003	32,003	26,225	26,225

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.

36. FAIR VALUES INFORMATION

Financial instrument other than those carried at fair value

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.

The fair value of finance lease liabilities is determined by discounting the relevant cash flows using current interest rates for similar instruments as at the end of the reporting year. The carrying value and fair value of the finance lease liabilities is not materially different.

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 statements of financial position.

	Level 1 RM	Level 2 RM	Level 3 RM	Total fair value RM	Carrying amount RM
2019					
Group					
Asset					
Investment property	-	-	2,549,550	2,549,550	2,549,550
Other investment*	-	-	500,001	500,001	500,001
2018					
Group					
Asset					
Investment property	-	-	2,549,550	2,549,550	2,549,550
Other investment*	-	-	500,001	500,001	500,001
2018					
Company					
Asset					
Investment property	-	-	1,980,000	1,980,000	1,980,000
2018					
Company					
Asset					
Investment property	-	-	1,980,000	1,980,000	1,980,000

36. FAIR VALUES INFORMATION (cont'd)

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 assets 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 is determined by discounting the relevant cash flows using interest rates for similar instruments at the end of the reporting period.

* Inability to determine the fair value on other investment as disclosed in Note 12.

There was no material transfer between Level 1, Level 2 and Level 3 during the financial year.

37. SUBSEQUENT EVENT

During first quarter of financial year 2020, the Coronavirus outbreak (“COVID-19”) had become a global pandemic event which adversely affected the worldwide economic condition with the strict impositions of travel restrictions, constraints on the movement of people and the suspension of many business operations to curb the spread of COVID-19. The Group and the Company anticipate a knock-on effect of COVID-19 on the Malaysian overall economy which will affect the financial results of the Group and of the Company for the financial year ending 2020, pertaining to manufacturing and marketing and trading segments in meeting customers’ demand and sales’ targets.

The Group and the Company will continue to pay close attention to the development of, and the disruption to their business activities caused by prolonged effect of COVID-19 which resulted in the Movement Control Order (“MCO”) imposed by local authorities and will evaluate its impact on the financial position, cash flows and operating results of the Group of the Company. As of the date of the report, the Group and the Company are unable to quantify the financial impact given the uncertainties caused by COVID-19.

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 and the Company's ability to continue as a going concern. The Group and the Company monitor and maintain 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 lease liabilities less cash and cash equivalents balances whilst total capital is equity attributable to Owners of the Company.

The net debt-to-equity ratios at end of the reporting period are as follows:

	Group		Company	
	2019 RM	**2018 RM**	**2019 RM**	**2018 RM**
Finance lease liabilities (Note 26)	-	1,155,722	-	108,884
Lease liabilities (Note 27)	2,498,570	-	15,548	-
Less: Cash and cash equivalents	(15,787,911)	(21,155,065)	(2,936,124)	(3,692,039)
Total net debts	(13,289,341)	(19,999,343)	(2,920,576)	(3,583,155)
Total equity attributable to the Owners of the Company	68,415,063	73,594,508	88,471,567	93,344,831
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 2019 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 31.12.19 (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	23	19,515	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)	13	1,980	19 Jun 2008 / 24 Dec 2019
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 (1^{st} May 2107)	9	570	15 Mar 2017 / -

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 2019.

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 2019 are as follows:

	Company (RM)	Group (RM)
Audit fees	16,000	187,900
Non-audit fees	5,000	5,000

3. Material Contracts

Save as those described in Note 32 to the Audited Financial Statements on pages 120 to 121 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 2019 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 14 June 2019, 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 2019 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 Chew Boon Swee	275	Provision of management services to CNIE
	CNIE		185	Purchase of health care and consumer products

Transacting Party	Company within CNI Group	Interested Related Parties	Amount transacted during the financial year RM'000	Nature of transactions
	Exclusive Mark (M) Sdn Bhd (EM)		50	Commission payable to CNI Corp for securing sales order for EM
	EM		834	Purchase of beverages and supplements from EM
CNI Venture Sdn Bhd	EM	Dato’ Koh Peng Chor Koh How Loon Chew Boon Swee	182	Provision of research, development and testing services to EM
CNI IPHC	CNIE	Dato’ Koh Peng Chor Chew Boon Swee	249	Payment of trademark fee by CNIE
Yee Kee Bing trading as Cedarwoods Coaching & Consulting	CNIE	Yee Kee Bing	120	Provision of consultancy and management services to CNIE
CNI (China) Co., Ltd	EM	Chew Boon Swee	400	Purchase of beverages and supplements from EM

ANALYSIS OF SHAREHOLDINGS

AS AT 13 APRIL 2020

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	345	3.82	5	0.06	10,231	(1)	190	(1)
100 - 1,000	3,518	38.99	266	2.95	1,862,540	0.26	158,240	0.02
1,001 – 10,000	3,267	36.21	102	1.13	9,826,934	1.38	253,360	0.04
10,001 – 100,000	1,117	12.38	13	0.14	43,727,820	6.14	665,200	0.09
100,001 – 35,632,144 (*)	380	4.21	8	0.09	283,606,104	39.80	9,006,158	1.26
35,632,145 and above (**)	1	0.01	0	0	363,526,123	51.01	0	0
Total	**8,628**	**95.63**	**394**	**4.37**	**702,559,752**	**98.59**(2)	**10,083,148**	**1.41**(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 13 April 2020

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 13 April 2020.

ANALYSIS OF SHAREHOLDINGS

AS AT 13 APRIL 2020

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 13 April 2020.

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.	Chong Choy Chin	21,006,600	2.95
4.	Toh Siew Kee	11,721,954	1.64
5.	Tan Chong Liang @ Than Chong Kim	10,436,900	1.46
6.	Tan Yuan Fang	9,715,710	1.36
7.	Wong Siew Keow	7,894,000	1.11
8.	Chan Sook Cheng	7,145,405	1.00
9.	CIMSEC Nominees (Tempatan) Sdn Bhd CIMB for PC Marketing Sdn Bhd	6,760,920	0.95
10.	Tan Kim Choon	6,733,214	0.94
11.	Moy Mee Leng	6,334,120	0.89
12.	Ong Teck Seng	5,717,000	0.80
13.	CIMSEC Nominees (Tempatan) Sdn Bhd CIMB for Koh Peng Chor	5,028,680	0.71
14.	Tan Sia Swee	4,680,380	0.66
15.	Heng Hoay Liang @ Heng Hoye Ee	4,500,000	0.63
16.	Gan Chooi Yang	3,750,000	0.53
17.	Lau Ting Hwa	3,500,000	0.49
18.	Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Beh Hang Kong	3,351,372	0.47
19.	Suharman Subianto	3,102,532	0.44
20.	Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Tan Chen Pang	2,845,200	0.40
21.	Subramaniam A/L Karuppiah	2,600,000	0.36
22.	Cheong Chee Kee	2,463,666	0.35
23.	Ginawan Chondro	2,451,271	0.34
24.	Koh Tiah Siew	2,295,857	0.32
25.	Goh Ten Fook	2,263,400	0.32
26.	Chan Mung Bong	2,112,000	0.30
27.	Eng Ken Fui	2,000,000	0.28
28.	Vanyong Sdn Bhd	1,888,000	0.26
29.	Leong Chin Fuat	1,800,000	0.25
30.	Stephanus Abrian Natan	1,675,555	0.24
	Total	537,202,839	75.38

Note:
(1) Excluding a total of 7,357,100 CNI shares bought-back by CNI and retained as treasury shares as at 13 April 2020.

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	95, Lot 342, Jalan Jelawi Sematang, Taman Muhibbah Fasa 2 Jejawi, 02600 Arau.	04-9771288 / 019-4100355	04-9771288
		KEDAH		
DC	Alor Star DC	Lot 46, Ground Flr, Kompleks Perniagaan Sultan Abdul Hamid, Persiaran Sultan Abdul Hamid 3, 05050 Alor Setar.	04-7720918	04-7720918
	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.	04-9661348	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	Pendang SP	No 4, Bangunan Orkid, 06700 Pendang.	019-9189897 / 013-4239897	
SP	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		
DC	Perai DC	30, Jalan Perai Jaya 2, Bdr Perai Jaya, 13600 Perai, Butterworth.	04-3986050	04-3986050
	Perak Road DC	175, Perak Road, 10150 Penang.	04-2271092	04-2271092
eSP	Permatang Pauh	19, Lorong Cermai 3, Tmn Sama Gagah, 13500 Permatang Pauh, Butterworth.	04-3906418 / 012-428641	04-3902471
	Bayan Lepas	119, Jalan Tun Dr Awang, Tmn Melawati, Bukit Jambul, 11900 Bayan Lepas.	04-6449637 / 019-5657126	04-6449637
		PERAK		
DC	Tg Malim DC	No 1, Jalan U1, Taman 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, 32000 Sitiawan.	05-6121010	
	Gunung Rapat, Ipoh DC	17, Medan Lagenda 1, Medan Lapangan Lagenda, 31350 Ipoh.	05-3111450 / 019-3262542/ 019-5208577	05-3111450
	Bercham DC	13, Persiaran Medan Bercham 4, Pusast Bandar Baru Bercham, 31400 Ipoh.	05-5360229	

Distribution Centres/ Sales Points/ e-Sales Points (DC, SP & eSP)		Address	Tel & Email	Fax
		PERAK		
DC	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.	011-16462238 / 05-2881848	
SP	Pulai SP	No 28, Jln Pulai Height 4, Taman Pulai Height, 31300 Ipoh.	012-3783185	
		SELANGOR		
DC	Klang HC	No 10A,Tingkat 1, Lorong Gudang Nanas 2, Off Jln Pasar, 41400 Klang.	03-33591536	
	Seri Kembangan DC	No. 2E-1, Tingkat 1, Jalan Raya Dua, Kawasan Perusahaan Seri Kembangan, 43300 Seri Kembangan.	03-89385991	
	Rawang DC	No B-5, Jln Rawang Mutiara 2, Rawang Mutiara Business Centre, 48000 Rawang.	03-60928461 / 012-3823678	03-60928525
	Ampang DC	1-12, Jln Dagang B/3A, Tmn Dagang, 68000 Ampang.	03-42701897 / 019-2137779	03-42706279
	Batu Caves DC	573, Jln Samudera Utara 1, Tmn Samudera, 68100 Batu Caves.	03-61771271	
	Bangi DC	43A-1-1A, Jln Medan PB2, Medan PB2 Pusat Bdr Bangi, 43650 Bdr Baru Bangi.	03-89124172	03-89202475
	Petaling Jaya DC	53A, Jln SS3/29, Tmn Universiti, 47300 Petaling Jaya.	03-78650172	03-78739897
	Puchong DC	No 6-3 (3rd Floor), Jalan Puteri 1/5, Bandar Puteri, 47100 Puchong.	03-80664178	03-80527143
eSP	Taman Dato' Harun	4, Jalan 13, Taman Dato' Harun, 46000 PJ.	03-77841859 / 016-3133466	
	Banting	161, Jalan Sultan Abdul Samad, 42700 Banting.	03-31872333 / 012-3027433	
	Sungai Buaya	No 33, Jln Kemboja Sari 3, Bdr Sungai Buaya, 48010 Rawang.	013-4239606	
SP	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	
		WILAYAH PERSEKUTUAN		
DC	Setapak DC	211 A, Jalan Genting Klang, 53300 Setapak.	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	

DISTRIBUTION CENTRES/SALES POINTS/E-SALES POINTS

Distribution Centres/ Sales Points/ e-Sales Points (DC, SP & eSP)		Address	Tel & Email	Fax
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	59, Jalan Mp 18, Taman Merdeka Permai, 75350 Batu Berendam.	016-6168347 / 06-2338827	
SP	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	Tmn Nusa Bestari DC	No-19-A Tingkat 1, Jln Nusa Bestari ¼, 79100 Iskandar Puteri, Johor.	07-5506425	
	Taman Molek DC	7, Jalan Molek 2/5, Taman Molek, 81100 Johor Bahru.	07-3614075	
	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.	07-6605027	
SP	Tangkak SP	23, Kampung Baru Satu, 84900 Tangkak.	06-97820258	
	Skudai SP	42, Jalan PE2/7n, Taman Pulai Mas, 81300 Skudai.	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	
KELANTAN				
DC	Kota Bharu DC	PT397, Tingkat Bawah, Jln Dusun Raja, Sri Cemerlang, 15400 Kota Bharu.	09-7405265	
eSP	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	229-3 (229b), Jln Yahya Ahmad, Kg Tanah Lot 23000 Dungun.	018-2954858 / 013-9247123	

Distribution Centres/ Sales Points/ e-Sales Points (DC, SP & eSP)		Address	Tel & Email	Fax
TERENGGANU				
DC	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	
PAHANG				
DC	Kuantan DC	B.58, Jalan 1 M3/10 BIM Point, Bandar Indera Mahkota, Jalan Kuantan, 25200 Kuantan.	09-5729247	
	Mentakab DC	No. 16, Jalan Anggerik, 28400 Mentakab.	09-2770592	
SP	Kuala Lipis SP	No 97 Tmn Permai Fasa 2, Tempoyang 27200, Kuala Lipis.	017-9830499	
	Jengka SP	No 11, 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	
	Miri	Lot 6626, Jalan Oncidium Off Jalan Bakam, 98000 Miri.	085-324747 / 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	

DISTRIBUTION CENTRES/SALES POINTS/E-SALES POINTS

Distribution Centres/ Sales Points/ e-Sales Points (DC, SP & eSP)		Address	Tel & Email	Fax
SABAH				
DC	Sabah Branch	Lot 121, Block N-5, Ground & 1st Floor, Lorong Plaza Permai 3, Jln Sulaman Highway, 88450 Kota Kinabalu.	088-281899 / 088-282899	088 - 281899
	Keningau DC	Lot 18, Tkt 2 Ribumi Complex, Jln Masak, Keningau 89000.	013-8658865	
	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 / 089-463104 / 011-64866586	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 Darussalam.	00673-2-37293 e-mail: fce212@bruneat.bn	00673 - 2 - 237294

CNI HOLDINGS BERHAD
198901004452 (181758-A)

Wisma CNI, No. 2, Jalan Perunding
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