TEK SENG HOLDINGS BERHAD
(579572-M)

WE ADVANCE,
WE PROGRESS, WE LEAD

Annual Report

2018

WANGSAGA®

Ekonor®

CONTENTS

Corporate Profile 2

Corporate Information 3

Corporate Structure 4

Board of Directors 5

Directors' Profile 6

Key Management Team 9

Financial Highlights 10

Management Discussion and Analysis 13

Sustainability Statement 17

Corporate Governance Overview Statement 20

Statement on Risk Management and Internal Control 26

Audit & Risk Management Committee Report 28

Statement of Directors' Responsibilities 30

Directors' Report and Audited Financial Statements 31

List of Properties 78

Statistics on Shareholdings 79

Statistics on Warrantholdings 81

Additional Compliance Information 83

Notice of Seventeenth Annual General Meeting 84

Statement Accompanying Notice of Annual General Meeting 87

Proxy Form Enclosed

WE ADVANCE, WE PROGRESS, WE LEAD

Tek Seng Holdings Berhad holds great strength to turn challenges into opportunities that allows the Company to continue to expand with innovation. Striving for manufacturing excellence in assurance of highest quality, cost competitiveness, supply and efficiency, Tek Seng Holdings Berhad will position itself with competitive advantages and advance with calculated strategies.

Corporate Profile

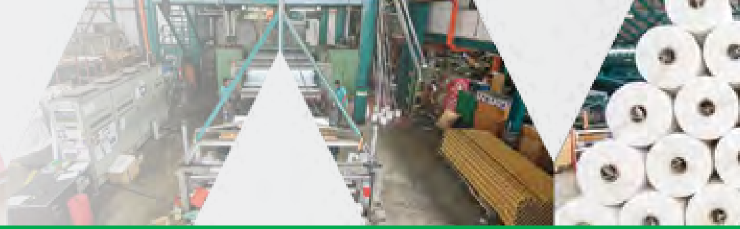
About Us

Tek Seng Holdings Berhad ("Tek Seng" or "the Company") was incorporated in Malaysia under the Companies Act, 1965 on 10 May 2002 as a private limited company under the name of Tek Seng Holdings Sdn. Bhd.. On 16 May 2003, it was converted to a public limited company and assumed its present name. Tek Seng was listed on the Second Board of Bursa Malaysia Securities Berhad ("Bursa Securities") on 2 November 2004. On 22 September 2006, Tek Seng was successfully transferred from the Second Board to the Main Board of Bursa Securities.

Tek Seng is an investment holding company and its subsidiaries are principally involved in the manufacturing and trading of PVC related and non-woven related products, the manufacturing, designing, developing, exporting, importing and sales of photovoltaic products, solar cells, solar panels, solar modules and solar related products and letting of properties.

The Group (Tek Seng and its subsidiaries) has a track record of more than 30 years in the PVC industry with the late Loh Phah Seng @ Loh Boon Teik as the original founder until 1989, when Loh Kok Beng, his eldest son took over the management of the business.

Corporate Information



Board of Directors

Mr. Loh Kok Beng
Executive Chairman

Mr. Loh Kok Cheng
Managing Director

Mdm. Loh Joo Eng
Executive Director

Mr. Loh Eng Chun
Executive Director

Mr. Leow Chan Khiang
Independent Non-Executive Director

Dr. Kamarudin Bin Ngah
Independent Non-Executive Director

Tuan Haji Mohamed Haniffah Bin S.M. Mydin
Independent Non-Executive Director

Audit & Risk Management Committee

Mr. Leow Chan Khiang (Chairman)
Independent Non-Executive Director

Dr. Kamarudin Bin Ngah
Independent Non-Executive Director

Tuan Haji Mohamed Haniffah Bin S.M. Mydin
Independent Non-Executive Director

Remuneration Committee

Dr. Kamarudin Bin Ngah (Chairman)
Independent Non-Executive Director

Mr. Leow Chan Khiang
Independent Non-Executive Director

Tuan Haji Mohamed Haniffah Bin S.M. Mydin
Independent Non-Executive Director

Nominating Committee

Tuan Haji Mohamed Haniffah Bin S.M. Mydin
(Chairman)
Independent Non-Executive Director

Dr. Kamarudin Bin Ngah
Independent Non-Executive Director

Mr. Leow Chan Khiang
Independent Non-Executive Director

COMPANY SECRETARIES

Mr. Lee Peng Loon (MACS 01258)
Ms. P'ng Chiew Keem (MAICSA 7026443)

REGISTERED OFFICE

51-21-A, Menara BHL Bank
Jalan Sultan Ahmad Shah, 10050 Penang
Telephone No : (04) 210 8833
Facsimile No : (04) 210 8831

SHARE REGISTRAR

Plantation Agencies Sdn. Berhad (2603-D)
3rd Floor, 2 Lebuh Pantai
10300 George Town Penang
Telephone No : (04) 262 5333
Facsimile No : (04) 262 2018
Email : sharereg@plantationagencies.com.my

EXTERNAL AUDITORS

BDO PLT (LLP0018825-LCA & AF0206)
Chartered Accountants
51-21-F, Menara BHL
Jalan Sultan Ahmad Shah, 10050 Penang

PRINCIPAL BANKERS

Citibank Berhad (297089-M)
Malayan Banking Bhd (3813-K)
OCBC Bank (Malaysia) Berhad (295400-W)
Public Bank Berhad (6463-H)
United Overseas Bank (Malaysia) Bhd (271809-K)

SOLICITORS

Salina, Lim Kim Chuan & Co.
Advocates & Solicitors (Corporate Division)
9-9 Livingston Tower
170, Jalan Argyll, 10400 George Town, Penang

STOCK EXCHANGE LISTING

Bursa Malaysia Securities Berhad
Main Market
Stock Name : TEKSENG
Stock Code : 7200
Warrant Name : TEKSENG-WA
Warrant Code : 7200WA

Corporate Structure

TEK SENG HOLDINGS BERHAD
(Company No. 579572-M)

(42879-T)
Tek Seng Sdn. Bhd.
100%

(920573-K)
TS Solartech Sdn. Bhd.
50.69%

(216849-M)
Pelangi Segi Sdn. Bhd.
100%

(347584-P)
Wangsaga Industries Sdn. Bhd.
100%

(233444-T)
Double Grade Non-Woven Industries Sdn. Bhd.
100%

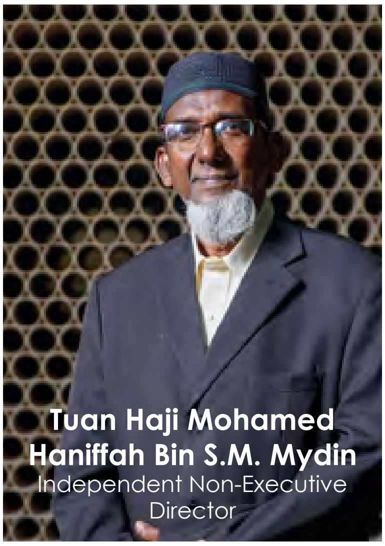
Board of Directors

Mr. Loh Kok Beng
Executive Chairman

Mr. Loh Kok Cheng
Managing Director

Mdm. Loh Joo Eng
Executive Director

Dr. Kamarudin Bin Ngah
Independent Non-Executive Director

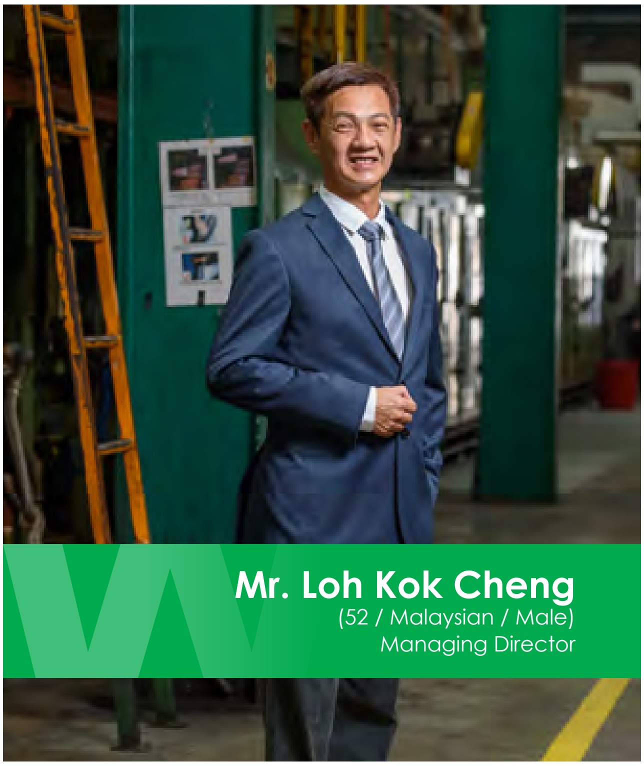


Tuan Haji Mohamed Haniffah Bin S.M. Mydin
Independent Non-Executive Director

Mr. Leow Chan Khiang
Independent Non-Executive Director

Mr. Loh Eng Chun
Executive Director

Directors' Profile



Mr. Loh Kok Beng was appointed as a Director of Tek Seng on 16 August 2004.

He graduated from Han Chiang High School in 1984 with Sijil Pelajaran Malaysia. After completing his elementary education, he joined the family business whose business activity is trading of PVC based materials. As the Group's Executive Chairman and founder, he has been instrumental in the development, growth and success of the Group. In early 1980s, he started working as sales personnel under the guidance of the late Loh Phah Seng @ Loh Boon Teik, the original founder. Subsequently in 1989, he took over the management of the business and together with his brother, Mr. Loh Kok Cheng, they expanded the Group's trading businesses by establishing Pelangi Segi Sdn Bhd and Double Grade Non-Woven Sdn. Bhd.

In 1995, he initiated into the manufacturing of PVC products and set-up Wangsaga Industries Sdn Bhd. In 2004, TSHB was listed on the Second Board of Bursa Securities and 2 years later TSHB was successfully transferred to the Main Board of Bursa Securities. In 2014, the Group ventured into the manufacturing and sales of photovoltaic products such as solar cells, solar panels or solar modules.

He does not have any other directorships in public companies and listed corporations.

He is the brother of Mr. Loh Kok Cheng, a Director and major shareholder of the Company and Mdm. Loh Joo Eng, a director of the Company and father of Mr. Loh Eng Chun, who is also a Director of the Company. He does not have any conflict of interest in any business arrangement involving the Company except as disclosed in the Financial Statements.

He had attended all seven Board meetings held during the financial year ended 31 December 2018.

Mr. Loh Kok Cheng was appointed as a Director of Tek Seng on 16 August 2004.

He graduated from Chung Ling High School in 1985 with Sijil Pelajaran Malaysia. After completing his elementary education, he joined the family trading business and worked as sales personnel. He is the co-founder of TSHB where he had assisted in the development of the Group and accumulated more than 30 years in the PVC industry.

He had travelled to many continents to expand the Group's business as well as exploring new business opportunities. Since year 2000 onwards, the Group had exported its products to more than 50 countries worldwide.

Mr. Loh Kok Cheng is currently responsible in overseeing the overall operations and management of the Group. He is also involved in developing overseas businesses and execution of the Group's strategies.

He does not have any other directorships in public companies and listed corporations.

He is the brother of Mr. Loh Kok Beng, a Director and major shareholder of the Company and Mdm. Loh Joo Eng, a director of the Company and uncle of Mr. Loh Eng Chun, who is also a Director of the Company. He does not have any conflict of interest in any business arrangement involving the Company except as disclosed in the Financial Statements.

He had attended all seven Board meetings held during the financial year ended 31 December 2018.

Mdm. Loh Joo Eng
(59 / Malaysian / Female)
Executive Director

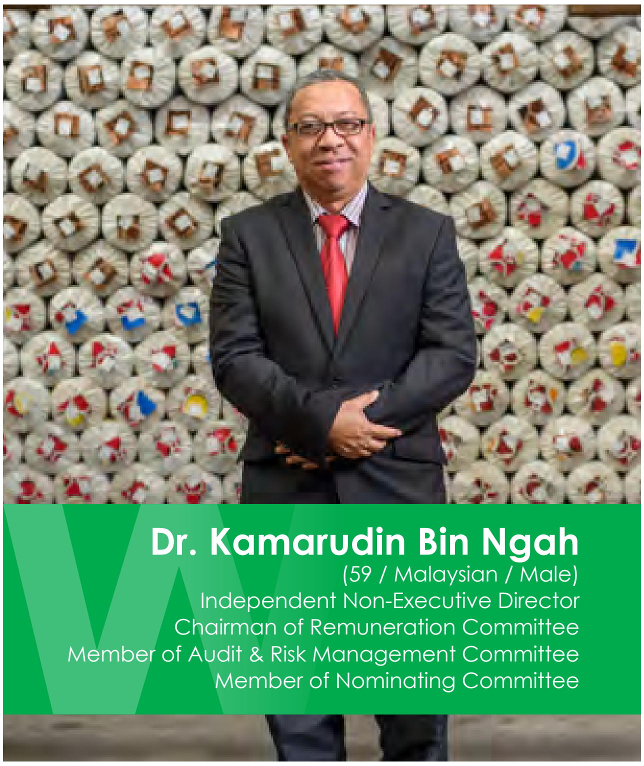
Mdm. Loh Joo Eng was appointed as a Director of Tek Seng on 16 August 2004.

She graduated from Penang Chinese Girls' High School in 1978 with Malaysia Certificate of Education. She is responsible for the daily operations and procurement of raw materials for the Group. She has more than 34 years of experience in PVC based industry.

She does not have any other directorships in public companies and listed corporations.

She is the sister of Mr. Loh Kok Beng and Mr. Loh Kok Cheng, who are the Directors and major shareholders of the Company and aunty of Mr. Loh Eng Chun, a Director of the Company. She does not have any conflict of interest in any business arrangement involving the Company except as disclosed in the Financial Statements.

She had attended all seven Board meetings held during the financial year ended 31 December 2018.



Dr. Kamarudin Bin Ngah
(59 / Malaysian / Male)
Independent Non-Executive Director
Chairman of Remuneration Committee
Member of Audit & Risk Management Committee
Member of Nominating Committee

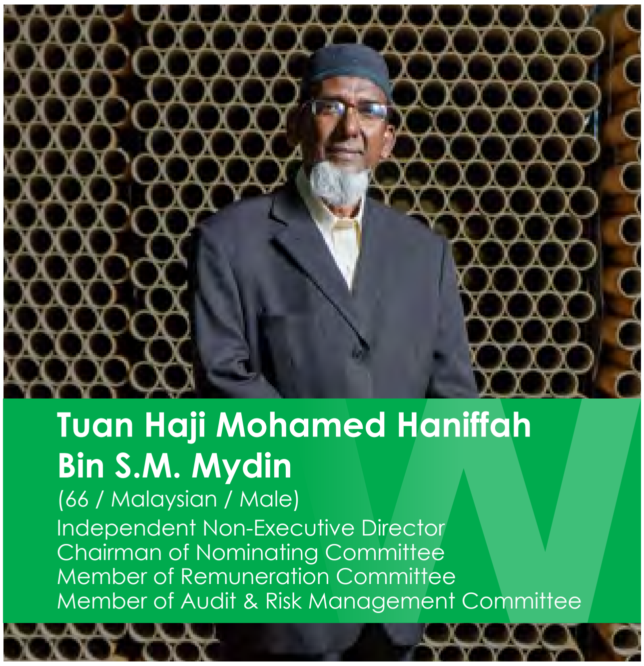
Dr. Kamarudin Bin Ngah was appointed as a Director of Tek Seng on 16 August 2004.

He holds a Doctorate of Philosophy in Development and Planning. He was with Malayan Banking Berhad from June 1984 to June 1985 as a sub-Accountant 1. He was a Councilor for Seberang Perai Municipality Council from 1999 to 2001. He was a Researcher with the Centre of Policy Research, University Sains Malaysia from July 1986 to August 2013. He is presently a Professor at School of Government, College of Law, Government and International Studies (COLGIS), Universiti Utara Malaysia (UUM) and also a director of Institute of Local Government Studies, UUM.

He does not have any other directorships in public companies and listed corporations.

He does not have any family relationship with any Director and/or major shareholder of the Company nor any conflict of interest with the Company.

He had attended six out of seven Board meetings held during the financial year ended 31 December 2018.



Tuan Haji Mohamed Haniffah Bin S.M. Mydin
(66 / Malaysian / Male)
Independent Non-Executive Director
Chairman of Nominating Committee
Member of Remuneration Committee
Member of Audit & Risk Management Committee

Tuan Haji Mohamed Haniffah Bin S.M. Mydin was appointed as a Director of Tek Seng on 16 October 2006.

He graduated from Katholik University of Leuven, Belgium with a Master of Business Administration. He started his career as an officer in Koperasi Usaha Bersatu Malaysia Bhd in March 1981 and later was promoted to Assistant Manager. In January 1983, Tuan Haji Mohamed Haniffah was seconded to JUB Credit & Leasing Sdn. Bhd. as a General Manager where he was in charge of the credit & leasing operations. He left JUB Credit & Leasing Sdn. Bhd. in March 1985.

In April 1985, Tuan Haji Mohamed Haniffah joined Advanced Electronics (M) Sdn. Bhd. ("AESB"), a wholly-owned subsidiary of Idris Hydraulic (Malaysia) Bhd as a Senior Manager. He was later promoted to the position of Group General Manager. Tuan Haji Mohamed Haniffah was responsible for an array of business portfolios including the restructuring exercise, strategic planning, business development and financial matters of AESB.

In November 1995, Tuan Haji Mohamed Haniffah left AESB and ventured into his own business. Shortly, he joined Instangreen Corporation Bhd which was under the Corporate Debt Restructuring Committee as the Chief Operating Officer. He was involved in the financial and business restructuring of Instangreen Corporation Bhd until it was re-floated under its new name of LBS Bina Bhd.

Tuan Haji Mohamed Haniffah re-joined AESB Group in August 1999 to re-strategise the consumer home electrical business. In early 2005, he partnered with a senior officer of AESB's holding company, jointly acquired the entire group of AESB under a Management Buy-Out Scheme. AESB was later sold to a third party where he resigned as the Chief Executive Officer of AESB in July 2006.

He does not have any other directorships in public companies and listed corporations.

He does not have any family relationship with any Director and/or major shareholder of the Company nor any conflict of interest with the Company.

He had attended all seven Board meetings held during the financial year ended 31 December 2018.

Mr. Leow Chan Khiang
(53 / Malaysian / Male)
Independent Non-Executive Director
Chairman of Audit & Risk Management Committee
Member of Remuneration Committee
Member of Nominating Committee

Mr. Leow Chan Khiang was appointed as a Director of Tek Seng on 01 July 2017.

Leow Chan Khiang is a Chartered Accountant and a member of the Malaysian Institute of Accountants ("MIA") and a Fellow member of the Association of Chartered Certified Accountants, United Kingdom ("FCCA"). He also holds a Master Degree in Business Administration from Northern University of Malaysia and a Bachelor Degree in Economics from University of Malaya.

He began his career in 1991 as corporate banking executive in Hong Leong Bank Berhad and resigned in 1996 to join Malaysian International Merchant Bankers Berhad ("MIMB"). In MIMB, he was responsible for various corporate debts and fund raising exercises as well as general advisory works. In 2001, he resigned from his position as an assistant manager of MIMB and joined a local logistic company for a short stint of one year. In 2002, he joined CAB Cakaran Sdn. Bhd. as a director of corporate finance and subsequently in 2003 appointed to the board of CAB Cakaran Corporation Berhad ("CAB") as an executive director where he was responsible for corporate planning, accounting and tax as well as joint ventures matters. In 2007, he resigned from CAB and was subsequently appointed to the board of SLP Resources Berhad as a non-independent non-executive director.

Presently, he is a non-independent non-executive director of SLP Resources Berhad and an independent non-executive director of Ni Hsin Resources Berhad, Salutica Berhad and Sanbumi Holdings Berhad, all are public companies listed on Bursa Securities. He is also a director and shareholder of few private limited companies involved corporate and financial services, food and confectionery.

He does not have any family relationship with any Director and/or major shareholder of the Company nor any conflict of interest with the Company.

He had attended all seven Board meetings held during the financial year ended 31 December 2018.

Mr. Loh Eng Chun
(28 / Malaysian / Male)
Executive Director

Mr. Loh Eng Chun was appointed as a Director of Tek Seng on 13 January 2015.

He graduated from University of Melbourne with a Bachelor of Commerce in Business Management and Marketing.

After completed his tertiary education, he began his career as an executive in a property development company listed on the Main Market of Bursa Securities where he was involved in product positioning strategy, presentations and property sales operation. Subsequently, he joined the property division of another Malaysian public company which is listed since 1964 with diverse business interests ranging from healthcare, automobile, financial services, plantation to property business and development.

Currently, he is attached with Tek Seng Group in which his primary responsibility entails the Public Relations tasks in strategising and implementing revenue enhancement initiatives for the Group's businesses including the Investor Relations functions of the Group. He is also overseeing the sales division in Tek Seng Group.

He does not have any other directorships in public companies and listed corporations.

He is the son of Mr. Loh Kok Beng, the Executive Chairman and major shareholder of the Company and nephew of Mr. Loh Kok Cheng, the Managing Director and major shareholder and Mdm. Loh Joo Eng, a Director of the Company.

He does not have any conflict of interest in any business arrangement involving the Company except as disclosed in the Financial Statements.

He had attended all seven Board meetings held during the financial year ended 31 December 2018.

Key Management Team

Look Fong Lian
(43 / Malaysian / Female)
Accountant

Ms Look Fong Lian obtained her professional accounting qualification from University of Putra Malaysia with a Bachelor of Accountancy in 2001. She has been with the Group since 2003, starting off as an account executive. Over the years, she has been involved in the preparation of group financial statements, review of financial performance, budgeting and taxation. She was appointed to the position of Accountant on 27 February 2006 handling mainly the Group's corporate finance and accounting matters. She is a member of Malaysian Institute of Accountants (MIA).

She does not have any directorship in public companies and listed corporations.

She does not have any family relationship with any Director and/or major shareholder of the Company nor any conflict of interest with the Company.

Lim Li Ming
(34 / Malaysian / Female)
Deputy General Manager

Ms Lim Li Ming graduated from Sheffield Hallam University with a Bachelor Degree in Accounting and Finance in 2007 and completed her professional degree (ACCA) in year 2011. She has more than 11 years experience in accounting, auditing and taxation and has experienced in serving at Big Four accounting firm. She was appointed to the position of Deputy General Manager on 29 September 2015. Currently, she is responsible for the daily operation, financial and administrative affairs of TS Solartech Sdn. Bhd.

She does not have any directorship in public companies and listed corporations.

She does not have any family relationship with any Director and/or major shareholder of the Company nor any conflict of interest with the Company.

Conviction of Offences
None of the Directors and key senior management have been convicted for offences within the past 5 years or any public sanction or penalty imposed by the regulatory bodies during the financial year other than traffic offences.

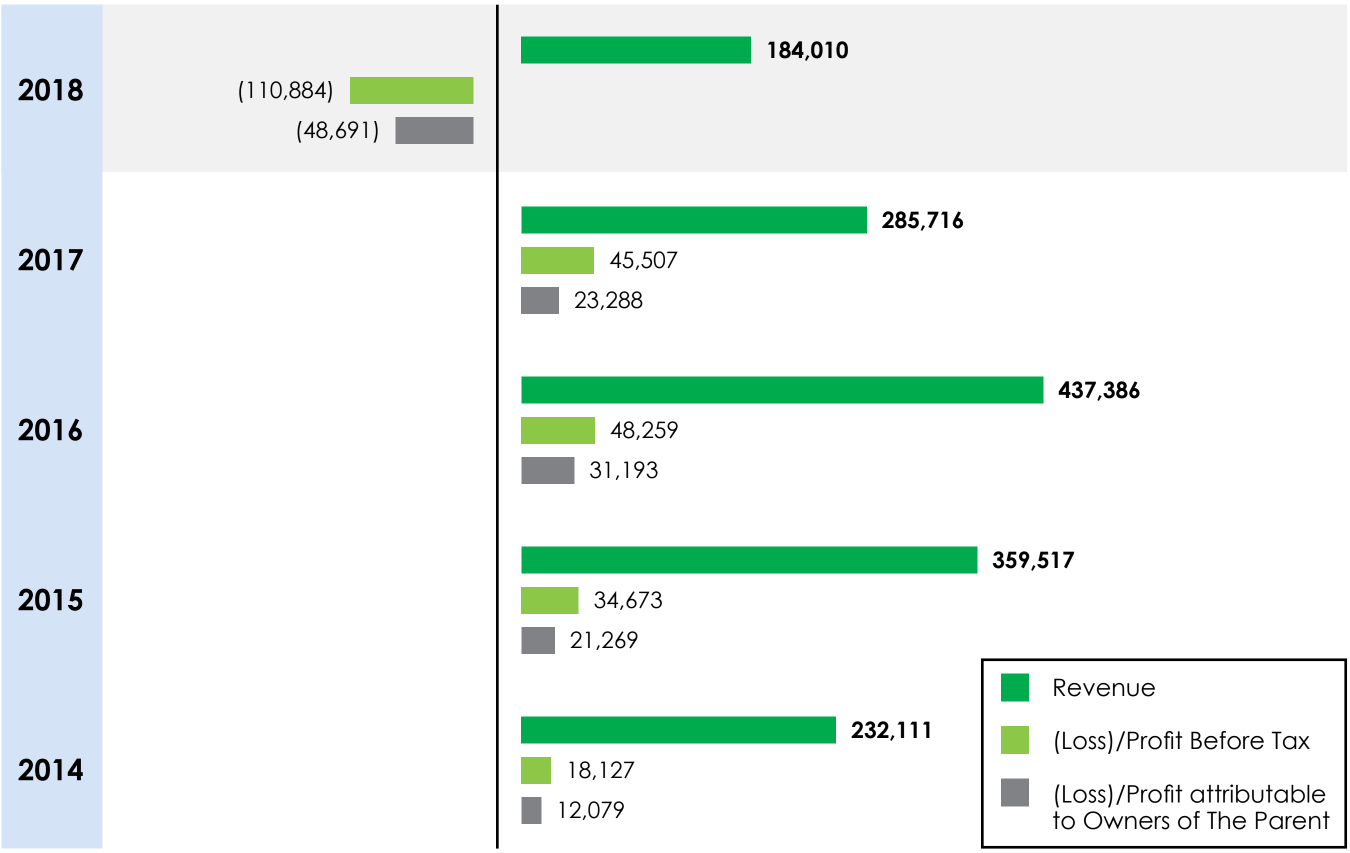
Directors' Shareholdings
The details of the Directors' shareholdings in the Company are set out under the Statistics on Shareholdings in page 80 of this Annual Report.

Financial Highlights

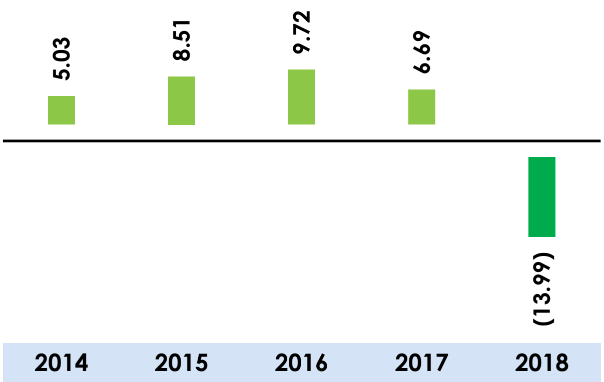
	2018 RM'000	2017 RM'000	2016 RM'000	2015 RM'000	2014 RM'000
Revenue	**184,010**	285,716	437,386	359,517	232,111
(Loss)/Profit Before Tax	**(110,884)**	45,507	48,259	34,673	18,127
(Loss) /Profit Attributable to Owners of The Parent	**(48,691)**	23,288	31,193	21,269	12,079
Total Assets	**308,740**	436,179	544,042	476,842	301,791
Total Liabilities	**30,970**	47,800	186,408	188,798	139,811
Shareholders' Funds	**203,922**	256,293	236,486	175,110	123,109
Performance Indicators					
(Loss)/Earnings Per Share (Sen)	****(13.99)**	6.69[@]	9.72[#]	8.51[*]	5.03
Dividend Per Share (Sen)	**0**	2.00	3.00	2.00	1.00
Dividend Per Share (%)	**0**	8.00	12.00	8.00	4.00
Net Assets Per Share (RM)	**0.59**	0.74	0.68	0.66	0.51
Net Gearing Ratio (Times)	**0**	0	0.25	0.60	0.44
Return on Equity (%)	**(52.44)**	13.35	16.66	16.37	9.25

** Based on 348,135,493 weighted average number of ordinary shares as at financial period ended 2018.
@ Based on 348,130,744 weighted average number of ordinary shares as at financial period ended 2017.
# Based on 320,844,311 weighted average number of ordinary shares as at financial period ended 2016.
* Based on 249,961,444 weighted average number of ordinary shares as at financial period ended 2015.

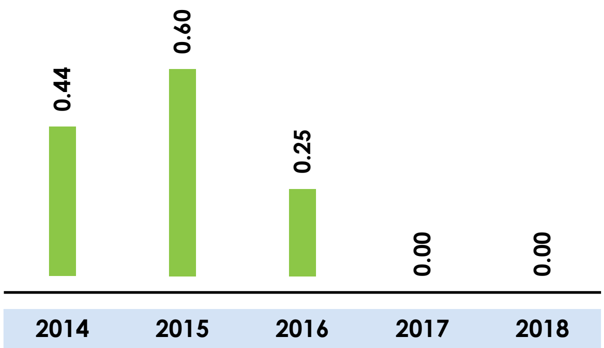
GROUP FINANCIAL RESULTS (RM'000)



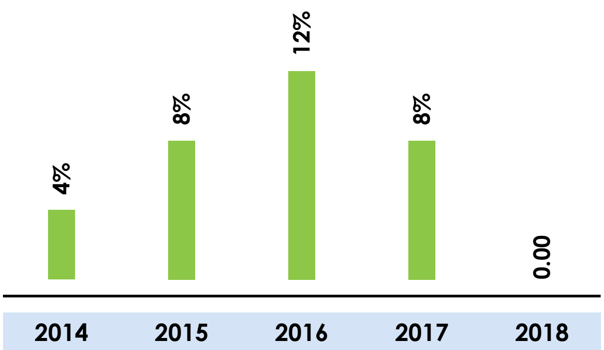
EARNINGS/(LOSS) PER SHARE (SEN)



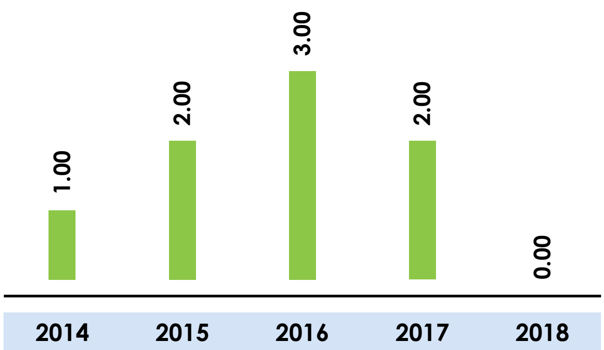
NET GEARING RATIO (TIMES)



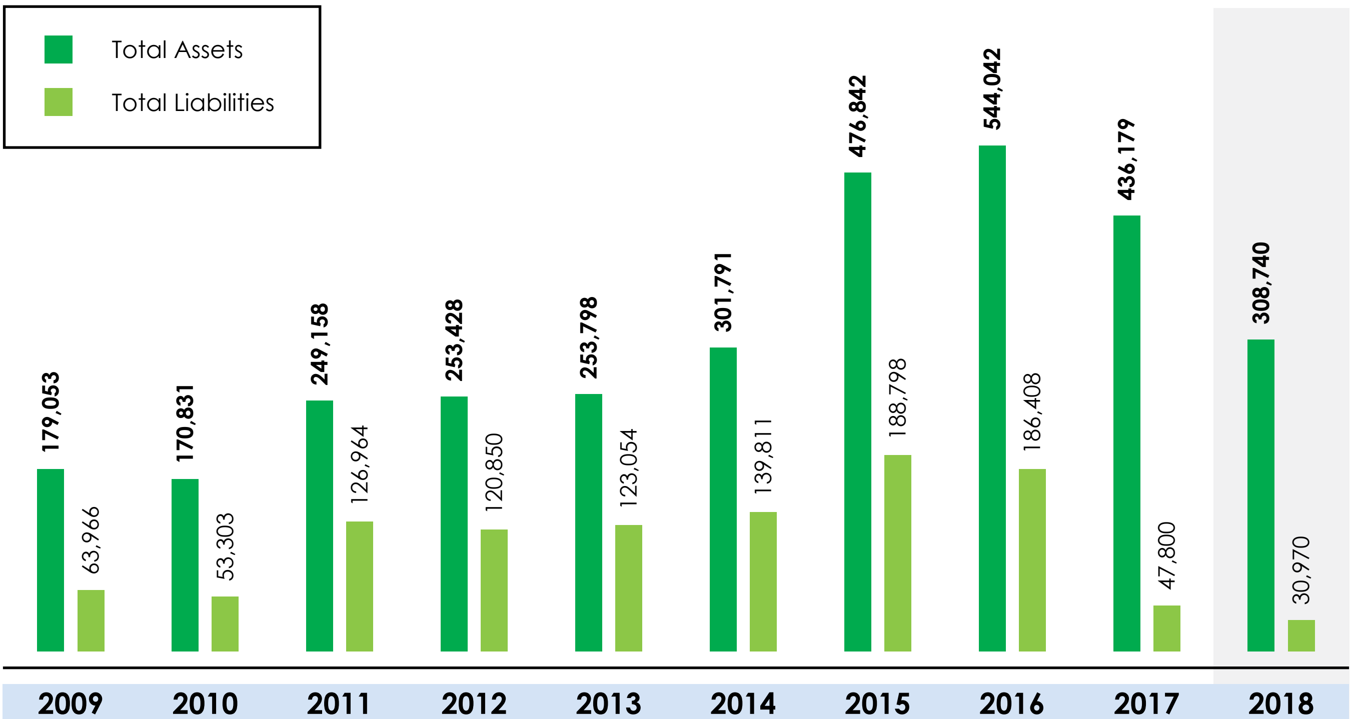
PERCENTAGE OF DIVIDEND



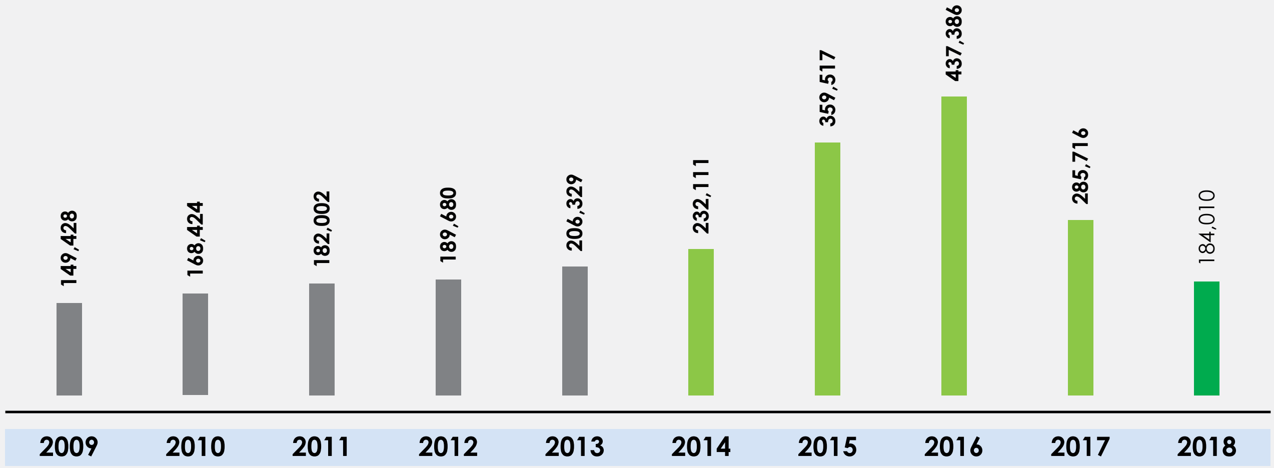
DIVIDEND PER SHARE (SEN)



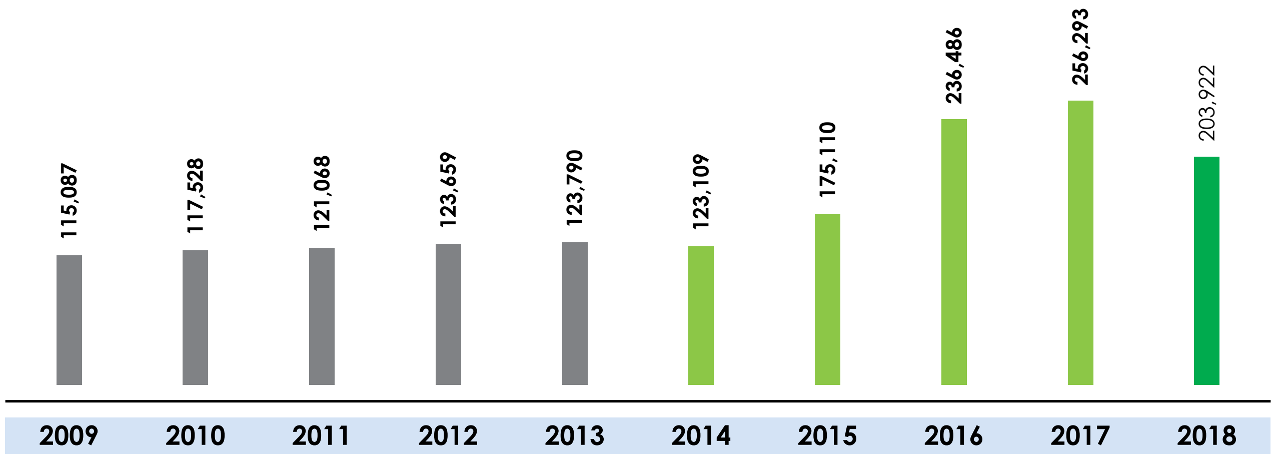
GROUP FINANCIAL RESULTS (RM'000)



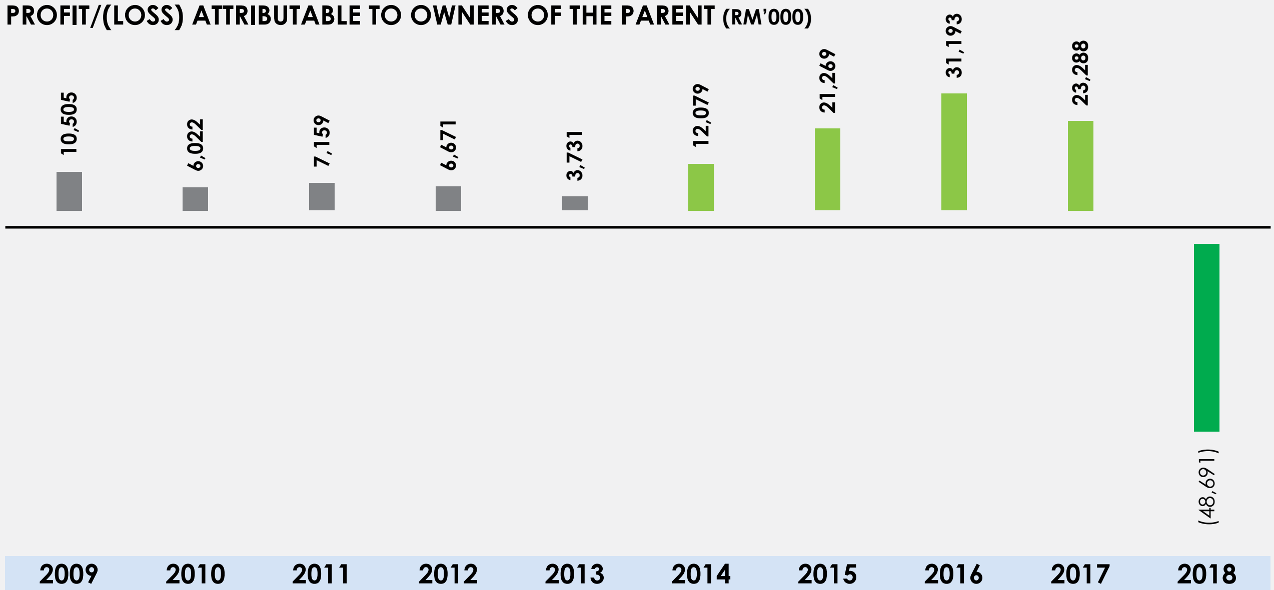
10 YEARS OF REVENUE GROWTH (RM'000)



SHAREHOLDERS' FUNDS (RM'000)



PROFIT/(LOSS) ATTRIBUTABLE TO OWNERS OF THE PARENT (RM'000)



Management Discussion and Analysis

INTRODUCTION

The following Management Discussion and Analysis ("MD&A") provides an analysis of the financial performance of Tek Seng and its subsidiaries for the financial year ended 31 December 2018 ("FYE 2018"). The MD&A contains commentary from the Management on the performance of the Group and of the Company, key business strategies, risks and future prospect of the Group.

The MD&A should be read in conjunction with the audited financial statements of the Group and of the Company in this Annual Report.

OPERATION AND BUSINESS REVIEW

The Company is an investment holding company. The Group operates through two (2) segments:

(i) **polyvinyl chloride ("PVC") segment**, which is engaged in manufacturing and trading of PVC sheeting, PolyPropylene ("PP") Non-Woven, PVC leather related products, and

(ii) **Photovoltaic Solar segment** which is engaged in the manufacturing and trading solar cells, solar panels, solar modules and solar-related products.

The Group has three (3) manufacturing plants all centrally located in Penang industrial areas. Two (2) plants are located in Bukit Minyak Industrial Estate and one (1) plant located at Penang Science Park.

Our over 30 years of track record in PVC based industry have served as a concrete platform for our presence in this industry globally. Our product quality and reputable customer service have also aided us to expand our customer base to more than 450 customers and across different continents. The Group possess the ability to manufacture PVC sheeting to suit its customers' product requirements in terms of PVC design and colour. Having over 400 designs and products type, we are looking at more customer oriented business operations as well as venturing into new PVC product which will be suitable for industrial use and also properties sectors.

FINANCIAL PERFORMANCE

The table below highlights the Group's key financial performance for FYE 2018:

	2018	2017	Changes
Revenue (RM'000)	**184,010**	285,716	(101,706)
Finance Costs (RM'000)	**237**	357	(120)
Other Operating Income (RM'000)	**3,250**	74,603	(71,353)
Gross (Loss) / Profit (RM'000)	**(15,164)**	4,110	(19,274)
Gross (Loss) / Profit Margin (%)	**(3.49)**	1.44	(4.93)
(Loss) / Profit Before Tax (RM'000)	**(110,884)**	45,507	(156,391)
(Loss) / Profit Before Tax Margin (%)	**(60.26)**	15.93	(76.19)
(Loss) / Profit After Tax (RM'000)	**(106,928)**	34,225	(141,153)
(Loss) / Profit After Tax Margin (%)	**(58.11)**	11.98	(70.09)

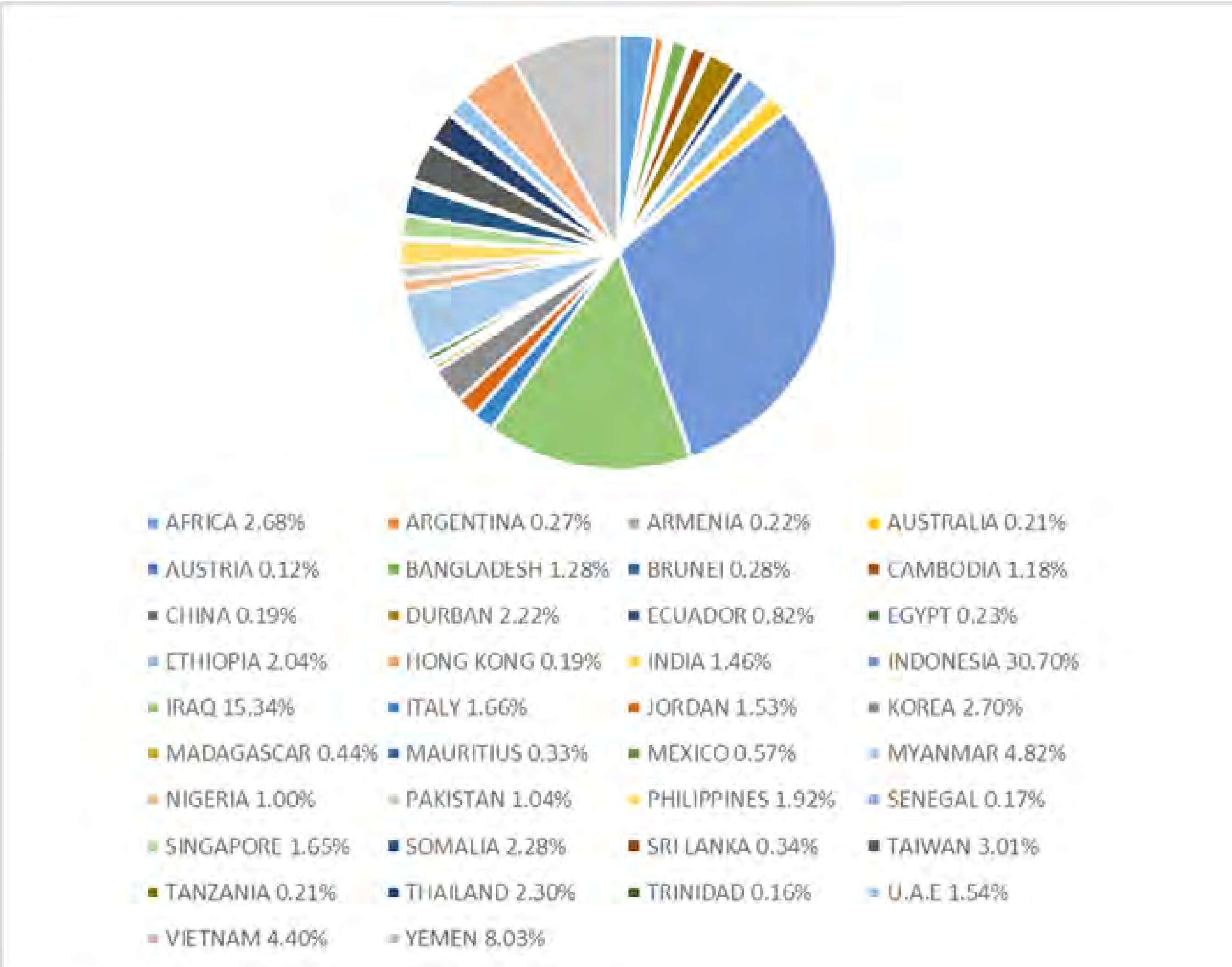
Revenue

For the FYE 2018, the Group recorded revenue of RM184.01 million, representing a decrease of RM101.71 million or approximately 35.60% as compared to RM285.72 million in the preceding year ended 31 December 2017 ("FYE 2017"). The Group's sales by segments and markets are summarised as follows:

Sales	2018 PVC (RM'000)	2018 SOLAR (RM'000)	2018 TOTAL (RM'000)	2018 %	2017 PVC (RM'000)	2017 SOLAR (RM'000)	2017 TOTAL (RM'000)	2017 %
Export	**81,002**	**15,055**	**96,057**	**52.20**	79,593	114,423	194,016	67.91
Local	**87,945**	**8**	**87,953**	**47.80**	88,126	3,574	91,700	32.09
Total	**168,947**	**15,063**	**184,010**	**100.00**	167,719	117,997	285,716	100.00

The Group's photovoltaic solar segment recorded a significant decrease in sales to RM15.06 million, down by RM102.94 million or 87.24% from RM118.00 million in FYE 2017. This was mainly attributed to lower sales of solar cells, solar panels, solar modules and solar-related products due to slower global demand. For the PVC segments, the Group recorded a slight increase in sales to RM168.95 million, up by RM1.23 million or 0.73% from RM167.72 million in FYE 2017. During FYE 2018, the Group faced with even more tense competition from other PVC importers, especially China, Thailand and Vietnam.

For FYE 2018, export market accounted 52.20% of the Group's revenue while the remaining 47.80% is from local market. The main export market for PVC segment is Indonesia which accounted 36.26% and solar cells are mainly shipped to the Asia (more than 75%). Hence, the market sentiment in the global economy plays an important role in our business operations.



Other Operating Income

The Group's other operating income decreased from RM 74.60 million in FYE 2017 to RM3.25 million in FYE 2018. This was largely due to compensation by a customer and gain on disposal of a solar cell production line in FYE 2017 (FYE 2018 : Nil).

Operating Expenses

The Group's staff costs decreased by RM3.94 million or 14.43% from RM27.31 million in FYE 2017 to RM23.37 million in FYE 2018. This was principally due to lesser number of worker after the temporary cessation of production activities for solar segment on 17 September 2018. In FYE 2018, the Group recognised impairment loss on property, plant and equipment of the solar segment of RM76.61 million. The impairment was due to the shortfall between the carrying amount and the recoverable amount of the plant and machineries by the Group's solar segment.

Loss After Tax

In FYE 2018, the Group recorded loss after tax ("LAT") of RM106.93 million which was mainly due to losses incurred by the Group's solar segment. Solar segment was recorded LAT in FYE 2018 of RM118.12 million. The huge loss incurred mainly from impairment loss on property, plant and equipment RM76.61 million, inventories written down RM22.58 million and depreciation charged RM17.31 million.

Financial Position

	2018	2017	Changes
Total Assets (RM'000)	**308,740**	436,179	(127,439)
Total Liabilities (RM'000)	**30,970**	47,800	(16,830)
Shareholders' Equity (RM'000)	**203,922**	256,293	(52,371)
Total Equity (RM'000)	**277,770**	388,378	(110,608)
Cash and Bank Balances (RM'000)	**4,255**	10,301	(6,046)
Issued and Fully Paid Capital (RM'000)	**111,871**	111,868	3
Net Asset Per Share (RM)	**0.59**	0.74	(0.15)
Basic (Loss) / Earnings Per Share (sen)	**(13.99)**	6.69	(20.68)
Dividend Per Share (sen)	**0.00**	2.00	(2.00)

Assets

Trade and Other Receivables

The Group's trade and other receivables as at end of FYE 2018 decreased by RM7.62 million or 22.75% to RM25.88 million from RM33.50 million in FYE 2017. This is mainly due to settlement of receivables and impairment losses of RM1.32 million.

Inventories

The Group's inventories stood at RM40.10 million at as the end of FYE 2018 from RM55.61 million at as the end of FYE 2017. The lower level of inventories was in line with lower amount of revenue in FYE 2018 and written down of inventories.

Cash and Bank Balances

The Group's bank balances as at the end of FYE 2018 decreased by 58.64% to RM4.26 million from RM10.30 million as at the end of FYE 2017 due to prompt repayment to suppliers.

Liabilities

Trade and Other Payables

The Group's trade and other payables decreased by 6.39% to RM25.94 million as at 31 December 2018 as compared to RM27.71 million as at 31 December 2017. This is mainly due to reduce of purchases of Solar material after the temporary cessation of solar production activities.

Capital Structure and Capital Resources

As at 31 December 2018, our shareholders' equity stood at RM203.92 million as compared with RM256.29 million as at the end of the previous financial year. Lower shareholders' equity in FYE 2018 was due to the losses incurred by the Group.

The Group's financial position remains positive with zero bank borrowings as at FYE 2018. The Group's net assets per share decreased to RM0.59 as at the end of FYE 2018 (FYE 2017: RM0.74 per share). The Group's basic (loss)/earnings per share stood at (RM0.14) as at the end of FYE 2018 as compared to RM0.07 per share as at the end of FYE 2017 due to higher loss after tax in FYE 2018.

RISKS, STRATEGIES AND OUTLOOK

The Group decided to temporarily cease the operation of the photovoltaic solar business mainly due to unforeseen market uncertainties as well as the demand. The photovoltaic solar industry has been facing challenges from different aspects, eg. Price pressure, government unfavourable policies as well as anti-dumping taxes implemented. Thus, the Group decided to put the Group's and shareholders' best interest in forefront of the agenda.

As for the Group's PVC business, the Group remains as one of the leading PVC vinyl and sheeting producers in Malaysia. The Group would continue to innovate and penetrate into a different segment of the vinyl flooring market and with the enhancement of our product offerings to further strengthen our position in Malaysia as well as in other export markets particularly in Indonesia.

The Group also has plans to enlarge its product portfolio with the PP production for stationery use in mid-2019.

Premised the above, the prospect for the Group in FYE 2018 will remain to be challenging. However, we are optimistic that the Group's PVC business will continue to expand steadily and provide a steady and stable stream of future income to the Group.

DIVIDENDS SHAREHOLDERS RETURN

For FYE 2018, the Company did not declare and/or pay any dividend due to the losses incurred by the Group. The Company would like to reiterate that the Company reserves the cash for operations purposes.

APPRECIATION NOTE

In closing, I would like to thank my valued shareholders, customers, suppliers, business associates, bankers and all relevant authorities for their continuous support and confidence in the Group. Most importantly I wish to express my sincere appreciation and acknowledgement to the Board of Directors and the employees for their commitment, dedication and contribution in steering the company forward.

Sustainability Statement

The Board of Tek Seng is pleased to present its Sustainability Statement in accordance with the Main Market Listing Requirements ("MMLR") of Bursa Securities. This statement describes to our stakeholders our approach to sustainability matters and the measures we have implemented in the FYE 2018.

Tek Seng Group is committed to embed and practice the values of being economically, environmentally and socially responsible as the Group believes its business and long term growth are tied to the Group's ability to manage its material economic, environmental and social (ESS) impact.

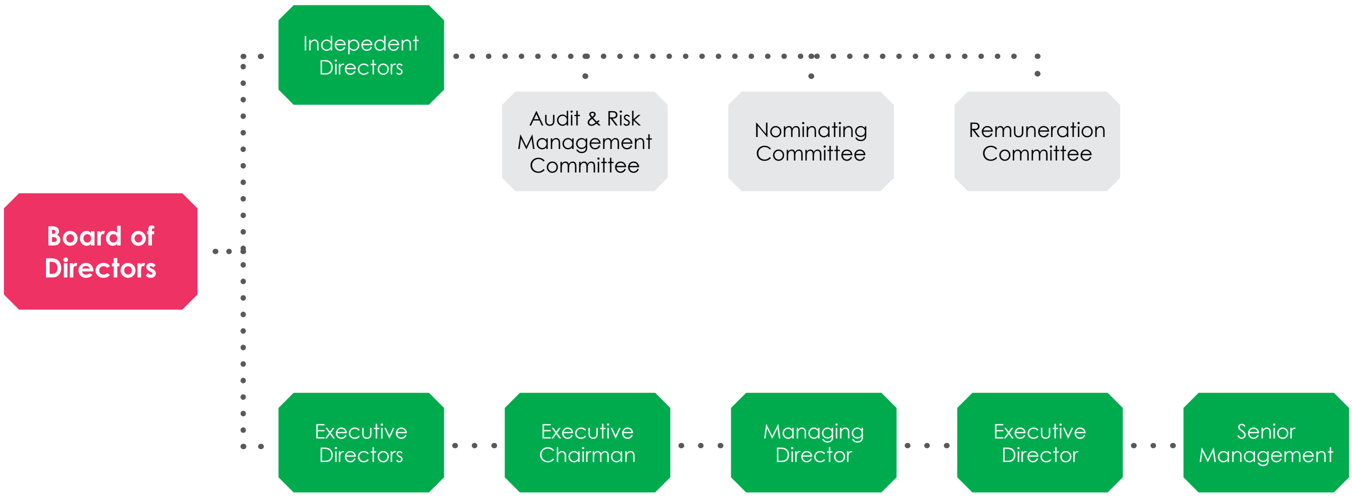
Our sustainability priorities identified in FYE 2018 are as follows:

ECONOMIC	ENVIRONMENTAL	SOCIAL
a) Cost Management	a) Energy and Waste Management	a) Social and Welfare Contributions
b) Product Innovation		b) Human Capital Management

SUSTAINABILITY GOVERNANCE STRUCTURE

As part of our commitment towards sustainability, we established a clear governance structure to ensure compliance and performance. All matters relating to sustainability will be evaluated, communicated and resolved by the Executive Directors and Senior Management through discussions and meetings led by the Executive Chairman. The Executive Chairman is tasked to report to the Board of Directors.

Our sustainability Governance Structure is as follows:



ECONOMIC

The Group strives to ensure its sustainability business practices to propel in economic growth. The Group continuously seeks improvements in creating values to its suppliers and customers and places high priority in enduring business relationships that are built on trust.

a) Cost Management

We had decided to temporary ceased the operation of TS Solartech due to the rising costs and lower market demand. FYE 2018 had seen a lot of consolidation in the solar industry and we believed the temporary cessation would provide the Group with better cash flow as well as financial aspects. This decision allowed the Group to minimize its loss in the longer run. However, the Management are still keen to reactivate the operation if the market shows some positive signs.

In PVC division, we had adopted lean management in production. This allowed us to reduce our inventory costs as well as raw materials costs. We believed this decision can benefit the Group especially in the price sensitive industry.

b) Product Innovation

The Group had introduced a few new products in order to cater to more industry, especially the Luxury Vinyl Tiles (LVT) industry, stationery as well as household products. These diversifications and innovations helped the Group to expand its customer base locally and internationally. The Group consistently seeks for product innovations to ensure that the Group's offering are well suited with the demand.

ENVIRONMENTAL

The Group had undertaken various measures and explored feasible opportunities to minimize any adverse impact from our manufacturing operations, waste disposals and products' design and packaging.

a) Energy and Waste Management

The Group had undertaken the following measures to manage its environmental impact:

1) Installation of LED and energy saving electrical appliances
2) Replacement of overage factory facilities to improve energy efficiency

SOCIAL

The Group had practiced and contributed to the community from time to time as the Group believed that a business longevity correlates to its contribution to the society.

a) Social and Welfare Contributions

We had been consistently cultivating a caring culture to the less fortunate communities by rendering monetary support to various non-profit organisations to improve their living standards and also in an effort to contribute to the local education sector. We also encourage our employees to participate on charitable activities. The non-profit organisations that we had supported and/or participated are as follows:

1) Beautiful Gate Foundation For The Disable
2) Pertubuhan Pengurusan Rumah Kebajikan Warga Emas Sang Riang
3) Yayasan Nanyang Press (China Press)
4) People Giving Association
5) and other orphanage/handicapped/charitable homes

Being participation in the community events and activities, this also helps to promote and encourage teamwork and compassion towards each other in workplace, thus shaping a sustainable, harmony and healthy working culture in the Group.

SOCIAL (Cont'd)

b) Human Capital Management

Our staff is our greatest assets as they are the key driving force of our successes and achievements and we are committed to ensure fairness and opportunities regardless of their religions, ethnicity, genders, age and nationalities in our work environment.

Training and Development

Training and developments of our employees are utmost important to us. The Group held various comprehensive continuous learning and development programmes throughout the year to equip our employees with skills and knowledge relevant to their work functions and to meet the changing needs of our business. We also promote a holistic development of their capabilities.

Healthy and Safety

The Group also aims to ensure that the health, safety and welfare of our employees are well taken care of. Thus, the Group is constantly reviewing its workplace and policies to ensure a safe and conducive working environment. The Group forms an Environmental, Safety & Health Committee to carry out inspection regularly to ensure the Group complies with Occupational Safety and Healthy (Safety and Health Committee) Regulation 1996. In addition, the Group has been providing above the basic safety facilities and equipments to further protect health and well-being of our employees.

The Group had carried out various trainings such as Hazard Identification Risk Assessment & Risk Control, Chemical Handling Training, Course For Certified Environmental Professional in Scheduled Waste Management, safety drills, Fire and evacuation training, Emergency Response Training (ERT) during the financial year.

Diversity

The Group does not have a written policy in workplace but we believe that a well-managed diversity will strengthen our knowledge, skills and cross-cultural understanding as well as multi-generational aspects towards a better work-life balance environment, improvement of productivities and performance of the Group.

Currently, 90% of our work force is male in view of the nature of work. Nevertheless, we will consider female recruitments if they are appropriate for the positions. The current ethnicity and age diversity in workplace are as follows:

ETHNICITY				AGE GROUP			
Malay	Chinese	Indian	Others	Below 20	21-30	31-40	Above 40
36%	21%	3%	40%	2%	29%	40%	29%

COMMITMENT TO SUSTAINABILITY

The Group will continue to put its best efforts to practice and utilise sustainable practice on every aspects of its business where possible for the benefits of future generations and remain steadfast in achieving excellence in its corporate responsibility.

The Group's objectives and mission are always revolving around 'go on managing, steady developing, improve environment and redound upon society'.

Corporate Governance Overview Statement

INTRODUCTION

The Board is committed to the Company's shareholders and various stakeholders in promoting good corporate governance culture within the Group in creating and delivering sustainable value and long-term success of the Group's businesses.

This Corporate Governance Overview Statement is prepared in accordance with the Main Market Listing Requirements and the Malaysian Code of Corporate Governance (MCCG) issued by the Securities Commission Malaysia. This statement gives the shareholders an overview of the corporate governance (CG) practices of the Company during the FYE 2018 and it is to be read together with the CG Report which is available at the Company's website www.tekseng.com.my.

PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS

Board Responsibilities

The Board has primary responsibility for the governance and management of the Group, and fiduciary responsibility for the financial and organisational health of the Group. In discharging the fiduciary and leadership functions, the key roles and responsibilities of the Board are as follows:

1. Reviewing and approving material investment, acquisitions and disposals of property, plant and equipment.
2. Reviewing and approving related party transactions.
3. Reviewing the adequacy of the Group's internal control policies.
4. Monitoring compliance with relevant laws & regulations and accounting standards within the corporate and business environment.
5. Reviewing and approving annual financial statements and quarterly financial results.

The Company has a clear distinction and separation of roles between the Executive Chairman and the Managing Director, with division of responsibilities clearly defined in the Board Charter. A copy of the Board Charter is available on the Company's website at www.tekseng.com.my. The Board Charter will be reviewed annually to ensure it is relevance and compliance. The last review was on 26 February 2019.

The Executive Chairman, Mr. Loh Kok Beng is responsible to ensure Board effectiveness, implementation of Board's policies and decisions, corporate affairs and the overall financial performance of the Group.

As the Executive Chairman, he plays a vital role in leading and guiding the Board, and also serves as the communication point between the Board and the Managing Director.

The Managing Director, Mr. Loh Kok Cheng leads the management in the operations and has overall responsibility over the operation units and organisational effectiveness.

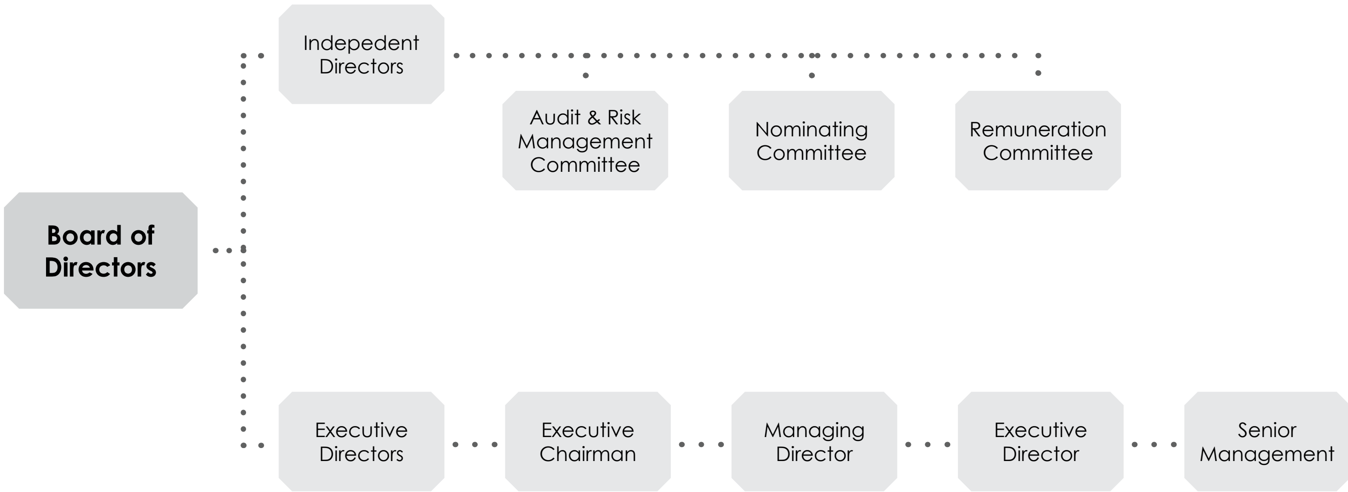
The Board delegates certain areas of responsibilities to Board Committees, each with predefined terms of reference and responsibilities and the Board receives reports of their proceedings and deliberations. Where the Board Committees have no authority to make decisions on matters reserved for the Board, recommendations would be tabled to the Board for its approval. The Chairman of the respective Board Committees shall report the outcome of the Committee meetings to the Board and relevant decisions are incorporated in the minutes of the Board meetings.

The Independent Non-Executive Directors play a role in the Audit and Risk Management Committee, Nominating Committee and Remuneration Committee. They are primarily responsible to provide objective and independent judgements to the decision making of the Board.

PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

Board Responsibilities (Cont'd)

Below is the Group's Governance Model where specific powers of the Board are delegated to ensure responsibilities and duties are discharged orderly:



All Directors have access to the advice and services of the Company Secretary in carrying out their duties and to ensure all rules, requirements and regulations are complied with.

The Company Secretaries are responsible for proper maintenance of secretarial records, preparation of resolutions, recording minutes of proceedings and other key secretarial functions. The Directors have unrestricted access to the services of the Company Secretaries for guidance on matters relating to the companies law, rules and regulations of the regulatory authorities as well as best practices on governance.

Both Company Secretaries are members of professional bodies and qualified to act as company secretaries. They regularly keep themselves abreast with the regulatory changes and developments vide participations in various training programmes.

Composition of the Board

The Company has an experienced Board comprising four (4) Non-Independent Executive Directors and three (3) Independent Non-Executive Directors. The number of the Independent Directors on the Board complies with Paragraph 15.02 of the MMLR which requires that at least two (2) or one-third (1/3) of the Board of the Company, whichever is higher, are Independent Directors.

All the three (3) Independent Non-Executive Directors provide independent views and objective judgement to the Board's decision making process. This strengthens the Board which benefits from the independent views expressed before any decisions are taken. Should any director have an interest in any matter under deliberation, he is required to disclose his interest and abstain from participating in discussions on the matter. The Nominating Committee ("NC"), upon its annual assessment of the independent directors is satisfied that the independent directors had discharged their responsibilities in an independent manner.

Tenure of Independent Director

Practice 4.2 of MCCG stipulates that the tenure of an Independent Director of the Company should not exceed a cumulative term of nine (9) years. An Independent Director may continue to serve the Board subject to re-designation as a Non-Independent Director. In the event the Board intends to retain the Independent Director after serving a cumulative term of nine (9) years, shareholders' approval will be sought.

The Company does not have a policy which limits the tenure of its independent directors to nine (9) years. The Board believes that valuable contributions can be obtained from directors who have, over a period of time, developed valuable insight of the Company and its business. Their experience enables them to discharge their duties and responsibilities independently and effectively in the decision making processes of the Board, notwithstanding their tenure on the Board. However, the Board would seek annual shareholders' approval to retain the independent directors who have served more than nine (9) years.

PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

Tenure of Independent Director (Cont'd)

Both Dr. Kamarudin Bin Ngah and Tuan Haji Mohamed Haniffah Bin S.M. Mydin had served the Board as Independent Non-Executive Directors for more than twelve (12) years. The Board believes that although both Dr. Kamarudin Bin Ngah and Tuan Haji Mohamed Haniffah Bin S.M. Mydin had served more than twelve (12) years on the Board, they remain unbiased, objective and independent in expressing their opinions and in participating in decision making of the Board. The length of their service on the Board has not in any way interfered with their objective and independent judgement in carrying out their role as members of the Board and Committees. In view of their tenure are above twelve (12) years, the Board would seek shareholders' approval through a two-tier voting process at the forthcoming 17th Annual General Meeting ("AGM") of the Company.

Gender Diversity

The Board is supportive of gender diversity in the Board composition and senior management. However, the Board does not have a specific policy of setting targets on the number of women representatives on the Board of the Company. The Board believes that there is no detriment to the Company in not adopting a formal gender diversity policy or in not setting gender diversity objectives as the Company is committed to provide fair and equal opportunities and nurturing diversity within the Company. The evaluation of the suitability of candidates is based on the candidates' competency, character, time commitment, integrity and experience in meeting the needs of the Company.

Appointment & Re-election

In making the recommendations for the board appointment of new candidates, the NC would consider candidates proposed by the existing board members, any other senior executive, Director or major shareholder. The NC may also utilise independent sources including industry and professional association, open advertisements or independent search firms to identify suitably qualified candidates.

New Directors are provided with comprehensive information on the Group to enable them to gain a better understanding of the Group's strategies and operations, and hence allow them to effectively contribute to the Board.

In accordance with the Company's Constitution, one-third (1/3) of the directors for the time being, or, if their number is not three (3) or a multiple of three (3), then the number nearest to one-third (1/3) shall retire from office and be eligible for re-election. Provided always that, all directors shall retire from office once at least in each three (3) years but shall be eligible for re-election. A retiring director shall retain office until the close of the meeting at which he retires.

The Board through its NC conducts annual assessment of the effectiveness of the Board, the Board Committees, individual directors and senior management of the Company.

The assessment of the Board as a whole, Board Committees, individual directors and senior management are carried out by way of evaluation questionnaires. The responses are then compiled and presented to the NC for evaluation and consideration. The NC will evaluate and table its recommendations to the Board. The director's and senior management's concern shall abstain from deliberating on his/her own assessment.

During financial year 2018, the NC had held one meeting with full members present. The NC had discussed and assessed the Board, the Board Committees, term of Audit & Risk Management Committee and members of the Audit & Risk Management Committee, individual directors, the independence of independent directors, senior management, boardroom diversity, directors' training and re-appointment or re-election of directors at the forthcoming AGM of the Company.

The NC, upon its recent annual assessment carried out, is satisfied that the current size and composition of Board, Board Committees, its directors and Senior Management are adequately appropriate for its purpose with relevant mix of skills, experience, competency, ethnicity and age.

PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

The External Auditors had briefed the Directors on the changes of the Malaysian Financial Reporting Standards that affect the Group's financial statements. Other trainings attended by the directors are as follows:

Name	Description of training
Mr. Loh Kok Beng	MFRS Updates MFRS 9 Financial Instrument & MFRS 15 Revenue from Contract Customers
Mr. Loh Kok Cheng	MFRS Updates MFRS 9 Financial Instrument & MFRS 15 Revenue from Contract Customers
Mdm. Loh Joo Eng	MFRS Updates MFRS 9 Financial Instrument & MFRS 15 Revenue from Contract Customers MySST Mastering SST 2.0 Road To Implementation and Business Ready
Mr. Leow Chan Khiang	Understanding the Tax Landscape in Malaysia KPMG Penang Tax Summit 2018 The New Malaysian Code on Corporate Governance
Dr. Kamarudin Bin Ngah	2018 International Seminar On Development Studies Seminar On Local Administrator In Japan 2018 The 3rd International Social Development Conference 2018 National Conference On Governance & Development 2018
Tuan Haji Mohamed Haniffah Bin S.M. Mydin	Corporate Governance Briefing Sessions: MSSG Reporting & CG Guide Internal Controls and Fraud Prevention
Mr. Loh Eng Chun	Corporate Governance Briefing Sessions: MSSG Reporting & CG Guide MFRS Updates MFRS 9 Financial Instrument & MFRS 15 Revenue from Contract Customers MySST Mastering SST 2.0 Road To Implementation and Business Ready Course For Certified Environmental Professional in Scheduled Waste Management

The Board was satisfied with the Directors' own evaluation of their training needs in FYE2018 as all the Directors had attended various programmes to enhance their skills and knowledge. Thus, a fixed policy on directors' training is not required.

Remuneration

The Board has in place a Remuneration Policy which is clear and transparent to attract and retain the Directors and the Senior Management of the Company. The Remuneration Committee ("RC") of the Company comprising solely of independent directors is headed by Dr. Kamarudin Bin Ngah, an Independent Non-Executive Director. The RC is responsible to review the policy and ensure fair remuneration policies and procedures are in place.

The RC is also empowered by the Board with the terms of reference to review and recommend the remunerations of the executive, non-executive directors and Senior Management. The director's and Senior Management's concern shall abstain from deliberating on his/her own remunerations.

During financial year 2018, the RC had held one meeting with two members present. The RC had discussed and recommended to the Board the remuneration package of executive directors and senior management, directors' fees and benefits.

PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

Remuneration (Cont'd)

Aggregate remuneration paid to Directors for the FYE 2018 are categorised into the following components:

Name	N1 Fees (RM'000)	N2 Salary (RM'000)	N2 Bonus (RM'000)	N2 Other Emoluments^ (RM'000)	Total (RM'000)
Loh Kok Beng	27	1,116	290	174	1,607
Loh Kok Cheng	27	1,038	258	160	1,483
Loh Joo Eng	27	132	55	24	238
Loh Eng Chun	27	144	30	23	224
Dr. Kamarudin Bin Ngah	28	0	0	0	28
Tuan Haji Mohamed Haniffah Bin S.M.Mydin	28	0	0	0	28
Leow Chan Khiang	28	0	0	0	28

N1 – Received on Company Level
N2 – Received on Group Level
^ other emoluments comprising of performance incentives, allowances and statutory contributions to regulatory bodies

Directors' benefits approved at last AGM from 09 June 2018 until the conclusion of the 17th AGM are as follows:

Directors' Benefits	Actual benefits paid/incurred up to 31 March 2019 (RM'000)
Travelling Allowance	7
Medical Allowance	22
Total Benefits paid	29
Approved limit at 16th AGM	50

In determining the remuneration packages of the Group's senior management, factors that were taken into consideration included their individual responsibilities, skills, expertise and contributions to the Group's performance and whether the remuneration packages are competitive and sufficient to ensure that the Group is able to attract and retain executive talents.

On the disclosure of remuneration of the Group's senior management, the Board is of the view that it would not be in the best interest of the Company to make such disclosure in view of the competitive nature of the human resource market and to support the Company's efforts in attracting and retaining executive talents, it should maintain confidentiality on employee remuneration matters.

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

Audit and Risk Management Committee

The Audit and Risk Management Committee ("ARMC") consists of three (3) independent non-executive directors. The current ARMC Chairman is professionally qualified accountant with vast experience in the financial reporting. On the Group's quarterly reports, the Board had engaged the external auditors to review the Company's quarterly reports in accordance with International Standard on Review Engagements 2410 (ISRE2410), "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". The External Auditors reviews the Group's quarterly reports before presenting to the ARMC for review.

The ARMC assists the Board in reviewing and ensuring the Company's quarterly reports and an annual audited financial statements are prepared in compliance with applicable financial reporting standards and makes it recommendation to the Board for approval and release to Bursa Securities and shareholders of the Company. The ARMC also assists the Board in the establishment of an effective risk management and internal control framework and ensure that the internal audit function is effective and able to function independently.

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT (Cont'd)

Audit and Risk Management Committee (Cont'd)

The ARMC has an appropriate and transparent relationship with the external auditors. The ARMC has been conferred with the authority to directly liaise with both the External and Internal Auditors. The ARMC will review the appointment and re-appointment of External Auditors and to assess the performance and independency of the External Auditors on annual basis. The existing auditors, Messrs. BDO PLT had confirmed to the ARMC in writing that they are, and have been independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements. The ARMC, upon its recent annual assessment carried out, is satisfied with their work done and independence and had recommended to the Board for their re-appointment at the forthcoming AGM.

For the FYE 2018, the ARMC held seven (7) meetings and the summary of work of the ARMC including the internal audit functions are set out in the Audit Committee Report section of this Annual Report.

Risk Management and Internal Control Framework

The Board has the overall responsibility in the risk governance and internal control of the Group. The Board and the ARMC worked closely with the Senior Management to identify, evaluate, manage and report major risks that affecting the Group as well as the measures taken, and also to review the adequacy and effectiveness of the internal control on an ongoing basis. The Board is of the view that the system of internal control and risk management in place during the financial year, is sound and sufficient to safeguard the Group's assets and the interests of various stakeholders.

An overview of risk management and the state of internal control within the Group is set out in the Statement on Risk Management and Internal Control section of this Annual Report.

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

Communication with Stakeholders

The Board has in place an Investor Disclosure Policy to ensure transparent, timely, accurate and quality disclosure of material information to the investing public and stakeholders. All confidential information are properly handled by the Directors, the employees and other relevant parties to avoid leakage and improper use of such information. The Company's website provides all relevant information of the Group, which is accessible to the public. All information and announcements are uploaded to its website on a timely manner and categorised in an orderly and structured manner for the ease of reference by the investors, stakeholders and the public.

The Investor Disclosure Policy is available on the Company's website www.tekseng.com.my

Conduct of General Meetings

The Company's general meetings are important avenues for communication and dialogue with the shareholders. The Company will issue notice of AGM to shareholders at least 28 days before the AGM to allow shareholders have more time to make the necessary arrangements to attend in person or by corporate representatives, proxies or attorneys.

Each item of special business included in the notice of AGM will be accompanied by explanatory statement to facilitate a full understanding and evaluation of the proposed resolution.

The Company's Chairman will invite shareholders to raise questions pertaining to each proposed resolution before putting the motion to vote by poll in all general meetings. Board members and senior management will be present to respond to any questions raised from the shareholders. The Company's external auditors are also present to address issues relating to the auditors' reports.

All the proposed resolutions put to the meeting will be voted upon by poll as poll voting reflects shareholders' views more accurately and fairly as every vote is properly counted in accordance with the one share, one vote principle. The Company will appoint scrutineers to validate the votes cast at the general meetings.

Before the commencement of poll voting, the Company Secretary will share with shareholders the poll voting process on all resolutions put to the meeting.

This Corporate Governance Overview Statement is made in accordance with the resolution of the Board dated 08 April 2019.

Statement on Risk Management and Internal Control

INTRODUCTION

Pursuant to Paragraph 15.26(b) of the Listing Requirements of Bursa Securities, the Board of Directors ("the Board") of Tek Seng Holdings Berhad ("the Company") is pleased to provide the following statement on risk management and internal control of Tek Seng Holdings Berhad and its subsidiaries ("the Group") for financial year ended 31 December 2018. This has been prepared in accordance to Paragraph 15.26(b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("MMLR"), Malaysian Code on Corporate Governance 2017 ("MCCG 2017") and *"Statement on Internal Control and Risk Management: Guidelines for Directors of Listed Issuers"*.

BOARD RESPONSIBILITY

The Board recognises the importance of maintaining a sound system of internal control and risk management framework. The Board affirms its overall responsibility for the Group's systems of internal control and for reviewing the adequacy and effectiveness of those systems. Because of the limitations that are inherent in any systems of internal control, those systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement, loss or fraud.

RISK MANAGEMENT

The Group has an ongoing process for identifying, evaluating and managing the significant risks faced by, or potentially exposed to the Group in pursuing its business objectives. The Risk Management Process comprises risk identification, risk analysis, risk planning, risk monitoring and control.

The process of identifying, evaluating and managing the significant risks are embedded in the various work processes and procedures of the respective departments. It is the responsibility of key management and heads of department to identify evaluate and manage the significant risks faced by the Group on an ongoing basis. Any significant risks and related mitigating activities are then reported to the executive directors. The executive directors shall compile the risk register and report to the Audit & Risk Management Committee. The internal auditors shall assist the Audit & Risk Management Committee to perform risk review exercise to ensure the significant risks identified are properly mitigated. The Audit & Risk Management Committee report to the Board on the risks profiles as well as the on-going risk management implementation and actions undertaken to mitigate the risks identified. The Board oversees the adequacy of the Group's risk management framework to ensure risk management and internal controls are in place.

During the financial year, the process of identification of principal risks and managing such risks had been conducted formally. Principal risk areas that are considered significant to the Group are as follows:

- Operation risk
- Regulatory compliance risk
- Finance risk
- Liquidity risk
- Hazard risk
- Business risk

i) Operation Risk
   - The increase in the price of raw materials
   - Shortage of managerial and technical skills in the manufacturing processes

   The Group had mitigated such risk by obtaining more sourcing with the same quality of raw material with reasonable price, monitoring the sufficient stock level to fulfill the production need and offer attractive remuneration packages as well as provide training and a safe and comfortable working environment.

ii) Regulatory Compliance Risk
   - Changes in governmental regulations in Malaysia and other countries may have an impact to the Group.

   The key to risk management is to attend seminars and overseas forums to keep abreast with the developments of the business environments, to participate actively with stakeholders and have regular discussions and dialogues with consultants, bankers and lawyers on compliance and regulatory related matters.

iii) Finance Risk
   - Foreign exchange rate fluctuations and interest rate movements. The adverse fluctuations in foreign exchange rate risk may mitigate by natural hedge (Import vs Export are denominated in same currency)

   When suppliers and customers are all operating in the same currency (USD), we may look to source raw materials, components and other production inputs. The Company can set costs and price in the same currency.

RISK MANAGEMENT (Cont'd)

iv) Liquidity Risk
- Obligation to fulfil daily operation costs included administrative cost, overhead costs and staff costs.

The Group continues strengthen its treasury function by monitoring the Group's cash flow requirements and ensuring adequate financial facilities to support the Group's future needs.

v) Hazard Risk
- Fire and other property damage, flood and other natural perils, theft and other crime, personal injury etc.

The Group had mitigated such risk by tightening its security measures and insurance coverage.

vi) Business Risk
- TS Solartech Sdn. Bhd. is facing huge loss in solar business.

The Group was temporary ceased the solar production activities in third quarter of 2018 and intends to rent out the factory building in 2019.

INTERNAL AUDIT FUNCTION

The Board acknowledges the importance of internal audit function and has engaged the services of an independent professional consulting firm to provide the assurance it requires regarding the effectiveness, adequacy and integrity of the Group's systems of internal control.

The internal audit adopts a risk-based approach in developing its audit plan which addresses all the core auditable areas of the Group. Scheduled internal audits are carried out by the internal auditors based on the audit plan presented to and approved by the Audit & Risk Management Committee. The audit focuses on areas with high risk and inadequate controls to ensure that adequate action plans have been put in place to improve the controls. For those areas with high risk and adequate controls, the audit ascertains that the risks are effectively mitigated by the controls. On a quarterly basis, the internal auditors report to the Audit & Risk Management Committee on areas for improvement and will subsequently follow up to determine the extent of their recommendations that have been implemented.

INTERNAL CONTROL

Apart from risk management and internal audit, the Group has put in place the following key elements of internal control:
- Organisation structure with defined scopes of responsibility, clear lines of accountability and appropriate levels of delegated authority;
- Documented internal policies and procedures for financial, operational and human resource management, which are subject to annual review and improvement;
- Annual and comprehensive information provided to management, covering financial and operational performance and key business indicators, for effective monitoring and decision making;
- Monthly monitoring of results against budget, with major variances being followed up and management action taken, where necessary;
- Regular Board and Audit & Risk Management Committee meetings;
- Staff training to enhance their skills, knowledge and competencies; and
- Daily visits to operating units by members of the Board and senior management.

BOARD ASSESSMENT

The Board has received assurance from the Executive Chairman and Managing Director that the Group's risk management and internal control systems are operating adequately and satisfactorily, in all material aspects, to meet the Group's objectives during the financial year under review.

As at 31 December 2018, the Board is of the opinion that the Group had adequately addressed the significant risks identified which are relevant and material to the Group's operations and has in place a sound internal control systems by adopted all the suggested improvements by the internal auditors in ensuring the systems of internal control and risk management are in place.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

The external auditors have reviewed this Statement in accordance to Paragraph 15.23 of the MMLR of Bursa Securities. Based on their review, the external auditors have reported to the Board that nothing has come to their attention that causes them to believe that this Statement on Risk Management and Internal Control is not, in all material aspects, in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers to be set out, nor is factually inaccurate.

This statement is issued in accordance with a resolution of the Directors dated 08 April 2019.

Audit & Risk Management Committee Report

COMPOSITION, MEETINGS AND ATTENDANCE

The ARMC comprises three (3) members, all of whom are Independent Non-Executive Directors. During the FYE 2018, seven (7) ARMC Meetings were held, six (6) held at The Conference Room of Tek Seng Holdings Berhad and one (1) held at Boardroom of BDO and the details of attendance are as follows:

Name of Members	Designation	No. of Meetings Attended
Mr. Leow Chan Khiang	Chairman	7 out of 7
Dr. Kamarudin Bin Ngah	Member	6 out of 7
Tuan Haji Mohamed Haniffah Bin S.M. Mydin	Member	7 out of 7

TERMS OF REFERENCE

The terms of reference of the ARMC is available at the Company's website www.tekseng.com.my

SUMMARY OF WORK DONE DURING THE FINANCIAL YEAR

The summarized works carried out by the ARMC during the financial year are as follows:

Financial Reporting

- Reviewed the quarterly and annual financial statements of the Company and of the Group with the executive director, focusing particularly on changes in appropriate accounting policies due to adoption of new accounting standard by the Management, any adjustments arising from the audits, prudent judgements and reasonable estimates made by the Management are in accordance with the financial reporting standards and other legal requirements to ensure that the financial statements presented a true and fair view of the Group's financial performance before recommending them to the Board for approval.

External Audit

- Reviewed with the directors and external auditors in relation to the announcements on quarterly results.
- Reviewed with the external auditors, the external audit plan, nature and scope of the audit plan and coordination of the external auditors to meet the key deliverables timeline.
- Reviewed with the external auditors, the audit review memorandum arising from audits of the Company and its subsidiaries together with comments and responses of the management including the assistance given by the management and employees of the Group.
- Assessed the independence, resources and the overall performance of the external auditors and upon assessment, recommended them to the Board for re-appointment.
- Held private sessions with the external auditors without the presence of the executive directors or the Management of the Company to reinforce the independence of the external audit function of the Company.
- Held private sessions with the external auditors without the presence of the executive directors or the Management of the Company to enquire about any extraordinary matters or material concerns related to the Group which required immediate attention of the ARMC.

Risk Management and Internal Control

- Reviewed with the internal auditors, the internal audit plan to ensure adequate coverage of key functional areas and business activities of the Group.
- Reviewed with the internal auditors, the internal audit reports to ensure appropriate corrective actions had been taken by the management to implement the audit recommendations.
- Reviewed with the internal auditors, the follow-up review reports on the status of implementation by the Management of the audit recommendations.
- Reviewed and report to the Board on the risks profile including the activities in mitigating the principal risks identified.
- Reviewed and report to the Board on the adequacy of the scope, function and effectiveness of the internal audit function.
- Held private sessions with the internal auditors without the presence of the executive directors or the Management of the Company to reinforce the independence of the internal audit function of the Company.
- Assessed and report to the Board on the resources, competencies and the overall performance of the internal auditors.
- Re-appointment of Internal Auditor and External Auditor

SUMMARY OF WORK DONE DURING THE FINANCIAL YEAR (Cont'd)

Recurrent Related Party Transactions

- Reviewed the report by the Management and internal auditor in respect of recurrent related party transactions to ensure all related party transactions were undertaken on an arm's length basis and on normal commercial terms, consistent with the Group's usual business practices and policies, which are not more favourable to the related parties than those generally available to the public and are not detrimental to the minority shareholders of the Company.

Annual Reports

- Reviewed the Statement on Risk Management and Internal Control, Audit & Risk Management Committee Report and recommended to the Board for inclusion in the Company's Annual Report for FYE 2018.

INTERNAL AUDIT FUNCTION

The Board has established an internal audit function which is independent of the activities in audits. The Internal Auditors report directly to the ARMC. During the financial year, the Company had outsourced its internal audit function to an external professional firm to perform an independent and systematic reviews of the Group's systems of internal in order to provide reasonable assurance that the Group's internal audit function continues to operate satisfactorily and effectively.

The summarized works carried out by the internal auditors during the financial year are as follows:

1. Reviewed the systems of internal controls covering the Maintenance of Building and Equipment, Inventory Management, Production, Quality Control, Overseas Sales Management, Credit Control, Human Resources Management, General Safety and ascertained the extent of compliance with the established policies, procedures and statutory requirements.

2. Reported to the ARMC on findings and improvement opportunities identified together with the management action plans to address the same. All the recommended actions had been fully adopted by the Management.

3. Conducted follow-up reviews on the status of management action plans documented and reported the overall results to the ARMC. The Management had implemented most of the recommended action plans during the financial year.

Statement of Directors' Responsibilities

The Directors acknowledge that they are responsible for the Annual Audited Financial Statements so as to give a true and fair view of the state of affairs as at the end of the financial year of the Group and of the Company and of their results and their cash flows.

In preparing the financial statements for the FYE 2018, the Directors are satisfied that:

1. Reasonable and prudent judgement and estimates were made; and
2. The relevant applicable Approved Accounting Standards in Malaysia have been complied.

The Directors also responsible for ensuring that the Company maintains appropriate accounting policies that disclose with reasonable accuracy of the financial position of the Group and of the Company, and which enable them to ensure that the financial statements comply with the Companies Act 2016.

This Statement is issued in accordance with a resolution of the Directors dated 08 April 2019.

Directors' Report and Audited Financial Statements

Contents

Directors' Report	32
Statement by Directors	37
Statutory Declaration	37
Independent Auditors' Report	38
Statements of Financial Position	42
Statements of Profit or Loss and Other Comprehensive Income	43
Consolidated Statement of Changes in Equity	44
Statement of Changes in Equity	46
Statements of Cash Flows	47
Notes to the Financial Statements	49

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 2018.

PRINCIPAL ACTIVITIES

The Company is principally involved in investment holding. The principal activities of the subsidiaries are set out in Note 6 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

RESULTS

	Group RM	Company RM
Loss for the financial year	106,927,910	106,616,106
Attributable to:		
Owners of the parent	48,690,805	106,616,106
Non-controlling interests	58,237,105	0
	106,927,910	106,616,106

DIVIDENDS

Dividends paid, declared or proposed since the end of the previous financial year were as follows:

	Company RM
In respect of financial year ended 31 December 2017:	
Single tier final dividend of 1 sen per ordinary share, paid on 20 July 2018	**3,481,310**

The Directors do not recommend any payment of dividend for the current financial year.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year.

ISSUE OF SHARES AND DEBENTURES

During the financial year, the issued and fully paid-up share capital of the Company was increased from 348,130,962 to 348,143,962 by way of issuance of 13,000 new ordinary shares pursuant to the exercise of warrants at RM0.25 each for cash.

The newly issued shares rank pari passu in all respects with the existing shares of the Company. There were no other issues of shares during the financial year.

The Company did not issue any debentures during the financial year.

OPTIONS GRANTED OVER UNISSUED SHARES

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

DIRECTORS

The Directors who have held office during the financial year and up to the date of this report are as follows:

Tek Seng Holdings Berhad
Loh Kok Beng
Loh Kok Cheng
Loh Joo Eng
Dr. Kamarudin Bin Ngah
Mohamed Haniffah Bin S.M. Mydin
Loh Eng Chun
Leow Chan Khiang

The Directors of subsidiaries who have held office since the date of the last report at the date of this report, not including those Directors listed above are:

Tseng, Sheng-Cheng
Wu, Hsing-Yuan (Resigned on 6 March 2019)

DIRECTORS' INTERESTS

The Directors holding office at the end of the financial year and their beneficial interests in the ordinary shares of the Company and of its related corporations during the financial year ended 31 December 2018 as recorded in the Register of Directors' Shareholdings kept by the Company under Section 59 of the Companies Act 2016 in Malaysia were as follows:

	Number of ordinary shares			
	Balance as at 1.1.2018	**Bought**	**Sold**	**Balance as at 31.12.2018**
Shares in the Company				
Direct interests				
Loh Kok Beng	71,679,630	1,189,500	0	72,869,130
Loh Kok Cheng	73,857,030	0	0	73,857,030
Loh Joo Eng	1,845,000	0	0	1,845,000
Dr. Kamarudin Bin Ngah	4,375	0	0	4,375
Mohamed Haniffah Bin S.M. Mydin	40,000	0	0	40,000
Indirect interests				
Loh Joo Eng #	115,825	0	0	115,825

	Number of warrants			
	Balance as at 1.1.2018	**Bought**	**Sold**	**Balance as at 31.12.2018**
Warrants in the Company				
Direct interests				
Loh Kok Cheng	6,486,700	0	0	6,486,700
Dr. Kamarudin Bin Ngah	2,187	0	0	2,187
Indirect interests				
Loh Joo Eng #	50,037	0	0	50,037

Shares or warrants held by family members by virtue of Section 59 of the Companies Act 2016 in Malaysia.

By virtue of their interests in the ordinary shares of the Company, Loh Kok Beng and Loh Kok Cheng are also deemed to be interested in the ordinary shares of all the subsidiaries to the extent the Company has an interest.

DIRECTORS' INTERESTS (Cont'd)

The interest and deemed interests in the ordinary shares of its non-wholly owned subsidiary, TS Solartech Sdn. Bhd., held by Loh Kok Beng and Loh Kok Cheng were as follows:

	Number of ordinary shares			
	Balance as at 1.1.2018	**Bought**	**Sold**	**Balance as at 31.12.2018**
Shares in a subsidiary				
- TS Solartech Sdn. Bhd.				
<u>Indirect interests</u>				
Loh Kok Beng	117,574,000	0	0	117,574,000
Loh Kok Cheng	117,574,000	0	0	117,574,000

None of the other Directors holding office at the end of the financial year held any interest in the ordinary shares of the Company or ordinary shares and debentures of its related corporations during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, none of the Directors have received or become entitled to receive any benefit (other than benefits included in the aggregate amount of remuneration received or due and receivable by the Directors as shown in the financial statements) 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 the remuneration received by certain Directors as Directors of the Company and its subsidiaries as disclosed in Note 17 to the financial statements.

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

DIRECTORS' REMUNERATION

The details of Directors' remuneration are disclosed in Note 17 to the financial statements.

INDEMNITY AND INSURANCE FOR OFFICERS AND AUDITORS

There were no indemnity given to or insurance effected for the officers and auditors of the Group and of the Company during the financial year.

OTHER STATUTORY INFORMATION REGARDING THE GROUP AND THE COMPANY

(I) AS AT THE END OF THE FINANCIAL YEAR

(a) Before the financial statements of the Group and of the Company were prepared, 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 had satisfied themselves that there are no known bad debts to be written off and that adequate provision had been made for doubtful debts; and

(ii) to ensure that any current assets other than debts, which were unlikely to realise their book values in the ordinary course of business had been written down to their estimated realisable values.

(b) In the opinion of the Directors, the results of 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/or unusual nature except for the effects arising from:

(i) impairment loss on property, plant and equipment in a subsidiary of RM76,610,411 as disclosed in Note 4 to the financial statements;

(ii) impairment loss on investments in a subsidiary of RM117,445,536 as disclosed in Note 6 to the financial statements; and

(iii) inventories written down of RM22,579,805 as disclosed in Note 7 to the financial statements.

(II) FROM THE END OF THE FINANCIAL YEAR TO THE DATE OF THIS REPORT

(c) The Directors are not aware of any circumstances:

(i) which would render the amounts written off of bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any material extent;

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

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

(d) In the opinion of the Directors:

(i) there has not arisen any item, transaction or event of a material and unusual nature 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; and

(ii) no contingent or other liability has become enforceable, or is likely to become enforceable, within the period of twelve (12) months after the end of the financial year which would or may affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

(III) AS AT THE DATE OF THIS REPORT

(e) There are no charges on the assets of the Group and of the Company which have arisen since the end of the financial year to secure the liabilities of any other person.

(f) There are no contingent liabilities of the Group and of the Company which have arisen since the end of the financial year.

(g) The Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements of the Group and of the Company misleading.

AUDITORS

The auditors, BDO PLT (LLP0018825-LCA & AF 0206), have expressed their willingness to continue in office.

Auditors' remuneration of the Company and its subsidiaries for the financial year ended 31 December 2018 amounted to RM8,400 and RM91,000 respectively.

BDO PLT (LLP0018825-LCA & AF 0206) was registered on 2 January 2019 and with effect from that date, BDO (AF 0206), a conventional partnership was converted to a limited liability partnership.

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

Loh Kok Beng
Director

Loh Kok Cheng
Director

Penang
8 April 2019

Statement by Directors

In the opinion of the Directors, the financial statements set out on pages 42 to 77 have been drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the provisions of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2018 and of the financial performance and cash flows of the Group and of the Company for the financial year then ended.

On behalf of the Board,

Loh Kok Beng
Director

Loh Kok Cheng
Director

Penang
8 April 2019

Statutory Declaration

I, Loh Kok Beng, being the Director primarily responsible for the financial management of Tek Seng Holdings Berhad, do solemnly and sincerely declare that the financial statements set out on pages 42 to 77 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 Georgetown in the state of Penang this 8 April 2019

Loh Kok Beng

Before me,

Commissioner for Oaths

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Tek Seng Holdings Berhad, which comprise the statements of financial position as at 31 December 2018 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 42 to 77.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2018, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards ('MFRSs'), International Financial Reporting Standards ('IFRSs') 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 ('ISAs'). 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 the IESBA Code.

Key Audit Matters

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

(i) Impairment assessment on carrying amount of property, plant and equipment

As stated in Note 4(b) to the financial statements, the Solar segment of the Group experienced a reduction in profit contribution to the Group, which gave rise to an impairment indication. Accordingly, the Group has performed impairment assessments on the Cash Generating Unit ('CGU').

We determined this to be a key audit matter on the impairment assessment of the CGU's plant and machineries of a subsidiary with carrying amount of RM41,149,400 as at 31 December 2018 as the assessment process is complex and it requires significant management judgements and estimation. Management assessment resulted in the recording of impairment losses amounting to RM76,610,411.

Audit response

Our audit procedures included the following:

(a) assessed whether the method used by the Group in measuring the recoverable amount is appropriate in the circumstances; and

(b) made enquiries and challenged management on the key assumptions and inputs used in the measurement method.

(ii) Impairment of amount owing by a subsidiary (Company level)

As at 31 December 2018, amount owing by a subsidiary of the Company was RM37,201,162 which was net of impairment losses of RM4,274,341 as disclosed in Note 8 to the financial statements.

We determined this to be a key audit matter because it requires management to exercise significant judgement in determining the probability of default by subsidiary, appropriate forward looking information and estimated cash flows recoverable in worst-case scenarios.

Key Audit Matters (Cont'd)

(ii) Impairment of amount owing by a subsidiary (Company level) (Cont'd)

Audit response

Our audit procedures included the following:

(a) challenged assessments performed by management and assessed adequacy of expected credit losses based on expected cash flow recoverable from subsidiary company in worst-case scenarios; and

(b) assessed and challenged reasonableness of discount rate used in calculating the present value of amount owing by a subsidiary over their expected repayment periods.

(iii) Impairment assessment of the carrying amount of investments in subsidiaries (Company level)

As at 31 December 2018, investments in a subsidiary of the Company were RM117,574,000. The Company had made an impairment of RM117,445,536 in respect of the carrying amount of the investment in a subsidiary during the financial year as disclosed in Note 6 to the financial statements.

The determination of recoverable amounts requires significant judgements and estimates about the future results and key assumptions applied to cash flow projections of the subsidiaries in determining the recoverable amounts. In this instance, the recoverable amount is based on value-in-use or fair value less cost to sell, whichever is higher. These key assumptions include different budgeted operating profit margins, growth rates, terminal values as well as determining an appropriate pre-tax discount rate used for subsidiary.

Audit response

Our audit procedures included the following:

(a) compared cash flow projections against recent performance and assessed and challenged the key assumptions used in the projections by comparing to actual gross margins and growth rates and corroborate the findings from other areas of our audit;

(b) compared prior period projections to actual outcomes to assess reliability of management forecasting process;

(c) verified pre-tax discount rate for the Cash Generating Unit being used by the Group; and

(d) performed sensitivity analysis to stress test the key assumptions in the impairment model.

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 that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and ISAs 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 ISAs, 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 controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Group and of the Company.

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

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

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

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

Other Matters

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

BDO PLT
LLP0018825-LCA & AF 0206
Chartered Accountants

Koay Theam Hock
02141/04/2021 J
Chartered Accountant

Penang
8 April 2019

Statements of Financial Position
As at 31 December 2018

	Note	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
ASSETS					
Non-current assets					
Property, plant and equipment	4	**238,255,261**	336,735,297	**0**	0
Trademark	5	**0**	0	**0**	0
Investments in subsidiaries	6	**0**	0	**38,097,557**	155,543,093
Other receivables	8	**0**	0	**14,469,905**	0
		238,255,261	336,735,297	**52,567,462**	155,543,093
Current assets					
Inventories	7	**40,095,672**	55,609,725	**0**	0
Trade and other receivables	8	**25,884,633**	33,498,720	**22,731,257**	32,850,658
Current tax assets		**249,136**	33,941	**0**	0
Cash and bank balances	9	**4,255,045**	10,301,040	**5,646**	1,228,179
		70,484,486	99,443,426	**22,736,903**	34,078,837
TOTAL ASSETS		**308,739,747**	436,178,723	**75,304,365**	189,621,930
EQUITY AND LIABILITIES					
Equity attributable to owners of the parent					
Share capital	10	**111,870,912**	111,867,662	**111,870,912**	111,867,662
Retained earnings		**92,051,294**	144,425,634	**(36,844,499)**	75,898,440
		203,922,206	256,293,296	**75,026,413**	187,766,102
Non-controlling interests	6(c)	**73,847,924**	132,085,029	**0**	0
TOTAL EQUITY		**277,770,130**	388,378,325	**75,026,413**	187,766,102
LIABILITIES					
Non-current liabilities					
Deferred tax liabilities	11	**4,612,900**	13,919,400	**0**	0
Trade and other payables	12	**381,484**	0	**0**	0
		4,994,384	13,919,400	**0**	0
Current liabilities					
Trade and other payables	12	**25,557,082**	27,711,822	**253,494**	1,809,579
Provision	13	**0**	4,327,777	**0**	0
Current tax liabilities		**418,151**	1,841,399	**24,458**	46,249
		25,975,233	33,880,998	**277,952**	1,855,828
TOTAL LIABILITIES		**30,969,617**	47,800,398	**277,952**	1,855,828
TOTAL EQUITY AND LIABILITIES		**308,739,747**	436,178,723	**75,304,365**	189,621,930

The accompanying notes form an integral part of the financial statements.

Statements of Profit or Loss and Other Comprehensive Income

For the Financial Year Ended 31 December 2018

	Note	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
Revenue	15	**184,009,580**	285,715,718	**13,412,473**	1,125,786
Other operating income	16	**3,249,872**	74,603,449	**0**	0
Changes in inventories of work-in-progress and finished goods		**(10,140,613)**	(18,274,002)	**0**	0
Purchase of trading merchandise		**(5,680,416)**	(5,968,898)	**0**	0
Raw materials and consumables used		**(122,204,310)**	(175,174,455)	**0**	0
Depreciation of property, plant and equipment	4	**(24,071,568)**	(33,299,777)	**0**	0
Impairment on property, plant and equipment	4	**(76,610,411)**	(4,068,031)	**0**	0
Employee benefits	17	**(23,374,838)**	(27,306,537)	**(194,250)**	(194,250)
Carriage outwards		**(5,426,194)**	(6,694,537)	**0**	0
Utilities expenses		**(14,922,581)**	(18,561,862)	**0**	0
Provision for material litigation	13	**0**	(4,327,777)	**0**	0
Other expenses		**(15,475,356)**	(20,778,909)	**(119,346,999)**	(268,738)
Finance costs	18	**(237,421)**	(357,397)	**(298,366)**	(10,136)
(Loss)/Profit before tax		**(110,884,256)**	45,506,985	**(106,427,142)**	652,662
Tax income/(expense)	19	**3,956,346**	(11,281,875)	**(188,964)**	(221,841)
(Loss)/Profit for the financial year		**(106,927,910)**	34,225,110	**(106,616,106)**	430,821
Other comprehensive income, net of tax		**0**	0	**0**	0
Total comprehensive (loss)/income		**(106,927,910)**	34,225,110	**(106,616,106)**	430,821
(Loss)/Profit attributable to:					
Owners of the parent		**(48,690,805)**	23,288,001	**(106,616,106)**	430,821
Non-controlling interests		**(58,237,105)**	10,937,109	**0**	0
		(106,927,910)	34,225,110	**(106,616,106)**	430,821
Total comprehensive (loss)/income attributable to:					
Owners of the parent		**(48,690,805)**	23,288,001	**(106,616,106)**	430,821
Non-controlling interests		**(58,237,105)**	10,937,109	**0**	0
		(106,927,910)	34,225,110	**(106,616,106)**	430,821
(Loss)/Earnings per ordinary share attributable to equity holders of the Company:					
Basic	20	**(0.14)**	0.07		
Diluted	20	*****	0.06		

Note:
* Diluted loss per ordinary share equal basic loss per share as the effect on the basic loss per share is anti-dilutive.

The accompanying notes from an integral part of the financial statements.

Consolidated Statement of Changes in Equity
For the Financial Year Ended 31 December 2018

Group	Note	Share capital RM	Distributable Retained earnings RM	Total attributable to owners of the parent RM	Non-controlling interests RM	Total equity RM
Balance as at 1 January 2018, as previously reported		111,867,662	144,425,634	256,293,296	132,085,029	388,378,325
Adjustments on initial application of MFRS 9	26.1	0	(202,225)	(202,225)	0	(202,225)
Balance as at 1 January 2018, as restated		111,867,662	144,223,409	256,091,071	132,085,029	388,176,100
Loss for the financial year		0	(48,690,805)	(48,690,805)	(58,237,105)	(106,927,910)
Other comprehensive income, net of tax		0	0	0	0	0
Total comprehensive loss		0	(48,690,805)	(48,690,805)	(58,237,105)	(106,927,910)
Transactions with owners						
Issuance of ordinary shares pursuant to exercise of warrants	10	3,250	0	3,250	0	3,250
Dividend	21	0	(3,481,310)	(3,481,310)	0	(3,481,310)
Total transactions with owners		3,250	(3,481,310)	(3,478,060)	0	(3,478,060)
Balance as at 31 December 2018		111,870,912	92,051,294	203,922,206	73,847,924	277,770,130

Group	Note	Share capital RM	Non-Distributable Share premium RM	Distributable Retained earnings RM	Total attributable to owners of the parent RM	Non-controlling interests RM	Total equity RM
Balance as at 1 January 2017		87,032,616	24,834,921	124,618,942	236,486,479	121,147,920	357,634,399
Profit for the financial year		0	0	23,288,001	23,288,001	10,937,109	34,225,110
Other comprehensive income, net of tax		0	0	0	0	0	0
Total comprehensive income		0	0	23,288,001	23,288,001	10,937,109	34,225,110
Transactions with owners							
Issuance of ordinary shares pursuant to exercise of warrants	10	125	0	0	125	0	125
Dividend	21	0	0	(3,481,309)	(3,481,309)	0	(3,481,309)
Total transactions with owners		125	0	(3,481,309)	(3,481,184)	0	(3,481,184)
Transfer pursuant to Companies Act 2016	10	24,834,921	(24,834,921)	0	0	0	0
Balance as at 31 December 2017		111,867,662	0	144,425,634	256,293,296	132,085,029	388,378,325

The accompanying notes form an integral part of the financial statements.

Statement of Changes in Equity
For the Financial Year Ended 31 December 2018

Company	Note	Share capital RM	Retained earnings/ (Accumulated loss) RM	Total equity RM
Balance as at 1 January 2018, as previously reported		**111,867,662**	**75,898,440**	**187,766,102**
Adjustments on initial application of MFRS 9	26.1	**0**	**(2,645,523)**	**(2,645,523)**
Balance as at 1 January 2018, as restated		**111,867,662**	**73,252,917**	**185,120,579**
Loss for the financial year		**0**	**(106,616,106)**	**(106,616,106)**
Other comprehensive income, net of tax		**0**	**0**	**0**
Total comprehensive loss		**0**	**(106,616,106)**	**(106,616,106)**
Transactions with owners				
Issuance of ordinary shares pursuant to exercise of warrants	10	**3,250**	**0**	**3,250**
Dividend	21	**0**	**(3,481,310)**	**(3,481,310)**
Total transactions with owners		**3,250**	**(3,481,310)**	**(3,478,060)**
Balance as at 31 December 2018		**111,870,912**	**(36,844,499)**	**75,026,413**

Company	Note	Share capital RM	Non-Distributable Share premium RM	Distributable Retained earnings RM	Total Equity RM
Balance as at 1 January 2017		87,032,616	24,834,921	78,948,928	190,816,465
Profit for the financial year		0	0	430,821	430,821
Other omprehensive income, net of tax		0	0	0	0
Total comprehensive income		0	0	430,821	430,821
Transaction with owners					
Issuance of ordinary shares pursuant to exercise of warrants	10	125	0	0	125
Dividend	21	0	0	(3,481,309)	(3,481,309)
Total transactions with owners		125	0	(3,481,309)	(3,481,184)
Transfer pursuant to Companies Act 2016	10	24,834,921	(24,834,921)	0	0
Balance as at 31 December 2017		111,867,662	0	75,898,440	187,766,102

The accompanying notes from an integral part of the financial statements.

		Group		Company	
		2018	2017	2018	2017
	Note	RM	RM	RM	RM
CASH FLOWS FROM OPERATING ACTIVITIES					
(Loss)/Profit before tax		**(110,884,256)**	45,506,985	**(106,427,142)**	652,662
Adjustments for:					
Depreciation of property, plant and equipment	4	**24,071,568**	33,299,777	**0**	0
Dividend income from subsidiaries	15	**0**	0	**(12,074,021)**	0
Finance costs	18	**237,421**	357,397	**298,366**	10,136
Gain on disposal of property, plant and equipment		**(122,315)**	(7,197,370)	**0**	0
Impairment losses on:					
- trade receivables	8(h)	**1,129,687**	0	**0**	0
- amount owing by a subsidiary	8(j)	**0**	0	**1,628,818**	0
- investment in subsidiaries	6	**0**	0	**117,445,536**	0
- property, plant and equipment	4	**76,610,411**	4,068,031	**0**	0
Inventories written down	7(b)	**22,579,805**	2,984,082	**0**	0
Provision for material litigation	13	**0**	4,327,777	**0**	0
Reversal of impairment losses on trade receivables	8(h)	**(15,413)**	0	**0**	0
Net unrealised loss on foreign exchange		**73,585**	1,125,952	**0**	0
Interest income		**(26,133)**	(24,774)	**(1,254,452)**	(1,041,786)
Operating profit/(loss) before changes in working capital		**13,654,360**	84,447,857	**(382,895)**	(378,988)
(Increase)/Decrease in inventories		**(7,065,752)**	16,581,739	**0**	0
Decrease in trade and other receivables		**6,809,065**	20,391,322	**3,449,176**	1,201,697
(Decrease)/Increase in trade and other payables		**(6,346,458)**	(88,498,065)	**(1,556,085)**	1,614,632
Cash generated from operations		**7,051,215**	32,922,853	**1,510,196**	2,437,341
Interest received		**26,133**	24,774	**1,254,452**	1,041,786
Interest paid		**(237,421)**	(357,397)	**(298,366)**	(10,136)
Tax refunded		**2,900**	53,625	**0**	0
Tax paid		**(6,991,497)**	(7,186,321)	**(210,755)**	(273,046)
Net cash (used in)/from operating activities		**(148,670)**	25,457,534	**2,255,527**	3,195,945
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property, plant and equipment	4	**(2,244,611)**	(4,342,508)	**0**	0
Proceeds from disposal of property, plant and equipment		**164,983**	16,000	**0**	0
Net cash used in investing activities		**(2,079,628)**	(4,326,508)	**0**	0

	Note	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
CASH FLOWS FROM FINANCING ACTIVITIES					
Dividends paid	21	**(3,481,310)**	(3,481,309)	**(3,481,310)**	(3,481,309)
Drawdown of bankers' acceptances		**7,236,180**	10,030,087	**0**	0
Repayments of:					
- bankers' acceptances		**(7,236,180)**	(10,030,087)	**0**	0
- term loan		**0**	(11,306,145)	**0**	0
Proceeds from issuance of shares pursuant to exercise of warrants	10	**3,250**	125	**3,250**	125
Net cash used in financing activities		**(3,478,060)**	(14,787,329)	**(3,478,060)**	(3,481,184)
Net (decrease)/increase in cash and cash equivalents		**(5,706,358)**	6,343,697	**(1,222,533)**	(285,239)
Effects of exchange rate changes on cash and cash equivalents		**(339,637)**	(852,979)	**0**	0
Cash and cash equivalents at beginning of financial year		**10,301,040**	4,810,322	**1,228,179**	1,513,418
Cash and cash equivalents at end of financial year	9(a)	**4,255,045**	10,301,040	**5,646**	1,228,179

RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES (2017 only)

	Borrowings Group RM	Borrowings Company RM	Hire purchase liability Group RM	Hire purchase liability Company RM
At 1 January 2017	11,306,145	0	47,042,253	0
Cash flows	(11,306,145)	0	0	0
Non-cash flows:				
- Effect of foreign exchange	0	0	(1,990,706)	0
- Contra against disposal of property, plant and equipment	0	0	(45,051,547)	0
At 31 December 2017	0	0	0	0

The accompanying notes form an integral part of the financial statements.

1. CORPORATE INFORMATION

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

The registered office of the Company is located at 51-21-A, Menara BHL Bank, Jalan Sultan Ahmad Shah, 10050 Penang.

The principal place of business of the Company is located at Plot 159, MK 13, Jalan Perindustrian Bukit Minyak 7, Bukit Minyak Industrial Park, 14000 Bukit Mertajam, Penang.

The consolidated financial statements for the financial year ended 31 December 2018 comprise the financial statements of the Company and its subsidiaries. These financial statements are presented in Ringgit Malaysia ('RM'), which is also the functional currency of the Company.

The financial statements for the financial year ended 31 December 2018 were authorised for issue in accordance with a resolution by the Board of Directors on 8 April 2019.

2. PRINCIPAL ACTIVITIES

The Company is principally involved in investment holding. The principal activities of the subsidiaries are set out in Note 6 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

3. BASIS OF PREPARATION

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

The accounting policies adopted are consistent with those of the previous financial year except for the effects of adoption of new MFRSs during the financial year. The new MFRSs and Amendments to MFRSs adopted during the financial year are disclosed in Note 26.1 to the financial statements.

The financial statements of the Group and of the Company have been prepared under the historical cost convention except as otherwise stated in financial statements.

4. PROPERTY, PLANT AND EQUIPMENT

Group	Balance as at 1.1.2018 RM	Additions RM	Disposals RM	Impairment losses RM	Depreciation charges for the financial year RM	Balance as at 31.12.2018 RM
Carrying amount						
Long term leasehold land	11,817,700	0	0	0	(243,245)	11,574,455
Freehold land	258,352	0	0	0	0	258,352
Buildings and factory buildings	169,907,002	386,432	0	0	(3,755,777)	166,537,657
Office equipment, furniture and fittings	1,690,697	139,188	0	0	(218,261)	1,611,624
Plant and machinery	150,076,471	1,180,951	(29,333)	(76,610,411)	(19,071,173)	55,546,505
Motor vehicles	2,985,074	538,040	(13,335)	0	(783,112)	2,726,667
Electrical installation	1	0	0	0	0	1
	336,735,297	2,244,611	(42,668)	(76,610,411)	(24,071,568)	238,255,261

	As at 31.12.2018			
	Cost RM	Accumulated depreciation RM	Accumulated impairment losses RM	Carrying amount RM
Long term leasehold land	14,529,032	(2,954,577)	0	11,574,455
Freehold land	258,352	0	0	258,352
Buildings and factory buildings	192,007,411	(21,401,723)	(4,068,031)	166,537,657
Office equipment, furniture and fittings	3,680,203	(2,068,579)	0	1,611,624
Plant and machinery	329,234,624	(197,077,708)	(76,610,411)	55,546,505
Motor vehicles	7,114,837	(4,388,170)	0	2,726,667
Electrical installation	48,435	(48,434)	0	1
	546,872,894	(227,939,191)	(80,678,442)	238,255,261

4. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

Group	Balance as at 1.1.2017 RM	Additions RM	Disposals RM	Impairment losses RM	Depreciation charges for the financial year RM	Reclassification RM	Balance as at 31.12.2017 RM
Carrying amount							
Long term leasehold land	12,060,946	0	0	0	(243,246)	0	11,817,700
Freehold land	258,352	0	0	0	0	0	258,352
Buildings and factory buildings	176,173,028	894,004	0	(4,068,031)	(3,823,999)	732,000	169,907,002
Office equipment, furniture and fittings	1,680,584	227,850	0	0	(217,737)	0	1,690,697
Plant and machinery	217,410,422	964,025	(39,860,881)	0	(28,437,095)	0	150,076,471
Motor vehicles	1,313,647	2,249,129	(2)	0	(577,700)	0	2,985,074
Electrical installation	1	0	0	0	0	0	1
Capital work-in-progress	724,500	7,500	0	0	0	(732,000)	0
	409,621,480	4,342,508	(39,860,883)	(4,068,031)	(33,299,777)	0	336,735,297

	As at 31.12.2017			
	Cost RM	Accumulated depreciation RM	Accumulated impairment losses RM	Carrying amount RM
Long term leasehold land	14,529,032	(2,711,332)	0	11,817,700
Freehold land	258,352	0	0	258,352
Buildings and factory buildings	191,620,979	(17,645,946)	(4,068,031)	169,907,002
Office equipment, furniture and fittings	3,541,015	(1,850,318)	0	1,690,697
Plant and machinery	328,249,224	(178,172,753)	0	150,076,471
Motor vehicles	7,609,028	(4,623,954)	0	2,985,074
Electrical installation	48,435	(48,434)	0	1
	545,856,065	(205,052,737)	(4,068,031)	336,735,297

4. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

(a) All items of property, plant and equipment are initially measured at cost. After initial recognition, property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. Long term leasehold land is amortised equally over the lease period of 60 years, and has remaining tenure of 43 to 48 (2017: 44 to 49) years.

Freehold land has an unlimited useful life and is not depreciated. Capital work-in-progress represents machinery under installation and is stated at cost. Capital work-in-progress is not depreciated until such time when the asset is available for use.

Depreciation is calculated to write off the cost of the assets to their residual values on a straight line basis over their estimated useful lives. The principal annual depreciation rates are as follows:

Buildings and factory buildings	2%
Office equipment, furniture and fittings	8% - 10%
Plant and machinery	5% - 52%
Motor vehicles	16% - 20%
Electrical installation	10%

(b) The Group assessed whether there were any indicators of impairment during the financial year. In doing this, management considered the current environments and performance of the Cash Generating Unit ('CGU'). Management considered slow down in production activities and temporary ceasation of its production activities of the solar segment which resulted in reduction in profit contribution as impairment indicators.

The management has made estimate on the asset's recoverable amount. An asset recoverable amount in the higher of an assets' fair value less costs to sell and its value in use ("VIU"). The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those assets or group assets. When the carrying amount of an asset or or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

During the financial year, the Group has carried out impairment review of a subsidiary's plant and machineries with carrying amount of RM41,149,400. An impairment loss of RM76,610,411 has been recognised in the profit or loss. The recoverable amounts were estimated based on fair value less cost to sell method. The fair value less cost to sell was determined base on Directors' estimation by reference to independent supplier's valuation, estimated based on depreciated replacement method. It is classified as Level 3 fair value hierachy.

In the previous financial year, the Group has carried out impairment review of long term leasehold land and certain factory buildings. An impairment loss of RM4,068,031 had been recognised in the profit or loss. The recoverable amount was based on the use of external independent valuation expertise. The fair value of the long term leasehold land and certain factory buildings, which are at Level 2 fair value were determined by external and independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued. The valuations are based on comparison method.

5. TRADEMARK

Group	Balance as at 31.12.2018 RM
Carrying amount	
Trademark	0

	As at 31.12.18 Cost RM	Accumulated amortisation RM	Carrying amount RM
Trademark	16,865	(16,865)	0

Group	Balance as at 31.12.2017 RM
Carrying amount	
Trademark	0

	As at 31.12.17 Cost RM	Accumulated amortisation RM	Carrying amount RM
Trademark	16,865	(16,865)	0

Expenditure on acquired trademark is capitalised and amortised using the straight line method over its estimated useful life of a period of eight (8) years. Trademark is not revalued and is shown at cost less accumulated amortisation and any accumulated impairment losses.

6. INVESTMENTS IN SUBSIDIARIES

	Company 2018 RM	2017 RM
At cost		
Unquoted shares	155,543,093	155,543,093
Less: Impairment loss	(117,445,536)	0
	38,097,557	155,543,093

(a) An investment in subsidiary, which is eliminated on consolidation, is stated in the separate financial statements of the Company at cost.

6. INVESTMENTS IN SUBSIDIARIES (Cont'd)

(b) The details of the subsidiaries, all incorporated in Malaysia, are as follows:

Name of company	Equity interest held 2018	2017	Principal activities
Tek Seng Sdn. Bhd.	**100%**	100%	Trading of polyvinyl chloride ('PVC') products and photovoltaic products such as solar cells, solar panels and solar modules
Wangsaga Industries Sdn. Bhd.	**100%**	100%	Manufacturing of PVC related products
Pelangi Segi Sdn. Bhd.	**100%**	100%	Trading of PVC products
Double Grade Non-Woven Industries Sdn. Bhd.	**100%**	100%	Manufacturing of polypropylene ('PP') non-woven related products and letting of properties
TS Solartech Sdn. Bhd. ('TSST')	**50.69%**	50.69%	Manufacturing and sales of photovoltaic products such as solar cells, solar panels or solar modules. As of 17 September 2018, TSST had temporary ceased its production activities.

All subsidiaries are audited by BDO PLT in Malaysia.

(c) The subsidiary of the Group that has material non-controlling interests ('NCI') is as follows:

	TS Solartech Sdn. Bhd. 2018	2017
NCI percentage of ownership interest and voting interest	**49.31%**	49.31%
Carrying amount of NCI (RM)	**73,847,924**	132,085,029
(Loss)/Profit allocated to NCI (RM)	**(58,237,105)**	10,937,109

(d) The summarised financial information before intra-group elimination of the subsidiary that has material NCI as at the end of each reporting period are as follows:

	TS Solartech Sdn. Bhd. 2018 RM	2017 RM
Assets and liabilities		
Non-current assets	**188,919,454**	282,468,678
Current assets	**5,092,354**	37,080,745
Non-current liabilities	**0**	(8,614,300)
Current liabilities	**(44,249,237)**	(43,068,506)
Net assets	**149,762,571**	267,866,617
Result		
Revenue	**15,058,629**	117,785,670
(Loss)/Profit for the financial year	**(118,104,046)**	22,180,306
Total comprehensive (loss)/income	**(118,104,046)**	22,180,306
Cash flows used in operating activities	**(280,616)**	(109,776)
Cash flows used in investing activities	**(377,932)**	(195,734)
Net decrease in cash and cash equivalents	**(658,548)**	(305,510)
Dividends paid to NCI	**N/A**	N/A

6. INVESTMENTS IN SUBSIDIARIES (Cont'd)

(e) An impairment loss on investments in a subsidiary amounting to RM117,445,536 relating to a subsidiary, TSST has been recognised during the financial year due to declining business operations. The carrying amount of investment in TSST amounted to RM117,574,000 as at 31 December 2018. The recoverable amount was determined based on a value-in-use ("VIU") amounts.

The VIU is the net present value of the cash flow projection approved by management covering five years period at an appropriate discount rate. The discount rate applied to the cash flow projections is 11.62% and is based on the weighted average cost of capital of the Group. For such discounted cash flow method, it involves the use of estimated future results and a set of assumptions to reflect their income and cash flows. Judgement has also been used in estimating the key assumptions, including different growth rates as well as determining an appropriate pre-tax discount rate used.

7. INVENTORIES

	Group	
	2018	**2017**
	RM	**RM**
At cost		
Raw materials	**19,660,374**	16,918,310
Work-in-progress	**3,402,294**	5,430,945
Finished goods	**11,736,610**	11,542,096
Consumables	**1,325,710**	9,441,214
	36,124,988	43,332,565
At net realisable value		
Finished goods	**3,970,684**	12,277,160
	40,095,672	55,609,725

(a) Cost is determined using the first-in, first-out basis for all inventories, other than solar cells which uses the weighted average basis.

(b) During the financial year, inventories of the Group recognised as cost of sales amounted to RM138,025,339 (2017: RM199,417,355). In addition, the amounts recognised in the cost of sales include inventories written down amounted to RM22,579,805 (2017: RM2,984,082).

8. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM	**RM**	**RM**	**RM**
Non-current asset				
Other receivables				
Amount owing by a subsidiary	**0**	0	**15,459,944**	0
Less: Impairment losses	**0**	0	**(990,039)**	0
	0	0	**14,469,905**	0
Current assets				
Trade receivables				
Third parties	**24,610,873**	28,079,285	**0**	0
Shareholder of a subsidiary	**0**	1,806,729	**0**	0
	24,610,873	29,886,014	**0**	0
Less: Impairment losses	**(1,316,499)**	0	**0**	0
	23,294,374	29,886,014	**0**	0

8. TRADE AND OTHER RECEIVABLES (Cont'd)

	Group		Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
Other receivables				
Third parties	**2,199,430**	3,246,967	**0**	0
Amount owing by a subsidiary	**0**	0	**26,015,559**	32,850,658
	2,199,430	3,246,967	**26,015,559**	32,850,658
Less: Impairment losses	**0**	0	**(3,284,302)**	0
	2,199,430	3,246,967	**22,731,257**	32,850,658
Total receivables	**25,493,804**	33,132,981	**37,201,162**	32,850,658
Deposits and prepayments				
Deposits	**200,347**	218,271	**0**	0
Prepayments	**190,482**	147,468	**0**	0
	390,829	365,739	**0**	0
Total trade and other receivables	**25,884,633**	33,498,720	**37,201,162**	32,850,658

(a) Trade and other receivables classified as financial assets measured at amortised cost.

(b) Trade receivables are non-interest bearing and the normal trade credit terms granted by the Group range from 30 to 120 days (2017: 30 to 120 days) terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

(c) Non-current amount owing by a subsidiary of the Company represents advances and payment on behalf, which is unsecured, bear interest at a rate of 3% (2017: 3%) per annum. The advances together with the interest receivables thereon are not payable within the next twelve months.

Current amount owing by a subsidiary of the Company represents advances and payment on behalf, which is unsecured, payable within the next twelve months in cash and cash equivalents and bear interest at a rate of 3% (2017: 3%) per annum.

(d) Foreign currency exposure of trade and other receivables are as follows:

	Group		Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
Ringgit Malaysia	**22,116,994**	24,307,361	**37,201,162**	32,850,658
United States Dollar ('USD')	**3,153,476**	8,825,620	**0**	0
Euro ('EURO')	**223,334**	0	**0**	0
	25,493,804	33,132,981	**37,201,162**	32,850,658

(e) The following table demonstrates the sensitivity of the profit net of tax of the Group to a reasonably possible change in USD and EURO exchange rates against the functional currency of the Group, with all other variables held constant:

	Group	
	2018	2017
	RM	RM
USD/RM		
- Strengthened by 3% (2017: 3%)	**71,900**	201,200
- Weakened by 3% (2017: 3%)	**(71,900)**	(201,200)
EURO/RM		
- Strengthened by 3%	**5,100**	0
- Weakened by 3%	**(5,100)**	0

8. TRADE AND OTHER RECEIVABLES (Cont'd)

(f) In the previous financial year, including in other receivables was an amount of RM841,784 owing from a customer, representing 26% of total other receivables of the Group.

(g) Impairment for trade receivables that do not contain a significant financing component are recognised based on the simplified approach using the lifetime expected credit losses.

The Group uses allowance matrix to measure the expected credit loss of trade receivables from individual customers. Expected loss rate are calculated using the roll rate method.

During this process, the probability of non-payment by the trade receivables is adjusted by forward looking information (consumer price index) and multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables, which are reported net, such impairments are recorded in a separate impairment account with the loss being recognised within administrative expenses in the statement of profit or loss and other comprehensive income. On confirmation that the trade receivable would not be collectable, the gross carrying value of the asset would be written off against the associated impairment.

It requires management to exercise significant judgement in determining the probability of default by trade receivables and appropriate forward looking information.

Lifetime expected loss provision for trade receivables as at 31 December 2018 are as follows:

Group	Current	1 - 30 days past due	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total RM
Expected loss rate	1.28%	2.15%	10.67%	38.61%	48.58%	
Gross carrying amount	13,851,642	7,385,326	1,405,736	1,256,938	711,231	24,610,873
Impairment	176,861	158,861	149,994	485,292	345,491	1,316,499

During the financial year, the Group did not renegotiate the terms of any trade receivables.

(h) Movements in the impairment allowance for trade receivables are as follows:

Group	2018 RM	2017 RM
At 1 January under MFRS 139	**0**	0
Restated through opening retained earnings	**202,225**	0
Opening impairment loss of trade receivables in accordance with MFRS 9	**202,225**	0
Reversal of impairment losses	**(15,413)**	0
Charge for the financial year	**1,129,687**	0
At 31 December	**1,316,499**	0

(i) Impairment for other receivables and amount owing by a subsidiary is recognised based on the general approach within MFRS 9 using the forward looking expected credit loss model. The methodology used to determine the amount of the impairment is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. For those in which the credit risk has not increased significantly since initial recognition of the financial asset, twelve month expected credit losses along with gross interest income are recognised. For those in which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

The Group and the Company assess impairment loss on other receivables and amount owing by a subsidiary based on lifetime expected credit loss approach. No expected credit loss is recognised arising from other receivables as it is negligible.

It requires management to exercise significant judgement in determining the probability of default by subsidiary, appropriate forward looking information and estimated cash flows recoverable in worst-case scenarios.

8. TRADE AND OTHER RECEIVABLES (Cont'd)

(j) The reconciliation of movements in allowance for impairment accounts in amount owing by a subsidiary is as follows:

Company	Lifetime ECL allowance 2018 RM
At 1 January under MFRS 139	0
Restated through opening retained earnings	2,645,523
Opening impairment loss of trade receivables in accordance with MFRS 9	2,645,523
Charge for the financial year	1,628,818
At 31 December	4,274,341

(k) The Group determines concentration of credit risk by monitoring the country profiles of its trade receivables on an ongoing basis. The credit risk concentration profile of the trade receivables of the Group at the end of the reporting period are as follows:

	Group			
	2018		2017	
	RM	% of total	RM	% of total
By country:				
Malaysia	**20,074,498**	**86%**	23,179,404	78%
Ethiopia	**1,605,893**	**7%**	0	0%
Ivory Coast	**378,690**	**2%**	0	0%
Taiwan	**371,103**	**2%**	2,085,134	7%
South Korea	**283,481**	**1%**	3,838,750	13%
Myanmar	**235,813**	**1%**	0	0%
Cambodia	**233,017**	**1%**	0	0%
Others	**111,879**	*****	782,726	2%
	23,294,374	**100%**	29,886,014	100%

* Amount is less than 1%

(i) At the end of the reporting period, the Group has no significant concentration of credit risk on trade receivables.

(ii) At the end of the reporting period, 100% (2017: 100%) of the receivables of the Company was due from its subsidiary company.

(l) The following table sets out the carrying amounts, the weighted average effective interest rates as at the end of each reporting period and the remaining maturities of the amounts owing by a subsidiary of the Company that are exposed to interest rate risk:

Company	Weighted average effective interest rate per annum %	Within 1 year RM	More than 1 year RM	Total RM
31 December 2018				
Fixed rate	**3.00**	**22,731,257**	**14,469,905**	**37,201,162**
31 December 2017				
Fixed rate	3.00	32,850,658	0	32,850,658

8. TRADE AND OTHER RECEIVABLES (Cont'd)

(m) The following table demonstrates the sensitivity analysis of the Company if interest rates at the end of each reporting period changed by fifty (50) basis points with all other variables held constant:

	Company	
	2018	**2017**
	RM	**RM**
Amount owing by subsidiaries		
- 50 basis point higher	**141,400**	124,800
- 50 basis point lower	**(141,400)**	(124,800)

9. CASH AND BANK BALANCES

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM	**RM**	**RM**	**RM**
Cash and bank balances	**1,465,045**	8,449,030	**5,646**	776,169
Deposit with a licensed bank	**2,790,000**	1,852,010	**0**	452,010
	4,255,045	10,301,040	**5,646**	1,228,179

(a) For the purpose of the statements of cash flows, cash and cash equivalents comprise the following as at the end of the reporting period:

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM	**RM**	**RM**	**RM**
Cash and bank balances	**1,465,045**	8,449,030	**5,646**	776,169
Deposit with a licensed bank (not more than three (3) months)	**2,790,000**	1,852,010	**0**	452,010
	4,255,045	10,301,040	**5,646**	1,228,179

(b) Foreign currency exposure of cash and bank balances are as follows:

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM	**RM**	**RM**	**RM**
Ringgit Malaysia	**4,096,175**	3,659,777	**5,646**	1,228,179
United States Dollar ('USD')	**125,731**	6,585,336	**0**	0
Singapore Dollar ('SGD')	**32,503**	23,300	**0**	0
Euro ('EURO')	**636**	32,627	**0**	0
	4,255,045	10,301,040	**5,646**	1,228,179

(c) The following table demonstrates the sensitivity of the profit net of tax of the Group to a reasonably possible change in USD exchange rate against the functional currency of the Group, with all other variables held constant:

	Group	
	2018	**2017**
	RM	**RM**
USD/RM		
- Strengthened by 3% (2017: 3%)	**2,900**	150,100
- Weakened by 3% (2017: 3%)	**(2,900)**	(150,100)

The exposure to the other currencies are not significant, hence the effect of the changes in the exchange rates are not explained.

9. CASH AND BANK BALANCES (Cont'd)

(d) The effective interest rate of deposit with a licensed bank of the Group is 2.60% (2017: 2.35%) per annum, and the maturity days is 2 days (2017: 6 days).

(e) The exposure to interest risk is insignificant as the cash and bank balances are short term in nature and they are not held for speculative purposes but have been placed in fixed deposits, which yield better returns than cash at bank.

(f) No expected credit losses were recognised arising from the deposits with financial institutions because the probability of default by these financial institutions were negligible.

10. SHARE CAPITAL

	Group and Company			
	2018		2017	
	Number of shares	RM	Number of shares	RM
Issued and fully paid				
Balance as at 1 January	**348,130,962**	**111,867,662**	348,130,462	87,032,616
Issued for cash pursuant to:				
- exercise of warrants	**13,000**	**3,250**	500	125
Transfer from share premium account pursuant to the new Companies Act 2016	**0**	**0**	0	24,834,921
Balance as at 31 December	**348,143,962**	**111,870,912**	348,130,962	111,867,662

(a) During the financial year, the issued and fully paid-up share capital of the Company was increased from 348,130,962 to 348,143,962 by way of issuance of 13,000 new ordinary shares pursuant to the exercise of warrants at RM0.25 each for cash.

(b) Warrants

The warrants of 120,000,000 issued pursuant to the bonus issue exercise of the Company were constituted by a deed poll dated 16 January 2015 ('Deed Poll'). The warrants were listed on the Main Market of Bursa Malaysia on 10 February 2015. The main features of the warrants are as follows:

(i) Each warrant carries the entitlement, at any time during the Exercise Period, to subscribe for one (1) new ordinary share of the Company at the exercise Price, subject to adjustments in accordance with the provisions of the Deed Poll.

(ii) The exercise price of each warrant has been fixed at RM0.25, subject to adjustments under certain circumstances in accordance with the provision of the Deed Poll.

(iii) The expiry date of warrants shall be the day falling immediately before the fifth (5th) anniversary of the date of issue of the warrants, whereupon any warrant, which has not been exercised will lapse and cease thereafter to be valid for any purpose.

As at the end of the financial year, 42,785,138 (2017: 42,798,138) warrants remained unexercised.

(c) The owners of the parent are entitled to receive dividends as and when declared by the Company and are entitled to one (1) vote per ordinary share at meetings of the Company. All ordinary shares rank pari passu with regard residual assets of the Company.

(d) With the introduction of the Companies Act 2016 effective 31 January 2017, the concepts of authorised share capital and par value of share capital have been abolished. Consequently, balance within the share premium account of RM24,834,921 has been transferred to the share capital account pursuant to the transitional provisions set out in Section 618(2) of the Companies Act 2016. Notwithstanding this provision, the Company may utilise its share premium account for purposes stipulated in Section 618(3) of the Companies Act 2016 for a transitional period of 24 months from 31 January 2017. There is no impact on the number of ordinary shares in issue or the relative entitlement of any of the member as a result of this transition.

11. DEFERRED TAX LIABILITIES

(a) The deferred tax liabilities are made up of the following:

	Group	
	2018	2017
	RM	RM
As at 1 January	**13,919,400**	9,150,500
Recognised in profit or loss (Note 19)	**(9,306,500)**	4,768,900
As at 31 December	**4,612,900**	13,919,400
Presented after appropriate offsetting:		
Deferred tax assets	**0**	(17,224,000)
Deferred tax liabilities	**4,612,900**	31,143,400
	4,612,900	13,919,400

(b) The components and movements of deferred tax liabilities and assets during the financial year prior to offsetting are as follows:

Deferred tax liabilities of the Group

	Property, plant and equipment RM
As at 31 December 2018	
As at 1 January 2018	**31,143,400**
Recognised in profit or loss	**(26,530,500)**
As at 31 December 2018	**4,612,900**
As at 31 December 2017	
As at 1 January 2017	33,281,500
Recognised in profit or loss	(2,138,100)
As at 31 December 2017	31,143,400

Deferred tax assets of the Group

	Unabsorbed tax losses RM	Unabsorbed capital allowances RM	Total RM
As at 31 December 2018			
As at 1 January 2018	**(2,118,500)**	**(15,105,500)**	**(17,224,000)**
Recognised in profit or loss	**2,118,500**	**15,105,500**	**17,224,000**
As at 31 December 2018	**0**	**0**	**0**
As at 31 December 2017			
As at 1 January 2017	(2,125,700)	(22,005,300)	(24,131,000)
Recognised in profit or loss	7,200	6,899,800	6,907,000
As at 31 December 2017	(2,118,500)	(15,105,500)	(17,224,000)

The deductible temporary differences do not expire under the current tax legislation.

11. DEFERRED TAX LIABILITIES (Cont'd)

(c) The amounts of temporary differences for which no deferred tax assets have been recognised in the statement of financial position are as follows:

	Group	
	2018	**2017**
	RM	**RM**
Unabsorbed capital allowance	**48,899,300**	0
Unused tax losses		
- Expires by 31 December 2025	**32,424,800**	0
	81,324,100	0

Deferred tax assets of a subsidiary have not been recognised in respect of these items as it is not probable that taxable profits of the subsidiary would be available against which the deductible temporary differences could be utilised.

The unabsorbed tax losses up to the year of assessment 2018 shall be deductible until year of assessment 2025. The unabsorbed tax losses for the year of assessment 2019 onwards will expire in 7 years.

12. TRADE AND OTHER PAYABLES

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM	**RM**	**RM**	**RM**
Non-current liability				
Other payables				
- Third party	**381,484**	0	**0**	0
Current liabilities				
Trade payables				
Third parties	**4,772,778**	7,030,141	**0**	0
Shareholder of a subsidiary	**0**	1,679,992	**0**	0
	4,772,778	8,710,133	**0**	0
Other payables				
Other payables				
- Third parties	**16,382,102**	13,771,111	**0**	1,247
- Amounts owing to subsidiaries	**0**	0	**55,344**	1,623,857
Accruals	**3,984,002**	5,230,578	**198,150**	184,475
Deposits received	**418,200**	0	**0**	0
	20,784,304	19,001,689	**253,494**	1,809,579
Total current liabilities	**25,557,082**	27,711,822	**253,494**	1,809,579
Total trade and other payables	**25,938,566**	27,711,822	**253,494**	1,809,579

(a) Trade and other payables are classified as financial liabilities measured at amortised cost.

(b) Trade payables are non-interest bearing and the normal trade credit terms granted to the Group range from 30 to 60 days (2017: 30 to 60 days).

(c) Amounts owing to subsidiaries of the Company represented advances which were unsecured, bearing a weighted average interest of 3% (2017: 3%) per annum and payable upon demand in cash and cash equivalents.

12. TRADE AND OTHER PAYABLES (Cont'd)

(d) The currency exposure profile of trade and other payables are as follows:

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Ringgit Malaysia	**23,157,626**	20,785,343	**253,494**	1,809,579
United States Dollar ('USD')	**2,728,095**	6,636,642	**0**	0
Euro ('EURO')	**2,205**	221,035	**0**	0
Taiwan Dollar ('TWD')	**50,640**	68,802	**0**	0
	25,938,566	27,711,822	**253,494**	1,809,579

(e) The following table demonstrates the sensitivity of the profit net of tax of the Group to a reasonably possible change in USD, EURO and TWD exchange rates against the functional currency of the Group, with all other variables held constant:

	Group Profit net of tax	
	2018 RM	2017 RM
USD/RM		
- Strengthened by 3% (2017: 3%)	**(62,200)**	(151,300)
- Weakened by 3% (2017: 3%)	**62,200**	151,300
EURO/RM		
- Strengthened by 3% (2017: 3%)	**(50)**	(5,000)
- Weakened by 3% (2017: 3%)	**50**	5,000
TWD/RM		
- Strengthened by 3% (2017: 3%)	**(1,100)**	(1,500)
- Weakened by 3% (2017: 3%)	**1,100**	1,500

(f) The following table sets out the carrying amounts, the weighted average effective interest rates as at the end of the previous reporting period and the remaining maturities of the financial instruments of the Group that are exposed to interest rate risk:

	Weighted average effective interest rate %	Within One (1) year RM	Total RM
Company			
As at 31 December 2018			
Fixed Rate			
Amount owing to subsidiaries	**3.00**	**55,344**	**55,344**
31 December 2017			
Fixed Rate			
Amount owing to subsidiaries	3.00	1,623,857	1,623,857

(g) If interest rates were to increase or decrease by 50 basis points with all other variables held constant, the Company's profit after tax would decrease or increase by RM200 (2017:RM6,200) as a result of higher or lower interest expense on these borrowings.

12. TRADE AND OTHER PAYABLES (Cont'd)

(h) The table below summarises the maturity profile of trade and other payables of the Group and of the Company at the end of each reporting period based on contractual undiscounted repayment obligations:

	On demand or within one (1) year RM	One (1) to five (5) years RM	Total RM
As at 31 December 2018			
Group			
Financial liability			
Trade and other payables	**25,557,082**	**381,484**	**25,938,566**
Company			
Financial liability			
Trade and other payables	**253,494**	**0**	**253,494**
As at 31 December 2017			
Group			
Financial liability			
Trade and other payables	27,711,822	0	27,711,822
Company			
Financial liability			
Trade and other payables	1,809,579	0	1,809,579

13. PROVISION

	Group 2018 RM	Group 2017 RM
Provision for material litigation	**0**	4,327,777

In the previous financial year, the Group made a provision of RM4,327,777, pursuant to a High Court decision for a claim by Tenaga Nasional Berhad ("TNB") against the Group's wholly owned subsidiary company, Wangsaga Industries Sdn. Bhd. ("WISB"). The High Court decision was in favour of TNB for electricity consumption by WISB which was in arrears .

Details of provision for material litigation are disclosed in Note 25 to the financial statements.

14. CONTINGENT LIABILITIES

(a) Corporate guarantees

	Company 2018 RM	Company 2017 RM
Unsecured		
Corporate guarantees given to licensed banks for banking facilities granted to subsidiaries	**56,212,475**	84,979,700
Corporate guarantees given to suppliers of subsidiaries	**4,138,500**	5,686,800

The Group designates corporate guarantees given to banks for credit facilities granted to subsidiaries as insurance contracts as defined in MFRS 4 *Insurance Contracts*. The Group recognises these insurance contracts as recognised insurance liabilities when there is a present obligation, legal or constructive, as a result of a past event, when it is probable that an outflow of resources embodying economic benefits would be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The Directors are of the view that the chances of the financial institutions and suppliers to call upon the corporate guarantee are remote. Accordingly, the fair values of the above corporate guarantees are negligible.

(b) On 12 March 2019, a former employee was claiming additional compensation for dismissal against the Group's subsidiary company, TSST at the Industrial Court. As of date of this report, there is no hearing being held and the next hearing is scheduled on 2 May 2019. Notwithstanding the outcome of the court, the management of TSST view that the possibility of an outflow of economic benefits were remote. The solicitor of TSST was of the opinion that this claim is unlikely to succeed.

15. REVENUE

	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
Revenue from contracts with customers:				
- Sale of goods	**184,009,580**	285,715,718	**0**	0
Other revenue:				
- Dividend income from subsidiaries	**0**	0	**12,074,021**	0
- Management fee from subsidiaries	**0**	0	**84,000**	84,000
- Interest received from:				
- deposit with financial institutions	**0**	0	**2,155**	12,469
- advances to subsidiaries	**0**	0	**1,252,297**	1,029,317
	184,009,580	285,715,718	**13,412,473**	1,125,786

(a) Revenue from sale of products is recognised at a point in time when the products has been transferred to the customer and coincides with the delivery of products.

There is no right of return and warranty provided to the customers on the sale of products.

There is no significant financing component in the revenue arising from sale of products as the sales are made on the normal credit terms not exceeding twelve months.

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

(c) Management fees are recognised when services are rendered.

(d) Interest income is recognised as it accrues, using the effective interest method.

16. OTHER OPERATING INCOME

	Group	
	2018	**2017**
	RM	**RM**
Compensation from a customer (Note (a))	**359,815**	63,271,457
Gain on disposal of property, plant and equipment	**122,315**	7,197,370
Gain on foreign exchange		
- realised	**0**	703,947
- unrealised	**0**	187,453
Income from sale of solar energy (Note (b))	**1,875,952**	2,859,905
Interest income	**26,133**	24,774
Others	**865,657**	358,543
	3,249,872	74,603,449

(a) Compensation amount comprised mainly the agreed payment of damages/ liquidated damages by a customer who failed to load minimum order quantity of solar cells to TS Solartech Sdn. Bhd., a subsidiary of the Company pursuant to the terms and conditions of a manufacturing and supply of solar cell contract dated 8 October 2015 between TS Solartech Sdn. Bhd. and the said customer.

(b) Income from sale of solar energy is recognised when the solar energy is generated from the solar panel installed.

17. EMPLOYEE BENEFITS

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM	**RM**	**RM**	**RM**
Directors' fee	**194,250**	194,250	**194,250**	194,250
Directors' emoluments	**3,441,910**	3,463,848	**0**	0
Salaries, wages, bonus and allowance	**17,757,282**	21,153,316	**0**	0
Contributions to defined contribution plan	**1,446,033**	1,808,664	**0**	0
Social security contributions	**200,500**	254,493	**0**	0
Other benefits	**334,863**	431,966	**0**	0
	23,374,838	27,306,537	**194,250**	194,250

The remuneration of Directors during the financial year were as follows:

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM	**RM**	**RM**	**RM**
Directors' fee	**194,250**	194,250	**194,250**	194,250
Short term employee benefits	**3,074,410**	3,093,572	**0**	0
Contributions to defined contribution plan	**367,500**	370,276	**0**	0
	3,636,160	3,658,098	**194,250**	194,250

18. FINANCE COSTS

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Interest expense on:				
- bank overdrafts	**179,633**	312	**0**	164
- short term bank loans	**46,590**	72,433	**0**	0
- term loan	**0**	273,667	**0**	0
- amount owing to subsidiaries	**0**	0	**298,366**	9,972
Letter of credits charges	**11,198**	10,985	**0**	0
	237,421	357,397	**298,366**	10,136

19. TAX (INCOME)/EXPENSE

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Current tax expense based on (loss)/ profit for the financial year	**5,125,994**	6,346,337	**189,458**	216,249
Under/(Over)provision of income tax in prior years	**224,160**	166,638	**(494)**	5,592
	5,350,154	6,512,975	**188,964**	221,841
Deferred tax (Note 11):				
Relating to origination and reversal of temporary differences	**(9,306,500)**	4,171,444	**0**	0
Underprovision in prior years	**0**	597,456	**0**	0
	(9,306,500)	4,768,900	**0**	0
	(3,956,346)	11,281,875	**188,964**	221,841

On 14 March 2011, a subsidiary of the Group has been granted investment tax allowance by the Malaysian Investment Development Authority ('MIDA'). Subject to the agreement of the Inland Revenue Board, the Group has unutilised investment tax allowance amounting to approximately RM139,373,303 (2017: RM139,373,303) available to set-off against future taxable income.

The numerical reconciliations between the tax expense and the product of accounting profit multiplied by the applicable tax rate of the Group and of the Company are as follows:

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
(Loss)/Profit before tax	**(110,884,256)**	45,506,985	**(106,427,142)**	652,662
Tax at Malaysian statutory tax rate of 24% (2017: 24%)	**(26,612,221)**	10,921,676	**(25,542,514)**	156,639
Tax effects in respect of:				
Non-allowable expenses	**3,034,249**	2,038,517	**28,630,210**	62,204
Non-taxable income	**(120,334)**	(2,442,412)	**(2,898,238)**	(2,594)
Deferred tax assets not recognised	**19,517,800**	0	**0**	0
	(4,180,506)	10,517,781	**189,458**	216,249
Under/(Over)provision in prior years:				
- income tax	**224,160**	166,638	**(494)**	5,592
- deferred tax	**0**	597,456	**0**	0
	(3,956,346)	11,281,875	**188,964**	221,841

20. (LOSS)/EARNINGS PER SHARE

(a) Basic

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

	Group	
	2018	**2017**
	RM	**RM**
(Loss)/Profit attributable to equity holders of the parent	**(48,690,805)**	23,288,001
Weighted average number of ordinary shares in issue (units)	**348,135,493**	348,130,744
Basic (loss)/earnings per ordinary share	**(0.14)**	0.07

(b) Diluted

Diluted (loss)/earnings per ordinary share for the financial year is calculated by dividing the (loss)/profit for the financial year attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding during the financial year adjusted for the effects of dilutive potential ordinary shares.

	Group	
	2018	**2017**
	RM	**RM**
(Loss)/Profit attributable to equity holders of the parent	**(48,690,805)**	23,288,001
Weighted average number of ordinary shares in issue (units)	**355,117,168**	371,266,644
Diluted (loss)/earnings per ordinary share	*****	0.06
Weighted average number of ordinary shares in issue applicable to basic earnings per ordinary share (units)	**348,135,493**	348,130,744
Effect of dilution arising from unexercised warrants (units)	**0**	23,135,900
Adjusted weighted average number of ordinary shares applicable to diluted earnings per ordinary share (units)	**348,135,493**	371,266,644

Note:
* Diluted loss per ordinary share equal basic loss per share as the effect on the basic loss per share is anti-dilutive.

21. DIVIDEND

	Group and Company			
	2018		**2017**	
	Dividend per share	**Amount of Dividend**	**Dividend per share**	**Amount of Dividend**
	sen	**RM**	**sen**	**RM**
In respect of financial year ended 31 December 2017 :				
Single tier first interim dividend	**0**	**0**	1.0	3,481,309
Single tier final dividend	**1.0**	**3,481,310**	0	0
	1.0	**3,481,310**	1.0	3,481,309

22. RELATED PARTY DISCLOSURES

(a) Identities of related parties

Parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

The Company has controlling related party relationship with its direct subsidiaries.

(b) In addition to the transactions detailed elsewhere in the financial statements, the Group and the Company had the following transactions with related parties during the financial year:

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM	**RM**	**RM**	**RM**
Subsidiaries:				
Dividend received	**0**	0	**12,074,021**	0
Interest received	**0**	0	**1,252,297**	1,029,317
Management fee	**0**	0	**84,000**	84,000
Interest paid	**0**	0	**298,366**	9,972
Shareholder of a subsidiary:				
Purchase of goods	**13,203**	5,894,376	**0**	0
Sale of goods	**1,987,655**	49,317,648	**0**	0

The related party transactions described above were undertaken on mutually agreed and negotiated terms.

Information regarding outstanding balances arising from related party transactions as at 31 December 2018 are disclosed in Notes 8 and 12 to the financial statements.

(c) Compensation of key management personnel

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the entity, directly and indirectly, including any Director (whether executive or otherwise) of the Group and of the Company.

There are no other key management personnel having the authority and responsible for planning, directing and controlling the activities of the Group other than the Directors.

Remunerations of Directors are disclosed in Note 17 to the financial statements.

23. OPERATING SEGMENTS

The Group is principally involved in investment holding and its subsidiaries are principally engaged in manufacturing and trading of Polyvinyl Chloride ('PVC') related products and Polypropylene ('PP') Non-Woven, manufacturing and trading of Solar Cell products.

The Group has arrived at two (2) reportable segments that are organised and managed separately according to the nature of products and services, specific expertise and technologies requirements, which requires different business and marketing strategies.

The reportable segments are summarised as follows:

(i) PVC
Manufacturing and trading of PVC Sheeting, PP Non-Woven, PVC Leather related products for industrial and consumer use.

(ii) Solar
Manufacturing and trading of Solar related products.

The Group evaluates performance on the basis of profit or loss from operations before tax not including non-recurring losses.

23. OPERATING SEGMENTS (Cont'd)

Inter-segment revenue is priced along the same lines as sales to external customers and is eliminated in the consolidated financial statements. These policies have been applied consistently throughout the current and previous financial years.

Even though loans and borrowings arise from financing activities rather than operating activities, they are allocated to the segments based on relevant factors.

	PVC RM	Solar RM	Total RM
2018			
Revenue			
Total revenue	**196,584,955**	**15,063,537**	**211,648,492**
Inter-segment revenue	**(27,638,912)**	**0**	**(27,638,912)**
Revenue from external customers	**168,946,043**	**15,063,537**	**184,009,580**
Interest income	**24,537**	**1,596**	**26,133**
Finance costs	**(237,421)**	**0**	**(237,421)**
Net finance (expense)/income	**(212,884)**	**1,596**	**(211,288)**
Depreciation	**(6,759,656)**	**(17,311,912)**	**(24,071,568)**
Impairment losses of property, plant and equipment	**0**	**(76,610,411)**	**(76,610,411)**
Inventories written down	**0**	**(22,579,805)**	**(22,579,805)**
Segment profit/(loss) before income tax	**15,853,960**	**(126,738,216)**	**(110,884,256)**
Tax (expense)/income	**(4,657,954)**	**8,614,300**	**3,956,346**
Segment assets	**114,268,290**	**194,471,457**	**308,739,747**
Segment liabilities	**(28,198,975)**	**(2,770,642)**	**(30,969,617)**
Additions to non-current assets	**1,858,179**	**386,432**	**2,244,611**
2017			
Revenue			
Total revenue	186,459,753	117,997,647	304,457,400
Inter-segment revenue	(18,740,677)	(1,005)	(18,741,682)
Revenue from external customers	167,719,076	117,996,642	285,715,718
Interest income	24,209	565	24,774
Finance costs	(356,798)	(599)	(357,397)
Net finance expense	(332,589)	(34)	(332,623)
Depreciation	(7,703,126)	(25,596,651)	(33,299,777)
Impairment losses of property, plant and equipment	0	(4,068,031)	(4,068,031)
Inventories written down	0	(2,984,082)	(2,984,082)
Provision for material ligation	(4,327,777)	0	(4,327,777)
Segment profit before income tax	17,651,440	27,855,545	45,506,985
Tax expense	(5,634,275)	(5,647,600)	(11,281,875)
Segment assets	116,677,953	319,500,770	436,178,723
Segment liabilities	(28,968,215)	(18,832,183)	(47,800,398)
Additions to non-current assets	4,146,774	195,734	4,342,508

23. OPERATING SEGMENTS (Cont'd)

(a) Reconciliation of reportable segments' profit or loss to the Group's (loss)/profit for the financial year is as follows:

	Group	
(Loss)/Profit for the financial year	**2018 RM**	**2017 RM**
Total (loss)/profit for reportable segments	**(110,884,256)**	45,506,985
Tax income/(expense)	**3,956,346**	(11,281,875)
(Loss)/Profit for the financial year per consolidated statement of profit or loss and other comprehensive income	**(106,927,910)**	34,225,110

(b) Geographical information

The manufacturing facilities and sales offices of the Group are based in Malaysia.

In presenting information on the basis of geographical areas, segment revenue is based on the geographical location of its customers.

Segment assets are based on the geographical location of the assets of the Group.

	Group	
	2018 RM	**2017 RM**
Revenue from external customers in:		
Malaysia	**87,952,753**	91,699,920
Indonesia	**29,484,720**	28,639,815
Iraq	**14,737,718**	7,330,604
Yemen	**7,709,583**	7,375,549
Myanmar	**4,630,873**	6,480,955
Vietnam	**4,224,876**	20,935,699
Taiwan	**2,888,116**	51,877,193
Korea	**2,596,135**	7,088,588
Africa	**2,578,182**	2,672,865
Thailand	**2,207,385**	0
Somalia	**2,192,896**	0
Durban	**2,136,015**	0
Ethiopia	**1,959,048**	0
China	**181,497**	10,138,899
Italy	**1,591,218**	5,979,736
India	**1,406,405**	4,199,343
Singapore	**1,584,949**	3,901,002
Others	**13,947,211**	37,395,550
	184,009,580	285,715,718

	Group	
	2018 RM	**2017 RM**
Non-current assets		
Malaysia	**238,255,261**	336,735,297

23. OPERATING SEGMENTS (Cont'd)

(c) Major Customers

The following are major customers with revenue equal or more than ten percent (10%) of Group revenue:

	Group	
	2018	2017
	RM	RM
PVC Segment		
Customer A	**28,788,450**	0
Solar Segment		
Customer A	**0**	49,317,648

24. CAPITAL AND FINANCIAL RISK MANAGEMENT

(a) Capital Management

The primary objective of the capital management of the Group is to ensure that entities of the Group would be able to continue as going concerns while maximising the return to shareholders through the optimisation of the debt and equity balance. The overall strategy of the Group remains unchanged from that in the previous financial year.

The Group manages its capital structure and makes adjustments to it in response to changes in economic conditions. In order to maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objective, policies or processes during the financial years ended 31 December 2018 and 31 December 2017.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group has a target gearing ratio of ten percent (10%) to sixty percent (60%) determined as the proportion of net debt to equity plus net debt. The Group includes within net debt, loans and borrowings, trade and other payables, less cash and bank balances. Capital represents equity attributable to the owners of the parent.

		Group		Company	
		2018	2017	2018	2017
	Note	RM	RM	RM	RM
Trade and other payables	12	**25,938,566**	27,711,822	**253,494**	1,809,579
Provisions	13	**0**	4,327,777	**0**	0
Total liabilities		**25,938,566**	32,039,599	**253,494**	1,809,579
Less: Cash and bank balances	9	**(4,255,045)**	(10,301,040)	**(5,646)**	(1,228,179)
Net debt		**21,683,521**	21,738,559	**247,848**	581,400
Total capital		**203,922,206**	256,293,296	**75,026,413**	187,766,102
Net debt		**21,683,521**	21,738,559	**247,848**	581,400
Capital plus net debt		**225,605,727**	278,031,855	**75,274,261**	188,347,502
Gearing ratio		**9.61%**	7.82%	**0.33%**	0.31%

Pursuant to the requirements of Practice Note No. 17/2005 of the Bursa Malaysia Securities, the Group is required to maintain a consolidated shareholders' equity equal to or not less than the twenty-five percent (25%) of the issued and paid-up capital (excluding treasury shares) and such shareholders' equity is not less than RM40 million. The Company has complied with this requirement during the financial year ended 31 December 2018.

The Group is not subject to any other externally imposed capital requirement.

24. CAPITAL AND FINANCIAL RISK MANAGEMENT (Cont'd)

(b) Financial risk management

The overall financial risk management objective of the Group is to ensure that the Group creates value for its shareholders whilst minimising potential adverse effects on its financial performance and positions. The Group is mainly exposed to credit risk, liquidity and cash flow risk, interest rate risk and foreign currency risk. Information on the management of the related exposures are detailed below:

(i) Credit risk

Cash deposits and trade receivables may give rise to credit risk which requires the loss to be recognised if a counter party fails to perform as contracted. The counter parties are major international institutions and reputable organisations that the Group has dealt with for numerous years. It is the policy of the Group to monitor the financial standing of these counter parties on an ongoing basis to ensure that the Group is exposed to minimal credit risk.

The primary exposure of the Group to credit risk arises through its trade receivables. The trading terms of the Group with its customers are mainly on credit, except for new customers, where deposits in advance are normally required. The credit period is generally for a period of one (1) month, extending up to four (4) months for major customers. Each customer has a maximum credit limit and the Group seeks to maintain strict control over its outstanding receivables via a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management.

Exposure to credit risk

At the end of each reporting period, maximum exposure of the Group and of the Company to credit risk is represented by the carrying amount of each class of financial assets recognised in the statements of financial position.

The credit risk concentration profile has been disclosed in Note 8 to the financial statements.

(ii) Liquidity and cash flow risk

The Group actively manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that all operating, investing and financing needs are met. In executing its liquidity risk management strategy, the Group measures and forecasts its cash commitments and maintains a level of cash and cash equivalents deemed adequate to finance the activities of the Group. In addition, the Group strives to maintain available banking facilities at a reasonable level to meet its business needs.

The analysis of financial instruments by remaining contractual maturities has been disclosed in Note 12 to the financial statements.

(iii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the financial instruments of the Group would fluctuate because of changes in market interest rates.

The income and operating cash flows of the Group are substantially independent of changes in market interest rates. Interest rate exposure arises mainly from the amount owing by/to subsidiaries of the Company and is managed through the use of fixed and floating rates instruments. The Group monitors the interest rates on amount owing by/to subsidiaries closely to ensure that the amount owing by/to subsidiaries are maintained at favourable rates. The Group does not use derivative financial instruments to hedge this risk.

The interest rate profile and sensitivity analysis of interest rate risk have been disclosed in Notes 8 and 12 to the financial statements respectively.

(iv) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument would fluctuate because of changes in foreign exchange rates.

Transactional currency exposures arise from sales to Asian, South African and Middle East customers. These sales are priced in Ringgit Malaysia but invoiced in USD currency. The Group also makes purchases of raw materials from China, Taiwan and Singapore. The Group has no hedging policy and does not make use of forward-currency contracts.

The sensitivity analysis for foreign currency risk has been disclosed in Notes 8, 9 and 12 to the financial statements respectively.

25. MATERIAL LITIGATION

Tenaga Nasional Berhad ("TNB") had in previous years instituted legal proceedings against Wangsaga Industries Sdn Bhd ("WISB"), a wholly-owned subsidiary of Tek Seng Holdings Berhad ("The Group") claiming for the electricity consumption in arrears for the period from 23 April 2006 to 13 April 2012.

The solicitors of WISB were of the opinion that the claim against WISB were unilaterally contrived and the claim intimates were frivolous and vexatious, that should be contested and defended up to the end of reporting period. Based on this legal opinion, the management of WISB were of the view that the possibility of an outflow of economic benefits were remote.

On 22 March 2018, WISB received a decision of the High Court in favour of TNB of a claim against WISB for the electricity consumption in arrears amounting to RM4,327,777.

WISB had filed the application on 11 April 2018 to appeal against the decision of the High Court. The solicitor of WISB was of the opinion that the appeal was principally predicated on the dispute by WISB that the amount adjudged to be paid to TNB is inappropriate.

In the previous financial year, the management of WISB recognised a provision for the sum of RM4,327,777 as disclosed in Note 13 to the financial statements based on the decision of the High Court. This is in compliance with Malaysian Financial Reporting Standards ("MFRS") 137 *Provisions, Contingent Liabilities and Contingent Assets* and International Accounting Standards ("IAS") 10 *Events After the Reporting Period*.

Pursuant to the High Court Judgement on 22 March 2018 and Court of Appeal Order dated 3 December 2018, the Court of Appeal at conclusion that the appeal had no merit and a judgement sum of RM4,580,210 to be paid by WISB.

26. ADOPTION OF NEW MFRSs AND AMENDMENT TO MFRSs

26.1 New MFRSs adopted during the financial year

The Group and the Company adopted the following Standards of the MFRS Framework that were issued by the Malaysian Accounting Standards Board ('MASB') during the financial year:

Title	Effective Date
Amendments to MFRS 1 *Annual Improvements to MFRS Standards 2014 - 2016 Cycle*	1 January 2018
MFRS 9 Financial Instruments *(IFRS 9 as issued by IASB in July 2014)*	1 January 2018
MFRS 15 *Revenue from Contracts with Customers*	1 January 2018
Clarifications to MFRS 15	1 January 2018
Amendments to MFRS 2 *Classification and Measurement of Share-based Payment Transactions*	1 January 2018
Amendments to MFRS 128 *Annual Improvements to MFRS Standards 2014 - 2016 Cycle*	1 January 2018
Amendments to MFRS 140 *Transfers of Investment Property*	1 January 2018
IC Interpretation 22 *Foreign Currency Transactions and Advance Consideration*	1 January 2018
Amendments to MFRS 4 *Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts*	See MFRS 4 Paragraphs 46 and 48

Adoption of the above standards did not have any material effect on the financial performance or position of the Group except for the adoption of MFRS 9 described in the following sections.

MFRS 9 Financial Instruments

MFRS 9 replaces MFRS 139 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, encompassing all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Group applied MFRS 9 prospectively, with an initial application date of 1 January 2018. The Group has not restated the comparative information, which continues to be reported under MFRS 139. Differences arising from the adoption of MFRS 9 have been recognised directly in retained earnings and other components of equity.

26. ADOPTION OF NEW MFRSs AND AMENDMENT TO MFRSs (Cont'd)

26.1 New MFRSs adopted during the financial year (Cont'd)

MFRS 9 Financial Instruments (Cont'd)

(i) Classification of financial assets and financial liabilities

The Group classify their financial assets into the following measurement categories depending on the business model of the Group for managing the financial assets and the terms of contractual cash flows of the financial assets:

- Those to be measured at amortised cost; and
- Those to be measured subsequently at fair value either through other comprehensive income or through profit or loss.

The following summarises the key changes:

- The Available-For-Sale (AFS), Held-To-Maturity (HTM) and Loans and Receivables (L&R) financial asset categories were removed.
- A new financial asset category measured at Amortised Cost (AC) was introduced. This applies to financial assets with contractual cash flow characteristics that are solely payments of principal and interest and held in a business model whose objective is achieved by collecting contractual cash flows.
- A new financial asset category measured at Fair Value Through Other Comprehensive Income (FVTOCI) was introduced. This applies to debt instruments with contractual cash flow characteristics that are solely payments of principal and interest and held in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.
- A new financial asset category for non-traded equity investments measured at FVTOCI was introduced.

MFRS 9 largely retains the existing requirements in MFRS 139 for the classification of financial liabilities.

However, under MFRS 139 all fair value changes of liabilities designated as FVTPL are recognised in profit or loss, whereas under MFRS 9 these fair value changes are generally presented as follows:

- Amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in Other Comprehensive Income; and
- The remaining amount of change in the fair value is presented in profit or loss.

(ii) Impairment of financial asset

The adoption of MFRS 9 has fundamentally changed the accounting for impairment losses for financial assets of the Group by replacing the incurred loss approach of MFRS 139 with a forward-looking expected credit loss approach. MFRS 9 requires the Group to record an allowance for expected credit losses for all debt financial assets not held at fair value through profit or loss.

Expected credit losses are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The estimate of expected cash shortfall shall reflect the cash flows expected from collateral and other credit enhancements that are part of the contractual terms. The shortfall is then discounted at an approximation to the asset's original effective interest rate of the asset.

Impairment for trade receivables and contract assets that do not contain a significant financing component are recognised based on the simplified approach within MFRS 9 using the lifetime expected credit losses.

During this process, the probability of non-payment by the trade receivables is adjusted by forward looking information and multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables, which are reported net, such impairments are recorded in a separate impairment account with the loss being recognised within administrative expenses in the consolidated statement of profit or loss and other comprehensive income. On confirmation that the trade receivable would not be collectable, the gross carrying value of the asset would be written off against the associated impairment.

Impairment for receivables from related parties are recognised based on the general approach within MFRS 9 using the forward looking expected credit loss model. The methodology used to determine the amount of the impairment is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. For those in which the credit risk has not increased significantly since initial recognition of the financial asset, twelve month expected credit losses along with gross interest income are recognised. For those in which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

26. ADOPTION OF NEW MFRSs AND AMENDMENT TO MFRSs (Cont'd)

26.1 New MFRSs adopted during the financial year (Cont'd)

MFRS 9 Financial Instruments (Cont'd)

(iii) Classification and measurement

The following table summarises the reclassification and measurement of the financial assets and financial liabilities of the Group and of the Company as at 1 January 2018:

	Classification		Carrying amount	
Group	**Existing under MFRS 139**	**New under MFRS 9**	**Existing under MFRS 139 RM**	**New under MFRS 9 RM**
Financial assets				
Total receivables	L&R	AC	33,132,981	32,930,756
Cash and bank balances	L&R	AC	10,301,040	10,301,040
Financial liabilities				
Trade and other payables	OFL	AC	27,711,822	27,711,822
Company				
Financial assets				
Total receivables	L&R	AC	32,850,658	30,205,135
Cash and bank balances	L&R	AC	1,228,179	1,228,179
Financial liabilities				
Trade and other payables	OFL	AC	1,809,579	1,809,579

The following tables are reconciliations of the carrying amount of the statement of financial position of the Group and of the Company from MFRS 139 to MFRS 9 as at 1 January 2018:

	Existing under MFRS 139			New under MFRS 9
Group	**Carrying amount as at 31 December 2017 RM**	**Reclassification RM**	**Remeasurement RM**	**Carrying amount as at 1 January 2018 RM**
Total receivables:				
Opening balance	33,132,981	0	0	**33,132,981**
Increase in impairment loss	0	0	(202,225)	**(202,225)**
Total receivables	33,132,981	0	(202,225)	**32,930,756**
Retained earnings:				
Opening balance	144,425,634	0	0	**144,425,634**
Increase in impairment loss for trade and other receivables	0	0	(202,225)	**(202,225)**
Total retained earnings	144,425,634	0	(202,225)	**144,223,409**

26. ADOPTION OF NEW MFRSs AND AMENDMENT TO MFRSs (Cont'd)

26.1 New MFRSs adopted during the financial year (Cont'd)

MFRS 9 Financial Instruments (Cont'd)

(iii) Classification and measurement (Cont'd)

The following tables are reconciliations of the carrying amount of the statement of financial position of the Group and of the Company from MFRS 139 to MFRS 9 as at 1 January 2018 (Cont'd) :

Company	Existing under MFRS 139 Carrying amount as at 31 December 2017 RM	Reclassification RM	Remeasurement RM	New under MFRS 9 Carrying amount as at 1 January 2018 RM
Amount owing by a subsidiary				
Opening balance	32,850,658	0	0	**32,850,658**
Increase in impairment loss	0	0	(2,645,523)	**(2,645,523)**
Total amount owing by a subsidiary	32,850,658	0	(2,645,523)	**30,205,135**
Retained earnings:				
Opening balance	75,898,440	0	0	**75,898,440**
Increase in impairment loss for trade and other receivables	0	0	(2,645,523)	**(2,645,523)**
Total retained earnings	75,898,440	0	(2,645,523)	**73,252,917**

26.2 New MFRSs that have been issued, but only effective for annual periods beginning on or after 1 January 2019

The following are Standards of the MFRS Framework that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been early adopted by the Group:

Title	Effective Date
MFRS 16 *Leases*	1 January 2019
IC Interpretation 23 *Uncertainty over Income Tax Treatments*	1 January 2019
Amendments to MFRS 128 *Long-term Interests in Associates and Joint Ventures*	1 January 2019
Amendments to MFRS 9 *Prepayment Features with Negative Compensation*	1 January 2019
Amendments to MFRS 3 *Annual Improvements to MFRS Standards 2015–2017 Cycle*	1 January 2019
Amendments to MFRS 11 *Annual Improvements to MFRS Standards 2015–2017 Cycle*	1 January 2019
Amendments to MFRS 112 *Annual Improvements to MFRS Standards 2015–2017 Cycle*	1 January 2019
Amendments to MFRS 119 *Plan Amendment, Curtailment or Settlement*	1 January 2019
Amendments to MFRS 123 *Annual Improvements to MFRS Standards 2015–2017 Cycle*	1 January 2019
Amendments to *References to the Conceptual Framework in MFRS Standards*	1 January 2020
Amendments to MFRS 3 *Defination of a Business*	1 January 2020
Amendments to MFRS 101 and MFRS 108 *Defination of Material*	1 January 2020
MFRS 17 *Insurance Contracts*	1 January 2021
Amendments to MFRS 10 and MFRS 128 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Deferred

The Group is in the process of assessing the impact of implementing these Standards and Amendments, other than MFRS 16, since the effects would only be observable for the future financial years. The Group is currently finalising the adjustments upon adoption of MFRS 16.

List of Properties

	Location/Address	Date of Acquisition	Description and Existing Use	Approximate Land/ Built-up Area	Age of Building/ Tenure	Carrying Amount as at 31-Dec-18
1.	Plot 159, Jalan Perindustrian Bukit Minyak 7, Taman Perindustrian Bukit Minyak, 14000 Bukit Mertajam. (H.S. (D) 46613, Lot 395, Mukim 13, Seberang Perai Tengah, Penang)	03 May 2000	1-storey factory (attached with 4-storey production area) cum 2-storey office block/ Manufacturing and office use Owner occupied	Land area = 27,351.55 sq. Metre Built-up area =19,822 sq. Metre	17 years old/ Leasehold 60 years expiring on 11 Mar 2061	Land = RM2,474,349 Building = RM9,673,139
2.	Plot 160, Jalan Perindustrian Bukit Minyak 7, Taman Perindustrian Bukit Minyak, 14000 Bukit Mertajam. (H.S. (D) 48999, PT 429, Mukim 13, Seberang Perai Tengah, Penang)	12 Dec 2002	1-storey factory (attached with 4-storey production area)/ Manufacturing and Warehouse Owner occupied	Land area = 17,494.55 sq. Metre Built-up area =10,425 sq. Metre	16 years old/ Leasehold 60 years expiring on 25 Aug 2063	Land = RM1,710,280 Building = RM8,910,577
3.	Plot 162(b), Jalan Perindustrian Bukit Minyak 7, Taman Perindustrian Bukit Minyak, 14000 Bukit Mertajam. (H.S.(D) 53381, PT 793, Mukim 13, Seberang Perai Tengah, Penang)	1 Jun 2005	1-storey factory/ Warehouse Owner occupied	Land area = 15,784.28 sq. Metre Built-up area = 5,280 sq. Metre	13 year old/ Leasehold 60 years expiring on 25 Aug 2063	Land = RM1,597,515 Building = RM7,226,573
4.	43, Jalan Mas Jaya 2, Kawasan Perindustrian Mas Jaya, Selangor Darul Ehsan. (H.S. (D) 69154, PT 27606, Mukim Cheras, Daerah Langat, Selangor)	1 Jun 1995	1 1/2-Storey Warehouse/ Warehouse Owner occupied	Land area = 328 sq. Metre Built-up area = 273 sq. Metre	23 years old/ Freehold	Land = RM258,352 Building = RM103,769
5.	77-14-5, Menara Belfield Condominium, Jalan Talalla, Off Jalan Maharajalela, 50460 Kuala Lumpur (Parcel No. B1-13A, erected on part of land under Certificate of Title No. 7564, Lot 393, Section 69, Kuala Lumpur)	28 Jan 1997	Apartment/Hostel Owner occupied	Built-up area = 98.47 sq. Metre	21 years old/ Freehold	Building = RM157,254
6.	Plot 320, Jalan Perindustrian Bukit Minyak 8, Penang Science Park, Bukit Minyak, Mukim 13, Seberang Perai Tengah, 14100 Pulau Pinang.	21 Feb 2011	4-Storey Factory/ Warehouse Owner occupied (Phase I)	Land area = 32,586.91 sq. Metre Built-up area = 13,640.44 sq. Metre	8 years old/ Leasehold 60 years expiring on 30 Jan 2072	Land = RM5,792,309 Building =RM 55,298,225
			3-Storey Factory/ Warehouse Owner occupied (Phase II)	Built-up area = 23,696.49 sq. Metre		Building =RM85,183,209

Total number of issued shares : 348,143,962 ordinary shares
Voting Rights : 1 Vote per ordinary share

Analysis of Shareholdings

No. of Holders	Size of Holdings	Total Holdings	% of Issued Shares
129	less than 100 shares	5,751	#
359	100 to 1,000 shares	217,631	0.06
2,447	1,001 to 10,000 shares	14,194,352	4.08
1,827	10,001 to 100,000 shares	63,326,912	18.19
251	100,001 to less than 5% of issued shares	124,862,656	35.87
2	5% and above of issued shares	145,536,660	41.80
5,015		**348,143,962**	**100.00**

Negligible

THIRTY (30) LARGEST SECURITIES ACCOUNT HOLDERS AS AT 29 MARCH 2019
(without aggregating the securities from different securities accounts belonging to the same Depositor)

	Name	No. of Shares	% of Total Issued Shares
1	LOH KOK CHENG	73,857,030	21.21
2	LOH KOK BENG	71,679,630	20.59
3	SOON SEOK CHOO	12,824,740	3.68
4	CHANG, JUNG-CHEN	6,840,641	1.96
5	NG KIM KEONG	5,656,100	1.62
6	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIM TIAN HUAT (E-TWU)	4,122,000	1.18
7	TEOH THEAN HAI	3,888,425	1.12
8	TEE AH SWEE	3,692,200	1.06
9	PUAA YOCK BING @ PHUAH HIAN KEE	3,621,000	1.04
10	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR MAK NGIA NGIA @ MAK YOKE LUM (MM0749)	3,406,100	0.98
11	LING, KUN-TZU	2,727,500	0.78
12	TEO YORK LAK	2,125,300	0.61
13	HLB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN LEE PANG S/O HUM BENG	2,070,000	0.59
14	CIMB GROUP NOMINEES (ASING) SDN. BHD. EXEMPT AN FOR DBS BANK LTD (SFS)	2,060,000	0.59
15	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR YONG SHU KONG (E-KKU)	1,990,000	0.57
16	LOH JOO ENG	1,845,000	0.53
17	KENANGA NOMINEES (TEMPATAN) SDN BHD LIM TIAN HUAT	1,844,900	0.53
18	LOH LOO NGOH	1,444,450	0.41
19	LOH LOO GUAT	1,250,000	0.36
20	HO POAY CHIEW	1,250,000	0.36
21	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN CHIA HONG @ GAN CHIA HONG(E-TMR)	1,200,000	0.34
22	LOH KOK BENG	1,189,500	0.34
23	TA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR MAK NGIA NGIA @ MAK YOKE LUM	1,069,700	0.31
24	BOEY TZE NIN	879,700	0.25

THIRTY (30) LARGEST SECURITIES ACCOUNT HOLDERS AS AT 29 MARCH 2019 (Cont'd)
(without aggregating the securities from different securities accounts belonging to the same Depositor)

	Name	No. of Shares	% of Total Issued Shares
25	CHEE KHENG CAN FACTORY SDN. BERHAD	800,000	0.23
26	HLB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR SEE EAN SENG	800,000	0.23
27	NG SEH HAN @ NG TEK LAI	791,200	0.23
28	JF APEX NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR OOI SIEW LOOI (STA 2)	744,900	0.21
29	LEE CHIN HWA	666,100	0.19
30	SEE EAN SENG	650,000	0.19
	TOTAL	**216,986,116**	**62.29**

Substantial Shareholdings

	No. of ordinary share held			
Substantial Shareholders	**Direct Interest**	**%**	**Deemed Interest**	**%**
Loh Kok Beng	72,869,130	20.93	-	-
Loh Kok Cheng	73,857,030	21.21	-	-

Directors' Shareholdings

	No. of ordinary share held				
Name of Directors	**Direct Interest**	**%**	**Deemed Interest**		**%**
Loh Kok Beng	72,869,130	20.93	-		-
Loh Kok Cheng	73,857,030	21.21	-		-
Loh Joo Eng	1,845,000	0.53	115,825	(N1)	0.03
Dr. Kamarudin Bin Ngah	4,375	#	-		-
Tuan Haji Mohamed Haniffah Bin S.M. Mydin	40,000	0.01	-		-
Leow Chan Khiang	-	-	-		-
Loh Eng Chun	-	-	-		-

Note:

(N1) Deemed interested by virtue of Section 59 of the Companies Act, 2016 held through spouse, daughter and son.

Negligible

Statistics on Warrantholdings
As at 29 March 2019

Number of outstanding warrants	: 42,785,138 Units
Exercise period	: The exercise period is any time within a period of 5 years from the date of issue up to the expiry date of 09 February 2020
Exercise price	: RM0.25 each
Warrant Entitlement	: Each warrant entitles the registered holder during the Exercise period to subscribe for one new ordinary share
Number of warrant holders as at 29 March 2019	: 1,551

Distribution of warrant holders

No . of Holders	Size of Holdings	Total Holdings	% of Total Warrantholdings
244	less than 100 warrants	9,552	0.02
251	100 to 1,000 warrants	154,746	0.36
645	1,001 to 10,000 warrants	3,017,388	7.05
353	10,001 to 100,000 warrants	12,201,225	28.52
56	100,001 to less than 5% of issued warrants	17,335,350	40.52
2	5% and above of issued warrants	10,066,877	23.53
1,551		**42,785,138**	**100.00**

THIRTY (30) LARGEST SECURITIES ACCOUNT HOLDERS AS AT 29 MARCH 2019
(without aggregating the securities from different securities accounts belonging to the same Depositor)

	Name	No. of Warrants	% of Total Warrantholdings
1	LOH KOK CHENG	6,486,700	15.16
2	TEOH THEAN HAI	3,580,177	8.37
3	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KO MOK CHUAN (E-TMR/TMJ)	1,417,800	3.31
4	MAK NGIA NGIA @ MAK YOKE LUM	1,084,100	2.53
5	CHANG, JUNG-CHEN	1,082,300	2.53
6	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR MAK NGIA NGIA @ MAK YOKE LUM (MM0749)	1,057,300	2.47
7	TA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR MAK NGIA NGIA @ MAK YOKE LU	1,055,800	2.47
8	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN CHIA HONG @ GAN CHIA HONG(E-TMR)	600,000	1.40
9	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR ONG SING LONG (E-BTL)	529,800	1.24
10	RHB NOMINEES (ASING) SDN BHD EXEMPT AN FOR RHB SECURITIES SINGAPORE PTE. LTD. (A/C CLIENTS)	507,900	1.19
11	YEOH GAIK PING	470,000	1.10
12	CHANG YU SANG	375,500	0.88
13	TEH KEE HENG	369,400	0.86
14	OO KWANG TUNG	367,500	0.86
15	MUHAMMAD HAFIZ BIN ZAINAL ABIDIN	360,000	0.84
16	HAN SIEW YIN	330,000	0.77
17	CHOK KWONG MING	329,700	0.77
18	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR PUNG KHYUN YIN (850957)	325,000	0.76
19	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR JANICE LOW SU-LYN (8042523)	300,000	0.70
20	CIMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIM BENG KEONG (SEGAMAT-CL)	268,900	0.63

THIRTY (30) LARGEST SECURITIES ACCOUNT HOLDERS AS AT 29 MARCH 2019 (Cont'd)
(without aggregating the securities from different securities accounts belonging to the same Depositor)

	Name	No. of Warrants	% of Total Warrantholdings
21	LIM JOO BENG	250,000	0.58
22	SELVARAJAH A/L NACHIAPPAN	246,500	0.58
23	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR LEE CHAN HOOI (M73091)	245,000	0.57
24	HLIB NOMINEES (TEMPATAN) SDN BHD HONG LEONG BANK BHD FOR OOI YONG PING	242,500	0.57
25	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR ERWIN SELVARAJAH A/L PETER SELVARAJAH (M53001)	226,700	0.53
26	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAM KIAN KWANG	223,000	0.52
27	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KEE BENG HWA (E-TWU)	218,000	0.51
28	LEE CHEE KIAN	214,000	0.50
29	GOH HOCK SOON	213,000	0.50
30	PUBLIC NOMINEES (TEMPATAN) SDN BHD	212,900	0.50
	TOTAL	**23,189,477**	**54.20**

Substantial Warrantholdings

	No. of warrant held			
Substantial Warrantholders	**Direct Interest**	**%**	**Deemed Interest**	**%**
Loh Kok Cheng	6,486,700	15.16	-	-
Teoh Thean Hai	3,580,177	8.37	-	-

Directors' Warrantholdings

	No. of warrant held			
Name of Directors	**Direct Interest**	**%**	**Deemed Interest**	**%**
Loh Kok Beng	-	-	-	-
Loh Kok Cheng	6,486,700	15.16	-	-
Loh Joo Eng	-	-	50,037 (N1)	0.12
Dr. Kamarudin Bin Ngah	2,187	#	-	-
Tuan Haji Mohamed Haniffah Bin S.M. Mydin	-	-	-	-
Leow Chan Khiang	-	-	-	-
Loh Eng Chun	-	-	-	-

Note:

(N1) Deemed interested by virtue of Section 59 of the Companies Act, 2016 held through spouse and son.

Negligible

Audit and Non-Audit Fees

During the financial year, audit fees and non-audit fees paid or payable by the Company and its subsidiaries to the Company's External Auditors and its affiliates company are as follows:

		Audit Fees		Non-Audit Fees	
		Group	Company	Group	Company
		RM'000	RM'000	RM'000	RM'000
i)	BDO PLT	99	8	9	9
ii)	BDO Tax Services Sdn Bhd	0	0	39	2
		99	**8**	**48**	**11**

Nature of services rendered for non-audit fees paid are as follows:

i) Review of Quarterly Report;
ii) Review on The Statement on Risk Management and Internal Control; and
iii) Taxation Services

Utilisation of Proceeds

For the financial year ended 31 December 2018, the total proceeds raised by the Company from the exercise of the Warrants was RM3,250 only.

Recurrent Related Party Transactions

The breakdown of the aggregate value of the recurrent related party transactions entered into by TS Solartech Sdn Bhd ("TS Solartech") pursuant to the shareholders' mandate approved at the last Annual General Meeting are as follows:

Transacting Party (N1)	Related Party (N2)	Nature of Transactions	Actual Value Transacted from 01.01.2018 to 31.12.2018 RM'000
TS Solartech	SEC	TS Solartech supplies solar cells to SEC	1,988
TS Solartech	SEC	TS Solartech purchases silicon wafers from SEC	13
			2,001

Notes

(N1) TS Solartech Sdn Bhd, a 50.69% owned subsidiary of the Company.

(N2) Solartech Energy Corp. ("SEC") is a company incorporated in Republic of China, Taiwan and is a major shareholder of TS Solartech with direct equity interest of 42.12%.

Material Contracts

There are no material contracts involving the interests of the directors, chief executive who is not a director or major shareholders (not being contracts entered into in the ordinary course of business) entered into by the Group within two (2) years immediately preceding the 31 December 2018.

Notice of Seventeenth Annual General Meeting

NOTICE IS HEREBY GIVEN that the 17th Annual General Meeting ("AGM") of Tek Seng Holdings Berhad ("the Company") will be held at Laurel II Ballroom, Level 1, Evergreen Laurel Hotel of 53, Persiaran Gurney, 10250 Penang on Friday, 14 June 2019 at 9.30 a.m. for the following purposes:

AGENDA

As Ordinary Business:

1. To receive the Audited Financial Statements for the financial year ended 31 December 2018 together with the Reports of Directors and Auditors thereon. — Please refer to Note 7

2. To re-elect the following Directors who retire by rotation in accordance with Article 86 of the Company's Constitution and who, being eligible, offer themselves for re-election:

   i) Mr. Loh Eng Chun — **Ordinary Resolution 1**

   ii) Tuan Haji Mohamed Haniffah Bin S.M. Mydin — **Ordinary Resolution 2**

3. To approve the payment of Directors' Fees amounting to RM194,250.00 for the financial year ended 31 December 2018. — **Ordinary Resolution 3**

4. To approve the payment of Directors' Benefits up to an amount not exceeding RM50,000.00 from 15 June 2019 until the conclusion of the next AGM of the Company. — **Ordinary Resolution 4** Please refer to Note 8

5. To re-appoint Messrs. BDO PLT as auditors of the Company to hold office until the conclusion of the next AGM of the Company and to authorise the Directors to fix their remuneration. — **Ordinary Resolution 5**

Special Business

To consider and if thought fit, to pass with or without modifications, the following resolutions:

6. **AUTHORITY TO ISSUE SHARES** — **Ordinary Resolution 6**

   "THAT, subject to the approvals of the regulatory authorities, the Board of Directors of the Company be hereby authorised pursuant to Sections 75 and 76 of the Companies Act 2016, to allot and issue shares in the Company at any time and upon such terms and conditions and for such purposes as the Directors may deem fit, provided that the aggregate number of shares to be issued does not exceed 10% of the total number of issued shares of the Company.

   AND THAT any Executive Director and/or Secretary of the Company be hereby authorised to obtain the approval from Bursa Malaysia Securities Berhad ("Bursa Securities") for the listing and quotation of the additional shares to be issued and to do all such acts and things necessary to give full effect to such transactions as authorised by this resolution.

   AND THAT, such authority shall commence immediately upon the passing of this resolution and continue to be in force until the conclusion of the next AGM of the Company."

7. **PROPOSED CONTINUATION OF TUAN HAJI MOHAMED HANIFFAH BIN S.M. MYDIN IN OFFICE AS INDEPENDENT DIRECTOR** — **Ordinary Resolution 7**

   "THAT, authority be and is hereby given to Tuan Haji Mohamed Haniffah Bin S.M. Mydin who had served as an Independent Director of the Company for a cumulative term of more than 12 years to continue to act as an Independent Director of the Company and to hold office until the next AGM of the Company."

8. **PROPOSED CONTINUATION OF DR. KAMARUDIN BIN NGAH IN OFFICE AS INDEPENDENT DIRECTOR** — **Ordinary Resolution 8**

   "THAT, authority be and is hereby given to Dr. Kamarudin Bin Ngah who had served as an Independent Director of the Company for a cumulative term of more than 12 years to continue to act as an Independent Director of the Company and to hold office until the next AGM of the Company."

9. **PROPOSED ALTERATION OR AMENDMENT OF THE CONSTITUTION OF THE COMPANY** **Special Resolution 1**

"THAT approval be and is hereby given to alter or amend the whole of the existing Constitution of the Company by the replacement thereof with a new Constitution of the Company as set out in Appendix A with immediate effect.

AND THAT the Board of Directors of the Company be and is hereby authorised to assent to any conditions, modifications and/or amendments as may be required by any relevant authorities, and to do all acts and things and take all such steps as may be considered necessary to give full effect to the foregoing."

10. To transact any other business of which due notice shall have been given in accordance with the Company's Constitution and the Companies Act 2016.

FURTHER NOTICE IS HEREBY GIVEN THAT for the purpose of determining a member who shall be entitled to attend the 17th AGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to issue a General Meeting Record of Depositors as at 03 June 2019. Only a depositor whose name appears on the Record of Depositors as at 03 June 2019 shall be entitled to attend the AGM or appoint proxies to attend and/or vote on his/her behalf.

By Order of the Board,

LEE PENG LOON (MACS 01258)
P'NG CHIEW KEEM (MAICSA 7026443)
Company Secretaries

Penang
Date: 29 April 2019

NOTES ON APPOINTMENT OF PROXY

1. A proxy may but need not be a member of the Company.

2. For a proxy to be valid, the proxy form duly completed must be deposited at the registered office of the Company at 51-21-A Menara BHL Bank, Jalan Sultan Ahmad Shah, 10050 Penang not less than 24 hours before the time appointed for the taking of the poll or at any adjournment thereof. Last date and time for lodging of Proxy Form will be on Thursday, 13 June 2019 at 9.30 am (being the approximate time appointed for the taking of the poll at the 17th AGM).

3. A member shall be entitled to appoint one (1) or more proxies to attend and vote instead of him at the same meeting and where a member appoints two (2) or more proxies to vote at the same meeting, such appointment shall be invalid unless he specifies the proportion of his shareholding to be represented by each proxy.

4. Where a member is an exempt authorized nominee which holds ordinary shares of the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies it may appoint in respect of each omnibus account it holds.

5. In the case of a corporate member, the Proxy Form must be executed under the corporation's common seal or under the hand of an officer or attorney duly authorised.

6. Pursuant to Paragraph 8.29A of the Main Market Listing Requirements of Bursa Securities, all the resolutions set out in this Notice will be put to vote by poll.

NOTES ON ORDINARY BUSINESS

7. The Agenda 1 is meant for discussion only as the provision of Section 340(1)(a) of the Companies Act 2016 does not require the shareholders' approval for the Audited Financial Statements. Hence, the Agenda 1 is not put forward for voting.

8. The Resolution 4, if passed, will enable the Company to pay meeting allowance and other benefits to directors of the Company. The total amount of directors' benefits payable is estimated around RM50,000.00 comprising of medical, trainings, travelling, meeting allowance.

NOTES ON SPECIAL BUSINESS

9. The Resolution 6, if passed, will enable the Directors to allot and issue shares in the Company up to an amount not exceeding 10% of the total number of issued shares of the Company for the time being for such purposes as the Directors consider will be in the best interest of the Company. This authority, unless revoked or varied by the shareholders of the Company in a general meeting will expire at the conclusion of the next AGM.

   The proposed renewal of general mandate for issuance of shares will provide flexibility to the Company for any possible fund raising activities, including but not limited to placing of shares for the purpose of funding future investment, working capital and/or acquisition.

   As at the date of this notice, the Directors have not issued any shares pursuant to the general mandate granted at the last AGM of the Company.

10. The Resolution 7 and 8 are to seek shareholders' approval through a two tier voting process and, if passed, will enable the Independent Directors who had served more than 12 years to be retained and continued to act as Independent Directors of the Company to fulfil the requirements of paragraph 15.02 of the Main Market Listing Requirements of Bursa Securities and to be in line with the practice 4.2 of the Malaysian Code of Corporate Governance. The details of justifications are set out in the Company's Annual Report for the financial year ended 31 December 2018.

11. The Special Resolution 1, if passed, will enable the Directors to amend the existing Memorandum & Articles of Association (Constitution) of the Company to be in line with the Companies Act 2016, changes made to the Main Market Listing Requirements of Bursa Securities and to provide clarity to certain provisions therein.

    In view of substantial amount of the proposed amendments to the Constitution, the Directors proposed that the existing Constitution be altered or amended by the Company in its entirety by the replacement thereof with a new Constitution which incorporated all the proposed amendments (New Constitution) as set out in Appendix A.

ANNUAL REPORT

12. The Annual Report for the financial year ended 31 December 2018 is in CD-ROM format. Printed copy of the Annual Report shall be provided to the shareholder upon request within 4 market days from the date of receipt of the verbal or written request. A copy of the Annual Report can also be downloaded at www.tekseng.com.my.

    Shareholders who wish to receive the printed Annual Report and who require assistance in viewing the CD-ROM, kindly contact Plantation Agencies Sdn. Bhd. at telephone no. 04-2625333 or email your request to sharereg@plantationagencies.com.my.

Statement Accompanying Notice Of Annual General Meeting

(Pursuant to Paragraph 8.27(2) of Main Marketing Listing Requirements of Bursa Securities)

1) No individuals are standing for election as directors at the forthcoming 17th Annual General Meeting of the Company.

2) The profiles of the directors who are standing for re-election as in Agenda 2 of the Notice of the 17th Annual General Meeting of the Company are set out in the Directors' Profile section of this Annual Report.

3) The details of the directors' interests in the securities of the Company as at 29 March 2019 are set out in the Statistics of Shareholdings section of this Annual Report.

4) The Resolution 6 tabled under Special Business as per the Notice of 17th Annual General Meeting of the Company dated 29 April 2019 is a renewal of general mandate granted by shareholders of the Company at the last Annual General Meeting held on 08 June 2018.

   The proposed renewal of general mandate for issuance of shares will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placing of shares for the purpose of funding future investment, working capital and/or acquisition.

   As at the date of notice of meeting, the Directors have not issued any shares pursuant to the general mandate granted at the last Annual General Meeting of the Company.

This page is intentionally left blank

Proxy Form

TEK SENG HOLDINGS BERHAD (579572-M)
(Incorporated in Malaysia)

CDS Account No.	

*I/ We ____
[Full Name in Block Letters (I/C No./ Passport No./ Company No.)].

of ____
(Address)

being a * member / members of the abovenamed Company, hereby appoint ____________________

____
[Full Name in Block Letters (I/C No./ Passport No./ Company No.)]

of ____
(Address)

or failing whom, the Chairman of the meeting as *my/our proxy to vote for *me/us on *my/our behalf at the 17th Annual General Meeting ("AGM") of the Company, to be held at Laurel II Ballroom, Level 1, Evergreen Laurel Hotel of 53, Persiaran Gurney, 10250 Penang on Friday, 14 June 2019 at 9.30 a.m. and at any adjournment thereof.

NO.	ORDINARY RESOLUTIONS	FOR	AGAINST
1	To re-elect Mr. Loh Eng Chun as a director.		
2	To re-elect Tuan Haji Mohamed Haniffah Bin S.M. Mydin as a director.		
3	To approve the payment of directors' fees.		
4	To approve the payment of directors' benefits.		
5	To re-appoint Messrs. BDO PLT as auditors of the Company.		
6	To authorise the directors to allot and issue new shares in the Company.		
7	To re-appoint Tuan Haji Mohamed Haniffah Bin S.M. Mydin as Independent Director.		
8	To re-appoint Dr. Kamarudin Bin Ngah as Independent Director.		
NO.	**SPECIAL RESOLUTION**		
1	Proposed Alteration or Amendment of the Constitution		

Please indicate with an "x" in the appropriate spaces provided above on how you wish your vote to be cast. If no specific direction as to voting is given, the proxy may vote as he thinks fit.

Signed this ____________ day of _________________, 2019.

No. of shares held

For appointment of two(2) proxies, percentage of shareholdings to be represented by the proxies:		
	No. of shares	%
Proxy 1		
Proxy 2		
		100

____
Signature(s) of Member(s)

Notes:

1. *A proxy may but need not be a member of the Company.*
2. *For a proxy to be valid, the Proxy Form must be duly completed and deposited at the Registered Office of the Company, 51-21-A Menara BHL Bank, Jalan Sultan Ahmad Shah, 10050 Penang not less than twenty-four (24) hours before the time appointed for the taking of the poll or at any adjournment thereof. Last date and time for lodging of Proxy Form will be on Thursday, 13 June 2019 at 9.30 am (being the approximate time appointed for the taking of the poll at the 17th AGM).*
3. *A member shall be entitled to appoint one (1) or more proxies to attend and vote instead of him at the same meeting and where a member appoints two (2) or more proxies to vote at the same meeting, such appointment shall be invalid unless he specifies the proportion of his shareholding to be represented by each proxy.*
4. *Where a member is an exempt authorized nominee which holds ordinary shares of the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies it may appoint in respect of each omnibus account it holds.*
5. *In the case of a corporate member, this form must be executed under the corporation's common seal or under the hand of an officer or attorney duly authorised.*
6. *Only a depositor whose name appear on the Record of Depositors on 03 June 2019 (General Meeting Record of Depositors) shall be eligible to attend the meeting or appoint proxies to attend and/or vote on his/her behalf.*
7. *Pursuant to Paragraph 8.29A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all the resolutions set out in the notice of 17th AGM will be put to vote by poll.*

** Strike out whichever is not desired.*

Please fold here

Affix
Stamp
Here

The Company Secretaries

TEK SENG HOLDINGS BERHAD (579572-M)

51-21-A, Menara BHL Bank,
Jalan Sultan Ahmad Shah,
10050 Penang

Please fold here

www.tekseng.com.my

TEK SENG HOLDINGS BERHAD (579572-M)
Plot 159, MK 13, Jalan Perindustrian Bukit Minyak 7,
Bukit Minyak Industrial Park, 14000 Bukit Mertajam,
S.P.T., Pulau Pinang, Malaysia.

Tel : 604-507 5808 (Hunting Lines)