TEK SENG HOLDINGS BERHAD
200201011909 (Company No. 579572-M)

SUSTAINABLE GROWTH WE CARE

Annual Report 2019

SUSTAINABLE GROWTH
WE CARE

Maintaining the balance between environmental cares and growing its capability, Tek Seng Holdings Berhad ensures itself in a position that is capable to achieve the extraordinary in the international market of PVC industry. Tek Seng Holdings Berhad's aspiration to be leader in the industry will be achieved with its determination of never give up, reaching a new height as Tek Seng Holdings Berhad cares for the environment, ensuring both to grow consequently into the excellence of sustainability.

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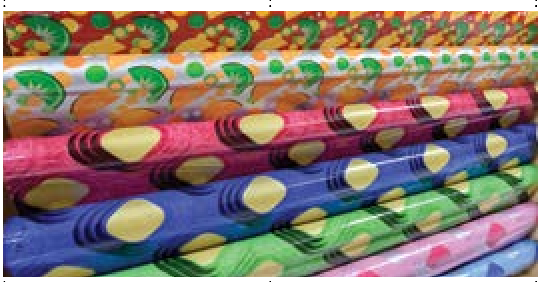
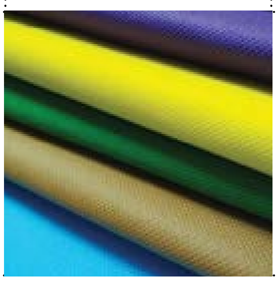




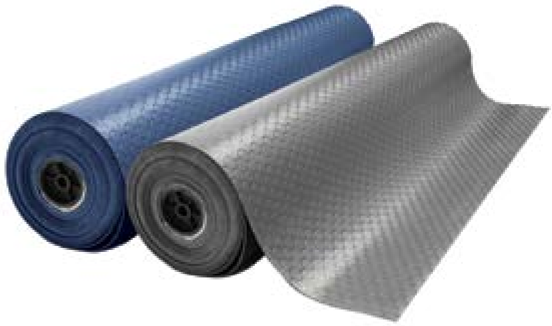
CORPORATE PROFILE

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

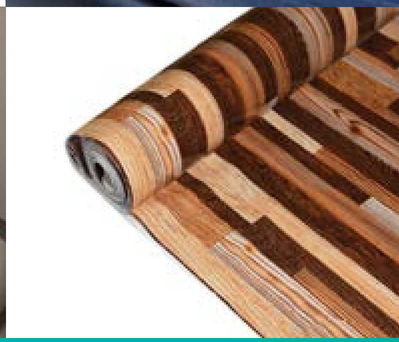
Mdm. Loh Joo Eng
Executive Director

Mr. Loh Eng Chun
Executive Director

Mr. Leow Chan Khiang
Independent Non-Executive Director

Mdm. Tan Soo Mooi
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

Mdm. Tan Soo Mooi
Independent Non-Executive Director

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

REMUNERATION COMMITTEE

Mdm. Tan Soo Mooi (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

Mdm. Tan Soo Mooi
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 Georgetown, Penang
Telephone No : (04) 210 8833
Facsimile No : (04) 210 8831

SHARE REGISTRAR

Plantation Agencies Sdn. Bhd. 195501000033 (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 & AF 0206)
Chartered Accountants
51-21-F, Menara BHL
Jalan Sultan Ahmad Shah, 10050 Georgetown, Penang

PRINCIPAL BANKERS

Citibank Berhad 199401011410 (297089-M)
Malayan Banking Berhad 196001000142 (3813-K)
OCBC Bank (Malaysia) Berhad 199401009721 (295400-W)
Public Bank Bhd 196501000672 (6463-H)
United Overseas Bank (Malaysia) Berhad 199301017069 (271809-K)

SOLICITORS

Salina, Lim Kim Chuan & Co.
Advocates & Solicitors (Corporate Division)
9-9 Livingston Tower
170, Jalan Argyll, 10050 George Town, Penang

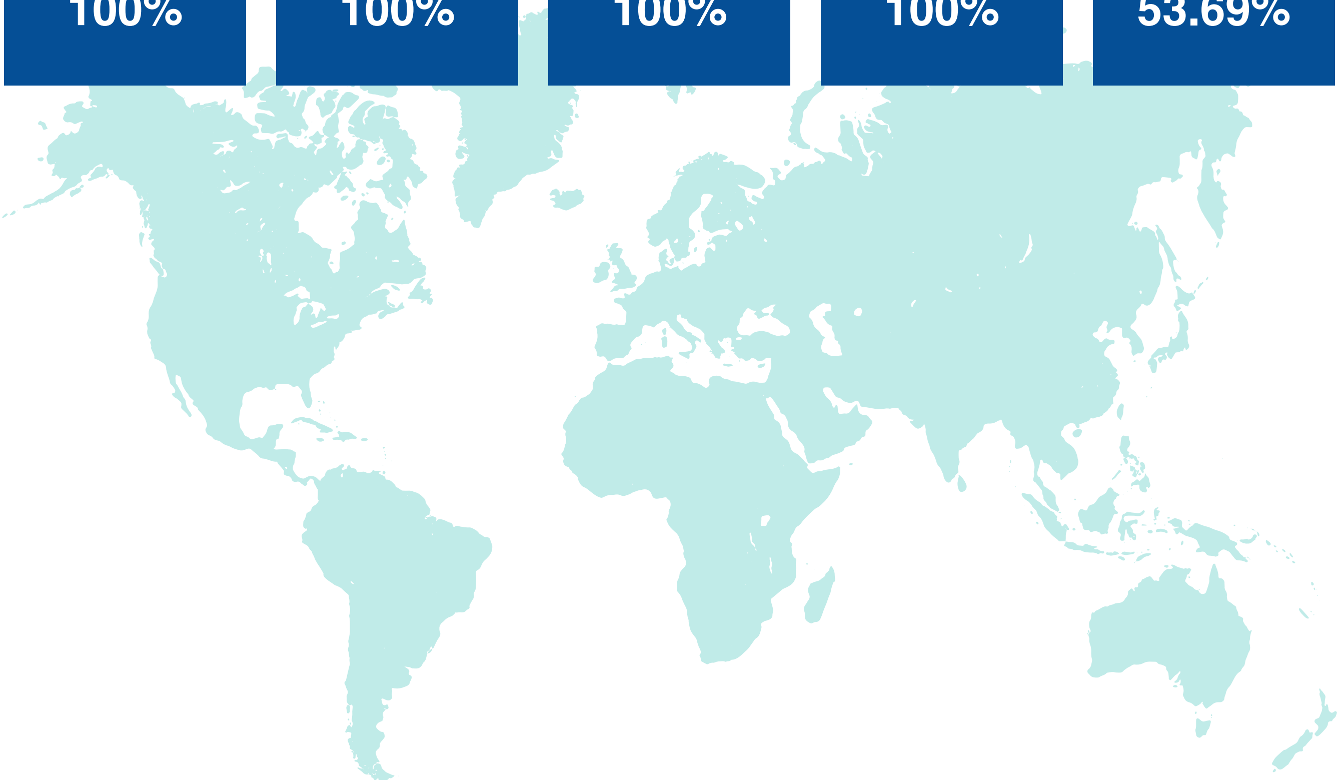
STOCK EXCHANGE LISTING

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

CORPORATE STRUCTURE

TEK SENG HOLDINGS BERHAD
200201011909 (579572-M)

Registration No.	Company	Shareholding
197801005836 (42879-T)	**Tek Seng Sdn. Bhd.**	100%
199501018381 (347584-P)	**Wangsaga Industries Sdn. Bhd.**	100%
199201001940 (233444-T)	**Double Grade Non-Woven Industries Sdn. Bhd.**	100%
199101006539 (216849-M)	**Pelangi Segi Sdn. Bhd.**	100%
201001036650 (920573-K)	**TS Solartech Sdn. Bhd.**	53.69%



BOARD OF DIRECTORS

1 **Mr. Leow Chan Khiang**
Independent Non-Executive Director

2 **Mr. Loh Kok Beng**
Executive Chairman

3 **Mr. Loh Kok Cheng**
Managing Director

4 **Mdm. Tan Soo Mooi**
Independent Non-Executive Director

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

6 **Mr. Loh Eng Chun**
Executive Director

7 **Mdm. Loh Joo Eng**
Executive Director

DIRECTORS' PROFILE

Mr. Loh Kok Beng

54 / Malaysian / Male
Executive Chairman

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 Industries Sdn. Bhd.

In 1995, he initiated into the manufacturing of PVC products and set-up Wangsaga Industries Sdn. Bhd. In 2004, Tek Seng was listed on the Second Board of Bursa Securities and 2 years later Tek Seng 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 five Board meetings held during the financial year ended 31 December 2019.

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 Tek Seng 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 four out of five Board meetings held during the financial year ended 31 December 2019.

Mr. Loh Kok Cheng

53 / Malaysian / Male
Managing 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 five Board meetings held during the financial year ended 31 December 2019.

Mdm. Loh Joo Eng

60 / Malaysian / Female
Executive Director

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 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 Iconic Worldwide Berhad (Formerly known as 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 five Board meetings held during the financial year ended 31 December 2019.

Mr. Leow Chan Khiang

54 / Malaysian / Male
Independent Non-Executive Director
Chairman of Audit & Risk Management Committee
Member of Remuneration Committee
Member of Nominating Committee

Tuan Haji Mohamed Haniffah Bin S.M. Mydin

67 / 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 four out of five Board meetings held during the financial year ended 31 December 2019.

Mdm. Tan Soo Mooi

53 / Malaysian / Female
Independent Non-Executive Director
Chairman of Remuneration Committee
Member of Audit & Risk Management Committee
Member of Nominating Committee

Mdm. Tan Soo Mooi was appointed as a Director of Tek Seng on 01 July 2019.

Mdm. Tan is a Chartered Accountant and a member of the Malaysian Institute of Accountants ("MIA") and Malaysian Institute of Certified Public Accountants ("MICPA"). She also holds a Bachelor Degree in Accounting (Honour) from University of Malaya.

She started her career as an Auditor from year 1992 to 1994 where she gained her audit experience in auditing of clients of different type of industries ranging in trading, manufacturing and stockbroking. She then switched her career path to commercial industries by joining subsidiary companies of public listed companies as an Accountant from year 1994 to 1998. She subsequently joined a multinational company from year 1998 to 2017 where she first started as Deputy Finance Manager and promoted as Group Financial Controller thereafter. She also sat on the Board of group of companies in Malaysia and Thailand since year 2011. Her job responsibilities in the commercial industries were mainly in the areas of accounting, finance, taxation, internal control, corporate governance, purchasing and administration.

Currently, she works as an independent financial consultant. She sits on the Board of Muar Ban Lee Group Berhad and Ivory Properties Group Berhad, companies listed on Bursa Malaysia Securities Berhad as an Independent Non-Executive Director.

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

She had attended two out of five Board meetings held during the financial year ended 31 December 2019.

Mr. Loh Eng Chun

29 / 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 four out of five Board meetings held during the financial year ended 31 December 2019.

Key Senior Management Team

Look Fong Lian

44 / 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

35 / 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 12 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 of TS Solartech Sdn. Bhd. on 29 September 2015. Currently, she is assisting General Manager in financial and administrative affairs of the Group.

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

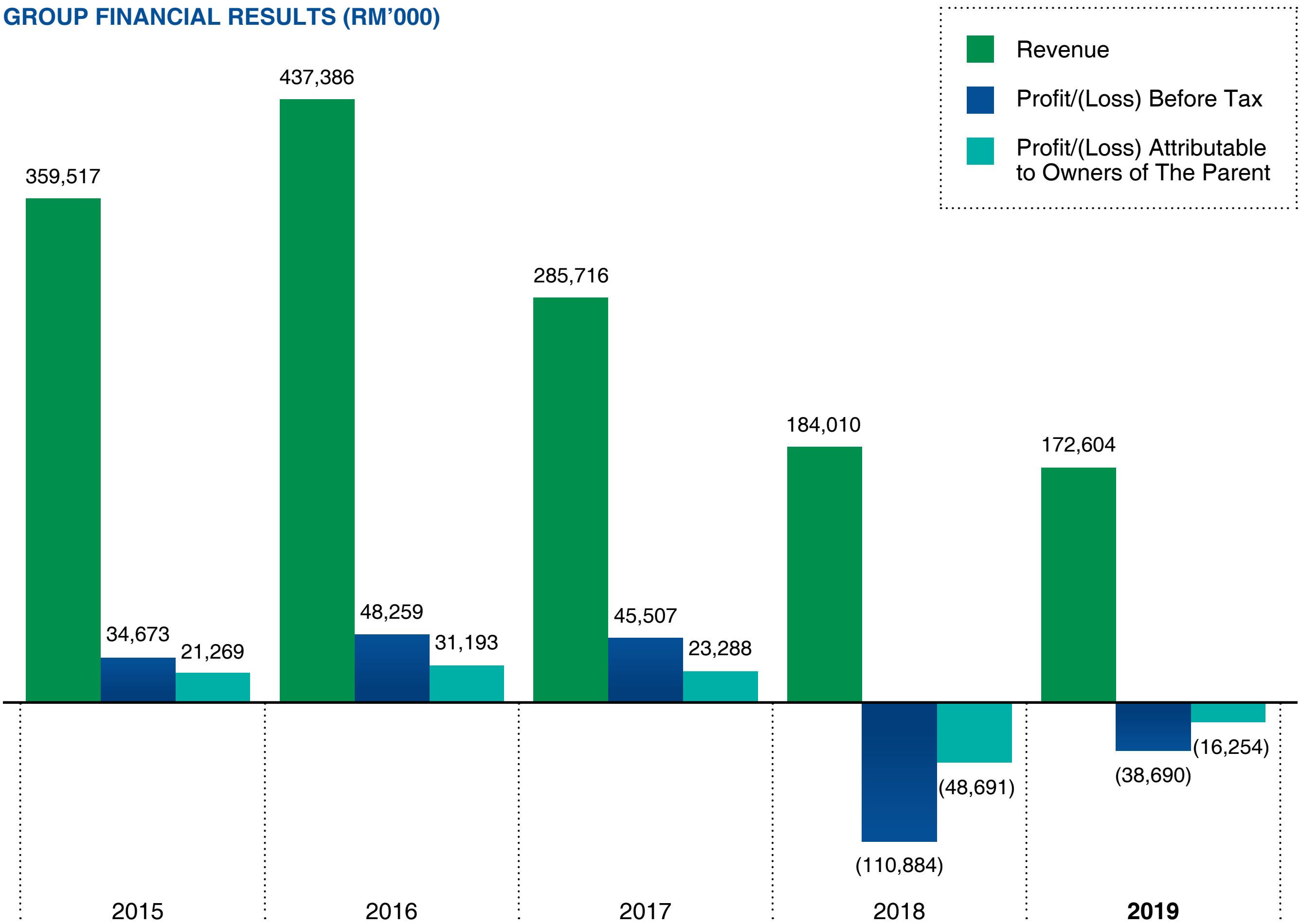
The details of the Directors' shareholdings in the Company are set out under the Analysis on Shareholdings in page 88 of this Annual Report.

FINANCIAL HIGHLIGHTS

	2019 RM'000	2018 RM'000	2017 RM'000	2016 RM'000	2015 RM'000
Revenue	172,604	184,010	285,716	437,386	359,517
(Loss)/Profit Before Tax	(38,690)	(110,884)	45,507	48,259	34,673
(Loss)/Profit Attributable to Owners of The Parent	(16,254)	(48,691)	23,288	31,193	21,269
Total Assets	280,226	308,740	436,179	544,042	476,842
Total Liabilities	49,788	30,970	47,800	186,408	188,798
Shareholders' Funds	186,580	203,922	256,293	236,486	175,110
Performance Indicators					
(Loss)/Earnings Per Share (Sen)	##(4.67)	**(13.99)	6.69@	9.72#	8.51*
Dividend Per Share (Sen)	0	0	2.00	3.00	2.00
Dividend Per Share (%)	0	0	8.00	12.00	8.00
Net Assets Per Share (RM)	0.54	0.59	0.74	0.68	0.66
Net Gearing Ratio (Times)	0.11	0	0	0.25	0.60
Return on Equity (%)	(22.90)	(52.44)	13.35	16.66	16.37

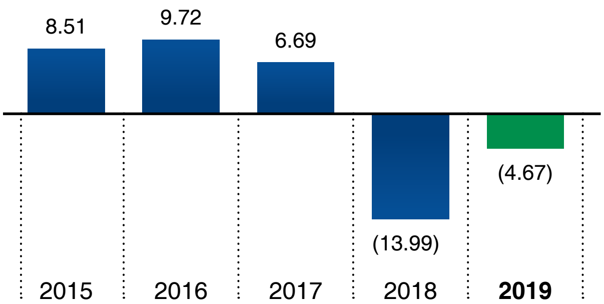
Based on 348,196,897 weighted average number of ordinary shares as at financial period ended 2019.
** Based on 348,135,493 weighted average number of ordinary shares as at financial period ended 2018.
@ Based on 348,130,744 weighted average number of ordinary shares as at financial period ended 2017.
# 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)

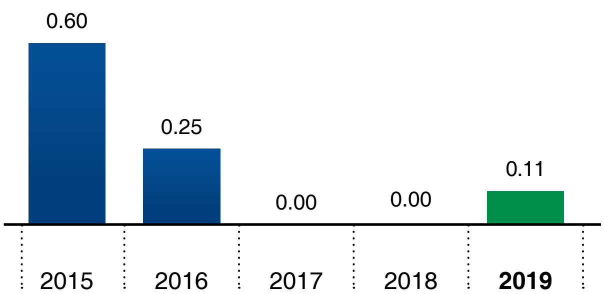


FINANCIAL HIGHLIGHTS (Cont'd)

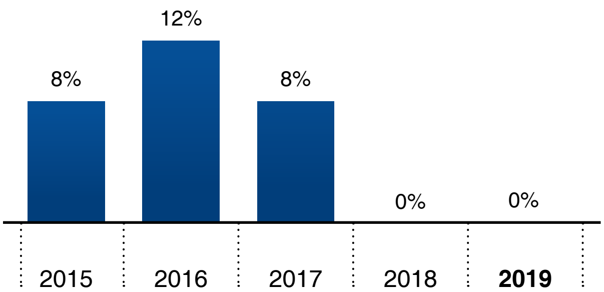
EARNINGS/(LOSS) PER SHARE (SEN)



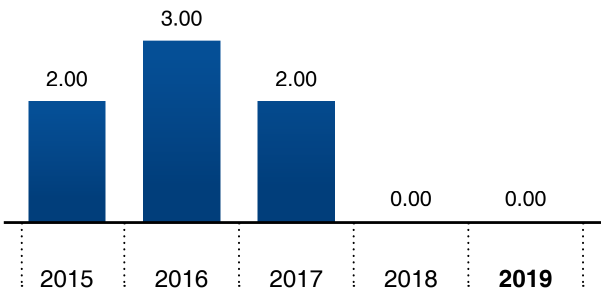
NET GEARING RATIO (TIMES)



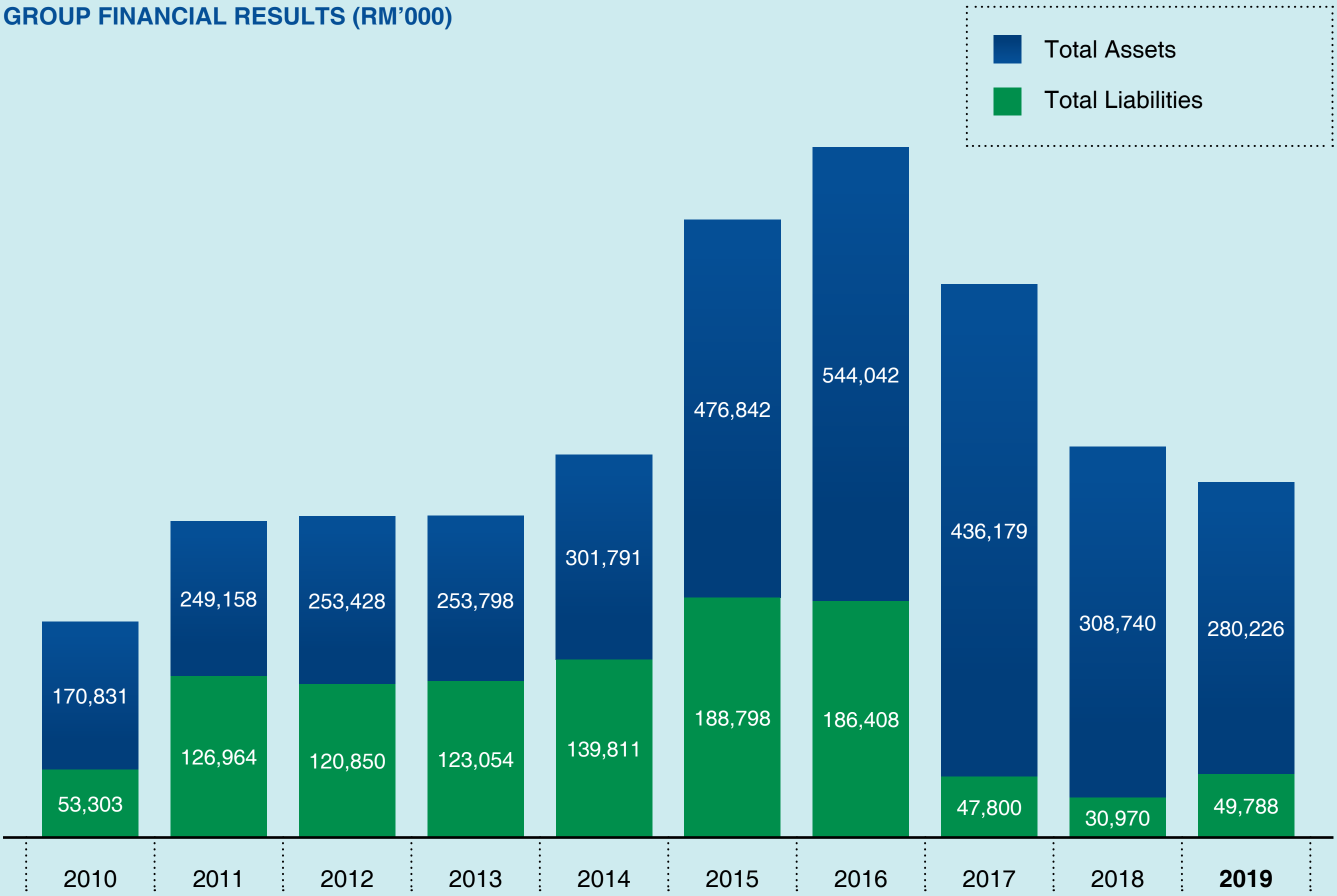
PERCENTAGE OF DIVIDEND



DIVIDEND PER SHARE (SEN)

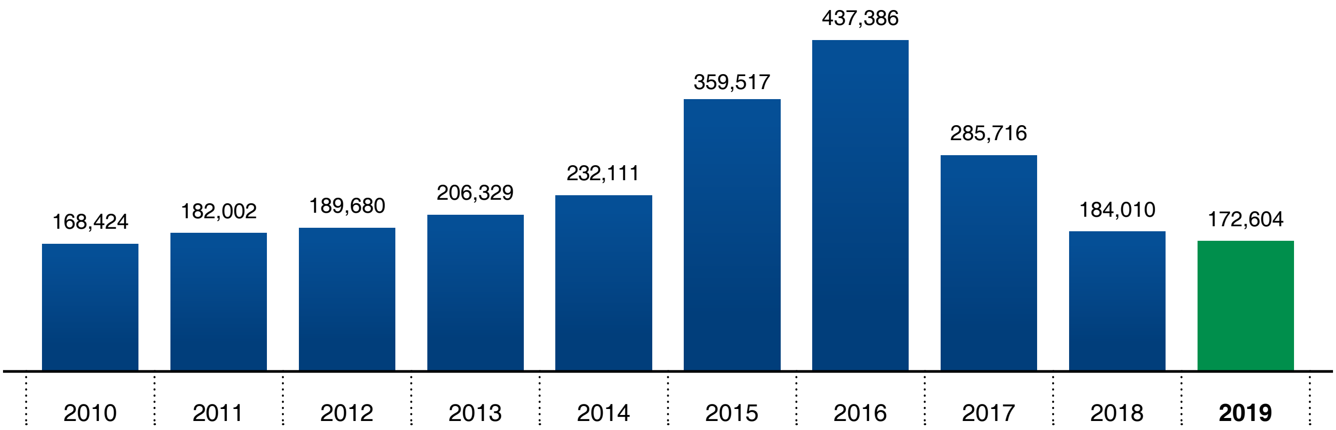


GROUP FINANCIAL RESULTS (RM'000)

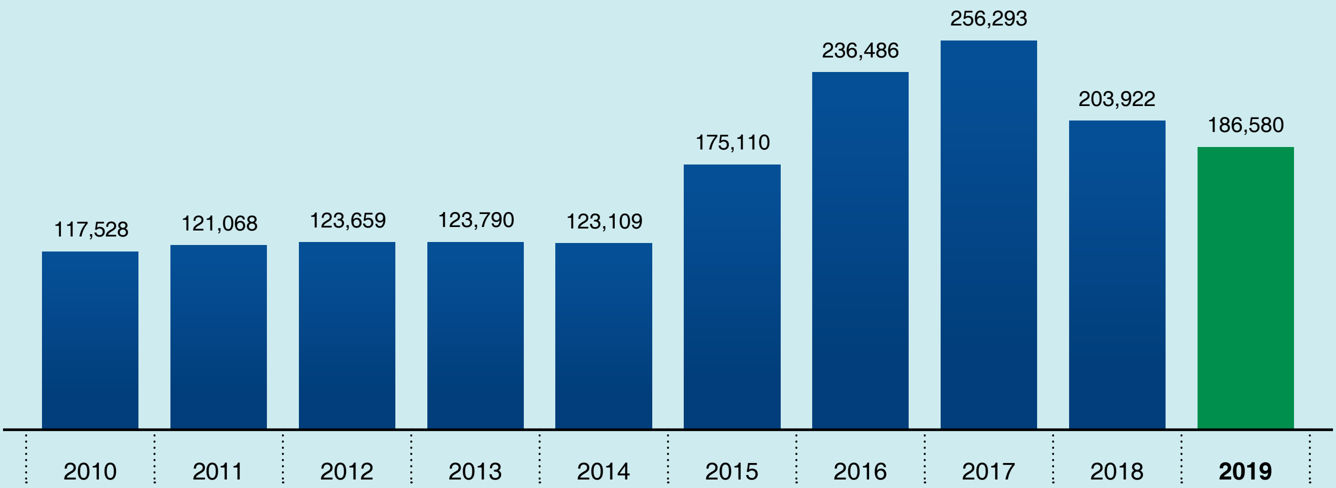


FINANCIAL HIGHLIGHTS (Cont'd)

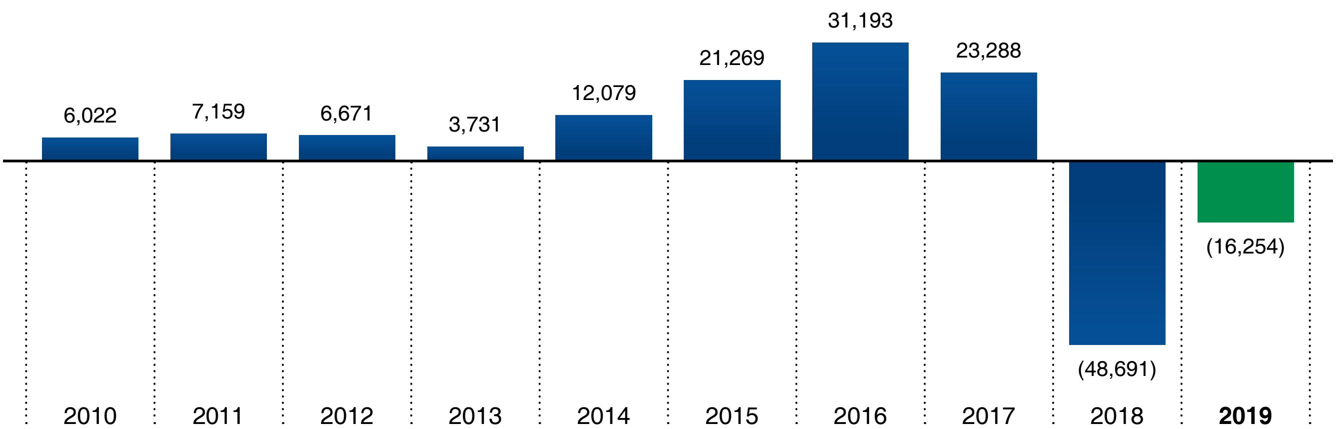
10 YEARS OF REVENUE GROWTH (RM'000)



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 2019 ("FYE 2019"). 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 of 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 2019:

	2019	2018	Changes
Revenue (RM'000)	172,604	184,010	(11,406)
Finance Costs (RM'000)	461	237	224
Other Operating Income (RM'000)	10,819	3,250	7,569
Gross Profit/(Loss) (RM'000)	16,756	(15,164)	31,920
Gross Profit/(Loss) Margin (%)	9.71	(8.24)	17.95
Loss Before Tax (RM'000)	(38,690)	(110,884)	72,194
Loss Before Tax Margin (%)	(22.42)	(60.26)	37.84
Loss After Tax (RM'000)	(42,726)	(106,928)	64,202
Loss After Tax Margin (%)	(24.75)	(58.11)	33.36

Revenue

For the FYE 2019, the Group recorded revenue of RM172.60 million, representing a decrease of RM11.41 million or approximately 6.2% as compared to RM184.01 million in the preceding year ended 31 December 2018 ("FYE 2018"). The Group's sales by segments and markets are summarised as follows:

Sales	2019				2018			
	PVC (RM'00)	SOLAR (RM'000)	TOTAL (RM'000)	%	PVC (RM'000)	SOLAR (RM'000)	TOTAL (RM'000)	%
Export	**88,307**	**3,652**	**91,959**	**53.28**	81,002	15,055	96,057	52.20
Local	**80,641**	**4**	**80,645**	**46.72**	87,945	8	87,953	47.80
Total	**168,948**	**3,656**	**172,604**	**100.00**	168,947	15,063	184,010	100.00

The Group's photovoltaic solar segment recorded a decrease in sales to RM3.66 million, down by RM11.40 million or 75.70% from RM15.06 million in FYE 2018. This was mainly attributed to TS Solartech had temporarily ceased its production activities. The lower sales of solar cells, solar panels, solar modules and solar-related products were also due to the weaker global outlook and slower global demand. For the PVC segments, the Group recorded RM168.95 million in both FYE 2018 and FYE 2019. In comparison, domestic lower purchasing power and demand had contributed to the poorer performance in FYE 2019.

For FYE 2019, export market accounted for 53.28% of the Group's revenue while the remaining 46.72% was from local market. The main export market for PVC segment is Indonesia which recorded 37.52%. 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 increased from RM3.25 million in FYE 2018 to RM10.82 million in FYE 2019. This was mainly due to rental income of the unutilised building 2 at the solar premise, transportation and income from Feed-In-Tariff solar generation.

Operating Expenses

In FYE 2019, the Group recognised impairment loss on property, plant and equipment of the solar segment of RM44.13 million. The impairment was due to the shortfall between the carrying amount and the recoverable amount of the factory buildings and plant and machineries by the Group's solar segment.

Loss After Tax

In FYE 2019, the Group recorded loss after tax ("LAT") of RM42.73 million which was mainly due to losses incurred by the Group's solar segment. Solar segment recorded LAT in FYE 2019 of RM55.36 million, mainly came from impairment loss on property, plant and equipment of RM44.13 million and depreciation charged of RM8.91 million.

Financial Position

	2019	2018	Changes
Total Assets (RM'000)	**280,226**	308,740	(28,514)
Total Liabilities (RM'000)	**49,788**	30,970	18,818
Shareholders' Equity (RM'000)	**186,580**	203,922	(17,342)
Total Equity (RM'000)	**230,438**	277,770	(47,332)
Total Borrowing (RM'000)	**19,970**	0	19,970
Cash and Bank Balances (RM'000)	**36,090**	4,255	31,835
Issued and Fully Paid Capital (RM'000)	**112,137**	111,871	266
Net Asset Per Share (RM)	**0.54**	0.59	(0.05)
Basic Loss Per Share (sen)	**(4.67)**	(13.99)	9.32
Dividend Per Share (sen)	**0.00**	0.00	0

Assets

Inventories

The Group's inventories stood at RM31.97 million as at the end of FYE 2019 from RM40.10 million as at the end of FYE 2018 due to decrease of inventories in solar segment of RM4.56 million and PVC segment of RM3.57 million in FYE 2019.

Cash and Bank Balances

The Group's bank balances as at the end of FYE 2019 increased by 747.18% to RM36.09 million from RM4.26 million as at the end of FYE 2018 due from operating profit and financing activities.

Liabilities

Borrowings

The Group's borrowing stood at RM19.97 million as at 31 December 2019. This was mainly due to addition of secured term loans in the solar subsidiary.

Capital Structure and Capital Resources

As at 31 December 2019, our shareholders' equity stood at RM186.58 million as compared to RM203.92 million as at the end of the previous financial year. Lower shareholders' equity in FYE 2019 was due to the losses incurred by the solar segment.

The Group's net assets per share decreased to RM0.54 as at the end of FYE 2019 (FYE 2018: RM0.59 per share). The Group's basic loss per share stood at RM0.05 as at the end of FYE 2019 as compared to RM0.14 per share as at the end of FYE 2018 due to loss after tax in FYE 2019.

RISKS, STRATEGIES AND OUTLOOK

As uncertainties unfolded at end of FYE 2019, the global economy had been hit hard by the all-new disease. The global demand will be expected to slow down and export market may suffer due to the outbreak. In addition, Malaysia poor domestic performance also contributes to the Company lower performance.

FYE 2020 remains a challenging year as external factors are expected to kick in the Malaysia economy. As we can see, domestic purchasing power will remain weak and it will be a big factor in our financial performance for FYE 2020. Stronger USD against the MYR will be another factor for our poor domestic market. The Group import purchases of raw materials mainly from Taiwan, United States of America and Singapore by USD.

As these factors are uncontrollable by the Group, the Group will adopt a more defensive approach for FYE 2020 and will be more cautious and conservative. The Group's financial aspect remains healthy and does have healthy cash reserves for daily operations.

In overall the outlook of FYE 2020 remains weak for the Company.

DIVIDEND SHAREHOLDERS RETURN

For FYE 2019, 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 stance on dividend policy is still intact once the performance returns on track.

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 2019.

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.

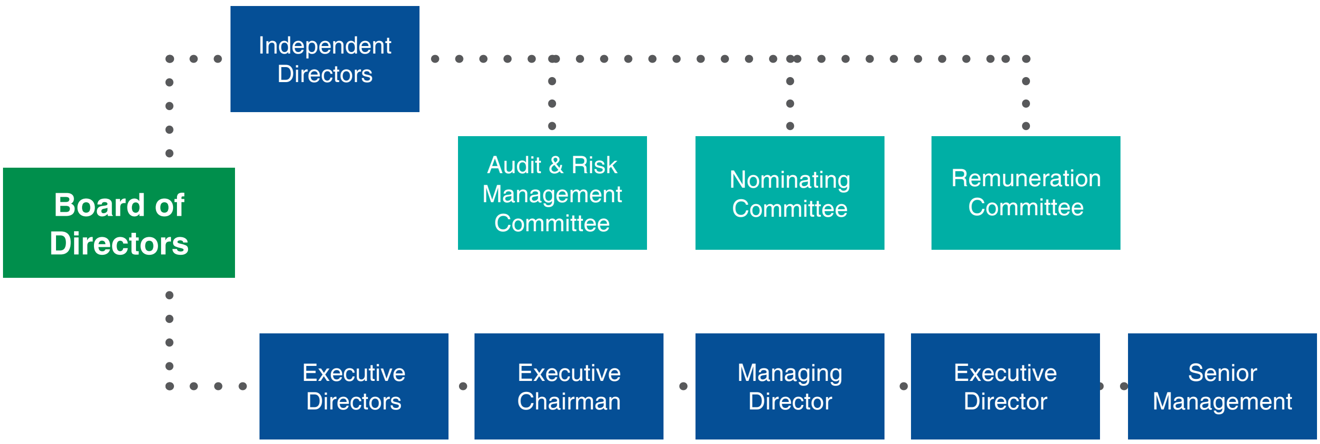
Our sustainability priorities identified in FYE 2019 are as follows:

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

As economy seems to be on a downward trend, the Group had leased out a vacant building of a subsidiary, TS Solartech Sdn. Bhd.. This move enables us to minimize our monthly expenses and losses.

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 new product offering, PolyPropylene (PP). PP is widely used in our daily life and the product offered is mainly being supplied to stationeries industry and mattress industry.

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.

Energy and Waste Management

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

1) Replacement of xenon light bulbs to LED light bulbs
2) Replacement and repairing of old and obsolete machineries
3) Minimise usage of coal and replace with kernel shell instead

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 in charitable activities. The non-profit organisations that we had supported and/or participated are as follows:

1) Special Children
2) Yayasan Banyang Press
3) National Council Of The Blind
4) Beautiful Gate Foundation For The Disable
5) and other orphanage/handicapped/charitable homes

By participating 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.

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 programs 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.

For FYE 2019, we have enforced the safety and training on warehouse management system as well as the operation of forklift and other vehicles. Safety and proper usage are our utmost priority in the Group.

i) Forklift training for warehouse personnel

ii) Warehouse Department's 5S training system by external trainer

SOCIAL (Cont'd)

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 Health (Safety and Health Committee) Regulation 1996. In addition, the Group has been providing above the basic safety facilities and equipment to further protect health and well-being of our employees.

In addition, the Group had carried out yearly noise risk assessment. This assessment is to identify workers exposed to hazardous noise who require personal hearing protector, audiometric test, information, instruction and training. This assessment also identify noisy areas which shall be posted with warnings signs. As a result of our enhanced improvements, we managed to keep our noise level below 83.8 dB.

Also, Local Exhaust Ventilation (LEV) systems have been installed on most of our printing area to reduce the odour of the printing inks and solutions. Tek Seng Group is committed to provide a better, safe and healthy environment for the employees.

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
40%	18%	3%	39%	7%	29%	35%	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 2019 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 27 February 2020.

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.

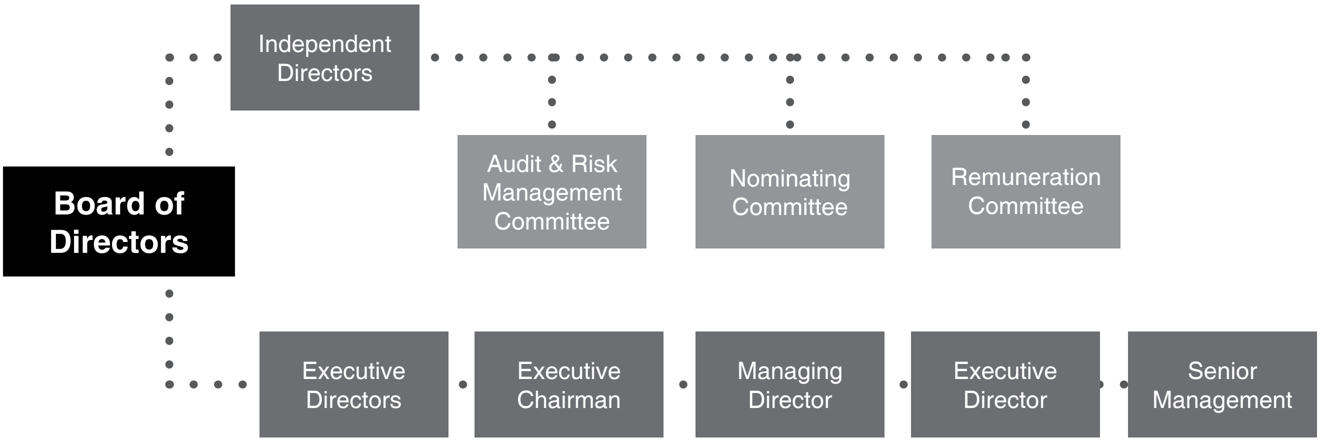
The Board delegates certain areas of responsibilities to Board Committees, each with predefined terms of reference and responsibilities and the Board receives reports of their proceedings and deliberations. Where the Board Committees have no authority to make decisions on matters reserved for the Board, 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)

Tuan Haji Mohamed Haniffah Bin S.M. Mydin had served the Board as an Independent Non-Executive Director for more than twelve (12) years. The Board believes that although Tuan Haji Mohamed Haniffah Bin S.M. Mydin had served more than twelve (12) years on the Board, he remain unbiased, objective and independent in expressing his opinions and in participating in decision making of the Board. The length of his service on the Board has not in any way interfered with his objective and independent judgement in carrying out his role as a member of the Board and Committees. In view of his tenure is above twelve (12) years, the Board would seek shareholders' approval through a two-tier voting process at the forthcoming 18th 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 2019, the NC had held two meetings 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)

Directors' Training

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	Introduction to ISO 9001:2015
Mr. Loh Kok Cheng	Introduction to ISO 9001:2015
Mdm. Loh Joo Eng	Introduction to ISO 9001:2015
Mr. Leow Chan Khiang	Sustainability-What Directors Need to Know Navigating Corporate Liability Sales and Service Tax: Legislation Updates, Common Issues and Health Check in Preparing for Audit 2020 Budget Seminar
Tuan Haji Mohamed Haniffah Bin S.M. Mydin	Evaluating Effective Internal Audit Function - Audit Committee's Guide On How To Introduction to ISO 9001:2015
Mdm. Tan Soo Mooi	Anti Money Laundering Mandatory Accreditation Programme Advance Microsoft Office Excel Market Outlook Evaluating Effective Internal Audit Function - Audit Committee's Guide On How To
Mr. Loh Eng Chun	Introduction to ISO 9001:2015

The Board was satisfied with the Directors' own evaluation of their training needs in FYE 2019 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 Mdm. Tan Soo Mooi, 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 and non-executive directors. The director's concern shall abstain from deliberating on his/her own remunerations.

During financial year 2019, 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, directors' fees and benefits.

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

Remuneration (Cont'd)

Aggregate remuneration paid to Directors for the FYE 2019 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	257	169	1,569
Loh Kok Cheng	27	1,038	225	156	1,446
Loh Joo Eng	27	132	55	23	237
Loh Eng Chun	27	168	30	26	251
Leow Chan Khiang	28	0	0	0	28
Tuan Haji Mohamed Haniffah Bin S.M.Mydin	28	0	0	0	28
Tan Soo Mooi	14	0	0	0	14
Dr. Kamarudin Bin Ngah	14	0	0	0	14

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 14 June 2019 until the conclusion of the 18th AGM are as follows:

Directors' Benefits	Actual benefits paid/incurred up to 31 May 2020 (RM'000)
Travelling Allowance	6
Insurance	5
Total Benefit Paid	11
Approved limit at 17th 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 2019, the ARMC held five (5) 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 affect 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 15 May 2020.

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 2019. 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
- Hazard risk
- Business risk

i) Operation Risk
   - The increase in the price of raw materials and cost of transportation
   - 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 be mitigated 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.

iv) 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.

RISK MANAGEMENT (Cont'd)

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

The Group had temporary ceased the solar production activities and had rented out the second factory building in 2019 and continues to generate income from solar energy arising from the solar panel installed.

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 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 2019, 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 adopting 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 15 May 2020.

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 31 December 2019, five (5) ARMC Meetings were held at The Conference Room of Tek Seng Holdings Berhad and the details of attendance are as follows:

Name of Members	Designation	No. of Meetings Attended
Mr. Leow Chan Khiang	Chairman	5 out of 5
Tuan Haji Mohamed Haniffah Bin S.M. Mydin	Member	4 out of 5
Mdm. Tan Soo Mooi (Appointed on 01.07.2019)	Member	2 out of 2
Dr. Kamarudin Bin Ngah (Resigned on 01.07.2019)	Member	2 out of 3

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.

AUDIT & RISK MANAGEMENT COMMITTEE REPORT (Cont'd)

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 2019.

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 audit 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 Procurement, Accounting monthly closing process, Local Sales Management, Credit Control, Human Resources Management, Payroll Administration, Environment, 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. Ninety percent (90%) of the recommended actions had been 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 2019, 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 15 May 2020.

DIRECTORS' REPORT AND AUDITED FINANCIAL STATEMENTS

CONTENTS

DIRECTORS' REPORT

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

PRINCIPAL ACTIVITIES

The Company is principally involved in investment holding. The principal activities of the subsidiaries are set out in Note 8 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)/Profit for the financial year	(42,726,279)	2,916,370
Attributable to:		
Owners of the parent	(16,253,710)	2,916,370
Non-controlling interests	(26,472,569)	0
	(42,726,279)	2,916,370

DIVIDENDS

No dividend has been paid or declared by the Company since the end of the previous financial year. 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 348,143,962 to 349,209,862 by way of issuance of 1,065,900 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 ordinary 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	
Mohamed Haniffah Bin S.M. Mydin	
Loh Eng Chun	
Leow Chan Khiang	
Tan Soo Mooi	(Appointed on 1 July 2019)
Dr. Kamarudin Bin Ngah	(Resigned on 1 July 2019)

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 2019 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 1.1.2019	Bought	Sold	Balance as at 31.12.2019
Shares in the Company				
Direct interests:				
Loh Kok Beng	72,869,130	987,700	0	73,856,830
Loh Kok Cheng	73,857,030	0	0	73,857,030
Loh Joo Eng	1,845,000	0	0	1,845,000
Mohamed Haniffah Bin S.M. Mydin	40,000	0	0	40,000
Indirect interests:				
Loh Joo Eng #	115,825	248,400	0	364,225

	Number of warrants			
	Balance as at 1.1.2019	Bought	Sold	Balance as at 31.12.2019
Warrants in the Company				
Direct interests:				
Loh Kok Cheng	6,486,700	0	0	6,486,700
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.

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 1.1.2019	Bought	Sold	Balance as at 31.12.2019
Shares in a subsidiary				
- TS Solartech Sdn. Bhd.				
Indirect interests:				
Loh Kok Beng	117,574,000	6,960,000	0	124,534,000
Loh Kok Cheng	117,574,000	6,960,000	0	124,534,000

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 20 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 20 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 all known bad debts had been 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 unusual nature except for the effect arising from:

   (i) impairment losses on property, plant and equipment in a subsidiary of RM44,131,445 as disclosed in Note 4 to the financial statements;

   (ii) reversal of impairment losses on investment in a subsidiary of RM1,194,651 as disclosed in Note 8 to the financial statements; and

   (iii) reversal of impairment losses on amount owing by a subsidiary of RM1,136,012 as disclosed in Note 10 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 for 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.

OTHER STATUTORY INFORMATION REGARDING THE GROUP AND THE COMPANY (Cont'd)

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

(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.

SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

Significant events subsequent to the end of the reporting period are disclosed in Note 29 to the financial statements.

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 2019 amounted to RM13,500 and RM82,700 respectively.

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

Loh Kok Beng
Director

Loh Kok Cheng
Director

Penang
15 May 2020

STATEMENT BY DIRECTORS

In the opinion of the Directors, the financial statements set out on pages 40 to 85 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 2019 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
15 May 2020

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 40 to 85 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 15 May 2020

Loh Kok Beng

Before me,

Commissioner for Oaths

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF TEK SENG HOLDINGS BERHAD
Registration No. 200201011909 (579572-M)
(Incorporated in Malaysia)

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 2019 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 40 to 85.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019, and of their financial performance and their cash flows for the 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 continuous reduction in profit contribution to the Group, which gave rise to an impairment indication. Accordingly, the Group has performed impairment assessment on the Cash Generating Units ('CGUs') identified.

We determined the impairment assessment on the factory buildings and plant and machineries of a subsidiary with a total carrying amount of RM61,368,937 as at 31 December 2019 to be a key audit matter 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 RM44,131,445.

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.

Key Audit Matters (Cont'd)

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

As at 31 December 2019, amount owing by a subsidiary of the Company was RM16,419,296, which was net of impairment losses of RM3,138,329 as disclosed in Note 10 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.

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 in worst-case scenarios;

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

(c) assessed actual loss events subsequent to the end of reporting period, if any, for its relationship with the indicators of significant increase in credit risk applied by management.

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

As at 31 December 2019, investment in a loss-making subsidiary of the Company was RM6,195,115. The Company made a reversal on impairment loss of RM1,194,651 in respect of the carrying amount of the investment in the loss-making subsidiary during the financial year as disclosed in Note 8(e) to the financial statements.

The determination of recoverable amount requires significant judgements and estimates about the future results and key assumptions applied to cash flow projections of the subsidiary. These key assumptions include budgeted operating profit margins, growth rates as well as determining an appropriate pre-tax discount rate used for the 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 the pre-tax discount rate by comparison to the cost of capital and relevant risk factors of the subsidiary; 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

Lee Beng Tuan
03271/07/2020 J
Chartered Accountant

Penang
15 May 2020

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

		Group		Company	
	Note	2019 RM	2018 RM	2019 RM	2018 RM
ASSETS					
Non-current assets					
Property, plant and equipment	4	**106,164,714**	238,255,261	**0**	0
Investment properties	5	**71,251,059**	0	**0**	0
Right-of-use assets	6	**8,404,786**	0	**0**	0
Trademark	7	**0**	0	**0**	0
Investments in subsidiaries	8	**0**	0	**44,164,208**	38,097,557
Other receivables	10	**0**	0	**11,412,262**	14,469,905
		185,820,559	238,255,261	**55,576,470**	52,567,462
Current assets					
Inventories	9	**31,968,500**	40,095,672	**0**	0
Trade and other receivables	10	**25,930,301**	25,884,633	**5,007,034**	22,731,257
Current tax assets		**416,571**	249,136	**0**	0
Cash and bank balances	11	**36,089,860**	4,255,045	**18,222,905**	5,646
		94,405,232	70,484,486	**23,229,939**	22,736,903
TOTAL ASSETS		**280,225,791**	308,739,747	**78,806,409**	75,304,365
EQUITY AND LIABILITIES					
Equity attributable to owners of the parent					
Share capital	12	**112,137,387**	111,870,912	**112,137,387**	111,870,912
Retained earnings/(Accumulated losses)		**74,442,679**	92,051,294	**(33,928,129)**	(36,844,499)
		186,580,066	203,922,206	**78,209,258**	75,026,413
Non-controlling interests	8(c)	**43,858,260**	73,847,924	**0**	0
TOTAL EQUITY		**230,438,326**	277,770,130	**78,209,258**	75,026,413

STATEMENTS OF FINANCIAL POSITION (Cont'd)
AS AT 31 DECEMBER 2019

		Group		Company	
	Note	2019 RM	2018 RM	2019 RM	2018 RM
LIABILITIES					
Non-current liabilities					
Borrowings	13	**19,970,280**	0	**0**	0
Lease liabilities	6	**307,011**	0	**0**	0
Deferred tax liabilities	15	**4,456,200**	4,612,900	**0**	0
Trade and other payables	16	**0**	381,484	**0**	0
		24,733,491	4,994,384	**0**	0
Current liabilities					
Trade and other payables	16	**24,262,570**	25,557,082	**574,345**	253,494
Lease liabilities	6	**191,314**	0	**0**	0
Current tax liabilities		**600,090**	418,151	**22,806**	24,458
		25,053,974	25,975,233	**597,151**	277,952
TOTAL LIABILITIES		**49,787,465**	30,969,617	**597,151**	277,952
TOTAL EQUITY AND LIABILITIES		**280,225,791**	308,739,747	**78,806,409**	75,304,365

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 2019

		Group		Company	
	Note	2019 RM	2018 RM	2019 RM	2018 RM
Revenue	18	**172,603,657**	184,009,580	**1,304,508**	13,412,473
Other operating income	19	**10,819,267**	3,249,872	**2,330,663**	0
Changes in inventories of work-in-progress and finished goods		**(988,859)**	(10,140,613)	**0**	0
Purchase of trading merchandise		**(7,848,672)**	(5,680,416)	**0**	0
Raw materials and consumables used		**(99,650,249)**	(122,204,310)	**0**	0
Impairment losses on property, plant and equipment	4	**(44,131,445)**	(76,610,411)	**0**	0
Depreciation of:					
- property, plant and equipment	4	**(11,909,632)**	(24,071,568)	**0**	0
- investment properties	5	**(1,142,609)**	0	**0**	0
- right-of-use assets	6	**(287,404)**	0	**0**	0
Employee benefits	20	**(20,428,046)**	(23,374,838)	**(194,250)**	(194,250)
Carriage outwards		**(5,566,083)**	(5,426,194)	**0**	0
Utilities expenses		**(12,098,948)**	(14,922,581)	**0**	0
Other expenses		**(17,600,130)**	(15,475,356)	**(325,830)**	(119,346,999)
Finance costs	21	**(460,578)**	(237,421)	**(4,476)**	(298,366)
(Loss)/Profit before tax		**(38,689,731)**	(110,884,256)	**3,110,615**	(106,427,142)
Taxation	22	**(4,036,548)**	3,956,346	**(194,245)**	(188,964)
(Loss)/Profit for the financial year		**(42,726,279)**	(106,927,910)	**2,916,370**	(106,616,106)
Other comprehensive income, net of tax		**0**	0	**0**	0
Total comprehensive (loss)/income		**(42,726,279)**	(106,927,910)	**2,916,370**	(106,616,106)
(Loss)/Profit attributable to:					
Owners of the parent		**(16,253,710)**	(48,690,805)	**2,916,370**	(106,616,106)
Non-controlling interests		**(26,472,569)**	(58,237,105)	**0**	0
		(42,726,279)	(106,927,910)	**2,916,370**	(106,616,106)
Total comprehensive (loss)/income attributable to:					
Owners of the parent		**(16,253,710)**	(48,690,805)	**2,916,370**	(106,616,106)
Non-controlling interests		**(26,472,569)**	(58,237,105)	**0**	0
		(42,726,279)	(106,927,910)	**2,916,370**	(106,616,106)
Loss per ordinary share attributable to equity holders of the Company:					
Basic	23	**(0.05)**	(0.14)		
Diluted	23	*	*		

Note:
* Diluted loss per ordinary share equals basic loss per share.

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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 2019		111,870,912	92,051,294	203,922,206	73,847,924	277,770,130
Loss for the financial year		0	(16,253,710)	(16,253,710)	(26,472,569)	(42,726,279)
Other comprehensive income, net of tax		0	0	0	0	0
Total comprehensive loss		0	(16,253,710)	(16,253,710)	(26,472,569)	(42,726,279)
Transactions with owners						
Issuance of ordinary shares pursuant to exercise of warrants	12	266,475	0	266,475	0	266,475
Acquisition of shares from non-controlling interests	8(f)	0	(1,354,905)	(1,354,905)	(3,517,095)	(4,872,000)
Total transactions with owners		266,475	(1,354,905)	(1,088,430)	(3,517,095)	(4,605,525)
Balance as at 31 December 2019		112,137,387	74,442,679	186,580,066	43,858,260	230,438,326

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Cont'd)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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		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	12	3,250	0	3,250	0	3,250
Dividend paid	24	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

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

STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

Company	Note	Share capital RM	Accumulated losses RM	Total equity RM
Balance as at 1 January 2019		**111,870,912**	**(36,844,499)**	**75,026,413**
Profit for the financial year		**0**	**2,916,370**	**2,916,370**
Other comprehensive income, net of tax		**0**	**0**	**0**
Total comprehensive income		**0**	**2,916,370**	**2,916,370**
Transaction with owners				
Issuance of ordinary shares pursuant to exercise of warrants	12	**266,475**	**0**	**266,475**
Total transaction with owners		**266,475**	**0**	**266,475**
Balance as at 31 Dicember 2019		**112,137,387**	**(33,928,129)**	**78,209,258**

Company	Note	Share capital RM	Retained earnings/ (Accumulated losses) RM	Total equity RM
Balance as at 1 January 2018		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	12	3,250	0	3,250
Dividend paid	24	0	(3,481,310)	(3,481,310)
Total transactions with owners		3,250	(3,481,310)	(3,478,060)
Balance as at 31 Dicember 2018		111,870,912	(36,844,499)	75,026,413

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

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

		Group		Company	
	Note	2019 RM	2018 RM	2019 RM	2018 RM
CASH FLOWS FROM OPERATING ACTIVITIES					
(Loss)/Profit before tax		**(38,689,731)**	(110,884,256)	**3,110,615**	(106,427,142)
Adjustments for:					
Bad debts written off		**469,727**	0	**0**	0
Depreciation of:					
- property, plant and equipment	4	**11,909,632**	24,071,568	**0**	0
- investment properties	5	**1,142,609**	0	**0**	0
- right-of-use assets	6	**287,404**	0	**0**	0
Dividend income from subsidiaries	18	**0**	0	**0**	(12,074,021)
Finance costs	21	**460,578**	237,421	**4,476**	298,366
Gain on disposal of property, plant and equipment		**(54,133)**	(122,315)	**0**	0
Impairment losses on:					
- trade receivables	10(g)	**49,459**	1,129,687	**0**	0
- amount owing by a subsidiary	10(i)	**0**	0	**0**	1,628,818
- investment in subsidiaries	8	**0**	0	**0**	117,445,536
- property, plant and equipment	4	**44,131,445**	76,610,411	**0**	0
Inventories written down	9(b)	**299,085**	22,579,805	**0**	0
Reversal of inventories written down	9(b)	**(300,947)**	0	**0**	0
Reversal of impairment losses on:					
- trade receivables	10(g)	**(405,255)**	(15,413)	**0**	0
- investment in a subsidiary	8(e)	**0**	0	**(1,194,651)**	0
- amount owing by a subsidiary	10(i)	**0**	0	**(1,136,012)**	0
Net unrealised loss on foreign exchange		**102,517**	73,585	**0**	0
Interest income		**(612,572)**	(26,133)	**(1,220,508)**	(1,254,452)
Operating profit/(loss) before changes in working capital		**18,789,818**	13,654,360	**(436,080)**	(382,895)
Decrease/(Increase) in inventories		**8,129,034**	(7,065,752)	**0**	0
(Increase)/Decrease in trade and other receivables		**(114,693)**	6,809,065	**21,917,878**	3,449,176
(Decrease)/Increase in trade and other payables		**(1,647,237)**	(6,346,458)	**320,851**	(1,556,085)
Cash generated from operations		**25,156,922**	7,051,215	**21,802,649**	1,510,196
Interest received		**612,572**	26,133	**1,220,508**	1,254,452
Interest paid		**(18,479)**	(237,421)	**(4,476)**	(298,366)
Tax refunded		**568,453**	2,900	**0**	0
Tax paid		**(4,747,197)**	(6,991,497)	**(195,897)**	(210,755)
Net cash from/(used in) operating activities		**21,572,271**	(148,670)	**22,822,784**	2,255,527

		Group		Company	
	Note	2019 RM	2018 RM	2019 RM	2018 RM
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property, plant and equipment	4	**(4,505,805)**	(2,244,611)	**0**	0
Proceeds from disposal of property, plant and equipment		**94,760**	164,983	**0**	0
Accretion of interests in a subsidiary	8(f)	**(4,872,000)**	0	**(4,872,000)**	0
Net cash used in investing activities		**(9,283,045)**	(2,079,628)	**(4,872,000)**	0
CASH FLOWS FROM FINANCING ACTIVITIES					
Dividend paid	24	**0**	(3,481,310)	**0**	(3,481,310)
Drawdown of:					
- bankers' acceptances		**0**	7,236,180	**0**	0
- term loans		**20,000,000**	0	**0**	0
Repayments of:					
- bankers' acceptances		**0**	(7,236,180)	**0**	0
- term loans		**(458,904)**	0	**0**	0
- lease liabilities		**(85,800)**	0	**0**	0
Proceeds from issuance of shares pursuant to exercise of warrants	12	**266,475**	3,250	**266,475**	3,250
Net cash from/(used in) financing activities		**19,721,771**	(3,478,060)	**266,475**	(3,478,060)
Net increase/(decrease) in cash and cash equivalents		**32,010,997**	(5,706,358)	**18,217,259**	(1,222,533)
Effects of exchange rate changes on cash and cash equivalents		**(176,182)**	(339,637)	**0**	0
Cash and cash equivalents at beginning of financial year		**4,255,045**	10,301,040	**5,646**	1,228,179
Cash and cash equivalents at end of financial year	11(a)	**36,089,860**	4,255,045	**18,222,905**	5,646

RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

Group	Lease liabilities (Note 6) RM	Term loans (Note 13) RM
As at 1 January 2019	**0**	**0**
Cash flows:		
- drawdown	**0**	**20,000,000**
- repayments	**(85,800)**	**(458,904)**
Non-cash flows:		
- addition of lease liabilities	**571,210**	**0**
- unwinding of interest	**12,915**	**429,184**
As at 31 December 2019	**498,325**	**19,970,280**

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 Georgetown, 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 2019 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 2019 were authorised for issue in accordance with a resolution by the Board of Directors on 15 May 2020.

2. PRINCIPAL ACTIVITIES

The Company is principally involved in investment holding. The principal activities of the subsidiaries are set out in Note 8 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 28.1 to the financial statements.

The Group and the Company applied MFRS 16 *Leases* for the first time during the current financial year, using the cumulative effect method as at 1 January 2019. Consequently, the comparative information were not restated and are not comparable to the financial information of the current financial year.

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 1.1.2019 RM	Effects of adoption of MFRS 16 (Note 28.1) RM	Additions RM	Disposals RM	Impairment losses RM	Depreciation charges for the financial year RM	Transferred to investment properties RM	Balance as at 31.12.2019 RM
Carrying amount								
Long term leasehold land	11,574,455	(11,574,455)	0	0	0	0	0	0
Freehold land	258,352	0	0	0	0	0	0	258,352
Buildings and factory buildings	166,537,657	0	331,440	0	(9,917,179)	(2,663,663)	(68,940,193)	85,348,062
Office equipment, furniture and fittings	1,611,624	0	146,051	0	0	(224,607)	0	1,533,068
Plant and machinery	55,546,505	0	2,269,610	(40,625)	(34,214,266)	(8,091,381)	0	15,469,843
Motor vehicles	2,726,667	0	1,758,704	(2)	0	(929,981)	0	3,555,388
Electrical installation	1	0	0	0	0	0	0	1
	238,255,261	(11,574,455)	4,505,805	(40,627)	(44,131,445)	(11,909,632)	(68,940,193)	106,164,714

	[-----As at 31.12.2019-----			]
	Cost RM	Accumulated depreciation RM	Accumulated impairment losses RM	Carrying amount RM
Freehold land	258,352	0	0	258,352
Buildings and factory buildings	116,894,765	(20,028,584)	(11,518,119)	85,348,062
Office equipment, furniture and fittings	3,826,254	(2,293,186)	0	1,533,068
Plant and machinery	331,135,891	(204,841,371)	(110,824,677)	15,469,843
Motor vehicles	8,601,974	(5,046,586)	0	3,555,388
Electrical installation	48,435	(48,434)	0	1
	460,765,671	(232,258,161)	(122,342,796)	106,164,714

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

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)

(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.

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 periods are as follows:

Buildings and factory buildings	50 years
Office equipment, furniture and fittings	10 - 13 years
Plant and machinery	10 - 20 years
Motor vehicles	5 years
Electrical installation	10 years

Freehold land has an unlimited useful life and is not depreciated. In the previous financial year, long term leasehold land is amortised equally over the lease period of 60 years, and has remaining tenure of 43 to 52 years.

(b) The Group assessed whether there were any indicators of impairment as at the end of each reporting period. In doing this, management considered the current environments and performance of the Cash Generating Units ('CGUs'). Management considered the continuous reduction in profit contribution of the solar segment as impairment indicators.

Management has made estimate on the recoverable amounts of the assets in the solar segment. An asset's recoverable amount is the higher of an asset's 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 CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

The Group has carried out impairment review on factory buildings and plant and machinery (2018: plant and machinery) of a subsidiary with a total carrying amount of RM61,368,937 (2018: RM41,149,400). An impairment loss of RM44,131,445 (2018: RM76,610,411) has been recognised in the profit or loss during the financial year. The recoverable amounts were estimated based on fair value less cost to sell method. The fair value less cost to sell was determined based on Directors' estimation by using market comparison method (2018: depreciated replacement method). It is classified as Level 3 fair value hierarchy. The significant unobservable input into this valuation method is adjustment factors to prices of comparable assets. The estimated fair value would increase if the historical sales transaction prices were higher and vice versa.

There were no transfers between Level 3 fair value measurements during the financial years ended 31 December 2019 and 31 December 2018.

(c) Freehold land and building of the Group with a carrying amount of RM358,169 (2018: RM362,122) are subject to fixed charges created to secure banking facilities granted to a subsidiary.

(d) In the previous financial year, the Group had assessed and classified land use rights of the Group as finance leases based on the extent to which risks and rewards incidental to ownership of the land resides with the Group arising from the lease term. Consequently, the Group had classified the unamortised upfront payment for land use rights as finance leases in accordance with MFRS 117 *Leases*.

(e) During the financial year, certain factory buildings with a carrying amount of RM68,940,193 has been transferred to investment properties upon change in use in accordance with MFRS 140 *Investment Property*.

5. INVESTMENT PROPERTIES

Group	Balance as at 1.1.2019 RM	Transferred from right-of-use assets and property, plant and equipment RM	Depreciation charges for the financial year RM	Balance as at 31.12.2019 RM
Carrying amount				
Long term leasehold land	**0**	**3,453,475**	**(49,089)**	**3,404,386**
Factory building	**0**	**68,940,193**	**(1,093,520)**	**67,846,673**
	0	**72,393,668**	**(1,142,609)**	**71,251,059**

	[--------------------------------As at 31.12.2019			--------------------------------]
	Cost RM	Accumulated depreciation RM	Accumulated impairment losses RM	Carrying amount RM
Long term leasehold land	**3,927,079**	**(522,693)**	**0**	**3,404,386**
Factory building	**75,444,086**	**(5,130,322)**	**(2,467,091)**	**67,846,673**
	79,371,165	**(5,653,015)**	**(2,467,091)**	**71,251,059**

(a) Investment properties are properties which are held to earn rental yields or for capital appreciation or for both and are not occupied by the Group.

Investment properties are initially measured at cost, which includes transaction costs. After initial recognition, investment properties are stated at cost less accumulated depreciation and any accumulated impairment losses.

Investment properties are amortised on a straight line basis to write down the cost of the assets to their residual value over the estimated useful life at an annual rate of 2%. Long term leasehold land is amortised equally over the lease period of 60 years, and has remaining tenure of 51 years.

At the end of each reporting period, the carrying amount of investment properties are assessed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. A write down is made if the carrying amount exceeds the recoverable amount.

(b) The fair value of the investment properties for disclosure purposes, which are at Level 3 fair value are estimated at approximately RM74,107,872 based on Directors' estimation by reference to market evidence of transaction prices of similar properties in the vicinity and same category. The significant unobservable input into this valuation method is adjustment factors to prices of comparable properties. The estimated fair value would increase if the historical sales transaction prices were higher and vice versa.

There were no transfers between Level 3 fair value measurements during the financial year ended 31 December 2019.

5. INVESTMENT PROPERTIES (Cont'd)

(c) Direct operating expenses arising from investment properties generating rental income during the financial year are as follows:

	Group 2019 RM
Repair and maintenance	**316,465**
Quit rent and assessment	**144,758**
	461,223

6. LEASES

The Group as lessee

Right-of-use assets

Carrying amount	Balance as at 1.1.2019 RM	Effects of adoption of MFRS 16 (Note 28.1) RM	Additions RM	Depreciation RM	Transferred to investment properties RM	Balance as at 31.12.2019 RM
Long term leasehold land	**0**	**11,574,455**	**0**	**(194,157)**	**(3,453,475)**	**7,926,823**
Hostel	**0**	**0**	**571,210**	**(93,247)**	**0**	**477,963**
	0	**11,574,455**	**571,210**	**(287,404)**	**(3,453,475)**	**8,404,786**

Lease liabilities

Carrying amount	Balance as at 1.1.2019 RM	Additions RM	Lease payments RM	Interest expense RM	Balance as at 31.12.2019 RM
Hostel	**0**	**571,210**	**(85,800)**	**12,915**	**498,325**

	2019 RM
Represented by:	
Current liabilities	**191,314**
Non-current liabilities	**307,011**
	498,325
Lease liabilities owing to non-financial institutions	**498,325**

6. LEASES (Cont'd)

The Group as lessee (Cont'd)

(a) The right-of-use assets are initially measured at cost, which comprise the initial amount of the lease liabilities adjusted for any lease payments made at or before the commencement date of the leases.

After initial recognition, right-of-use assets are stated at cost less accumulated depreciation and any accumulated impairment losses, and adjusted for any re-measurement of the lease liabilities.

The right-of-use assets are depreciated on a straight-line basis from the commencement date to the earlier of the end of the estimated useful lives of the right-of-use assets or the end of the lease term. The depreciation period of right-of-use assets is as follows:

Hostel	3 years

Long term leasehold land is amortised equally over the lease period of 60 years, and has remaining tenure of 42 to 51 years.

(b) The Group has certain leases of motor vehicles and machineries with lease term of twelve (12) months or less, and low value leases of machineries of RM20,000 and below. The Group applies the "short-term leases" and "lease of low-value assets" exemptions for these leases.

(c) The following are the amounts recognised in profit or loss:

	Group 2019 RM
Depreciation charge of right-of-use assets	**287,404**
Interest expense on lease liabilities	**12,915**
Expense relating to short-term leases	**116,131**
Expense relating to leases of low-value assets	**4,510**
	420,960

(d) At the end of the financial year, the Group had total cash outflow for leases of RM85,800.

(e) The following table sets out the carrying amounts, the weighted average incremental borrowing rates and the remaining maturities of the lease liabilities of the Group that are exposed to interest rate risk:

Group 31 December 2019	Weighted average incremental borrowing rate per annum %	Within one (1) year RM	One (1) to two (2) years RM	Two (2) to five (5) years RM	Total RM
Lease liabilities					
Fixed rates	**4.83**	**191,314**	**200,756**	**106,255**	**498,325**

6. LEASES (Cont'd)

The Group as lessee (Cont'd)

(f) The table below summarises the maturity profile of the lease liabilities of the Group at the end of the reporting period based on contractual undiscounted repayment obligations as follows:

Group 31 December 2019	On demand or within one (1) year RM	One (1) to five (5) years RM	Total RM
Lease liabilities	**211,200**	**319,000**	**530,200**

The Group as lessor

The Group has entered into non-cancellable lease agreements on certain properties for terms of three (3) years and renewable at the end of the lease period subject to an increase clause.

The Group has aggregate future minimum lease receivable as at the end of each reporting period as follows:

	Group 2019 RM
Less than one (1) year	**3,520,341**
One (1) to two (2) years	**3,520,341**
Two (2) to three (3) years	**880,085**
	7,920,767

7. TRADEMARK

	Group	
	2019 RM	2018 RM
Carrying amount		
Trademark, at cost	**16,865**	16,865
Less: Accumulated amortisation	**(16,865)**	(16,865)
	0	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.

8. INVESTMENTS IN SUBSIDIARIES

	Company 2019 RM	Company 2018 RM
Unquoted shares, at cost	**160,415,093**	155,543,093
Less: Impairment losses	**(116,250,885)**	(117,445,536)
	44,164,208	38,097,557

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

All components of non-controlling interests shall be measured at their acquisition-date fair values, unless another measurement basis is required by MFRSs. The choice of measurement basis is made on a combination-by-combination basis. Subsequent to initial recognition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

(b) Details of the subsidiaries are as follows:

Name of company	Country of incorporation/ Principal place of business	Effective interest in equity 2019	Effective interest in equity 2018	Principal activities
Tek Seng Sdn. Bhd.	Malaysia	**100%**	100%	Trading of polyvinyl chloride ('PVC') products and photovoltaic products such as solar cells, solar panels and solar modules
Wangsaga Industries Sdn. Bhd.	Malaysia	**100%**	100%	Manufacturing of PVC related products
Pelangi Segi Sdn. Bhd.	Malaysia	**100%**	100%	Trading of PVC products
Double Grade Non-Woven Industries Sdn. Bhd.	Malaysia	**100%**	100%	Manufacturing of polypropylene ('PP') non-woven related products and letting of properties
TS Solartech Sdn. Bhd. ('TSST')	Malaysia	**53.69%**	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. 2019	TS Solartech Sdn. Bhd. 2018
NCI percentage of ownership interest and voting interest	**46.31%**	49.31%
Carrying amount of NCI (RM)	**43,858,260**	73,847,924
Loss allocated to NCI (RM)	**(26,472,569)**	(58,237,105)
Total comprehensive loss allocated to NCL (RM)	**(26,472,569)**	(58,237,105)

8. INVESTMENTS IN SUBSIDIARIES (Cont'd)

(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.	
	2019 RM	2018 RM
Assets and liabilities		
Non-current assets	**135,947,409**	188,919,454
Current assets	**1,526,997**	5,092,354
Non-current liabilities	**(19,970,280)**	0
Current liabilities	**(22,798,318)**	(44,249,237)
Net assets	**94,705,808**	149,762,571
Results		
Revenue	**3,651,762**	15,058,629
Loss for the financial year	**(55,056,763)**	(118,104,046)
Total comprehensive loss	**(55,056,763)**	(118,104,046)
Cash flows used in operating activities	**(19,472,005)**	(280,616)
Cash flows used in investing activities	**(68,000)**	(377,932)
Cash flows from financing activities	**19,541,096**	0
Net increase/(decrease) in cash and cash equivalents	**1,091**	(658,548)
Dividends paid to NCI	**N/A**	N/A

(e) A reversal of impairment loss on investment in TSST amounting to RM1,194,651 has been recognised in other operating income during the financial year. In the previous financial year, an impairment loss on investment in TSST amounting to RM117,445,536 has been recognised due to declining business operations. The carrying amount of investment in TSST amounted to RM6,195,115 and RM128,464 as at 31 December 2019 and 31 December 2018 respectively. The recoverable amounts were determined based on value-in-use ('VIU').

The VIU is the net present value of the cash flow projection approved by management covering five (5)-year period at an appropriate pre-tax discount rate. The discount rate applied to the cash flow projections is 8.20% (2018: 11.62%). For such discounted cash flow method, it involves the use of estimated future results and a set of assumptions to reflect the projected 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.

(f) Accretion of interests in a subsidiary during the financial year

On 16 December 2019, the Group acquired 3% equity interest, representing 6,960,000 ordinary shares in TSST for a total cash consideration of RM4,872,000. The Group adjusted the differences arose from the increase in stake with decrease in retained earnings of RM1,354,905 and a reduction in non-controlling interest of RM3,517,095.

9. INVENTORIES

	Group	
	2019 RM	2018 RM
At cost		
Raw materials	**12,570,991**	19,660,374
Work-in-progress	**3,944,494**	3,402,294
Finished goods	**13,836,968**	11,736,610
Consumables	**1,276,780**	1,325,710
	31,629,233	36,124,988
At net realisable value		
Finished goods	**339,267**	3,970,684
	31,968,500	40,095,672

(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 RM108,487,780 (2018: RM138,025,339). In addition, the amounts recognised in the cost of sales include inventories written down amounted to RM299,085 (2018: RM22,579,805). The Group reversed RM300,947 in respect of inventories written down of the Solar segment in the previous financial years that was subsequently not required as the Group was able to sell those inventories above their carrying amounts.

10. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Non-current asset				
Other receivable				
Amount owing by a subsidiary	**0**	0	**13,562,625**	15,459,944
Less: Impairment losses	**0**	0	**(2,150,363)**	(990,039)
	0	0	**11,412,262**	14,469,905
Current assets				
Trade receivables				
Third parties	**24,385,818**	24,610,873	**0**	0
Less: Impairment losses	**(960,703)**	(1,316,499)	**0**	0
	23,425,115	23,294,374	**0**	0
Other receivables				
Third parties	**1,833,334**	2,199,430	**0**	0
Amount owing by a subsidiary	**0**	0	**5,995,000**	26,015,559
	1,833,334	2,199,430	**5,995,000**	26,015,559
Less: Impairment losses	**0**	0	**(987,966)**	(3,284,302)
	1,833,334	2,199,430	**5,007,034**	22,731,257
Deposits	**174,005**	200,347	**0**	0
	2,007,339	2,399,777	**5,007,034**	22,731,257
Total receivables	**25,432,454**	25,694,151	**5,007,034**	22,731,257
Prepayments	**497,847**	190,482	**0**	0
Total current assets	**25,930,301**	25,884,633	**5,007,034**	22,731,257
Total trade and other receivables	**25,930,301**	25,884,633	**16,419,296**	37,201,162

(a) Total 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 (2018: 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, bearing interest at a rate of 3% (2018: 3%) per annum. The advances together with the interest receivables thereon are not payable within the next twelve (12) months.

Current amount owing by a subsidiary of the Company represents advances and payment on behalf, which is unsecured, bearing interest at a rate of 3% (2018: 3%) per annum and payable within the next twelve (12) months in cash and cash equivalents.

10. TRADE AND OTHER RECEIVABLES (Cont'd)

(d) The currency exposure profile of total receivables are as follows:

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Ringgit Malaysia ('RM')	**23,788,138**	22,317,341	**16,419,296**	37,201,162
United States Dollar ('USD')	**1,644,316**	3,153,476	**0**	0
Euro ('EURO')	**0**	223,334	**0**	0
	25,432,454	25,694,151	**16,419,296**	37,201,162

(e) The following table demonstrates the sensitivity analysis of the loss after 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	
	2019 RM	2018 RM
USD/RM		
- Strengthened by 3% (2018: 3%)	**37,500**	71,900
- Weakened by 3% (2018: 3%)	**(37,500)**	(71,900)

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

(f) 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 rates are calculated using the roll rate method separately for exposures in different segments based on the common credit risk rating.

The expected loss rates are based on the Group's historical credit losses experienced over the three-year period prior to the period end. The historical loss rates are then adjusted for current and forward-looking information on macroeconomic factors affecting the Group's customers. The Group has identified the consumer price index, employment rate and Malaysia population as the key macroeconomic factors.

For trade receivables, which are reported net, such impairments are recorded in a separate impairment account with the loss being recognised within other 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.

10. TRADE AND OTHER RECEIVABLES (Cont'd)

(f) (Cont'd)

Lifetime expected loss provision for trade receivables are as follows:

Group	Current	1 to 30 days past due	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total RM
31 December 2019						
Expected loss rate	**0.69%**	**1.94%**	**4.87%**	**16.77%**	**60.65%**	
Gross carrying amount (RM)	**14,068,135**	**6,629,730**	**1,902,968**	**1,004,110**	**780,875**	**24,385,818**
Impairment (RM)	**97,281**	**128,752**	**92,732**	**168,368**	**473,570**	**960,703**
31 December 2018						
Expected loss rate	1.28%	2.15%	10.67%	38.61%	48.58%	
Gross carrying amount (RM)	13,851,642	7,385,326	1,405,736	1,256,938	711,231	24,610,873
Impairment (RM)	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.

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

Group	2019 RM	2018 RM
As at 1 January	**1,316,499**	202,225
Reversal of impairment losses	**(405,255)**	(15,413)
Charge for the financial year	**49,459**	1,129,687
As at 31 December	**960,703**	1,316,499

(h) Impairment for other receivables and amount owing by a subsidiary are recognised based on the general approach within MFRS 9 using the forward-looking expected credit loss ('ECL') 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 defined significant increase in credit risk based on operating performance of the receivables, changes to contractual terms, payment trends and past due information.

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.

10. TRADE AND OTHER RECEIVABLES (Cont'd)

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

Company	Lifetime ECL allowance Stage 3 2019 RM	2018 RM
As at 1 January	**4,274,341**	2,645,523
Reversal of impairment loss	**(1,136,012)**	0
Charge for the financial year	**0**	1,628,818
As at 31 December	**3,138,329**	4,274,341

(j) 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 2019		2018	
	RM	% of total	RM	% of total
By country:				
Malaysia	**22,187,295**	**95%**	20,074,498	86%
Indonesia	**337,544**	**1%**	0	0%
Somalia	**293,389**	**1%**	0	0%
Singapore	**217,371**	**1%**	78,483	0%
Ivory Coast	**203,029**	**1%**	378,690	2%
Myanmar	**167,404**	**1%**	235,813	1%
Ethiopia	**0**	**0%**	1,605,893	7%
Taiwan	**0**	**0%**	371,103	2%
South Korea	**0**	**0%**	283,481	1%
Others	**19,083**	*****	266,413	1%
	23,425,115	**100%**	23,294,374	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% (2018: 100%) of the other receivables of the Company was due from its subsidiary.

10. TRADE AND OTHER RECEIVABLES (Cont'd)

(k) 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 one (1) year RM	More than one (1) year RM	Total RM
31 December 2019				
Fixed rate	**3.00**	**5,007,034**	**11,412,262**	**16,419,296**
31 December 2018				
Fixed rate	3.00	22,731,257	14,469,905	37,201,162

(l) 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	
	2019 RM	2018 RM
Amount owing by a subsidiary		
- 50 basis points higher	**62,400**	141,400
- 50 basis points lower	**(62,400)**	(141,400)

11. CASH AND BANK BALANCES

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Cash and bank balances	**10,617,111**	1,465,045	**625,800**	5,646
Deposits with a licensed bank	**25,472,749**	2,790,000	**17,597,105**	0
	36,089,860	4,255,045	**18,222,905**	5,646

(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	
	2019 RM	2018 RM	2019 RM	2018 RM
Cash and bank balances	**10,617,111**	1,465,045	**625,800**	5,646
Deposits with a licensed bank (not more than three (3) months)	**25,472,749**	2,790,000	**17,597,105**	0
	36,089,860	4,255,045	**18,222,905**	5,646

11. CASH AND BANK BALANCES (Cont'd)

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

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Ringgit Malaysia ('RM')	**29,724,371**	4,096,175	**18,222,905**	5,646
United States Dollar ('USD')	**6,265,896**	125,731	**0**	0
Singapore Dollar ('SGD')	**18**	32,503	**0**	0
Euro ('EURO')	**99,575**	636	**0**	0
	36,089,860	4,255,045	**18,222,905**	5,646

(c) The following table demonstrates the sensitivity analysis of the loss after 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	
	2019 RM	2018 RM
USD/RM		
- Strengthened by 3% (2018: 3%)	**142,900**	2,900
- Weakened by 3% (2018: 3%)	**(142,900)**	(2,900)

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

(d) The effective interest rate of deposit with a licensed bank of the Group and of the Company is 3.24% (2018: 2.60%) per annum, and the maturity days is 2 days (2018: 2 days).

(e) The exposure to interest rate 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.

12. SHARE CAPITAL

	Group and Company			
	2019		2018	
	Number of ordinary shares	RM	Number of ordinary shares	RM
Issued and fully paid				
Balance as at 1 January	**348,143,962**	**111,870,912**	348,130,962	111,867,662
Issued for cash pursuant to:				
- exercise of warrants	**1,065,900**	**266,475**	13,000	3,250
Balance as at 31 December	**349,209,862**	**112,137,387**	348,143,962	111,870,912

(a) During the financial year, the issued and fully paid-up share capital of the Company was increased from 348,143,962 to 349,209,862 by way of issuance of 1,065,900 new ordinary shares pursuant to the exercise of warrants at RM0.25 each for cash.

In the previous 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, 41,719,238 (2018: 42,785,138) warrants remained unexercised. The unexercised warrants expired on 30 January 2020.

(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.

13. BORROWINGS

	Group	
	2019 RM	2018 RM
Non-current liability		
Secured		
Term loans (Note 14)	**19,970,280**	0

(a) Borrowings are classified as financial liabilities measured at amortised cost.

(b) Borrowings are denominated in Ringgit Malaysia.

(c) Fair value of the borrowings of the Group are categorised as Level 2 in the fair value hierarchy. There is no transfer between levels in the hierarchy during the financial year.

(d) 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 borrowings of the Group that are exposed to interest rate risk:

Group	Weighted average effective interest rate per annum %	On demand or within one (1) year RM	One (1) to five (5) years RM	Total RM
As at 31 December 2019				
Floating rate				
Term Loans	**3.55**	**0**	**19,970,280**	**19,970,280**

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

	Group	
	2019 RM	2018 RM
Term loans		
- 50 basis points higher	**(75,900)**	0
- 50 basis points lower	**75,900**	0

(f) The table below summarises the maturity profile of the borrowings of the Group at the end of each reporting period based on contractual undiscounted repayment obligations as follows:

Group	On demand or within one (1) year RM	One (1) to five (5) years RM	Total RM
As at 31 December 2019			
Term loans	0	19,970,280	19,970,280

14. TERM LOANS

The term loans are secured by:

(i) first or third party fixed deposit being pledged of RM20,000,000; and

(ii) letter of set-off or letter of pledge.

15. DEFERRED TAX LIABILITIES

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

	Group	
	2019 RM	**2018 RM**
As at 1 January	**4,612,900**	13,919,400
Recognised in profit or loss (Note 22)	**(156,700)**	(9,306,500)
As at 31 December	**4,456,200**	4,612,900
Presented after appropriate offsetting:		
Deferred tax assets	**0**	0
Deferred tax liabilities	**4,456,200**	4,612,900
	4,456,200	4,612,900

(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 2019	
As at 1 January 2019	**4,612,900**
Recognised in profit or loss	**(156,700)**
As at 31 December 2019	**4,456,200**
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

15. DEFERRED TAX LIABILITIES (Cont'd)

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

Deferred tax assets of the Group

	Unabsorbed tax losses RM	Unabsorbed capital allowances RM	Total RM
As at 1 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 1 December 2018	0	0	0

(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	
	2019 RM	2018 RM
Unabsorbed capital allowances	**127,894,400**	75,197,300
Unabsorbed tax losses		
- Expires by 31 December 2025	**17,482,000**	17,491,200
- Expires by 31 December 2026	**2,401,000**	0
	147,777,400	92,688,500

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 amount and availability of these items to be carried forward up to the periods as disclosed above are subject to the agreement of the local tax authorities.

16. TRADE AND OTHER PAYABLES

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Non-current liability				
Other payables				
- Third party	**0**	381,484	**0**	0
Current liabilities				
Trade payables				
Third parties	**5,939,806**	4,772,778	**0**	0
Other payables				
Other payables				
- Third parties	**11,575,748**	16,382,102	**2,456**	0
- Amounts owing to subsidiaries	**0**	0	**385,114**	55,344
Accruals	**4,978,146**	3,984,002	**186,775**	198,150
Deposits received	**1,768,870**	418,200	**0**	0
	18,322,764	20,784,304	**574,345**	253,494
Total current liabilities	**24,262,570**	25,557,082	**574,345**	253,494
Total trade and other payables	**24,262,570**	25,938,566	**574,345**	253,494

(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 (2018: 30 to 60 days).

(c) Amounts owing to subsidiaries of the Company represented advances which were unsecured, bearing a weighted average interest of 3% (2018: 3%) per annum and payable within twelve (12) months in cash and cash equivalents.

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

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Ringgit Malaysia ('RM')	**21,795,511**	23,157,626	**574,345**	253,494
United States Dollar ('USD')	**2,390,659**	2,728,095	**0**	0
Euro ('EURO')	**1,100**	2,205	**0**	0
Taiwan Dollar ('TWD')	**75,300**	50,640	**0**	0
	24,262,570	25,938,566	**574,345**	253,494

16. TRADE AND OTHER PAYABLES (Cont'd)

(e) The following table demonstrates the sensitivity analysis of the loss after 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	
	2019 RM	2018 RM
USD/RM		
- Strengthened by 3% (2018: 3%)	**(54,500)**	(62,200)
- Weakened by 3% (2018: 3%)	**54,500**	62,200

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

(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 Company that are exposed to interest rate risk:

Company	Weighted average effective interest rate %	Within one (1) year RM	Total RM
As at 31 December 2019			
Fixed rate			
Amount owing to subsidiaries	**3.00**	**385,114**	**385,114**
As at 31 December 2018			
Fixed rate			
Amount owing to subsidiaries	3.00	55,344	55,344

(g) 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	
	2019 RM	2018 RM
Amount owing to subsidiaries		
- 50 basis points higher	**(1,500)**	(200)
- 50 basis points lower	**1500**	200

16. 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 2019			
Group			
Financial liability			
Trade and other payables	**24,262,570**	**0**	**24,262,570**
Company			
Financial liability			
Trade and other payables	**574,345**	**0**	**574,345**
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

17. CONTINGENT LIABILITIES

Corporate guarantees

	Company	
	2019 RM	2018 RM
Unsecured		
Corporate guarantees given to licensed banks for banking facilities granted to subsidiaries	**38,210,000**	56,212,475
Corporate guarantees given to suppliers of subsidiaries	**4,092,500**	4,138,500

The amount of the banking facilities utilised by the subsidiaries totalled RM5,644,456 as at 31 December 2019 (2018: RM2,414,000).

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 guarantees are remote. Accordingly, the fair values of the above corporate guarantees are negligible.

18. REVENUE

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Revenue from contracts with customers:				
- Sale of goods	**172,603,657**	184,009,580	**0**	0
Other revenue:				
- Dividend income from subsidiaries	**0**	0	**0**	12,074,021
- Management fee from subsidiaries	**0**	0	**84,000**	84,000
- Interest received from:				
- deposit with financial institutions	**0**	0	**389,121**	2,155
- advances to subsidiaries	**0**	0	**831,387**	1,252,297
	172,603,657	184,009,580	**1,304,508**	13,412,473

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

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

There is no significant financing component in the revenue arising from sale of goods as the sales are made on the normal credit terms not exceeding twelve (12) 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.

19. OTHER OPERATING INCOME

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Compensation from a customer (Note (a))	**0**	359,815	**0**	0
Gain on disposal of property, plant and equipment	**54,133**	122,315	**0**	0
Realised gain on foreign exchange	**65,884**	0	**0**	0
Income from sale of solar energy (Note (b))	**1,704,202**	1,875,952	**0**	0
Interest income	**612,572**	26,133	**0**	0
Rental income (Note (c))	**2,552,247**	0	**0**	0
Reversal of impairment losses on:				
- trade receivables	**355,796**	0	**0**	0
- investment in a subsidiary	**0**	0	**1,194,651**	0
- amount owing by a subsidiary	**0**	0	**1,136,012**	0
Transportation charges	**5,002,512**	582,884	**0**	0
Others	**471,921**	282,773	**0**	0
	10,819,267	3,249,872	**2,330,663**	0

(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.

(c) Rental income is accounted for on a straight line basis over the lease term of an ongoing lease and attributable to investment properties as disclosed in Note 5 to the financial statements.

20. EMPLOYEE BENEFITS

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Directors' fee	**194,250**	194,250	**194,250**	194,250
Directors' emoluments	**3,394,737**	3,441,910	**0**	0
Salaries, wages, bonus and allowance	**15,182,359**	17,757,282	**0**	0
Contributions to defined contribution plan	**1,169,444**	1,446,033	**0**	0
Social security contributions	**171,309**	200,500	**0**	0
Other benefits	**315,947**	334,863	**0**	0
	20,428,046	23,374,838	**194,250**	194,250

20. EMPLOYEE BENEFITS (Cont'd)

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

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Directors' fee	**194,250**	194,250	**194,250**	194,250
Short term employee benefits	**3,032,409**	3,074,410	**0**	0
Contributions to defined contribution plan	**362,328**	367,500	**0**	0
	3,588,987	3,636,160	**194,250**	194,250

21. FINANCE COSTS

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Interest expense on:				
- bank overdrafts	**0**	179,633	**0**	0
- short term bank loans	**0**	46,590	**0**	0
- term loans	**429,184**	0	**0**	0
- amount owing to subsidiaries	**0**	0	**4,476**	298,366
- lease liabilities	**12,915**	0	**0**	0
Letter of credits charges	**18,479**	11,198	**0**	0
	460,578	237,421	**4,476**	298,366

22. TAXATION

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Current tax expense based on (loss)/profit for the financial year	**4,137,396**	5,125,994	**169,469**	189,458
Under/(Over)provision of income tax in prior years	**55,852**	224,160	**24,776**	(494)
	4,193,248	5,350,154	**194,245**	188,964
Deferred tax (Note 15):				
Relating to origination and reversal of temporary differences	**(151,000)**	(9,306,500)	**0**	0
Overprovision in prior years	**(5,700)**	0	**0**	0
	(156,700)	(9,306,500)	**0**	0
	4,036,548	(3,956,346)	**194,245**	188,964

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 (2018: RM139,373,303) available to set-off against future taxable income.

The numerical reconciliations between the taxation and the product of accounting (loss)/profit multiplied by the applicable tax rate of the Group and of the Company are as follows:

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
(Loss)/Profit before tax	**(38,689,731)**	(110,884,256)	**3,110,615**	(106,427,142)
Tax at Malaysian statutory tax rate of 24% (2018: 24%)	**(9,285,535)**	(26,612,221)	**746,548**	(25,542,514)
Tax effects in respect of:				
Non-allowable expenses	**389,229**	3,034,249	**95,462**	28,630,210
Non-taxable income	**(338,598)**	(120,334)	**(672,541)**	(2,898,238)
Deferred tax assets not recognised	**13,228,100**	19,517,800	**0**	0
Utilisation of unabsorbed losses and allowances brought forward	**(6,800)**	0	**0**	0
	3,986,396	(4,180,506)	**169,469**	189,458
Under/(Over)provision in prior years:				
- income tax	**55,852**	224,160	**24,776**	(494)
- deferred tax	**(5,700)**	0	**0**	0
	4,036,548	(3,956,346)	**194,245**	188,964

23. LOSS PER SHARE

(a) Basic

Basic loss per ordinary share for the financial year is calculated by dividing the loss 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	
	2019	**2018**
Loss attributable to equity holders of the parent (RM)	**(16,253,710)**	(48,690,805)
Weighted average number of ordinary shares in issue (units)	**348,196,897**	348,135,493
Basic loss per ordinary share (RM)	**(0.05)**	(0.14)

(b) Diluted

The diluted loss per ordinary share equals the basic loss per ordinary share due to the anti-dilutive effect of the warrants which has been ignored in calculating the diluted loss per ordinary share.

24. DIVIDEND

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

25. 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.

25. RELATED PARTY DISCLOSURES (Cont'd)

(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	
	2019 RM	2018 RM	2019 RM	2018 RM
Subsidiaries:				
Dividend received	**0**	0	**0**	12,074,021
Interest received	**0**	0	**831,387**	1,252,297
Management fee	**0**	0	**84,000**	84,000
Interest paid	**0**	0	**4,476**	298,366
Shareholder of a subsidiary:				
Purchase of goods	**0**	13,203	**0**	0
Sale of goods	**0**	1,987,655	**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 2019 are disclosed in Notes 10 and 16 to the financial statements respectively.

(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 20 to the financial statements.

26. OPERATING SEGMENTS

The Company 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.

26. OPERATING SEGMENTS (Cont'd)

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

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
2019			
Revenue			
Total revenue	**207,789,294**	**3,665,887**	**211,455,181**
Inter-segment revenue	**(38,841,436)**	**(10,088)**	**(38,851,524)**
Revenue from external customers	**168,947,858**	**3,655,799**	**172,603,657**
Interest income	**612,358**	**214**	**612,572**
Finance costs	**(31,394)**	**(429,184)**	**(460,578)**
Net finance income/(expense)	**580,964**	**(428,970)**	**151,994**
Depreciation	**(4,431,045)**	**(8,908,600)**	**(13,339,645)**
Impairment losses on property, plant and equipment	**0**	**(44,131,445)**	**(44,131,445)**
Inventories written down	**0**	**(299,085)**	**(299,085)**
Reversal of inventories written down	**0**	**300,947**	**300,947**
Segment profit/(loss) before income tax	**16,664,984**	**(55,354,715)**	**(38,689,731)**
Taxation	**(4,036,548)**	**0**	**(4,036,548)**
Segment assets	**142,395,096**	**137,830,695**	**280,225,791**
Segment liabilities	**(26,379,659)**	**(23,407,806)**	**(49,787,465)**
Additions to non-current assets	**4,437,805**	**68,000**	**4,505,805**

26. OPERATING SEGMENTS (Cont'd)

	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 on 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)
Taxation	(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

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

	Group	
Loss for the financial year	**2019 RM**	**2018 RM**
Total loss for reportable segments	**(38,689,731)**	(110,884,256)
Taxation	**(4,036,548)**	3,956,346
Loss for the financial year per consolidated statement of profit or loss and other comprehensive income	**(42,726,279)**	(106,927,910)

(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.

26. OPERATING SEGMENTS (Cont'd)

(b) Geographical information (Cont'd)

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

	Group	
	2019 RM	2018 RM
Revenue from external customers in:		
Malaysia	**80,644,514**	87,952,753
Indonesia	**33,134,923**	29,484,720
Iraq	**17,601,809**	14,737,718
Yemen	**7,449,660**	7,709,583
Myanmar	**4,004,207**	4,630,873
India	**3,239,295**	1,406,405
Ethiopia	**3,003,334**	1,959,048
Nigeria	**2,985,268**	957,104
Ivory Coast	**2,978,474**	0
Durban	**2,885,451**	2,136,015
Philippines	**2,404,989**	1,843,654
Somalia	**2,218,954**	2,192,896
Singapore	**2,149,996**	1,584,949
Jordan	**1,353,124**	1,464,916
Vietnam	**1,291,628**	4,224,876
Others	**5,258,031**	21,724,070
	172,603,657	184,009,580

	Group	
	2019 RM	2018 RM
Non-current assets		
Malaysia	**185,820,559**	238,255,261

(c) Major customers

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

	Group	
	2019 RM	2018 RM
PVC Segment		
Customer A	**31,113,947**	28,788,450

27. 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 concern 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 2019 and 31 December 2018.

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, borrowings, lease liabilities and trade and other payables, less cash and bank balances. Capital represents equity attributable to the owners of the parent.

		Group		Company	
	Note	2019 RM	2018 RM	2019 RM	2018 RM
Borrowings	13	**19,970,280**	0	**0**	0
Lease liabilities	6	**498,325**	0	**0**	0
Trade and other payables	16	**24,262,570**	25,938,566	**574,345**	253,494
Total liabilities		**44,731,175**	25,938,566	**574,345**	253,494
Less: Cash and bank balances	11	**(36,089,860)**	(4,255,045)	**(18,222,905)**	(5,646)
Net debt/(cash)		**8,641,315**	21,683,521	**(17,648,560)**	247,848
Total capital		**186,580,066**	203,922,206	**78,209,258**	75,026,413
Net debt/(cash)		**8,641,315**	21,683,521	**(17,648,560)**	247,848
Capital plus net debt		**195,221,381**	225,605,727	**60,560,698**	75,274,261
Gearing ratio		**4.43%**	9.61%	*****	0.33%

* No gearing ratio is presented as the Company is in net cash position.

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 2019.

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

(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:

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

(b) Financial risk management (Cont'd)

(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 and the Company have dealt with for numerous years. It is the policy of the Group and of the Company to monitor the financial standing of these counter parties on an ongoing basis to ensure that the Group and the Company are 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.

<u>Exposure to credit risk</u>

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 10 to the financial statements.

(ii) Liquidity and cash flow risk

The exposure of the Group and of the Company to liquidity risk arises primarily from the mismatches of the maturities of financial assets and liabilities.

The Group and the Company 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 and the Company measures and forecasts its cash commitments and maintains a level of cash and cash equivalents deemed adequate to finance the activities of the Group and of the Company. In addition, the Group strives to maintain available banking facilities at a reasonable level to meet its business needs.

The maturity profiles of financial instruments based on contractual undiscounted repayment obligations have been disclosed in Notes 6, 13 and 16 to the financial statements respectively.

(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 and of the Company would fluctuate because of changes in market interest rates.

The income and operating cash flows of the Group and of the Company are substantially independent of changes in market interest rates. Interest rate exposure arises mainly from interest-bearing financial assets and liabilities. The policy of the Group and of the Company are to obtain the most favourable interest rates available. Any surplus funds of the Group and of the Company will be placed with licensed financial institutions to generate interest income. The Group and the Company do not use derivative financial instruments to hedge this risk.

The interest rate profiles and sensitivity analysis of interest rate risk have been disclosed in Notes 6, 10, 13 and 16 to the financial statements respectively.

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

(b) Financial risk management (Cont'd)

(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 Taiwan, United States of America 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 10, 11 and 16 to the financial statements respectively.

28. ADOPTION OF NEW MFRSs AND AMENDMENT TO MFRSs

28.1 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
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 123 *Annual Improvements to MFRS Standards 2015 - 2017 Cycle*	1 January 2019
Amendments to MFRS 119 *Plan Amendment, Curtailment or Settlement*	1 January 2019

Adoption of the above Standards did not have any material effect on the financial performance or position of the Group and of the Company except for the adoption of MFRS 16 as described in the following section.

MFRS 16 *Leases*

MFRS 16 supersedes MFRS 117 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases-Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the financial statements.

Lessor accounting under MFRS 16 is substantially unchanged from MFRS 117. Lessors would continue to classify leases as either operating or finance leases using similar principles as in MFRS 117. Therefore, MFRS 16 does not have a material impact for leases for which the Group is the lessor.

The Group applied MFRS 16 using the modified retrospective approach, for which the cumulative effect of initial application is recognised in retained earnings as at 1 January 2019. Accordingly, the comparative information presented is not restated.

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

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

MFRS 16 *Leases* (Cont'd)

In order to compute the transition impact of MFRS 16, a significant data extraction exercise was undertaken by management to summarise all property and equipment lease data such that the respective inputs could be uploaded into management's model. The incremental borrowing rate method has been adopted where the implicit rate of interest in a lease is not readily determinable.

For leases previously classified as finance leases, the Group recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right of use asset and the lease liability respectively at the date of initial application. The measurement principles of MFRS 16 are only applied after that date.

On transition to MFRS 16, the Group recognised right-of-use assets. The impact on transition is summarised below:

	As at 31 December 2018 RM	Impact RM	As at 1 January 2019 RM
Property, plant and equipment	238,255,261	(11,574,455)	**226,680,806**
Right-of-use assets	0	11,574,455	**11,574,455**

28.2 New MFRSs that have been issued, but only effective for annual periods beginning on or after 1 January 2020

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 and the Company:

Title	Effective Date
Amendments to References to the Conceptual Framework in MFRS Standards	1 January 2020
Amendments to MFRS 3 *Definition of a Business*	1 January 2020
Amendments to MFRS 101 and MFRS 108 *Definition of Material*	1 January 2020
Amendments to MFRS 9, MFRS 139 and MFRS 7 *Interest Rate Benchmark Reform*	1 January 2020
MFRS 17 *Insurance Contracts*	1 January 2021
Amendments to MFRS 101 *Classification of Liabilities as Current or Non-current*	1 January 2022
Amendments to MFRS 10 and MFRS 128 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Deferred

The Group and the Company do not expect the adoption of the above Standards to have a significant impact on the financial statements.

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

28.3 Financial Reporting Updates

IFRIC Agenda Decision - An assessment of the lease term (IFRS 16)

The IFRS Interpretations Committee ('IFRIC') issued a final agenda decision on 26 November 2019 regarding 'Lease term and useful life of leasehold improvements (IFRS 16 and IAS 16)'.

The submission to the IFRIC raised a question pertaining the determination of the lease term of a cancellable lease or a renewable lease based on the requirements of IFRS 16.B34.

Based on the final agenda decision, the IFRIC concluded that the determination of the enforceable period of a lease and the lease term itself shall include broad economic circumstances beyond purely commercial terms.

The Group had implemented the requirements of this final agenda decision during the financial year ended 31 December 2019.

29. SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

(a) The World Health Organisation declared the 2019 Novel Coronavirus infection ('COVID-19') a pandemic on 11 March 2020. This was followed by the Government of Malaysia issuing a Federal Government Gazette on 18 March 2020, imposing a Movement Control Order ('MCO') effective from 18 March 2020 to 31 March 2020 arising from COVID-19. The MCO was subsequently extended until 12 May 2020, followed by a Conditional MCO until 9 June 2020.

Since these developments occurred subsequent to the end of the reporting period, the COVID-19 pandemic is treated as a non-adjusting event in accordance with MFRS 110 *Events after the Reporting Period*. Consequently, the financial statements for the financial year ended 31 December 2019 do not reflect the effects arising from this non-adjusting event.

The financial reporting impact of the COVID-19 pandemic could be significant to the Group due to:

(i) Reduced consumer demand for goods and services of the Group owing to lost income and/or restrictions on consumers' ability to move freely;

(ii) Reduction in market prices of financial assets, including debt and equity instruments; and

(iii) Disruption of global supply chains due to the restrictions imposed on the movement of people and goods.

The Group is in the process of assessing the financial reporting impact of COVID-19 pandemic since ongoing developments remain uncertain and cannot be reasonably predicted as at the date of authorisation of the financial statements.

The Group anticipates that the potential financial reporting impact of COVID-19 would be recognised in the financial statements of the Group during the financial year ending 31 December 2020.

(b) In April 2020, the Group entered into a purchase contract to acquire property, plant and equipment amounted to approximately RM5,300,000.

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-19
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	18 years old / Leasehold 60 years expiring on 11 Mar 2061	Land = RM2,414,486 Building = RM9,607,099
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	17 years old / Leasehold 60 years expiring on 25 Aug 2063	Land = RM1,671,990 Building = RM8,668,014
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	14 year old/ Leasehold 60 years expiring on 25 Aug 2063	Land = RM1,561,683 Building = RM7,079,512
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	24 years old / Freehold	Land = RM258,352 Building = RM99,816
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	22 years old/ Freehold	Building = RM151,832
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	9 years old / Leasehold 60 years expiring on 30 Jan 2072	Land = RM5,683,050 Building = RM49,929,346
			3-Storey Factory / Warehouse Rented out (Phase II)	Built-up area = 23,696.49 sq. Metre		Building = RM77,659,116

ANALYSIS ON SHAREHOLDINGS
AS AT 5 JUNE 2020

Total number of issued shares	: 360,668,137 ordinary shares
Voting Rights	: 1 Vote per ordinary share

DISTRIBUTION SCHEDULE OF SHAREHOLDINGS AS AT 5 JUNE 2020

No. of Holders	Size of Holdings	Total Holdings	% of Total Issued Capital
128	less than 100 shares	5,780	#
378	100 to 1,000 shares	228,007	0.06
2,183	1,001 to 10,000 shares	12,466,672	3.47
1,513	10,001 to 100,000 shares	51,623,762	14.31
282	100,001 to less than 5% of issued shares	150,807,256	41.81
2	5% and above of issued shares	145,536,660	40.35
4,486		**360,668,137**	**100.00**

Negligible

THIRTY (30) LARGEST SECURITIES ACCOUNT HOLDERS AS AT 5 JUNE 2020
(without aggregating the securities from different securities accounts belonging to the same Depositor)

	Name	No. of Shares	% of Total Issued Capital
1	LOH KOK CHENG	73,857,030	20.48
2	LOH KOK BENG	71,679,630	19.87
3	SOON SEOK CHOO	12,824,740	3.56
4	CHANG, JUNG-CHEN	5,990,641	1.66
5	NG KIM KEONG	5,656,100	1.57
6	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR QUEK SEE KUI	4,160,000	1.15
7	CIMB GROUP NOMINEES (TEMPATAN) SDN BHD CIMB COMMERCE TRUSTEE BERHAD FOR KENANGA GROWTH OPPORTUNITIES FUND (50154 TR01)	4,109,700	1.14
8	TA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR COLIN CHUAH CHIN YU	4,000,000	1.11
9	CIMB GROUP NOMINEES (TEMPATAN) SDN BHD CIMB COMMERCE TRUSTEE BERHAD FOR KENANGA SHARIAH GROWTH OPPORTUNITIES FUND (50156 TR01)	3,582,300	0.99
10	CGS-CIMB SECURITIES SDN BHD CLR (DB0B5455) FOR AFFIN HWANG ASSET MANAGEMENT BERHAD	3,117,500	0.86
11	TEOH THEAN HAI	2,680,125	0.74
12	RHB INVESTMENT BANK BERHAD EXEMPT AN CLR (G) FOR KENANGA INVESTORS BHD	2,543,000	0.71
13	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KOEK TIANG KUNG (8038626)	2,456,300	0.68
14	LOH KOK BENG	2,427,200	0.67
15	LING, KUN-TZU	2,413,400	0.67

THIRTY (30) LARGEST SECURITIES ACCOUNT HOLDERS AS AT 5 JUNE 2020 (Cont'd)
(without aggregating the securities from different securities accounts belonging to the same Depositor)

	Name	No. of Shares	% of Total Issued Capital
16	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR YONG SHU KONG (E-KKU)	2,340,000	0.65
17	HSU CHOU, YU-LING	2,288,500	0.63
18	TEE AH SWEE	2,162,200	0.60
19	LOH JOO ENG	1,845,000	0.51
20	TIU JON HUI	1,838,000	0.51
21	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIM TIAN HUAT (E-TWU)	1,812,400	0.50
22	LOH LOO GUAT	1,250,000	0.35
23	HO POAY CHIEW	1,250,000	0.35
24	TEOH LEE LIN	1,200,050	0.33
25	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN CHIA HONG @ GAN CHIA HONG(E-TMR)	1,200,000	0.33
26	CHIA KIM MENG	1,154,700	0.32
27	HLIB NOMINEES (TEMPATAN) SDN BHD HONG LEONG BANK BHD FOR OOI YONG PING	1,110,000	0.31
28	YEOH YEW CHOO	1,060,400	0.29
29	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR YONG KOON SENG	1,033,800	0.29
30	ONG KOK GIM	1,000,000	0.28

SUBSTANTIAL SHAREHOLDINGS

	No. of ordinary shares held			
Substantial Shareholders	Direct Interest	%	Deemed Interest	%
Loh Kok Beng	74,106,830	20.55	-	-
Loh Kok Cheng	73,857,030	20.48	-	-

DIRECTORS' SHAREHOLDINGS

	No. of ordinary shares held			
Name of Directors	Direct Interest	%	Deemed Interest	%
Loh Kok Beng	74,106,830	20.55	-	-
Loh Kok Cheng	73,857,030	20.48	-	-
Loh Joo Eng	1,845,000	0.51	544,225 (N1)	0.15
Tan Soo Mooi	-	-	-	-
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.

ADDITIONAL COMPLIANCE INFORMATION

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 RM'000	Company RM'000	Group RM'000	Company RM'000
i)	BDO PLT	96	14	28	28
ii)	BDO Tax Services Sdn Bhd	0	0	20	2
		96	**14**	**48**	**30**

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 2019, the total proceeds raised by the Company from the exercise of the Warrants was RM266,475. It had been utilized by the Group for its capital expenditure, working capital requirements as well as to defray the expenses relating to the replacement of shares.

RECURRENT RELATED PARTY TRANSACTIONS

During the financial year ended 31 December 2019, there were no recurrent related party transactions.

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 2019.

NOTICE OF EIGHTEENTH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 18th Annual General Meeting ("AGM") of Tek Seng Holdings Berhad ("the Company") will be held at the Grand Ballroom, Level 2, G Hotel Gurney of 168A, Persiaran Gurney, 10250 Penang on Thursday, 27 August 2020 at 10.00 a.m. for the following purposes:

AGENDA

As Ordinary Business :

1. To receive the Audited Financial Statements for the financial year ended 31 December 2019 together with the Reports of Directors and Auditors thereon. **Please refer to Note 9**

2. To re-elect Mr. Loh Kok Beng, the Director who retires by rotation in accordance with Article 102 of the Company's Constitution and who, being eligible, offer himself for re-election. **Resolution 1**

3. To re-elect Mr. Loh Kok Cheng, the Director who retires by rotation in accordance with Article 102 of the Company's Constitution and who, being eligible, offer himself for re-election. **Resolution 2**

4. To re-elect Ms. Tan Soo Mooi, the Director who retires in accordance with Article 109 of the Company's Constitution and who, being eligible, offers herself for re-election. **Resolution 3**

5. To approve the payment of Directors' Fees amounting to RM194,250.00 for the financial year ended 31 December 2019. **Resolution 4**

6. To approve the payment of Directors' Benefits amounting to RM50,000.00 for the financial year ending 31 December 2021. **Resolution 5** Please refer to Note 10

7. 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. **Resolution 6**

As Special Business :

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

8. **AUTHORITY TO ISSUE SHARES** **Resolution 7**

   "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."

9. **PROPOSED CONTINUATION OF TUAN HAJI MOHAMED HANIFFAH BIN S.M. MYDIN IN OFFICE AS INDEPENDENT DIRECTOR** **Resolution 8**

   "THAT, authority be 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."

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.

By Order of the Board,

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

Penang
Date : 29 June 2020

NOTES ON APPOINTMENT OF PROXY

1. For the purpose of determining a member who shall be entitled to attend the AGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to issue a General Meeting Record of Depositors as at 19 August 2020. Only a depositor whose name appears on the Record of Depositors as at 19 August 2020 shall be entitled to attend the AGM or appoint proxies to attend and/or vote on his/her behalf.

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

3. 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 48 hours before the time appointed for holding the meeting or adjournment thereof, or in the case of a poll not less than 24 hours before the time appointed for the taking of the poll. The proxy form transmitted by facsimile or electronic mail will not be accepted.

4. A member shall be entitled to appoint a maximum of 2 proxies to attend and vote instead of him at the same meeting and where a member appoints 2 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.

5. Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 ("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.

6. Where a member is an Exempt Authorized Nominee, it may appoint at least 1 proxy but not more than 2 proxies in respect of each securities account it holds which is credited with the shares of the Company. The appointment of 2 proxies in respect of a particular securities account shall be invalid unless the Exempt Authorized Nominee specifies the proportion of its shareholding to be represented by each proxy.

7. 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 in which, it must be supported by a certified true copy of the resolution appointing the officer or certified true copy of the power of attorney.

8. Shareholders are encouraged to appoint the Chairman of the Meeting as proxy to attend and vote for and on behalf at the forthcoming AGM. You may submit your proxy forms with pre-determined voting instructions for the Chairman to vote for and on behalf. If you would like to raise any questions in relation to the Resolutions to be tabled at the AGM, you may email your questions to ir@tekseng.co by 10.00 a.m. on 25 August 2020, and the Company would attend to your enquiries soonest possible via email.

NOTES ON ORDINARY BUSINESS

9. 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.

10. The Resolution 5, if passed, will enable the Company to pay directors' benefits to non-executive directors of the Company in accordance with Section 230(1) of the Companies Act 2016. The total amount of directors' benefits payable is estimated around RM50,000.00 comprising of medical, trainings, travelling, insurance, meeting allowance.

NOTES ON SPECIAL BUSINESS

11. The Resolution 7, 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, a total of 12,524,175 ordinary shares were issued and allotted pursuant to the general mandate granted at the last AGM of the Company. The total proceeds of RM3,131,043.75 had been utilized by the Group for its capital expenditure, working capital requirements as well as to defray the expenses relating to the placement of shares.

12. The Resolution 8 is to seek shareholders' approval through a two tier voting process and, if passed, will enable the Independent Director who had served more than 12 years to be retained and continued to act as Independent Director 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 2019.

NOTICE OF EIGHTEENTH ANNUAL GENERAL MEETING (Cont'd)

NOTES ON ADMINISTRATIVE MATTERS

13. Registration will start at 9.00 am and will end at 10.00 am sharp or at such time as directed by the Chairman of the meeting.

14. In light of the recent COVID-19 pandemic, our Health Officers will conduct a compulsory body temperature screening and hand sanitization at the foyer of the meeting hall before members, proxy holders or invited guests ("Attendees") could proceed to the registration counter.

15. Attendees are required to wear face mask at all times and to sign a health declaration form with contact details for contact tracing, if required.

16. Attendees with body temperature at 37.5°C and above will not be allowed to enter the meeting hall.

17. Patient under Investigation and/or Person under Surveillance are not allowed to attend the 18th AGM.

18. To ensure social and physical distancing and as a measure to reduce crowds, there will be no door gifts and no food & beverage will be served before the AGM. Kindly collect the take away refreshment pack at the registration counter after the AGM.

19. Attendees are required to adhere to all the precautionary measures in place at the venue of the AGM.

20. Attendees are advised to visit www.mkn.gov.my for further information and/or latest updates, and to abide by the most current regulations at the time when deciding to attend the AGM in person.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

(PURSUANT TO PARAGRAPH 8.27(2) OF MAIN MARKET LISTING REQUIREMENTS OF BURSA SECURITIES)

1) No individuals are standing for election as directors at the forthcoming 18th Annual General Meeting of the Company.

2) The profiles of the directors who are standing for re-election as in Agenda 2, 3 and 4 of the Notice of the 18th 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 05 June 2020 are set out in the Analysis of Shareholdings section of this Annual Report.

4) The Resolution 7 tabled under Special Business as per the Notice of 18th Annual General Meeting of the Company dated 29 June 2020 is a renewal of general mandate granted by shareholders of the Company at the last Annual General Meeting held on 14 June 2019.

   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 this notice, a total of 12,524,175 ordinary shares were issued and allotted pursuant to the general mandate granted at the last AGM of the Company. The total proceeds of RM3,131,043.75 had been utilized by the Group for its capital expenditure, working capital requirements as well as to defray the expenses relating to the placement of shares.

TEK SENG HOLDINGS BERHAD

PROXY FORM

TEK SENG HOLDINGS BERHAD
Registration No. 200201011909 (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 18th Annual General Meeting ("AGM") of the Company, to be held at the Grand Ballroom, Level 2, G Hotel Gurney of 168A, Persiaran Gurney, 10250 Penang on Thursday, 27 August 2020 at 10.00 a.m. and at any adjournment thereof.

NO.	ORDINARY RESOLUTIONS	FOR	AGAINST
1	To re-elect Mr. Loh Kok Beng as a director.		
2	To re-elect Mr. Loh Kok Cheng as a director.		
3	To re-elect Ms. Tan Soo Mooi as a director.		
4	To approve the payment of directors' fees.		
5	To approve the payment of directors' benefits.		
6	To re-appoint Messrs. BDO PLT as auditors of the Company.		
7	To authorise the directors to allot and issue new shares in the Company.		
8	To re-appoint Tuan Haji Mohamed Haniffah Bin S.M. Mydin as Independent Director.		

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 ...., 2020.

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. *For the purpose of determining a member who shall be entitled to attend the AGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to issue a General Meeting Record of Depositors as at 19 August 2020. Only a depositor whose name appears on the Record of Depositors as at 19 August 2020 shall be entitled to attend the AGM or appoint proxies to attend and/or vote on his/her behalf.*
2. *A proxy may but need not be a member of the Company.*
3. *For a proxy to be valid, this 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 48 hours before the time for holding the meeting or adjournment thereof, or in the case of a poll not less than 24 hours before the time appointed for the taking of the poll. The proxy form transmitted by facsimile or electronic mail will not be accepted.*
4. *A member shall be entitled to appoint a maximum of 2 proxies to attend and vote instead of him at the same meeting and where a member appoints 2 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.*
5. *Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 ("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.*
6. *Where a member is an Exempt Authorized Nominee, it may appoint at least 1 proxy but not more than 2 proxies in respect of each securities account it holds which is credited with the shares of the Company. The appointment of 2 proxies in respect of a particular securities account shall be invalid unless the Exempt Authorized Nominee specifies the proportion of its shareholding to be represented by each proxy.*
7. *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 in which, it must be supported by a certified true copy of the resolution appointing the officer or certified true copy of the power of attorney.*
8. *Shareholders are encouraged to appoint the Chairman of the Meeting as proxy to attend and vote for and on behalf at the forthcoming AGM. You may submit your proxy forms with pre-determined voting instructions for the Chairman to vote for and on behalf. If you would like to raise any questions in relation to the Resolutions to be tabled at the AGM, you may email your questions to ir@tekseng.co by 10.00 a.m. on 25 August 2020, and the Company would attend to your enquiries soonest possible via email.*

** Strike out whichever is not desired.*

Please fold across the line and close

Affix
Stamp
Here

The Company Secretaries
TEK SENG HOLDINGS BERHAD
Registration No. 200201011909 (579572-M)
51-21-A, Menara BHL Bank,
Jalan Sultan Ahmad Shah,
10050 Penang

Please fold across the line and close

www.tekseng.com.my

TEK SENG HOLDINGS BERHAD
200201011909 (Company No. 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)