ABM Fujiya Berhad

Registration No. 200301025904 (628324-W)

ANNUAL REPORT 2019

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ANNUAL REPORT 2019

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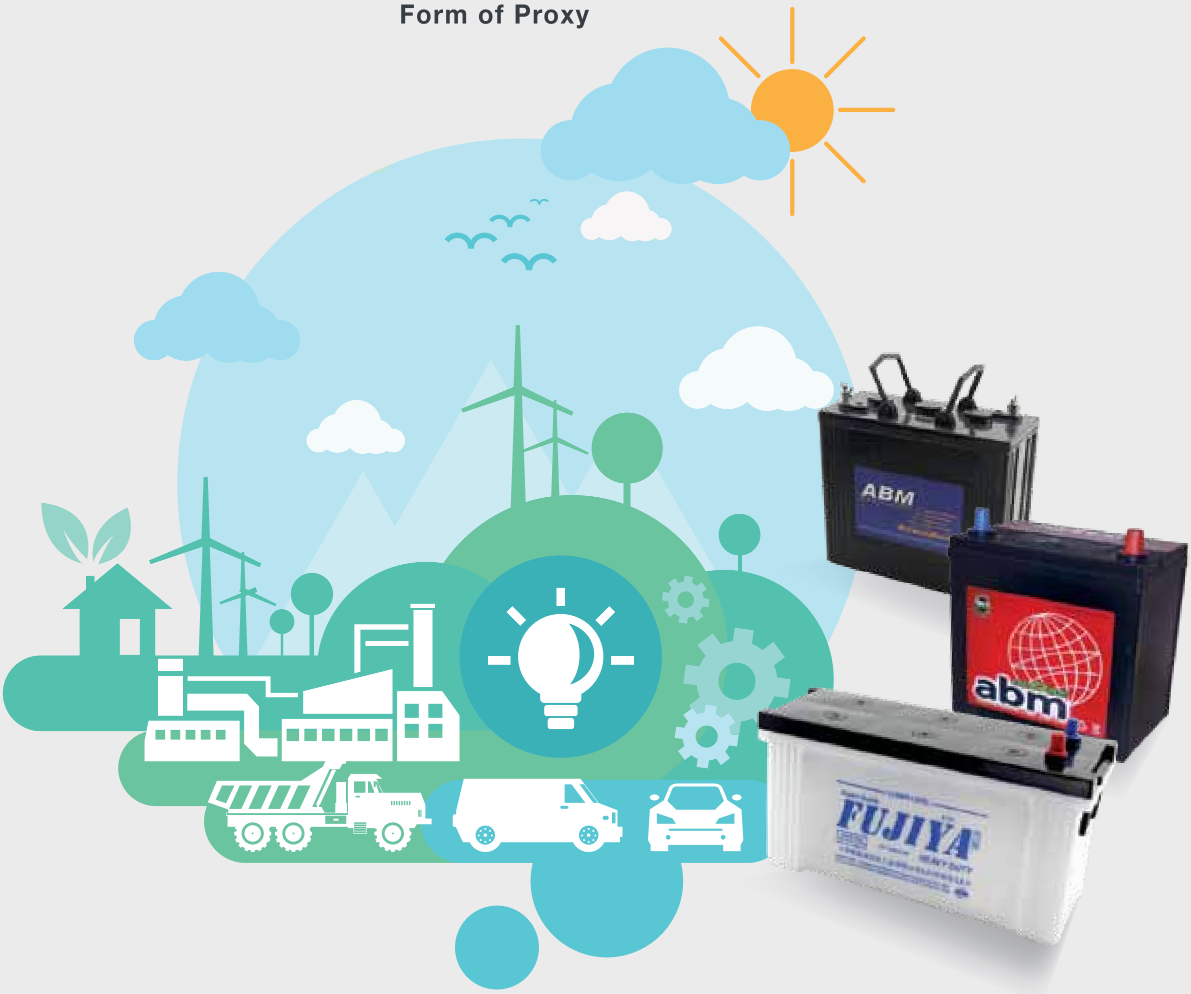


Corporate Information

BOARD OF DIRECTORS

Dato Sri Tay Ah Ching @ Tay Chin Kin
Non-Independent Executive Group Chairman

Dato' Tay Tze How
Non-Independent Managing Director

Dato' Tay Tze Poh
Non-Independent Deputy Managing Director

Ms Tay Siew Ling
Non-Independent Executive Director
(appointed on 1 March 2020)

Puan Sri Corinne Bua Nyipa
Independent Non-Executive Director

Dato' Seri Ooi Teik Heng
Independent Non-Executive Director
(resigned on 1 March 2020)

Miss Wong Siaw Wei
Independent Non-Executive Director

Mr Sim Chong Hong
Independent Non-Executive Director

Encik Ali Bin Adai
Independent Non-Executive Director
(appointed on 1 March 2020)

Datu Dr Hatta Bin Solhi
Independent Non-Executive Director
(appointed on 1 March 2020)

COMPANY SECRETARY

Ms Yeo Puay Huang
SSM PC No: 202008000727 (LS 0000577)

AUDITORS

KPMG PLT (LLP0010081-LCA & AF 0758)
Chartered Accountants
Level 2, Lee Onn Building
Jalan Lapangan Terbang
93250 Kuching, Sarawak

REGISTERED OFFICE AND CORPORATE OFFICE

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

REGISTRAR

Securities Services (Holdings) Sdn Bhd (36869-T)
Level 7, Menara Milenium, Jalan Damanlela
Pusat Bandar Damansara
Damansara Heights
50490 Kuala Lumpur
Telephone No. : 03-2084 9000
Facsimile No. : 03-2094 9940

STOCK EXCHANGE LISTING

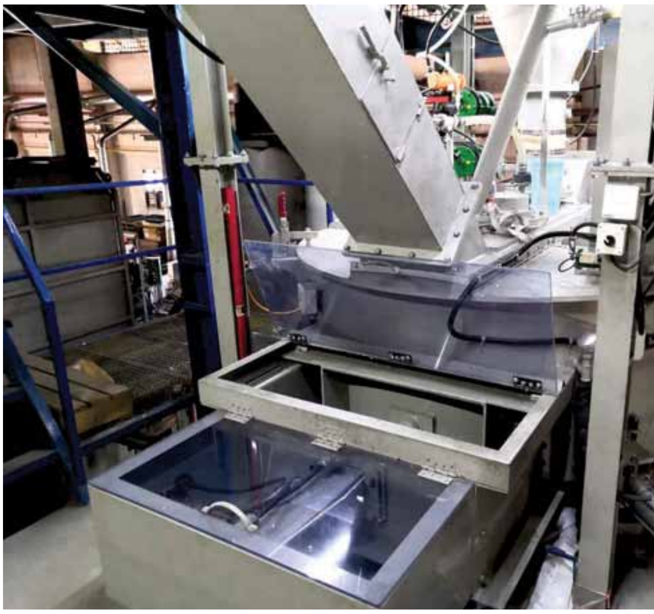
Main Market of Bursa Malaysia Securities Berhad

STOCK NAME

AFUJIYA

STOCK CODE

5198



Corporate Structure

ABM Fujiya Berhad
Registeration No. 200301025904 (628324-W)

100%

Amalgamated Batteries Manufacturing (Sarawak) Sdn. Bhd.
Registeration No. 197101000490 (11108-A)
Manufacture and sale of automotive batteries

100%

Amalgamated Batteries Corporation Sdn. Bhd.
Registeration No. 200401006271 (644774-P)
Dormant

100%

Amalgamated Batteries Marketing (Sarawak) Sdn. Bhd.
Registeration No. 200401006956 (645460-H)
Retailing of automotive batteries

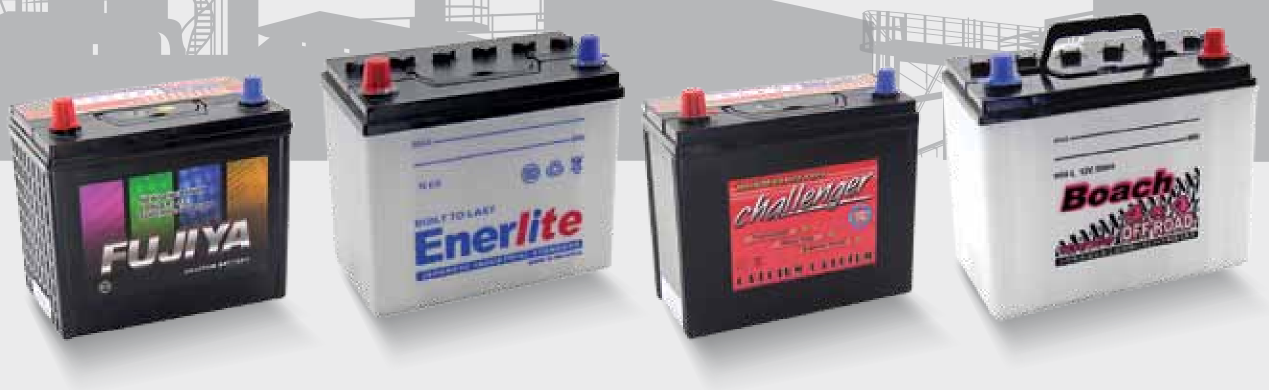
100%

Auto Industries Batteries (East Malaysia) Sdn. Bhd.
Registeration No. 197801005169 (42216-M)
Dealer of batteries and lubricants

100%

Fuya Energy Sdn. Bhd.
Registeration No. 201901023488 (1332817-D)
Dormant

Incorporated on 4 July 2019 by Amalgamated Batteries Manufacturing (Sarawak) Sdn Bhd



Management Discussion and Analysis

BUSINESS OVERVIEW

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

ABM Fujiya is an investment holding company, whilst its subsidiary Amalgamated Batteries Manufacturing (Sarawak) Sdn. Bhd. ("ABM") is principally engaged in the manufacturing of a comprehensive range of automotive batteries and batteries for storage and electrical application. ABM and it's subsidiaries companies, Amalgamated Batteries Marketing (Sarawak) Sdn. Bhd. and Auto Industries Batteries (East Malaysia) Sdn. Bhd. are involved in the trading, marketing and retailing of batteries, lubricants and other automotive parts. During the financial year, ABM incorporated a new wholly-owned subsidiary, Fuya Energy Sdn. Bhd. ("Fuya"). Fuya's intended principal activity is manufacturing of batteries and accumulators and is presently dormant.

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

FINANCIAL HIGHLIGHTS AND FINANCIAL INDICATORS

	2019 RM	2018 RM
Revenue	**110,724,829**	112,027,488
Profit before tax	**3,093,471**	3,702,140
Earnings before interests, taxes, depreciation and amortisation ("EBITDA")	**16,697,877**	17,643,344
Profit net of tax	**1,853,501**	4,187,707
Profit attributable to equity holders of the Company	**1,853,501**	4,187,707
Total assets	**259,657,509**	255,484,712
Total liabilities	**99,674,900**	97,355,604
Total borrowings	**79,715,050**	87,100,657
Total equity	**159,982,609**	158,129,108

FINANCIAL INDICATORS

Earning per share (sen)	**1.03**	2.33
Net assets per share (RM)	**0.89**	0.88
Return on equity (%)	**1.16**	2.65
Return on total assets (%)	**0.71**	1.64

Management Discussion and Analysis (continued)

FINANCIAL HIGHLIGHTS AND FINANCIAL INDICATORS (continued)

The Group's revenue decreased by 1.16% from RM112.03 million for FYE2018 to RM110.72 million for the FYE2019. The decrease in revenue was contributed by the weakening of demand in the export market.

For FYE2019, the Group recorded profit before tax ("PBT") of RM3.09 million, which compared relatively positive against RM3.70 million in FYE2018. The slight decrease was contributed by various factors such as fluctuations in foreign exchange and increase in the cost of labour and raw materials. As a result, the Group's earnings per share for the year drops to 1.03 sen for FYE2019, as compared to 2.33 sen in FYE2018.

Despite the challenging and gloomy domestic and global business environments, our Group managed to pull together to deliver a healthy PBT for the financial year. Overall, the Group's financial position remains stable with increase in shareholders' equity from RM158.13 million for FYE2018 to RM159.98 million for FYE2019.

The Group's net asset per share increased by RM0.01 from RM0.88 in the FYE2018 to RM0.89 for FYE2019.

Our Group remains committed to pursue continuous improvements in our products and technical capabilities, as well as operational and production efficiencies. In 2019, our Group invested RM5.71 million towards the purchase of machineries and equipments to modernise and to increase automation in our production processes.

RISK MANAGEMENT

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

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

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

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

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

Management Discussion and Analysis (continued)

BUSINESS OVERVIEW

Year 2019 was overall a difficult year, with the domestic and global economic environment remaining sluggish due to weak oil prices, prolonged low commodity prices, the fluctuations in the foreign exchange, and a subdued global and domestic economic growth.

Nevertheless, in 2019 the automotive industry had recorded its total industry volume of 604,287 vehicles, which is a marginal increase of approximately 1% from what was achieved in 2018. The aggressive sales campaigns by car companies, introduction of new car models at competitive prices and attractive offers for buyers have positively contributed to the increase.

PROSPECTS

The Malaysian economy has recorded the lowest gross domestic product ("GDP") growth of 4.3% in 2019, the slowest pace in ten years since the Global Financial Crisis in 2009. According to Bank Negara Malaysia's ("BNM") statistic, Malaysia's GDP growth posted the lowest in the last quarter of 2019 at 3.6%. The overall drop in GDP was mitigated by the robust household spending. BNM had reduced the overnight policy rate to 2.00% in May 2020 as a measure to ease difficult financial situations amid a volatile global environment.

BNM commented that Malaysia's GDP for 2020 is projected at between -2% and 0.5% largely caused by the coronavirus ("Covid-19") pandemic, which is in tandem with the slowing global growth momentum. The Malaysian economy will also be affected by the tremendous drop and volatility surrounding the crude oil prices and continued supply chain disruptions in the commodities sector. The economic activity will be dampened by the implementation of Movement Control Order ("MCO") and the extensions thereafter due to the suspension of non-essential service providers and lower operating capacity of manufacturers. However, the various stimulus measures implemented by both the federal and state governments could soften the impact on businesses.

The global growth prospects are significantly weakened by the ongoing outbreak of Covid-19 pandemic. The factory closures and MCO imposed on many major cities due to Covid-19 have caused global supply chain disruptions particularly in the first quarter of 2020. The global economy outlook is heavily dependent on how the world successfully contain this pandemic in the months to come. The International Monetary Fund is expecting a recession in 2020 which could be worse than the global financial crisis in 2009, with a projected recovery in 2021.

Nevertheless, the global economy remains to be influenced by the effect of the US-China trade war and the major slowdown of the economic momentum in China and the rest of the world. Furthermore, the sluggish demand and lower world commodity prices, continue to be a source of concern.

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

Management Discussion and Analysis (continued)

DIVIDEND

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

IN APPRECIATION

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

I would also take this opportunity to commend my fellow Board members for their stewardship, dedication and participation in the various Board Committees. Last but not least, I would like to thank our past Director YBhg. Dato' Seri Ooi Teik Heng, who had served the Board since 18 August 2010, for his dedication and invaluable guidance to ABM Fujiya Group .

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

Lastly, I would like to extend my warm welcome to the newly appointed directors, Encik Ali Bin Adai, YBhg. Datu Dr Hatta Bin Solhi and Ms Tay Siew Ling. I believe that with unwavering commitment, we can work together to continue to weather through the challenges ahead, to embrace the constantly changing environment to bring ABM Fujiya towards sustainable growth.

DATO SRI TAY AH CHING @ TAY CHIN KIN
Chairman

Directors' Profile

Dato Sri Tay Ah Ching @ Tay Chin Kin

Malaysian, male, aged 73, is the founder and Non-Independent Executive Group Chairman of the Company. Dato Sri Tay was appointed to the Board on 30 November 2009.

He started his career as a shopkeeper at the age of 14 before venturing into his own business of manufacturing. He has vast experience and well versed with the operations, planning and business development of our Group and his management style encompasses a very hands-on approach.

He is the father of Dato' Tay Tze How (Managing Director), Dato' Tay Tze Poh (Deputy Managing Director) and Ms Tay Siew Ling (Executive Director). He does not have any conflict of interest with the Company and has no convictions for any offences within the past five years. He attended four (4) out of five (5) meetings of the Board of Directors held during the financial year.

Dato' Tay Tze How

Malaysian, male, aged 49, Non-Independent Managing Director. Dato' Tay was appointed to the Board on 30 November 2009. He holds a Bachelor of Commerce Degree from the Curtin University of Technology, Australia.

Since he joined the Group more than a decade ago, he has been actively involved in running the Sales and Marketing division and has played a crucial role in expanding the Group's overseas market. He has represented the Group in various trade missions and trade exhibitions overseas to promote our brand and products.

He is the son of Dato Sri Tay Ah Ching @ Tay Chin Kin (Group Chairman) and the brother of Dato' Tay Tze Poh (Deputy Managing Director) and Ms Tay Siew Ling (Executive Director). He does not have any conflict of interest with the Company and has no convictions for any offences within the past five years. He attended four (4) out of five (5) meetings of the Board of Directors held during the financial year.

Directors' Profile (continued)

Dato' Tay Tze Poh

Malaysian, male, aged 48, Non-Independent Deputy Managing Director. Dato' Tay was appointed to the Board on 30 November 2009. He holds a Bachelor of Arts Degree from the Curtin University of Technology, Australia.

After graduation, he had practical training in battery manufacturing technology and sales management at the Yuasa Corporation's Odawara Plant in Japan, one of the leading battery manufacturers in Japan, before joining the Group in 1995. With his working experience in the battery manufacturing industry and hands-on technical, operational and management experience in the battery manufacturing process, he plays an important role in ensuring the efficiency of the manufacturing process, new products implementation and continuous improvement in the quality of products which remain a vital success factor to the Group.

He is the son of Dato Sri Tay Ah Ching @ Tay Chin Kin (Group Chairman) and the brother of Dato' Tay Tze How (Managing Director) and Ms Tay Siew Ling (Executive Director). He does not have any conflict of interest with the Company and has no convictions for any offences within the past five years. He attended three (3) out of five (5) meetings of the Board of Directors held during the financial year.

Ms Tay Siew Ling

Malaysian, female, aged 44, Non-Independent Executive Director. Miss Tay was appointed to the Board on 1 March 2020. She holds a Bachelor of Commence Degree from the University of Western Australia.

She commenced her career in the Warehouse and Purchasing Department of the Group in 2000 before joining the Administration Department and subsequently being appointed as Administration cum Human Resource Manager in 2005.

She is the daugther of Dato Sri Tay Ah Ching @ Tay Chin Kin (Group Chairman) and the sister of Dato' Tay Tze How (Managing Director) and Dato' Tay Tze Poh (Deputy Managing Director). She does not have any conflict of interest with the Company and has no convictions for any offences within the past five years. Since Miss Tay joined the Board on 1 March 2020, she attended none of the meetings of the Board of Directors held during the financial year.

Directors' Profile (continued)

Puan Sri Corinne Bua Nyipa

Malaysian, female, aged 57, Independent Non-Executive Director. Puan Sri Corinne was appointed to the Board on 22 January 2010. She is a Member of the Audit and Nominating Committees. She attended a secretarial course at the Stamford College.

In 1985, she joined Digicon (M) Sdn Bhd and worked for a period of nine (9) years. Currently, she holds directorships in several private limited companies that are involved in, amongst others, trading and servicing businesses.

She does not have any family relationship with any director and/or major shareholder of the Company, nor any conflict of interest with the Company. She has no convictions for any offences within the past five years. She attended four (4) out of five (5) meetings of the Board of Directors during the financial year.

Dato' Seri Ooi Teik Heng

Malaysian, male, aged 65, Independent Non-Executive Director. Dato' Seri Ooi was appointed to the Board on 18 August 2010. He is the Chairman of the Nominating Committee and also a Member of the Remuneration Committee.

Early in his career in the late 1970s, he started a dealership business of selling motorcycle in Penang. He was the sole Distributor of Kawasaki motorcycle and parts in the northern region of Malaysia. In 1990s, he ventured into property development by setting up Reliable Construction (M) Sdn Bhd and became a director of the company. In 2000, he joined C.K.C. Corporation Sdn. Bhd and its subsidiaries ("CKC Group") as a director. CKC Group is principally involved in food manufacturing and has trading and distribution network throughout Malaysia and it also exported its products overseas.

He does not have any family relationship with any director and/or major shareholder of the Company, nor any conflict of interest with the Company. He has no convictions for any offences within the past five years. He attended all the five (5) meetings of the Board of Directors held during the financial year. He resigned as an Independent Non-Executive Director, Chairman of Nominating Committee and member of Remuneration Committee on 1 March 2020.

Directors' Profile (continued)

Miss Wong Siaw Wei

Malaysian, female, aged 44, Independent Non-Executive Director. Ms Wong was appointed to the Board on 30 November 2009. She is the Chairperson of the Audit Committee and also a Member of the Nominating and Remuneration Committees. She is a Fellow Member of the Association of Chartered Certified Accountants (FCCA) and a member of the Malaysian Institute of Accountants (MIA).

She began her career as an accounts executive with KDU College (Sibu) Sdn Bhd in 1998. She joined Arthur Andersen and Co in year 2001. Subsequently in 2004, she joined Ekran Berhad as the Group Accountant. In 2006, she joined AmInvestment Bank Berhad as the Assistant Manager in the Investment Banking Department. In 2010, she set up Linz Consultancy Sdn. Bhd., which is principally involved in providing financial consultancy services.

She does not have any family relationship with any director and/or major shareholder of the Company, nor any conflict of interest with the Company. She has no convictions for any offences within the past five years. She attended all the five (5) meetings of the Board of Directors held during the financial year.

Mr Sim Chong Hong

Malaysian, male, aged 47, Independent Non-Executive Director. Mr Sim was appointed to the Board on 4 June 2015. He is the Chairman of Remuneration Committee and also a Member of the Audit and Nominating Committees. He holds a Bachelor of Laws [L.L.B. (Hons)] from the University of London and is a Member of the Advocates Association of Sarawak.

He is a professional advocate of the High Court in Sabah and Sarawak with more than 10 years of practicing experience in various areas of law and presently a co-partner in a legal firm based in Kuching, Sarawak.

He does not have any family relationship with any director and/or major shareholder of the Company, nor any conflict of interest with the Company. He has no convictions for any offences within the past five years. He attended all the five (5) meetings of the Board of Directors held during the financial year.

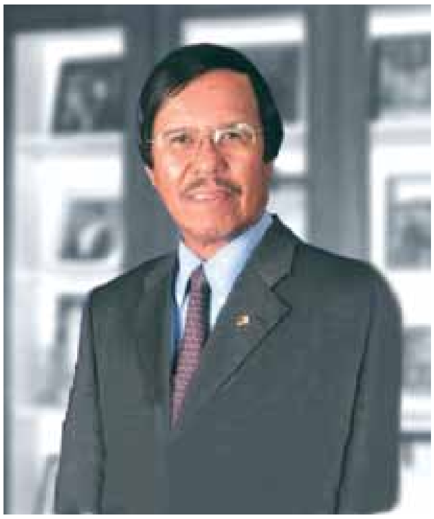
Directors' Profile (continued)

Encik Ali Bin Adai

Malaysian, male, aged 64, Independent Non-Executive Director. Encik Ali was appointed to the Board on 1 March 2020. He is the Chairman of the Nominating Committee. He holds a Bachelor of Arts from the University of Guelph, Canada.

He was employed with CIMB Bank Berhad as the Regional Director for East Malaysia (Sabah and Sarawak) until his retirement on 31 March 2013. He was responsible for managing 29 branches and for developing CIMB's Retail, Commercial and Enterprise Banking businesses in East Malaysia. He is an Independent Non-Executive Director of Sarawak Plantation Berhad and Dayang Enterprise Holdings Berhad.

He does not have any family relationship with any director and/or major shareholder of the Company, nor any conflict of interest with the Company. He has no convictions for any offences within the past five years. Since Encik Ali joined the Board on 1 March 2020, he attended none of the meetings of the Board of Directors held during the financial year.



Datu Dr Hatta Bin Solhi

Malaysian, male, aged 76, Independent Non-Executive Director. Datu Dr Hatta was appointed to the Board on 1 March 2020. He is a Member of the Remuneration Committee. He holds a Bachelor of Arts (Hons) in Political Science and Sociology from the Carleton University of Ottawa, Canada, a Master of Arts in Rural Social Development from the University of Reading, United Kingdom and a Doctorate in Political Science (Development Studies) from the University of Hawaii. He also attended Advanced Management Program Templeton College Oxford University in 1997.

He began his career in 1971 as a Rural Sociologist in the Department of Agriculture, Sarawak. From 1977 to 2001, he held various management positions including Director of the Malaysian Centre for Development Studies, Prime Minister's Department, Sarawak Branch, Deputy Director (Planning) in the Department, Sarawak, Director of the State Planning Unit, Chief Minister's Department, Director of Yayasan Sarawak and Deputy State Secretary of Sarawak. He retired from public service in 2001. He is currently a Chairman of Ceria Alliance Sdn Bhd and its group of companies and Unimas Holdings Sdn Bhd.

He does not have any family relationship with any director and/or major shareholder of the Company, nor any conflict of interest with the Company. He has no convictions for any offences within the past five years. Since Datu Dr Hatta joined the Board on 1 March 2020, he attended none of the meetings of the Board of Directors held during the financial year.

Profile of Senior Management

Ong Hui Lian *Finance Manager*

Malaysian, female, aged 55, was appointed as Finance Manager on 26 December 2009. Ms Ong graduated with Bachelor of Commerce from the University of Tasmania, Australia in 1990.

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

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

Grace Tie Sing Lin *Accountant*

Malaysian, female, aged 31, was appointed as an Accountant in 2017. Miss Grace graduated with Bachelor of Business (Accounting) from Swinburne University of Technology Sarawak Campus in 2011.

Miss Grace is a member of the Certified Practising Accountants Australia (CPA Australia) and a member of the Malaysian Institute of Accountants (MIA). She has more than 8 years of work experience in audit, tax and commercial fields.

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

Ir. Lim Tee *Factory General Manager*

Malaysian, male, aged 80, joined the Company since 1991. Ir. Lim Tee graduated with Bachelor of Science and Engineering from National Cheng Kung University, Taiwan. He has been involved in the battery manufacturing industry since 1966, working in various companies as Quality Manager and Works Manager.

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

Sustainability Statement

ABM Fujiya Berhad ("ABM Fujiya") is continuously committed to integrate sustainability into our working culture and business to ensure sustainable growth in the long run by considering the significant economic, environmental and social impacts.

ECONOMIC

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

Over the years, our management team had participated in a few large international exhibitions at Laos, Sri Lanka, India, Myanmar, Latin America, Indonesia, China and Cambodia to raise awareness of our brand overseas, to clarify any enquiries from by end users as well as to penetrate into wider markets.

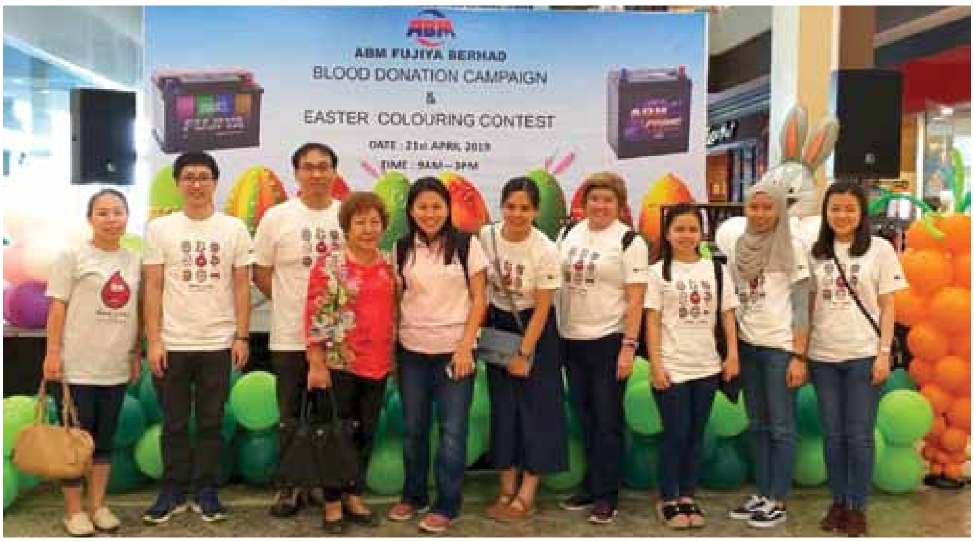
Our quality management system is in compliance with ISO 9001:2015.

ENVIRONMENT

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

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

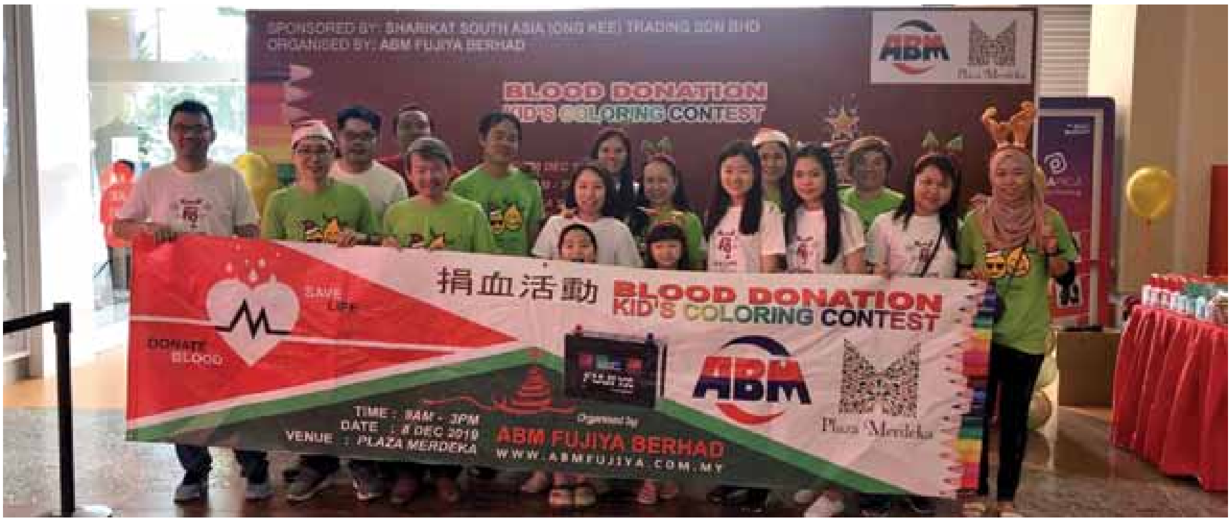
At ABM Fujiya, we are committed to protect the environment while running our day to day operations.



Sustainability Statement (continued)

COMMUNITY

In relation to our corporate social responsibility activities held in year 2019, ABM Fujiya succeeded in organising three blood donation campaigns cum colouring contests during the festivities such as Easter, Merdeka and Christmas; with the purpose of replenishing the blood supply for the blood bank of Sarawak General Hospital as well as instilling the interest in arts and creating awareness of festive celebrations among young children.



Sustainability Statement (continued)

EMPLOYEES AND WORKPLACE

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

ABM Fujiya organised a few classes of fitness training for the employees as a way of promoting a healthier lifestyle and encouraging more interaction across all the departments within the company.

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

Our core safety and health activities include the following briefings:
- Lead safety;
- Working near moving parts;
- Manual lifting; and
- Personal protective equipment usage.

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

Statement of Corporate Governance

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

The Board is pleased to share the manner in which the Principles of the Malaysian Code of Corporate Governance 2017 ("MCCG 2017") issued by the Securities Commission Malaysia has been applied within the Group and the extent to which the Group has complied with the Recommendations of the MCCG 2017 during the financial year ended 31 December 2019.

I. ESTABLISH CLEAR ROLES AND RESPONSIBILITIES

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

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

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

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

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

Board Charter

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

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

Statement of Corporate Governance (continued)

Directorships in Other Companies

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

Board Meetings and Access to Information

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

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

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

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

Five (5) Board meetings were held during the financial year ended 31 December 2019 and details of the attendance of each Director are as follows:

Name of Directors	Meetings Attended
Dato Sri Tay Ah Ching @ Tay Chin Kin	4/5
Dato' Tay Tze How	4/5
Dato' Tay Tze Poh	3/5
Puan Sri Corinne Bua Nyipa	4/5
Dato' Seri Ooi Teik Heng (1)	5/5
Wong Siaw Wei	5/5
Sim Chong Hong	5/5
Ali Bin Adai (2)	Not applicable
Datu Dr Hatta Bin Solhi (2)	Not applicable
Tay Siew Ling (3)	Not applicable

Note:

(1) Dato' Seri Ooi Teik Heng resigned as Independent Non-Executive Director on 1 March 2020.

(2) Encik Ali Bin Adai and Datu Dr Hatta Bin Solhi were appointed as Independent Non-Executive Directors on 1 March 2020.

(3) Ms Tay Siew Ling was appointed as Non-Independent Executive Director on 1 March 2020.

Statement of Corporate Governance (continued)

Board Meetings and Access to Information (continued)

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

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

Company Secretary

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

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

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

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

II. BOARD STRENGTH

Appointments

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

Re-election of Directors

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

Statement of Corporate Governance (continued)

Board Diversity Policy

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

As part of its commitment to enhance its diversity, including gender diversity, the Board is pleased to report that the Company has three (3) female Board members.

Board Committees

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

Audit Committee	• Wong Siaw Wei (Chairperson) • Sim Chong Hong • Puan Sri Corinne Bua Nyipa
Nominating Committee	• Dato' Seri Ooi Teik Heng (Chairperson) [(1)] • Puan Sri Corinne Bua Nyipa • Wong Siaw Wei • Sim Chong Hong • Ali Bin Adai [(2)]
Remuneration Committee	• Sim Chong Hong (Chairperson) • Dato' Seri Ooi Teik Heng [(1)] • Wong Siaw Wei • Datu Dr Hatta Bin Solhi [(3)]

Notes:

(1) Dato' Seri Ooi Teik Heng resigned as Chairperson of Nominating Committee and member of the Remuneration Committee on 1 March 2020.

(2) Encik Ali Bin Adai was appointed as the Chairperson of Nominating Committee on 1 March 2020.

(3) Datu Dar Hatta Bin Solhi was appointed as member of Remuneration Committee on 1 March 2020.

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

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

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

Statement of Corporate Governance (continued)

Meetings and Activities of the Board Committees

Audit Committee

The details of meetings and activities of the Audit Committee can be found in the Audit Committee Report on pages 28 to 30 of this Annual Report.

Nominating Committee

The Committee met twice during the financial year 2019 and the majority of the members of the Committee attended the meetings.

During the financial year 2019, the Committee has undertaken the following activities:-

i. Reviewed the proposed format of the Self-Assessment of individual Directors;
ii. Reviewed the composition of the Board and the Board Committees;
iii. Performed Annual Assessment of the Independent Directors; and
iv. Considered the timetable, process and methodology and outcome of the assessment of the Board of Directors, Board Committees and Directors' training for 2019.

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

Remuneration Committee

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

The Committee met once during the financial year 2019 and all members of the Committee attended the meeting.

Directors' Remuneration

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

The aggregate remuneration of Directors is as follows:

	Group		Company	
	2019 RM	**2018 RM**	**2019 RM**	**2018 RM**
Executive Directors' Remuneration:				
Salaries and other emoluments	**3,087,087**	2,974,250	**54,000**	52,000
Defined contribution plan - EPF	**155,277**	151,869	**–**	–
Estimated monetary value of benefits-in-kind	**25,072**	25,082	**–**	–
	3,267,436	3,151,201	**54,000**	52,000

Statement of Corporate Governance (continued)

Directors' Remuneration (continued)

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Non-executive Directors' Remuneration:				
Fees	**58,167**	64,000	**58,167**	64,000
Other emoluments	**6,300**	7,500	**6,300**	7,500
Estimated monetary value of benefits-in-kind	**–**	1,673	**–**	1,673
	64,467	73,173	**64,467**	73,173
Total Directors' remuneration:				
Total Directors' remuneration excluding benefits-in-kind	**3,306,831**	3,197,619	**118,467**	123,500
Estimated monetary value of benefits-in-kind	**25,072**	26,755	**–**	1,673
Total Directors' remuneration including benefits-in-kind	**3,331,903**	3,224,374	**118,467**	125,173

The details of the total remuneration of the directors on a named basis for the financial year ended 31 December 2019 are as follows:

	2019		2018	
Group	Directors' Fee RM	Other allowances (Note A)/ Salaries RM	Directors' Fee RM	Other allowances (Note A)/ Salaries RM
Dato Sri Tay Ah Ching @ Tay Chin Kin	**200,000**	**480,570**	200,000	480,519
Dato' Tay Tze How	**77,000**	**261,881**	76,000	261,826
Dato' Tay Tze Poh	**77,000**	**260,287**	76,000	259,684
Puan Sri Corinne Bua Nyipa	**13,000**	**1,300**	12,000	900
Datuk Haji Abang Abdul Wahap Bin Haji Abang Julai [(1)]	**2,167**	**–**	12,000	600
Dato' Seri Ooi Teik Heng [(2)]	**13,000**	**1,500**	12,000	1,500
Wong Siaw Wei	**17,000**	**2,000**	16,000	4,673
Sim Chong Hong	**13,000**	**1,500**	12,000	1,500
Liew Wee Sam	**228,000**	**136,318**	228,000	136,553
Tay Yoke Ling	**276,000**	**68,723**	276,000	68,723
Pauline Tay	**60,000**	**258,311**	60,000	204,976
Tay Siew Ling	**60,000**	**230,801**	60,000	230,801
Tay Tze Kok	**60,000**	**234,461**	–	234,410
Lim Tee	**58,800**	**32,226**	58,800	39,093
Datin Seri Sharipah Hishmah Binti Sayed Hassan	**4,000**	**–**	4,000	–
Kok Swee Ping	**120,000**	**83,058**	120,000	75,816

Statement of Corporate Governance (continued)

Directors' Remuneration (continued)

	2019		2018	
	Directors' Fee	Other allowances (Note A)/ Salaries	Directors' Fee	Other allowances (Note A)/ Salaries
Company	**RM**	**RM**	**RM**	**RM**
Dato Sri Tay Ah Ching @ Tay Chin Kin	**20,000**	**–**	20,000	–
Dato' Tay Tze How	**17,000**	**–**	16,000	–
Dato' Tay Tze Poh	**17,000**	**–**	16,000	–
Puan Sri Corinne Bua Nyipa	**13,000**	**1,300**	12,000	900
Datuk Haji Abang Abdul Wahap Bin Haji Abang Julai [(1)]	**2,167**	**–**	12,000	600
Dato' Seri Ooi Teik Heng [(2)]	**13,000**	**1,500**	12,000	1,500
Wong Siaw Wei	**17,000**	**2,000**	16,000	4,673
Sim Chong Hong	**13,000**	**1,500**	12,000	1,500

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

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

(2) Dato' Seri Ooi Teik Heng resigned as Independent Non-Executive Director on 1 March 2020.

III. BOARD BALANCE AND INDEPENDENCE

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

During the financial year ended 31 December 2019, the Directors individually complete a formal written assessment of the Board, its performance, composition and conduct. The Chairman collates the opinions and responses of Directors and tables the results for review, comment and recommendation by the Board.

The Board comprises four (4) Executive Directors and five (5) Independent Non- Executive Directors. The Board comprises a majority of Independent Non-Executive Directors, which is in line with the Recommendation of the MCCG 2017 and the MMLR that requires one-third (1/3) of Board members to be independent directors.

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

Statement of Corporate Governance (continued)

III. BOARD BALANCE AND INDEPENDENCE (continued)

The NC is established to regularly assess the independence of independent directors. The Independent Non-Executive Directors are also free from any business or related parties relationships that could materially interfere with independent judgment. Brief profile of each Director is presented from pages 8 to 12 of this Annual Report.

Save for Mr Sim Chong Hong, Encik Ali Bin Adai and Datu Dr Hatta Bin Solhi, all the other Independent Non-Executive Directors have served the Board for more than nine (9) years. The NC and Board have reviewed and considered the suitability of the two directors to continue to act as independent directors. The Company will be seeking shareholders' approval at the forthcoming Annual General Meeting.

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

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

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

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

IV. COMMITMENT OF THE BOARD

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

Training and Development of Directors

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

Save for Datu Dr Hatta Bin Solhi and Ms Tay Siew Ling, all Directors have completed the Mandatory Accreditation Programme ("MAP") required under the MMLR. They are also mindful that training is essential to all Directors and they should continue to update their skills and knowledge to effectively execute their duties.

Statement of Corporate Governance (continued)

Training and Development of Directors (continued)

Since the date of last report, the Directors attended the following training/courses:

Name of Directors	Description of Training	Date
Dato Sri Tay Ah Ching @ Tay Chin Kin	Malaysian Institute of Accountants - Tax Treatment on Interest Income, Interest Expenses and Rental Income - Latest Developments	20 February 2020
Dato' Tay Tze How	JK Tax Services Sdn Bhd - 10th Tricor - JK Tax Seminar 2019	28 October 2019
Dato' Tay Tze Poh	Malaysian Institute of Accountants - Tax Incentives - Latest Updates & Developments	21 June 2019
Puan Sri Corinne Bua Nyipa	KPMG PLT - Tax and Business Seminar 2019	5 November 2019
Dato' Seri Ooi Teik Heng (Resigned on 1 March 2020)	Maishince Capital Sdn Bhd - Basic Guide of Trading Cryptocurrency	24 December 2019
Wong Siaw Wei	Suruhanjaya Syarikat Malaysia - 2019 Company Secretaries Training Programmes KPMG PLT - Tax and Business & MFRS Updates 2019/2020 Seminar Malaysian Institute of Accountants - Tax Treatment on Interest Income, Interest Expenses and Rental Income - Latest Developments Malaysian Institute of Accountants - Valuation for Financial Reporting Purposes	15-16 October 2019 5 November 2019 20 February 2020 27-28 February 2020
Sim Chong Hong	Deloitte - Deloitte Tax Max - the 45th Series	13 November 2019

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

Financial Reporting

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

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

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

Statement of Corporate Governance (continued)

Risk Management and Internal Control

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

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

Relationship with External Auditors

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

The role of the Audit Committee in relation to the external auditors is found in the Audit Committee Report on pages 28 to 30 of this Annual Report. The Group has always maintained a close and transparent relationship with its external auditors in seeking professional advice and ensuring compliance with Malaysian Financial Reporting Standards, International Financial Reporting Standard, the requirements of the Companies Act 2016 in Malaysia and the MMLR.

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

For the audit of the financial statements of ABM Fujiya Berhad and its subsidiaries for the financial year ended 31 December 2019, the external auditors of the Group and of the Company have confirmed their independence in accordance with the terms of relevant professional and regulatory requirements.

VI. TIMELY AND HIGH QUALITY DISCLOSURE

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

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

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

Statement of Corporate Governance (continued)

VII. RELATIONSHIP WITH SHAREHOLDERS

1. Shareholders and Investor Relations

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

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

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

2. Annual General Meeting ("AGM")

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

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

3. Poll Voting

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

4. Whistle-Blowing

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

This Statement is issued in accordance with a resolution of the Board of Directors dated 18 May 2020.

Audit Committee Report

The Audit Committee ("The Committee") of ABM Fujiya Berhad is pleased to present the Audit Committee Report for the financial year ended 31 December 2019. This report has been approved by the Board's resolution dated 18 May 2020.

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

Committee Members	Designation
Wong Siaw Wei	Independent Non-Executive Director
Sim Chong Hong	Independent Non-Executive Director
Puan Sri Corinne Bua Nyipa	Independent Non-Executive Director

TERM OF REFERENCE OF AUDIT COMMITTEE

Membership

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

- At least one (1) member of the committee must be a member of the Malaysian Institute of Accountants or if he/she is not a member of the Malaysian Institute of Accountants, he/she must have at least three (3) years' working experience and must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act, 1967 or he/she must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967 or fulfills such other requirements as prescribed or approved by Bursa Malaysia Securities Berhad ("Bursa Malaysia").

- In the event of any vacancy resulting in the non-compliance of paragraph above, the Board shall within three (3) months of that event, appoint such number of new members required to fulfill the minimum requirement.

- The members of the Committee shall elect a Chairperson from among their number who shall be an independent non-executive director.

Quorum

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

Functions

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

- with external auditors, the audit plans, the scope of audit and the audit report;
- the assistance given by the Group's and the Company's employees to the internal and external auditors;
- the adequacy of the scope, functions and resources of the internal audit function and whether appropriate actions have been taken with respect to internal audit recommendations; and

Audit Committee Report (continued)

Functions (continued)

- the quarterly results and year-end financial statements, prior to the approval by the Board of Directors, focusing particularly on:
  a) changes in or implementation of major accounting policy;
  b) significant and unusual events; and
  c) compliance with accounting standards and other legal requirements.

- any related party transactions and conflict of interest situation that may arise within the Group and the Company including any transaction, procedure or course of conduct that raises questions of management integrity;
- the appointment or dismissal of the external auditors and their fees;
- recommendation of the nomination of a person or persons as external auditors;
- any letter of resignation from the external auditors of the Company; whether there is reason (supported by grounds) to believe that the external auditors of the Group and the Company are not suitable for re-appointment; and
- to perform other related duties as may be agreed by the Committee and the Board.

Authority

The Committee is authorised by the Board to:

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

MEMBERS AND ATTENDANCE OF MEETINGS

During the financial year ended 31 December 2019, the Committee has held five (5) meetings and the details of attendance of the meetings of the Committee are as follows:

Committee Members	Designation	Attendance
Wong Siaw Wei	Independent Non-Executive Director	5/5
Sim Chong Hong	Independent Non-Executive Director	5/5
Puan Sri Corinne Bua Nyipa	Independent Non-Executive Director	4/5

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

Audit Committee Report (continued)

SUMMARY OF AUDIT COMMITTEE'S ACTIVITIES

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

The Internal Audit Function

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

The External Audit Function

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

The Financial Results

- Reviewed quarterly unaudited financial results of the Group before recommendation to the Board for approval; and
- Reviewed audited financial statements for the financial year ended 31 December 2019 prior recommending to the Board for approval.

Related Parties Transactions

- Reviewed the related party transactions of the Group.

Risk Management

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

INTERNAL AUDIT FUNCTION

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

The cost amounting to RM36,000 was incurred in relation to the internal audit function for the financial year ended 31 December 2019.

Statement on Risk Management and Internal Control

Introduction

The Board of Directors of ABM Fujiya Berhad is pleased to present its Statement on Risk Management and Internal Control ("Statement") for the financial year ended 31 December 2019, in compliance with Paragraph 15.26 (b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. This Statement has been prepared in accordance with the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers. The Statement outlines the nature and state of the risk management and internal control of the Group during the financial year.

Responsibility

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

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

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

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

Risk Management and Internal Control Structure

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

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

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

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

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

Statement on Risk Management and Internal Control (continued)

Internal Audit Function

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

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

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

Conclusion

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

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

Review of Statement by the External Auditors

The external auditors have reviewed this Statement on Risk Management and Internal Control pursuant to the scope set out in Audit and Assurance Practice Guides ("AAPG") 3, Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report issued by the Malaysian Institute of Accountants ("MIA") for inclusion in the annual report of the Group for the year ended 31 December 2019, and reported to the Board that nothing has come to their attention that cause them to believe that the statement intended to be included in the annual report of the Group, in all material respects:

a) has not been prepared in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers, or
b) is factually inaccurate.

AAPG 3 does not require the external auditors to consider whether the Directors' Statement on Risk Management and Internal Control covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control system including the assessment and opinion by the Board of Directors and management thereon. The auditors are also not required to consider whether the processes described to deal with material internal control aspects of any significant problems disclosed in the annual report will, in fact, remedy the problems.

The statement is issued in accordance with a resolution of the Board of Directors dated 18 May 2020.

Statement of Directors' Responsibilities

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

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

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

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

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

Additional Compliance Information

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

Audit Fees

The amount of audit fees incurred for services rendered to the Company and the Group for the financial year ended 31 December 2019 by the Company’s external auditors, Messrs KPMG PLT amounted to RM22,000 and RM100,000 respectively.

Non-Audit Fees

The amount of non-audit fees incurred for services rendered to the Company and its subsidiaries for the financial year ended 31 December 2019 by the Company’s external auditors, Messrs KPMG PLT amounted to RM9,000 and there are also other fees in relation to services comprising tax compliance and advisory services incurred by a corporation affiliated to Messrs KPMG PLT.

Related Party Transactions

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

Material Contracts

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

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Directors' Report
for the year ended 31 December 2019

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2019.

Principal activities

The Company is principally engaged in investment holding activities. There has been no significant change in the nature of these activities during the financial year.

Ultimate holding company

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

Subsidiaries

The details of the Company's subsidiaries are disclosed in Note 6 to the financial statements.

Results

	Group RM	Company RM
Profit for the year attributable to owners of the Company	1,853,501	46,606

Reserves and provisions

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

Dividend

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

Directors of the Company

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

Dato Sri Tay Ah Ching @ Tay Chin Kin *
Dato' Tay Tze How *
Dato' Tay Tze Poh *
Puan Sri Corinne Bua Nyipa
Dato' Seri Ooi Teik Heng (resigned on 1 March 2020)
Wong Siaw Wei
Sim Chong Hong
Tay Siew Ling * (appointed on 1 March 2020)
Ali Bin Adai (appointed on 1 March 2020)
Datu Dr Hatta Bin Solhi (appointed on 1 March 2020)

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

Directors' Report (continued)

Directors of the Company (continued)

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

Datin Seri Sharipah Hishmah Binti Sayed Hassan
Kok Swee Ping
Liew Wee Sam
Lim Tee
Low Sang
Pauline Tay
Tay Yoke Ling
Tay Tze Kok
Thian Sui Kong (appointed on 13 May 2020)

Directors' interests in shares

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

	Number of ordinary shares			
Direct interests in the Company	**At 1.1.2019**	**Bought**	**Sold**	**At 31.12.2019**
Dato Sri Tay Ah Ching @ Tay Chin Kin	200,002	–	–	200,002
Dato' Tay Tze How	170,002	–	–	170,002
Dato' Tay Tze Poh	170,000	–	–	170,000
Puan Sri Corinne Bua Nyipa	171,300	–	–	171,300
Direct interests in the holding company, Kayatas Sdn. Bhd.				
Dato Sri Tay Ah Ching @ Tay Chin Kin	88,000	–	–	88,000
Dato' Tay Tze How	220,000	–	–	220,000
Dato' Tay Tze Poh	170,492	–	–	170,492
Deemed interests in the Company				
Dato Sri Tay Ah Ching @ Tay Chin Kin) Dato' Tay Tze How) Dato' Tay Tze Poh)	133,163,496	–	–	133,163,496

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

The other Directors holding office at 31 December 2019 did not have any interest in the shares and options over shares of the Company and of its related corporations during the financial year.

Directors' Report (continued)

Directors' benefits

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than those fees and other benefits included in the aggregate amount of remuneration received or due and receivable by Directors as shown in the financial statements or the fixed salary of a full time employee of the Company or of related corporations) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

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

Issue of shares and debentures

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

Options granted over unissued shares

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

Indemnity and insurance costs

During the financial year, there were neither indemnity given to nor insurance effected for Director, officer or auditors of the Company.

Other statutory information

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that:

i) all known bad debts have been written off and adequate provision made for doubtful debts, and

ii) any current assets which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected so to realise.

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

i) that would render the amount written off for bad debts or the amount of the provision for doubtful debts in the Group and in the Company inadequate to any substantial extent, or

ii) that would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading, or

Directors' Report (continued)

Other statutory information (continued)

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

iv) not otherwise dealt with in this report or the financial statements that would render any amount stated in the financial statements of the Group and of the Company misleading.

No contingent liability or other liability of any company in the Group has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

In the opinion of the Directors, the financial performance of the Group and of the Company for the financial year ended 31 December 2019 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

Event after the reporting period

Event after the reporting period is disclosed in Note 31 to the financial statements.

Auditors

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

The auditors' remuneration is disclosed in Note 20 to the financial statements.

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

Dato' Tay Tze How
Director

Dato' Tay Tze Poh
Director

Kuching,

Date: 18 May 2020

Statements of Financial Position
as at 31 December 2019

	Note	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
Assets					
Property, plant and equipment	3	**64,068,535**	88,307,896	**–**	–
Prepaid lease payment	4	**–**	3,853,598	**–**	–
Right-of-use assets	5	**24,559,872**	–	**–**	–
Investments in subsidiaries	6	**–**	–	**78,499,999**	78,499,999
Deferred tax assets	7	**31,000**	38,000	**–**	–
Total non-current assets		**88,659,407**	92,199,494	**78,499,999**	78,499,999
Inventories	8	**106,081,166**	107,346,351	**–**	–
Current tax assets		**1,714,501**	3,091,445	**–**	–
Trade and other receivables	9	**43,502,218**	41,287,553	**–**	–
Deposits and prepayments	10	**4,313,218**	1,724,566	**2,300**	2,400
Amount due from subsidiaries	11	**–**	–	**12,222,113**	12,177,083
Other investments	12	**1,049,519**	–	**–**	–
Cash and cash equivalents	13	**14,337,480**	9,835,303	**2,897**	2,521
Total current assets		**170,998,102**	163,285,218	**12,227,310**	12,182,004
Total assets		**259,657,509**	255,484,712	**90,727,309**	90,682,003
Equity					
Share capital	14.1	**92,023,644**	92,023,644	**92,023,644**	92,023,644
Merger reserve	14.2	**3,633,001**	3,633,001	**–**	–
Retained earnings/(Accumulated losses)		**64,325,964**	62,472,463	**(1,468,525)**	(1,515,131)
Total equity attributable to owners of the Company		**159,982,609**	158,129,108	**90,555,119**	90,508,513
Liabilities					
Loans and borrowings	15	**9,033,972**	12,398,266	**–**	–
Deferred tax liabilities	7	**5,761,322**	5,358,406	**–**	–
Lease liabilities		**28,497**	–	**–**	–
Total non-current liabilities		**14,823,791**	17,756,672	**–**	–
Loans and borrowings	15	**70,681,078**	74,702,391	**–**	–
Lease liabilities		**88,917**	–	**–**	–
Trade and other payables	16	**13,913,977**	4,735,730	**158,156**	159,166
Amount due to Directors	17	**45,333**	54,819	**–**	–
Amount due to a subsidiary	18	**–**	–	**784**	–
Current tax liabilities		**121,804**	105,992	**13,250**	14,324
Total current liabilities		**84,851,109**	79,598,932	**172,190**	173,490
Total liabilities		**99,674,900**	97,355,604	**172,190**	173,490
Total equity and liabilities		**259,657,509**	255,484,712	**90,727,309**	90,682,003

The notes on pages 47 to 93 are an integral part of these financial statements.

Statements of Profit or Loss and Other Comprehensive Income
for the year ended 31 December 2019

	Note	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
Revenue	19	**110,724,829**	112,027,488	**–**	–
Cost of sales		**(95,863,238)**	(97,375,864)	**–**	–
Gross profit		**14,861,591**	14,651,624	**–**	–
Other income		**1,584,597**	1,596,817	**–**	–
Administrative expenses		**(7,162,877)**	(6,780,814)	**(308,864)**	(220,837)
Distribution expenses		**(1,647,001)**	(1,705,113)	**–**	–
Net (loss)/gain on impairment of financial instruments		**(238,582)**	171,466	**(13,714)**	(4,443)
Other expenses		**–**	(71,020)	**–**	(40,199)
Results from operating activities	20	**7,397,728**	7,862,960	**(322,578)**	(265,479)
Finance income	21	**89,518**	55,433	**424,300**	421,683
Finance costs	21	**(4,393,775)**	(4,216,253)	**–**	–
Net finance (costs)/income		**(4,304,257)**	(4,160,820)	**424,300**	421,683
Profit before tax		**3,093,471**	3,702,140	**101,722**	156,204
Taxation	22	**(1,239,970)**	485,567	**(55,116)**	(63,995)
Profit/Total comprehensive income for the year attributable to owners of the Company		**1,853,501**	4,187,707	**46,606**	92,209
Basic and diluted earnings per ordinary share (Sen)	23	**1.03**	2.33		

The notes on pages 47 to 93 are an integral part of these financial statements.

Consolidated Statement of Changes in Equity
for the year ended 31 December 2019

Group	*Non-distributable* Share capital RM	Merger reserve RM	*Distributable* Retained earnings RM	Total RM
At 1 January 2018	92,023,644	3,643,000	58,274,757	153,941,401
Realisation of merger reserve	–	(9,999)	9,999	–
Profit/Total comprehensive income for the year	–	–	4,187,707	4,187,707
At 31 December 2018/1 January 2019	92,023,644	3,633,001	62,472,463	158,129,108
Profit/Total comprehensive income for the year	–	–	1,853,501	1,853,501
At 31 December 2019	**92,023,644**	**3,633,001**	**64,325,964**	**159,982,609**
	(Note 14.1)	(Note 14.2)		

Statement of Changes in Equity
for the year ended 31 December 2019

Company	*Non-distributable* Share capital RM	Accumulated losses RM	Total RM
At 1 January 2018	92,023,644	(1,607,340)	90,416,304
Profit/Total comprehensive income for the year	–	92,209	92,209
At 31 December 2018/1 January 2019	92,023,644	(1,515,131)	90,508,513
Profit/Total comprehensive income for the year	–	46,606	46,606
At 31 December 2019	**92,023,644**	**(1,468,525)**	**90,555,119**
	(Note 14.1)		

Statements of Cash Flows

for the year ended 31 December 2019

	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
Cash flows from operating activities				
Profit before tax	**3,093,471**	3,702,140	**101,722**	156,204
Adjustments for:				
Net impairment loss/(reversal of on impairment loss) financial assets (Note 20)	**238,582**	(171,466)	**13,714**	4,443
Amortisation of prepaid lease payments (Note 4)	**–**	228,954	**–**	–
Depreciation of right-of-use assets (Note 5)	**695,594**	–	**–**	–
Depreciation of property, plant and equipment (Note 3)	**8,604,555**	9,551,430	**–**	–
Bad dets written off	**1,360**	–	**–**	–
Property, plant and equipment written off	**–**	14	**–**	–
Deposit written off	**–**	68,572	**–**	–
Finance costs (Note 21)	**4,393,775**	4,216,253	**–**	–
Finance income (Note 21)	**(89,518)**	(55,433)	**(424,300)**	(421,683)
Unrealised foreign exchange loss (Note 20)	**62,539**	114,106	**–**	–
Write-off of investment in a subsidiary	**–**	–	**–**	1
Waiver of debts from a subsidiary	**–**	–	**–**	37,750
Operating profit/(loss) before changes in working capital	**17,000,358**	17,654,570	**(308,864)**	(223,285)
Changes in working capital:				
Inventories	**1,265,185**	(11,071,447)	**–**	–
Trade and other receivables, deposits and prepayments*	**(5,056,766)**	(299,785)	**100**	(300)
Trade and other payables*	**9,324,375**	(6,141,018)	**(226)**	(50,893)
Amount due to Directors	**(9,486)**	(148,961)	**–**	–
Cash generated from/(used in) operations	**22,523,666**	(6,641)	**(308,990)**	(274,478)
Net income tax refund/(paid)	**562,702**	(1,564,716)	**(56,190)**	(64,006)
Interest received	**89,518**	55,433	**–**	–
Interest paid	**(3,080,330)**	(3,080,795)	**–**	–
Net cash from/(used in) operating activities	**20,095,556**	(4,596,719)	**(365,180)**	(338,484)
Cash flows from investing activities				
Acquisition of property, plant and equipment [Note (ii)]	**(5,563,220)**	(6,828,143)	**–**	–
Placement of fixed deposits with original maturities exceeding three months	**(1,049,519)**	–	**–**	–
Net cash used in investing activities	**(6,612,739)**	(6,828,143)	**–**	–

Statements of Cash Flows
for the year ended 31 December 2019 (continued)

	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
Cash flows from financing activities				
Repayment from subsidiaries	**–**	–	**365,556**	323,473
Net (repayment)/drawdown of loans and borrowings	**(7,456,180)**	13,520,074	**–**	–
Net repayment of finance lease liabilities	**–**	(78,910)	**–**	–
Net repayment of hire purchase financing	**(2,234)**	–	**–**	–
Interest paid	**(1,313,445)**	(1,135,458)	**–**	–
Payment of lease liabilities	**(88,844)**	–	**–**	–
Net cash (used in)/from financing activities	**(8,860,703)**	12,305,706	**365,556**	323,473
Net increase/(decrease) in cash and cash equivalents	**4,622,114**	880,844	**376**	(15,011)
Effect of exchange rate fluctuations on cash held	**(195,160)**	(112,767)	**–**	–
Cash and cash equivalents at beginning of year	**(12,736,560)**	(13,504,637)	**2,521**	17,532
Cash and cash equivalents at end of year [Note (iii)]	**(8,309,606)**	(12,736,560)	**2,897**	2,521

* *Net of unrealised foreign exchange differences.*

Notes:

(i) Cash outflow for leases as a lessee	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
Included in net cash from operating activities:				
Interest paid in relation to leases liabilities	**11,177**	–	**–**	–
Included in net cash from financing activities:				
Payment of lease liabilities	**88,844**	–	**–**	–
Total cash outflows for leases	**100,021**	–	**–**	–

(ii) Acquisition of property, plant and equipment

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

	Group 2019 RM	Group 2018 RM
Paid in cash	**5,563,220**	6,828,143
Finance leases	**–**	60,000
Hire purchase financing	**150,000**	–
Total (see Note 3)	**5,713,220**	6,888,143

Statements of Cash Flows
for the year ended 31 December 2019 (continued)

Notes: (continued)

(iii) Cash and cash equivalents

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

	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
Cash and bank balances (Note 13)	**13,134,673**	9,835,303	**2,897**	2,521
Fixed deposits with original maturities not exceeding three months (Note 13)	**1,202,807**	–	**–**	–
Bank overdrafts (Note 15)	**(22,647,086)**	(22,571,863)	**–**	–
Cash and cash equivalents	**(8,309,606)**	(12,736,560)	**2,897**	2,521

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

Group	At 1.1.2018 RM	Net changes from financing cash flows RM	Acquisition of new lease RM	At 31.12.2018 RM	Adjustment on initial application of MRFS 16 RM	At 1.1.2019 RM	Net changes from financing cash flows RM	Acquisition of new lease RM	At 31.12.2019 RM
Term loans – secured	16,714,344	355,034	–	17,069,378	–	17,069,378	(302,180)	–	**16,767,198**
Finance lease liabilities	171,326	(78,910)	60,000	152,416	(152,416)	–	–	–	**–**
Lease liabilities	–	–	–	–	206,258	206,258	(88,844)	–	**117,414**
Hire purchase financing	–	–	–	–	–	–	(2,234)	150,000	**147,766**
Revolving credit – secured	10,000,000	–	–	10,000,000	–	10,000,000	–	–	**10,000,000**
Bankers' acceptance	24,141,960	13,165,040	–	37,307,000	–	37,307,000	(7,154,000)	–	**30,153,000**
Total liabilities from financing activities	51,027,630	13,441,164	60,000	64,528,794	53,842	64,582,636	(7,547,258)	150,000	**57,185,378**

The notes on pages 47 to 93 are an integral part of these financial statements.

Notes to the Financial Statements
– 31 December 2019

ABM Fujiya Berhad is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad. The address of the principal place of business and registered office of the Company is Lot 2224, Section 66, Lorong Pangkalan, Off Jalan Pangkalan, Pending Industrial Estate, 93450 Kuching, Sarawak.

The consolidated financial statements of the Company as at and for the financial year ended 31 December 2019 comprise the Company and its subsidiaries (together referred to as the "Group" and individually referred to as "Group entities"). The financial statements of the Company as at and for the financial year ended 31 December 2019 do not include other entities.

The Company is principally engaged in investment holding activities. The principal activities of the subsidiaries are stated in Note 6 to the financial statements.

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

These financial statements were authorised for issue by the Board of Directors on 18 May 2020.

1. Basis of preparation

(a) Statement of compliance

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

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

MFRS/Amendment/Interpretation	Effective date
Amendments to MFRS 3, *Business Combinations - Definition of a Business*	1 January 2020
Amendments to MFRS 101, *Presentation of Financial Statements* and MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Material*	1 January 2020
Amendments to MFRS 4, *Business Combination - Definition of Business*	1 January 2020
MFRS 17, *Insurance Contracts*	1 January 2021
Amendments to MFRS 101, *Presentation of Financial Statements - Classification of Liabilities as Current or Non-current*	1 January 2022
Amendments to MFRS 10, *Consolidated Financial Statements* and MFRS 128, *Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	To be determined

The Group and the Company plan to apply the abovementioned accounting standards, amendments and interpretations:

- from the annual period beginning on 1 January 2020 for those amendments, that are effective for annual periods beginning on or after 1 January 2020.

Notes to the Financial Statements – 31 December 2019 (continued)

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

- from the annual period beginning on 1 January 2022 for the amendment that is effective for annual periods beginning on or after 1 January 2022.

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

The initial application of the accounting standards, amendments or interpretations are not expected to have any material financial impacts to the current period and prior period financial statements of the Group and of the Company.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis other than as disclosed in Note 2.

(c) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional currency.

(d) Use of estimates and judgements

The preparation of the financial statements in conformity with MFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements, other than those disclosed in the following notes:

- Notes 3 and 5, impairment assessment of property, plant and equipment and right-of-use assets;
- Note 9, assessment of recoverability on trade receivables.

2. Significant accounting policies

The accounting policies set out below have been applied consistently to the periods presented in these financial statements and have been applied consistently by Group entities, unless otherwise stated.

Arising from the adoption of MFRS 16, Leases, there are changes to the accounting policies applied to lease contracts entered into by the Group entities as compared to those applied in previous financial statements. The impacts arising from the changes are disclosed in Note 32.

Notes to the Financial Statements – 31 December 2019 (continued)

2. Significant accounting policies (continued)

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities, including structured entities, controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also considers it has *de facto* power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

Investments in subsidiaries are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investment includes transaction costs.

(ii) Transactions eliminated on consolidation

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

(b) Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated to the functional currency at the exchange rate at that date.

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

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

(c) Financial instruments

(i) Recognition and initial measurement

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

Notes to the Financial Statements – 31 December 2019 (continued)

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

(i) Recognition and initial measurement (continued)

A financial asset (unless it is a trade receivable without significant financing component) or a financial liability is initially measured at fair value plus or minus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issuance. A trade receivable without a significant financing component is initially measured at the transaction price.

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

(ii) Financial instrument categories and subsequent measurement

Financial assets

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

Amortised cost

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

Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets [see Note 2(h)(i)] where the effective interest rate is applied to the amortised cost.

Financial assets categorised as amortised costs are subject to impairment assessment [see Note 2(h)(i)].

Financial liabilities

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

Notes to the Financial Statements – 31 December 2019 (continued)

2. **Significant accounting policies** (continued)

(c) **Financial instruments** (continued)

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

Amortised cost

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

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

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

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

Trade date accounting refers to:

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

Settlement date accounting refers to:

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

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

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

(iv) ***Derecognition***

A financial asset or part of it is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire or transferred, or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount of the financial asset and the sum of consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

(v) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group or the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and liability simultaneously.

(d) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less any accumulated depreciation and any accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. Cost also may include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and is recognised net within “other income” and “other expenses” respectively in profit or loss.

(ii) Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group or the Company, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised to profit or loss. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

Notes to the Financial Statements – 31 December 2019 (continued)

2. Significant accounting policies (continued)

(d) Property, plant and equipment (continued)

(iii) Depreciation (continued)

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment from the date that they are available for use. Assets under construction are not depreciated until the assets are ready for their intended use.

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

Buildings	24, 35, 50 years
Plant and machinery	5 and 10 years
Tools and equipment	8 years
Furniture and fittings	5, 8, 10 and 12 years
Motor vehicles	5 and 10 years
Renovation	10 years

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

(e) Leases

The Group has applied MFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised as an adjustment to retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 has not been restated – i.e. it is presented, as previously reported under MFRS 117, *Leases* and related interpretations.

Current financial year

(i) Definition of lease

A contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified assets, the Group assesses whether:

- The contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- The customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- The customer has the right to direct the use of the asset. The customer has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used in predetermined, the customer has the right to direct the use of the asset if either the customer has the right to operate the asset; or the customer designed the asset in a way that predetermines how and for what purpose it will be used.

Notes to the Financial Statements – 31 December 2019 (continued)

2. Significant accounting policies (continued)

(e) Leases (continued)

Current financial year (continued)

(i) Definition of lease (continued)

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which the Group is a lessee, it has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

(ii) Recognition and initial measurement

(a) As a lessee

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

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the respective Group entitites incremental borrowing rate. Generally, the Group entities use their incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- Fixed payments, including in-substance fixed payments less any incentives receivable;
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable under a residual value guarantee;
- The exercise price under a purchase option that the Group is reasonably certain to exercise; and
- Penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The Group excludes variable lease payments that linked to future performance or usage of the underlying asset from the lease liability. Instead, these payments are recognised in profit or loss in the period in which the performance or use occurs.

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Notes to the Financial Statements – 31 December 2019 (continued)

2. Significant accounting policies (continued)

(e) Leases (continued)

Current financial year (continued)

(ii) Recognition and initial measurement (continued)

(b) As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating leases.

If an arrangement contains lease and non-lease components, the Group allies MFRS 15 to allocate the consideration in the contract based on the stand-alone selling prices.

The Group recognises assets held under a finance lease in its statement of financial position and presents them as a receivable at an amount equal to the net investment in the lease. The Group uses the interest rate implicit in the lease to measure the net investment in the lease.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sublease separately. It assesses the lease classification of a sublease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-tem lease to which the group applies the exemption described above, then it classifies the sublease as an operating lease.

(iii) Subsequent measurement

(a) As a lessee

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a revision of in-substance fixed lease payments, or if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Notes to the Financial Statements – 31 December 2019 (continued)

2. Significant accounting policies (continued)

(e) Leases (continued)

Current financial year (continued)

(iii) Subsequent measurement (continued)

(b) As a lessor

The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of "other income".

The Group recognises finance income over the lease term, based on a pattern reflecting a constant periodic rate of return on the Group's net investment in the lease. The Group aims to allocate finance income over the lease term on a systematic and rational basis. The Group applies the lease payments relating to the period against the gross investment in the lease to reduce both the principal and the unearned finance income. The net investment in the lease is subject to impairment requirements in MFRS 9, *Financial Instruments* [see note 2(h)(i)].

Previous financial year

As a lessee

(i) Finance lease

Leases in terms of which the Group or the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

Leasehold land which in substance is a finance lease is classified as property, plant and equipment, or as investment property if held to earn rental income or for capital appreciation or for both.

(ii) Operating lease

Leases, where the Group or the Company does not assume substantially all the risks and rewards of ownership are classified as operating leases and, except for property interest held under operating lease, the leased assets are not recognised on the statement of financial position. Property interest held under an operating lease, which is held to earn rental income or for capital appreciation or both, is classified as investment property and measured using fair value model.

Notes to the Financial Statements – 31 December 2019 (continued)

2. Significant accounting policies (continued)

(e) Leases (continued)

Previous financial year (continued)

As a lessee (continued)

(ii) Operating lease (continued)

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

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

(f) Inventories

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

The cost of inventories is calculated using the weighted average cost formula, except that for raw materials which is measured based on first-in first-out formula. The cost of inventories includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of work-in-progress and manufactured inventories, cost includes an appropriate share of production overheads based on normal operating capacity.

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

(g) Cash and cash equivalents

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

(h) Impairment

(i) Financial assets

The Group and the Company recognise loss allowances for expected credit losses on financial assets measured at amortised cost, debt investments measured at fair value through other comprehensive income, contract assets and lease receivables. Expected credit losses are a probability-weighted estimate of credit losses.

The Group and the Company measure loss allowances at an amount equal to lifetime expected credit loss, except for debt securities that are determined to have low credit risk at the reporting date, cash and bank balance and other debt securities for which credit risk has not increased significantly since initial recognition, which are measured at 12-month expected credit loss. Loss allowances for trade receivables, contract assets and lease receivables are always measured at an amount equal to lifetime expected credit loss.

Notes to the Financial Statements – 31 December 2019 (continued)

2. Significant accounting policies (continued)

(h) Impairment (continued)

(i) Financial assets (continued)

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit loss, the Group and the Company consider reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information, where available.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of the asset, while 12-month expected credit losses are the portion of expected credit losses that result from default events that are possible within the 12 months after the reporting date. The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Group and the Company are exposed to credit risk.

The Group and the Company estimate the expected credit losses on trade receivables using a provision matrix with reference to historical credit loss experience.

An impairment loss in respect of financial assets measured at amortised cost is recognised in profit or loss and the carrying amount of the asset is reduced through the use of an allowance account.

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

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

The gross carrying amount of a financial asset is written off (either partially or full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group or the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's or the Company's procedures for recovery amounts due.

(ii) Other assets

The carrying amounts of other assets (except for inventories and deferred tax asset) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

Notes to the Financial Statements – 31 December 2019 (continued)

2. Significant accounting policies (continued)

(h) Impairment (continued)

(ii) Other assets (continued)

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units. Subject to an operating segment ceiling test, for the purpose of goodwill impairment testing, cash-generating units to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to a cash-generating unit or a group of cash-generating units that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (group of cash-generating units) and then to reduce the carrying amounts of the other assets in the cash-generating unit (groups of cash-generating units) on a *pro rata* basis.

Impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the financial year in which the reversals are recognised.

(i) Ordinary shares

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

(j) Employee benefits

(i) Short-term employee benefits

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

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Notes to the Financial Statements – 31 December 2019 (continued)

2. Significant accounting policies (continued)

(j) Employee benefits (continued)

(ii) State plans

The Group's contributions to statutory pension funds are charged to profit or loss in the financial year to which they relate. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

(k) Revenue and other income

(i) Revenue

Revenue is measured based on the consideration specified in a contract with a customer in exchange for transferring goods or services to a customer, excluding amounts collected on behalf of third parties. The Group or the Company recognises revenue when (or as) it transfers control over a product or service to customer. An asset is transferred when (or as) the customer obtains control of the asset.

The Group or the Company transfers control of a good or service at a point in time unless one of the following overtime criteria is met:

(a) the customer simultaneously receives and consumes the benefits provided as the Group or the Company performs;
(b) the Group's or the Company's performance creates or enhances an assets that the customer controls as the asset is created or enhanced; or
(c) the Group's or the Company's performance does not create an asset with an alternative use and the Company has an enforceable right to payment for performance completed to date.

(ii) Rental income

Rental income is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease. Rental income from sub-leased property is recognised as "other income".

(iii) Interest income

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

(l) Borrowing costs

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

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

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

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

Notes to the Financial Statements – 31 December 2019 (continued)

2. Significant accounting policies (continued)

(m) Income tax

Tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are not discounted.

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

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

Unutilised reinvestment allowance, being tax incentives that is not a tax base of an asset, is recognised as a deferred tax asset to the extent that it is probable that the future taxable profits will be available against which the unutilised tax incentive can be utilised.

(n) Earnings per ordinary share

The Group presents basic and diluted earnings per share data for its ordinary shares (“EPS”).

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

Notes to the Financial Statements – 31 December 2019 (continued)

2. Significant accounting policies (continued)

(o) Operating segments

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

(p) Contingent liabilities

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is not recognised in the statements of financial position and is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(q) Fair value measurements

Fair value of an asset or a liability, except for lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

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

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair value are categorised into different levels in a fair value hierarchy based on the input used in the valuation techniques as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: unobservable inputs for the asset or liability.

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

Notes to the Financial Statements – 31 December 2019 (continued)

3. Property, plant and equipment

Group	Long-term leasehold land (unexpired lease period of more than 50 years) RM	Short-term leasehold land (unexpired lease period of less than 50 years) RM	Buildings RM	Plant and machinery RM	Tools and equipment RM	Furniture and fittings RM	Motor vehicles RM	Renovation RM	Assets under construction RM	Total RM
Cost										
At 1 January 2018	20,323,483	4,419,863	31,855,137	94,139,545	952,574	1,116,903	1,071,476	1,329,753	5,668,718	160,877,452
Additions	–	–	–	6,331,908	58,260	30,490	180,200	287,285	–	6,888,143
Write-offs	–	–	–	–	–	(53,832)	–	–	–	(53,832)
Transfers	–	–	–	5,410,902	–	–	–	181,284	(5,592,186)	–
At 31 December 2018, *as previously reported*	20,323,483	4,419,863	31,855,137	105,882,355	1,010,834	1,093,561	1,251,676	1,798,322	76,532	167,711,763
Reclassification on initial application of MFRS 16	(20,323,483)	(4,419,863)	–	–	–	–	(623,394)	–	–	(25,366,740)
At 1 January 2019, *as restated*	–	–	31,855,137	105,882,355	1,010,834	1,093,561	628,282	1,798,322	76,532	142,345,023
Additions	–	–	–	5,340,705	–	25,773	204,000	97,990	44,752	5,713,220
At 31 December 2019	**–**	**–**	**31,855,137**	**111,223,060**	**1,010,834**	**1,119,334**	**832,282**	**1,896,312**	**121,284**	**148,058,243**
Depreciation										
At 1 January 2018	2,428,603	843,438	5,462,620	58,521,065	652,371	614,245	837,214	546,699	–	69,906,255
Depreciation for the year (Note 20)	303,575	68,866	728,531	8,006,874	71,393	81,749	106,251	184,191	–	9,551,430
Write-offs	–	–	–	–	–	(53,818)	–	–	–	(53,818)
At 31 December 2018, *as previously reported*	2,732,178	912,304	6,191,151	66,527,939	723,764	642,176	943,465	730,890	–	79,403,867
Reclassification on initial application of MFRS 16	(2,732,178)	(912,304)	–	–	–	–	(374,232)	–	–	(4,018,714)
At 1 January 2019, *as restated*	–	–	6,191,151	66,527,939	723,764	642,176	569,233	730,890	–	75,385,153
Depreciation for the year (Note 20)	–	–	734,488	7,475,690	68,286	74,540	61,441	190,110	–	8,604,555
At 31 December 2019	**–**	**–**	**6,925,639**	**74,003,629**	**792,050**	**716,716**	**630,674**	**921,000**	**–**	**83,989,708**
Carrying amounts										
At 31 December 2018	17,591,305	3,507,559	25,663,986	39,354,416	287,070	451,385	308,211	1,067,432	76,532	88,307,896
At 31 December 2019	**–**	**–**	**24,929,498**	**37,219,431**	**218,784**	**402,618**	**201,608**	**975,312**	**121,284**	**64,068,535**

Notes to the Financial Statements – 31 December 2019 (continued)

3. Property, plant and equipment (continued)

3.1 Motor vehicles under hire purchase financing and finance lease

At the end of the financial year, the net carrying amount of motor vehicles under hire purchase financing and finance lease is RM181,883 (2018: RM249,162).

3.2 Security

Certain motor vehicles are charged to secure the hire purchase financing and finance lease liabilities of the Group (see Note 15.1).

The land and buildings of the Group are charged to secure banking facilities granted to certain Group entities. In addition, a debenture incorporating fixed and floating charges has been created over all assets (including property, plant and equipment, right-of-use-assets and prepaid lease payments) of certain Group entities to secure the banking facilities granted thereto (see Note 15.1).

3.3 Land

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

3.4 Impairment assessment of property, plant and equipment

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

(a) Cash flows were projected based on average selling price, sales volume and average unit cost by considering the accuracy of the Group's past forecasts, current and future industry situation.

(b) A pre-tax discount rate of 12% was applied in discounting the projected cash flows to its net present value.

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

4. Prepaid lease payment

Group	**Short-term leasehold land (unexpired lease period of less than 50 years) RM**
Cost	
At 1 January 2018 and 31 December 2018/1 January 2019	5,914,184
Reclassification on initial application of MFRS 16	(5,914,184)
Adjusted balance at 1 January 2019 and at 31 December 2019	–

Notes to the Financial Statements – 31 December 2019 (continued)

4. Prepaid lease payments (continued)

Group (continued)	**Short-term leasehold land (unexpired lease period of less than 50 years) RM**
Amortisation	
At 1 January 2018	1,831,632
Amortisation for the year (Note 20)	228,954
At 31 December 2018/1 January 2019	2,060,586
Reclassification on initial application of MFRS 16	(2,060,586)
Adjusted balance at 1 January 2019 and at 31 December 2019	–
Carrying amounts	
At 31 December 2018	**3,853,598**
At 31 December 2019	–

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

The land has been charged to secure banking facilities granted to the Group (see Note 15.1).

5. Right-of-use assets

	Land RM	**Buildings RM**	**Motor vehicles RM**	**Total RM**
Cost				
At 1 January 2018 and 31 December 2018	–	–	–	–
Reclassification on initial application of MFRS 16	30,657,530	–	623,394	31,280,924
Recognition on initial application of MFRS 16	–	53,842	–	53,842
Adjusted balance at 1 January 2019 and at 31 December 2019	**30,657,530**	**53,842**	**623,394**	**31,334,766**
Depreciation				
At 1 January 2018 and 31 December 2018	–	–	–	–
Reclassification on initial application of MFRS 16	5,705,068	–	374,232	6,079,300
Adjusted balance at 1 January 2019	5,705,068	–	374,232	6,079,300
Depreciation for the financial year (Note 20)	601,395	26,920	67,279	695,594
At 31 December 2019	**6,306,463**	**26,920**	**441,511**	**6,774,894**
Carrying amounts				
At 31 December 2018	–	–	–	–
At 31 December 2019	**24,351,067**	**26,922**	**181,883**	**24,559,872**

Notes to the Financial Statements – 31 December 2019 (continued)

5. Right-of-use assets (continued)

The lease period of 33 parcels of leasehold land expire in the years 2027, 2035, 2037, 2038, 2053, 2054, 2071, 2795 and 2817.

The land has been charged to secure banking facilities granted to certain Group entities (see Note 15.1).

5.1 Judgements and assumptions in relation to leases

The Group assesses at lease commencement by applying judgement whether it is reasonably certain to exercise the extension options. The Group considers all facts and circumstances including its past practice and any cost that will be incurred to change the asset if an option to extend is not taken, to help the Group determine the lease term. As at reporting date, there is no lease with extension options.

The Group also applied judgement and assumptions in determining the incremental borrowing rate of the respective leases. The Group first determine the closest available borrowing rates before using significant judgement to determine the adjustments required to reflect the term, security, value or economic environment of the respective leases.

5.2 Impairment assessment of right-of-use assets

During the financial year under review, the Group has estimated whether the right-of-use assets are stated in excess of their recoverable amounts, an exercise that entails by virtue of the current economic condition, a significant degree of estimation uncertainty and judgment. The Group has applied fair value less cost to sell method in estimating the recoverable amount of the land.

The Group has concluded since the estimated recoverable amount of the right-of-use assets is higher than its carrying amount, no impairment is necessary.

6. Investments in subsidiaries

	Company	
	2019 RM	**2018 RM**
Unquoted shares, at cost	**78,499,999**	78,499,999

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

Direct subsidiaries

Name of entity	Principal place of business	Principal activities	Effective ownership interest and voting interest 2019 %	2018 %
Amalgamated Batteries Manufacturing (Sarawak) Sdn. Bhd.	Malaysia	Manufacture and sale of automotive batteries	**100.00**	100.00
Amalgamated Batteries Corporation Sdn. Bhd.	Malaysia	Dormant	**100.00**	100.00

Notes to the Financial Statements – 31 December 2019 (continued)

6. Investments in subsidiaries (continued)

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

Name of entity	Principal place of business	Principal activities	Effective ownership interest and voting interest 2019 %	2018 %
Amalgamated Batteries Marketing (Sarawak) Sdn. Bhd.	Malaysia	Retailing of automotive batteries	**100.00**	100.00
Auto Industries Batteries (East Malaysia) Sdn. Bhd.	Malaysia	Dealer of batteries and lubricants	**100.00**	100.00
Fuya Energy Sdn. Bhd.	Malaysia	Dormant	**100.00**	–

7. Deferred tax assets/(liabilities)

7.1 Recognised deferred tax assets/(liabilities)

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

Group	Assets 2019 RM	2018 RM	Liabilities 2019 RM	2018 RM	Net 2019 RM	2018 RM
Property, plant and equipment	**–**	–	**(8,892,750)**	(8,695,300)	**(8,892,750)**	(8,695,300)
Inventories	**132,428**	106,344	**–**	–	**132,428**	106,344
Trade and other receivables	**183,000**	163,000	**–**	–	**183,000**	163,000
Trade and other payables	**4,000**	–	**–**	(3,000)	**4,000**	(3,000)
Unutilised reinvestment allowance	**2,843,000**	3,108,550	**–**	–	**2,843,000**	3,108,550
Tax assets/(liabilities)	**3,162,428**	3,377,894	**(8,892,750)**	(8,698,300)	**(5,730,322)**	(5,320,406)
Set off of tax	**(3,131,428)**	(3,339,894)	**3,131,428**	3,339,894	**–**	–
Net tax assets/(liabilities)	**31,000**	38,000	**(5,761,322)**	(5,358,406)	**(5,730,322)**	(5,320,406)

Notes to the Financial Statements – 31 December 2019 (continued)

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

7.2 Movement in temporary differences during the year

Group	At 1.1.2018 RM	Recognised in profit RM	At 31.12.2018/ 1.1.2019 RM	Recognised in profit or loss RM	At 31.12.2019 RM
Property, plant and equipment	(8,344,000)	(351,300)	(8,695,300)	(197,450)	**(8,892,750)**
Inventories	138,102	(31,758)	106,344	26,084	**132,428**
Trade and other receivables	172,617	(9,617)	163,000	20,000	**183,000**
Trade and other payables	(66,000)	63,000	(3,000)	7,000	**4,000**
Unutilised reinvestment allowance	1,544,000	1,564,550	3,108,550	(265,550)	**2,843,000**
Net tax assets/(liabilities)	(6,555,281)	1,234,875	(5,320,406)	(409,916)	**(5,730,322)**
		(Note 22)		(Note 22)	

Unutilised reinvestment allowance expires in year assessment ("YA") 2025 under current tax legislation.

8. Inventories

	Group 2019 RM	Group 2018 RM
Raw materials	**16,798,334**	21,108,389
Work-in-progress	**58,443,896**	56,619,809
Manufactured inventories	**28,448,113**	28,897,415
Trading goods	**844,416**	302,145
Goods in transit	**1,546,407**	418,593
	106,081,166	107,346,351
Recognised in profit or loss:		
Inventories recognised as part of cost of sales	**76,108,490**	76,318,228

9. Trade and other receivables

	Note	Group 2019 RM	Group 2018 RM
Trade			
Trade receivables	9.1	**43,708,473**	40,548,737
Allowance for impairment losses		**(814,763)**	(576,181)
		42,893,710	39,972,556

Notes to the Financial Statements – 31 December 2019 (continued)

9. Trade and other receivables (continued)

	Note	Group 2019 RM	Group 2018 RM
Non-trade			
Other receivables		**235,703**	53,937
GST receivable		**372,805**	1,261,060
		608,508	1,314,997
Total		**43,502,218**	41,287,553

9.1 Assessment of recoverability on trade receivables

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

10. Deposits and prepayments

	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
Deposits	**4,002,460**	1,406,041	**2,300**	2,400
Prepayments	**310,758**	318,525	**–**	–
	4,313,218	1,724,566	**2,300**	2,400

Included in the deposits is an amount of RM3,930,970 (2018: RM1,322,927) being advances paid for the purchase of machinery and spare parts.

11. Amount due from subsidiaries - Company

Amount due from subsidiaries is non-trade in nature, unsecured, has no fixed terms of repayment and subjected to interest at 3.50% (2018: 3.50%) per annum.

12. Other investments

	Group 2019 RM	Group 2018 RM
Fixed deposits with original maturities exceeding three months	**1,049,519**	–

Notes to the Financial Statements – 31 December 2019 (continued)

13. Cash and cash equivalents

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Fixed deposits with original maturities not exceeding three months	**1,202,807**	–	**–**	–
Cash and bank balances	**13,134,673**	9,835,303	**2,897**	2,521
	14,337,480	9,835,303	**2,897**	2,521

14. Capital and reserves

14.1 Share capital

	Group and Company			
	Amount		Number of shares	
	2019 RM	2018 RM	2019	2018
Issued and fully paid shares with no par value classified as equity instruments:				
Ordinary Shares				
Opening and closing balance	**92,023,644**	92,023,644	**180,000,000**	180,000,000

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

14.2 Merger reserve

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

15. Loans and borrowings

	Group	
	2019 RM	2018 RM
Non-current		
Term loans - secured	**8,913,720**	12,308,999
Finance lease liabilities - secured	**–**	89,267
Hire purchase financing - secured	**120,252**	–
	9,033,972	12,398,266
Current		
Bank overdrafts - secured	**22,647,086**	22,571,863
Bankers' acceptances - secured	**30,153,000**	37,307,000
Term loans - secured	**7,853,478**	4,760,379
Finance lease liabilities - secured	**–**	63,149
Hire purchase financing - secured	**27,514**	–
Revolving credit - secured	**10,000,000**	10,000,000
	70,681,078	74,702,391
Total	**79,715,050**	87,100,657

Notes to the Financial Statements – 31 December 2019 (continued)

15. Loans and borrowings (continued)

15.1 Security

The Group's banking facilities comprising term loans, bankers' acceptances, revolving credit and overdrafts are secured by way of legal charges over the landed properties belonging to certain Group entities and by a debenture incorporating fixed and floating charges over all assets of the Group entities (see Notes 3.2, 4 and 5). The facilities are also jointly and severally guaranteed by certain Directors of the Company and a corporate guarantee from the Company.

The hire purchase financing and finance lease liabilities are secured on the respective motor vehicles under hire purchase financing and finance lease of the Group (see Note 3.2).

15.2 Covenants

The Group is required to maintain net assets of not less than RM120 million (2018: RM120 million) to comply with a bank covenant, failing which the bank may call an event of default.

15.3 Finance lease liabilities

Finance lease liabilities were payable as follows:

	2018		
Group	**Future minimum lease payments RM**	**Interest RM**	**Present value of minimum lease payments RM**
Less than one year	70,056	6,907	63,149
Between one and two years	84,028	4,483	79,545
Between two and five years	9,912	190	9,722
	163,996	11,580	152,416

16. Trade and other payables

		Group		Company	
	Note	**2019 RM**	**2018 RM**	**2019 RM**	**2018 RM**
Trade					
Trade payables		**2,415,728**	1,649,881	**–**	–
Non-trade					
Other payables and accruals	16.1	**10,771,021**	1,954,350	**158,156**	159,166
SST payable		**727,228**	1,131,499	**–**	–
		11,498,249	3,085,849	**158,156**	159,166
Total		**13,913,977**	4,735,730	**158,156**	159,166

16.1 Included in other payables is an amount of RM5,238,400 denominated in USD. The outstanding amount was due to a foreign company to set up a new battery manufacturing plant.

Notes to the Financial Statements – 31 December 2019 (continued)

17. Amount due to Directors - Group

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

18. Amount due to a subsidiary - Company

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

19. Revenue

	2019 RM	2018 RM
Revenue from contracts with customers		
At a point in time		
- Sale of goods	**110,724,829**	112,027,488

19.1 Disaggregation of revenue

	2019 RM	2018 RM
Primary geographical markets		
Malaysia	**71,584,939**	67,952,420
United Arab Emirates	**17,741,860**	19,675,229
Nigeria	**1,038,068**	7,463,449
Singapore	**4,262,976**	4,440,446
Australia	**2,925,355**	3,156,724
Others	**13,171,631**	9,339,220
	110,724,829	112,027,488
Major products		
Sales of automotive batteries and other automotive parts	**109,885,477**	111,247,085
Sales of lubricants	**839,352**	780,403
	110,724,829	112,027,488

The following information reflects the typical transactions of the Group:

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

Notes to the Financial Statements – 31 December 2019 (continued)

19. **Revenue** (continued)

19.1 Disaggregation of revenue (continued)

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

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

20. Results from operating activities

	Group		Company	
	2019 RM	**2018 RM**	**2019 RM**	**2018 RM**
Results from operating activities are arrived at after charging/(crediting):				
Auditors' remuneration				
- Audit fees				
- KPMG PLT				
- current year	**122,000**	117,000	**22,000**	20,000
- prior year	**–**	8,000	**–**	–
- Non-audit fees				
- KPMG PLT	**9,000**	6,000	**6,000**	6,000
- Local affiliate of KPMG PLT	**10,490**	10,490	**1,720**	1,720
Material expenses/(income)				
Depreciation of right-of-use assets (Note 5)	**695,594**	–	**–**	–
Amortisation of prepaid lease payment (Note 4)	**–**	228,954	**–**	–
Depreciation of property, plant and equipment (Note 3)	**8,604,555**	9,551,430	**–**	–
Directors' fees	**412,167**	416,000	**112,167**	116,000
Directors' remunerations	**994,894**	994,894	**–**	–
Personnel expenses (including key management personnel)				
- contributions to state plans	**343,498**	345,906	**–**	–
- wages, salaries and others	**7,760,687**	7,670,744	**6,300**	7,500
Foreign exchange loss/(gain)				
- unrealised	**62,539**	114,106	**–**	–
- realised	**(1,056,522)**	(1,660,936)	**–**	–
Expenses arising from leases				
Expenses relating to short-term leases	**13,800**	–	**–**	–
Rental of premises	**72,000**	115,800	**–**	–
Net loss/(gain) on impairment of financial instruments				
Financial assets at amortised cost	**238,582**	(171,466)	**13,714**	4,443

Notes to the Financial Statements – 31 December 2019 (continued)

21. Finance income and finance costs

Recognised in profit or loss

	Group		Company	
	2019	**2018**	**2019**	**2018**
	RM	**RM**	**RM**	**RM**
Interest income of financial assets calculated using the effective interest method that are at amortised cost				
- Fixed deposits and cash funds	**89,518**	55,433	**–**	–
- Amount due from a subsidiary	**–**	–	**424,300**	421,683
	89,518	55,433	**424,300**	421,683
Interest expense of financial liabilities that are not at fair value through profit or loss				
- Loans and borrowings	**4,382,598**	4,216,253	**–**	–
Interest expense on lease liabilities	**11,177**	–	**–**	–
	4,393,775	4,216,253	**–**	–

22. Taxation

Recognised in profit or loss

	Group		Company	
	2019	**2018**	**2019**	**2018**
	RM	**RM**	**RM**	**RM**
Current tax expense				
- current year	**858,800**	806,000	**60,000**	67,000
- prior year	**(28,746)**	(56,692)	**(4,884)**	(3,005)
	830,054	749,308	**55,116**	63,995
Deferred taxation (Note 7)				
- current year	**407,916**	(1,224,492)	**–**	–
- prior year	**2,000**	(10,383)	**–**	–
	409,916	(1,234,875)	**–**	–
Taxation	**1,239,970**	(485,567)	**55,116**	63,995

Reconciliation of taxation

Profit for the year	**1,853,501**	4,187,707	**46,606**	92,209
Taxation	**1,239,970**	(485,567)	**55,116**	63,995
Profit excluding taxation	**3,093,471**	3,702,140	**101,722**	156,204

Notes to the Financial Statements – 31 December 2019 (continued)

22. Taxation (continued)

Reconciliation of taxation (continued)

	Group		Company	
	2019 RM	2018 RM	**2019 RM**	2018 RM
Income tax calculated using Malaysian tax rate of 24% (2018: 24%)	**742,000**	889,000	**24,000**	37,000
Non-deductible expenses	**524,716**	403,508	**36,000**	30,000
Non-taxable income	**–**	(22,000)	**–**	–
Recognition of reinvestment allowance	**–**	(1,686,000)	**–**	–
Utilisation of previously unrecognised deferred tax assets	**–**	(3,000)	**–**	–
	1,266,716	(418,492)	**60,000**	67,000
Over-provision in prior years	**(26,746)**	(67,075)	**(4,884)**	(3,005)
	1,239,970	(485,567)	**55,116**	63,995

23. Earnings per ordinary share

Basic and diluted earnings per ordinary share

The calculation of basic and diluted earnings per ordinary share at 31 December 2019 was based on the profit attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, calculated as follows.

	Group	
	2019 RM	2018 RM
Profit attributable to ordinary shareholders	**1,853,501**	4,187,707
Weighted average number of ordinary shares at end of year	**180,000,000**	180,000,000
In Sen		
Basic and diluted earnings per ordinary share	**1.03**	2.33

24. Operating segments

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

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

Notes to the Financial Statements – 31 December 2019 (continued)

24. Operating segments (continued)

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

Other non-reportable segment comprises operations related to investment holding and a dormant entity.

Performance is measured based on segment profit before tax, interest, depreciation and amortisation, as included in the internal management reports that are reviewed by the Group's Executive Chairman. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

Segment assets, liabilities and capital expenditure

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

Group	Manufacturing RM	Marketing RM	Other non-reportable segment RM	Total RM
2019				
Segment profit	**5,066,993**	**2,651,231**	**(320,496)**	**7,397,728**
Included in the measure of segment profit are:				
Revenue from external customers	**69,612,939**	**41,111,890**	**–**	**110,724,829**
Inter-segment revenue	**30,111,287**	**–**	**–**	**30,111,287**
Depreciation	**(9,073,910)**	**(226,239)**	**–**	**(9,300,149)**
Not included in the measure of segment profit but provided to Group's Executive Chairman are:				
Finance costs	**(4,313,904)**	**(79,871)**	**–**	**(4,393,775)**
Finance income	**18,455**	**60,173**	**10,890**	**89,518**
Tax expense	**(531,028)**	**(652,026)**	**(56,916)**	**(1,239,970)**
2018				
Segment profit	5,295,284	2,797,604	(229,928)	7,862,960
Included in the measure of segment profit are:				
Revenue from external customers	75,420,664	36,606,824	–	112,027,488
Inter-segment revenue	26,755,004	–	–	26,755,004
Amortisation	(228,954)	–	–	(228,954)
Depreciation	(9,330,421)	(221,009)	–	(9,551,430)
Not included in the measure of segment profit but provided to Group's Executive Chairman are:				
Finance costs	(4,165,411)	(50,842)	–	(4,216,253)
Finance income	23,354	32,079	–	55,433
Tax expense	1,217,418	(667,856)	(63,995)	485,567

Notes to the Financial Statements – 31 December 2019 (continued)

24. Operating segments (continued)

Reconciliations of reportable segment profit or loss

	Group	
	2019 RM	2018 RM
Profit or loss		
Total profit for reportable segments	**7,718,224**	8,092,888
Other non-reportable segments	**(320,496)**	(229,928)
Finance cost	**(4,393,775)**	(4,216,253)
Finance income	**89,518**	55,433
Consolidated profit before tax	**3,093,471**	3,702,140

Geographical segments

In presenting information on the basis of geographical segments, segment revenue is based on geographical location of customers. Segment assets are based on the geographical location of the assets. The amounts of non-current assets do not include financial instruments and deferred tax assets.

Geographical information

	2019		2018	
Group	Revenue RM	Non-current assets RM	Revenue RM	Non-current assets RM
Malaysia	**71,584,940**	**88,628,407**	67,952,420	92,161,494
United Arab Emirates	**17,741,860**	**–**	19,675,229	–
Nigeria	**1,038,068**	**–**	7,463,449	–
Singapore	**4,262,976**	**–**	4,440,446	–
Australia	**2,925,355**	**–**	3,156,724	–
Others	**13,171,630**	**–**	9,339,220	–
	110,724,829	**88,628,407**	112,027,488	92,161,494

Major customers

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

	Revenue		Segment
	2019 RM	2018 RM	
Customer A	**13,083,556**	–	Manufacturing
Customer B	**13,702,851**	17,598,705	Manufacturing
	26,786,407	17,598,705	

Notes to the Financial Statements – 31 December 2019 (continued)

25. Financial instruments

25.1 Categories of financial instruments

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

Financial assets/(liabilities)	Carrying amount RM	AC RM
Group		
2019		
Trade and other receivables *	**43,129,413**	**43,129,413**
Deposits	**4,002,460**	**4,002,460**
Other investments	**1,049,519**	**1,049,519**
Cash and cash equivalents	**14,337,480**	**14,337,480**
Loans and borrowings	**(79,715,050)**	**(79,715,050)**
Trade and other payables *	**(13,186,749)**	**(13,186,749)**
Amount due to Directors	**(45,333)**	**(45,333)**
2018		
Trade and other receivables *	40,026,493	40,026,493
Deposits	1,406,041	1,406,041
Cash and cash equivalents	9,835,303	9,835,303
Loans and borrowings	(87,100,657)	(87,100,657)
Trade and other payables *	(3,604,231)	(3,604,231)
Amount due to Directors	(54,819)	(54,819)
Company		
2019		
Amount due from subsidiaries	**12,222,113**	**12,222,113**
Deposits	**2,300**	**2,300**
Cash and cash equivalents	**2,897**	**2,897**
Trade and other payables	**(158,156)**	**(158,156)**
Amount due to a subsidiary	**(784)**	**(784)**
2018		
Amount due from subsidiaries	12,177,083	12,177,083
Deposits	2,400	2,400
Cash and cash equivalents	2,521	2,521
Trade and other payables	(159,166)	(159,166)

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

25.2 Net gains and losses arising from financial instruments

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Net (losses)/gains on:				
Financial assets at amortised cost	**418,694**	979,961	**410,586**	417,240
Financial liabilities at amortised cost	**(3,956,373)**	(3,437,765)	**–**	–
	(3,537,679)	(2,457,804)	**410,586**	417,240

Notes to the Financial Statements – 31 December 2019 (continued)

25. Financial instruments (continued)

25.3 Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk

(a) Credit risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its receivables from customers. The Company's exposure to credit risk arises principally from loans and advances to subsidiaries and financial guarantees given to banks for credit facilities granted to a subsidiary.

Trade receivables

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

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Normally financial guarantees given by banks, shareholders or directors of customers are obtained, and credit evaluations are performed on customers requiring credit over a certain amount.

At each reporting date, the Group or the Company assesses whether any of the trade receivables and contract assets are credit impaired.

The gross carrying amounts of credit impaired trade receivables are written off (either partially or full) when there is no realistic prospect of recovery. This is generally the case when the Group or the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. Nevertheless, trade receivables that are written off could still be subject to enforcement activities.

There are no significant changes as compared to previous year.

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

As at the end of the reporting period, the maximum exposure to credit risk arising from trade receivables and contract assets are represented by the carrying amounts in the statements of financial position.

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

	Group	
	2019 RM	2018 RM
Amount due from three (2018: three) trade receivables	**29,692,869**	23,169,619

Notes to the Financial Statements – 31 December 2019 (continued)

25. Financial instruments (continued)

25.3 Financial risk management (continued)

(a) Credit risk (continued)

Trade receivables (continued)

(iii) Concentration of credit risk

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

	Group 2019 RM	Group 2018 RM
Malaysia	**40,019,334**	37,205,679
Sultanate of Oman	**91,568**	–
Singapore	**364,898**	230,949
Nigeria	**204,702**	84,937
Others	**2,213,208**	2,450,991
	42,893,710	39,972,556

(iv) Recognition and measurement of impairment loss

The Group uses an allowance matrix to measure ECLs of trade receivables. Consistent with the debt recovery process, invoices which are past due 365 days will be considered as credit impaired.

Loss rates are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency to 90 days past due.

Loss rates are based on actual credit loss experience over the past three years. The Group also considers differences between (a) economic conditions during the period over which the historic data has been collected, (b) current conditions and (c) the Group's view of economic conditions over the expected lives of the receivables. Nevertheless, the Group believes that these factors are immaterial for the purpose of impairment calculation for the year.

The table in ensuing page provides information about the exposure to credit risk and ECLs for trade receivables.

25. Financial instruments (continued)

25.3 Financial risk management (continued)

(a) Credit risk (continued)

Trade receivables (continued)

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

	2019			2018		
Group	**Gross carrying amount RM**	**Loss allowance RM**	**Net balance RM**	**Gross carrying amount RM**	**Loss allowance RM**	**Net balance RM**
Not past due	**28,738,097**	**(403,831)**	**28,334,266**	36,833,556	(463,095)	36,370,461
1-30 days past due	**4,119,288**	**(97,989)**	**4,021,299**	1,581,596	(32,835)	1,548,761
31-60 days past due	**3,404,432**	**(88,905)**	**3,315,527**	243,869	(11,565)	232,304
61-90 days past due	**1,764,320**	**(49,856)**	**1,714,464**	766,630	(29,840)	736,790
More than 90 days past due	**5,663,870**	**(155,716)**	**5,508,154**	1,104,620	(20,380)	1,084,240
	43,690,007	**(796,297)**	**42,893,710**	40,530,271	(557,715)	39,972,556
Credit impaired						
Individually impaired	**18,466**	**(18,466)**	**–**	18,466	(18,466)	–
	43,708,473	**(814,763)**	**42,893,710**	40,548,737	(576,181)	39,972,556

25. Financial instruments (continued)

25.3 Financial risk management (continued)

(a) Credit risk (continued)

Trade receivables (continued)

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

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

Group	Lifetime ECL RM	Credit impaired RM	Total RM
Balances at 1 January 2018	729,181	87,642	816,823
Reversal of impairment loss (Note 20)	(171,466)	–	(171,466)
Amount written off	–	(69,176)	(69,176)
Balances at 31 December 2018/ 1 January 2019	557,715	18,466	576,181
Net remeasurements of loss allowance (Note 20)	238,582	–	238,582
Balances at 31 December 2019	**796,297**	**18,466**	**814,763**

Cash and cash equivalents

The cash and cash equivalents are held with banks and financial institutions. As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

These banks and financial institutions have low credit risks. In addition, some of the bank balances are insured by government agencies. Consequently, the Group and the Company are of the view that the loss allowance is not material and hence, it is not provided for.

Financial guarantees

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

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

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

The maximum exposure to credit risk amounts to RM72,920,843 (2018: RM79,397,490) representing the outstanding banking facilities of the subsidiary as at the end of the reporting period.

(iii) Recognition and measurement of impairment loss

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

Notes to the Financial Statements – 31 December 2019 (continued)

25. Financial instruments (continued)

25.3 Financial risk management (continued)

(a) Credit risk (continued)

Financial guarantees (continued)

(iii) Recognition and measurement of impairment loss (continued)

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

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

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

Loans and advances

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

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

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

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

The credit risk as at the end of reporting period is concentrated to the following:

Company	**2019 RM**	**2018 RM**
Amount due from two (2018: two) subsidiaries	**12,222,113**	12,177,083

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

(iii) Recognition and measurement of impairment loss

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

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

25. Financial instruments (continued)

25.3 Financial risk management (continued)

(a) Credit risk (continued)

Loans and advances (continued)

(iii) Recognition and measurement of impairment loss (continued)

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

The following table provides information about the exposure to credit risk and ECLs for inter-company balances as at 31 December 2019.

	2019			2018		
Company	**Gross carrying amount RM**	**Loss allowance RM**	**Net balance RM**	**Gross carrying amount RM**	**Loss allowance RM**	**Net balance RM**
Low credit risk	**12,222,113**	**–**	**12,222,113**	12,177,083	–	12,177,083
Credit impaired	**38,064**	**(38,064)**	**–**	24,350	(24,350)	–
	12,260,177	**(38,064)**	**12,222,113**	12,201,433	(24,350)	12,177,083

The movement in the allowance for impairment in respect of subsidiaries' loans and advances during the year is as follows:

Company	**Credit impaired RM**
Balances at 1 January 2018	19,907
Net remeasurements of loss allowance	4,443
Balances at 31 December 2018/1 January 2019	24,350
Net remeasurements of loss allowance	13,714
Balances at 31 December 2019	**38,064**

Notes to the Financial Statements – 31 December 2019 (continued)

25. Financial instruments (continued)

25.3 Financial risk management (continued)

(b) Liquidity risk

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

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

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

Maturity analysis

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

Group	Carrying amount RM	Contractual interest rate % p.a	Contractual cash flows RM	Under 1 year RM	1-2 years RM	2-5 years RM
2019						
Bank overdrafts	22,647,086	7.15 – 7.75	22,787,687	22,787,687	–	–
Bankers' acceptances	30,153,000	3.22 – 4.82	30,153,000	30,153,000	–	–
Term loans	16,767,198	4.60 – 6.95	17,929,968	8,548,206	5,054,113	4,327,649
Hire purchase financing	147,766	4.20	164,255	33,324	69,425	61,506
Revolving credit	10,000,000	4.57 - 4.86	10,039,292	10,039,292	–	–
Trade payables	2,415,728	–	2,415,728	2,415,728	–	–
Other payables and accruals	10,771,021	–	10,771,021	10,771,021	–	–
Amount due to Directors	45,333	–	45,333	45,333	–	–
Lease liabilities	117,414	4.30 - 6.95	123,855	94,051	19,892	9,912
	93,064,546		**94,430,139**	**84,887,642**	**5,143,430**	**4,399,067**
2018						
Bank overdrafts	22,571,863	7.57 - 7.70	22,715,477	22,715,477	–	–
Bankers' acceptances	37,307,000	3.43 - 4.95	37,307,000	37,307,000	–	–
Term loans	17,069,378	4.90 - 6.95	18,500,797	5,340,696	6,895,377	6,264,724
Finance lease liabilities	152,416	4.45 - 6.25	163,996	70,056	84,028	9,912
Revolving credit	10,000,000	4.86	10,040,500	10,040,500	–	–
Trade payables	1,649,881	–	1,649,881	1,649,881	–	–
Other payables and accruals	1,954,350	–	1,954,350	1,954,350	–	–
Amount due to Directors	54,819	–	54,819	54,819	–	–
	90,759,707		92,386,820	79,132,779	6,979,405	6,274,636

Notes to the Financial Statements – 31 December 2019 (continued)

25. Financial instruments (continued)

25.3 Financial risk management (continued)

(b) Liquidity risk (continued)

Maturity analysis (continued)

Company	Carrying amount RM	Contractual interest rate %	Contractual cash flows RM	Under 1 year RM
2019				
Other payables and accruals	**158,156**	**–**	**158,156**	**158,156**
Financial guarantees	**–**	**–**	**72,920,843**	**72,920,843**
2018				
Other payables and accruals	159,166	–	159,166	159,166
Financial guarantees	–	–	79,397,490	79,397,490

(c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and other prices that will affect the Group's financial position or cash flows.

Currency risk

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

Risk management objectives, policies and processes for managing the risk

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

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

Exposure to foreign currency risk

The Group's exposure to foreign currency (a currency which is other than the functional currency of the Group entities) risk, based on carrying amounts as at the end of the reporting period was:

	2019 Denominated in			2018 Denominated in	
	USD	**SGD**	**JPY**	**USD**	**SGD**
Balances recognised in the statement of financial position					
In RM					
Trade receivables	**3,667,950**	**(129)**	**–**	2,206,089	–
Trade payables	**(938,402)**	**–**	**(67,957)**	(587,109)	–
Other payable	**(6,452,707)**	**–**	**–**	(730,502)	–
Cash and cash equivalents	**9,366,604**	**1,414,391**	**–**	5,145,877	1,424,011
Net exposure	**5,643,445**	**1,414,262**	**(67,957)**	6,034,355	1,424,011

Notes to the Financial Statements – 31 December 2019 (continued)

25. Financial instruments (continued)

25.3 Financial risk management (continued)

(c) Market risk (continued)

Currency risk sensitivity analysis

A 10% (2018: 10%) strengthening of the Ringgit Malaysia ("RM") against the following currencies at the end of the reporting period would have increased/(decreased) post-tax profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remained constant and ignores any impact of forecasted sales and purchases.

	Profit or (loss)	
	2019	**2018**
Group	**RM**	**RM**
USD	**(429,000)**	(458,000)
SGD	**(107,000)**	(108,000)
JPY	**5,000**	–
	(531,000)	(566,000)

A 10% (2018: 10%) weakening of RM against the above currencies at the end of the reporting period would have had equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remained constant.

Interest rate risk

The Group's fixed rate borrowings are exposed to a risk of change in their fair value due to changes in interest rates. The Group's variable rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates. Short-term receivables and payables are not significantly exposed to interest rate risk. The Company's exposure to interest rate risk arises principally from loans and advances to a subsidiary.

Risk management objectives, policies and processes for managing the risk

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

Notes to the Financial Statements – 31 December 2019 (continued)

25. Financial instruments (continued)

25.3 Financial risk management (continued)

(c) Market risk (continued)

Exposure to interest rate risk

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

Group	2019 RM	2018 RM
Fixed rate instruments		
Financial assets	**2,252,326**	–
Financial liabilities	**(40,418,180)**	(47,459,416)
Floating rate instruments		
Financial liabilities	**(39,414,284)**	(39,641,241)
	(77,580,138)	(87,100,657)
Company		
Fixed rate instruments		
Financial assets	**12,222,113**	12,177,083

Interest rate risk sensitivity analysis

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group does not designate derivatives as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points ("bp") in interest rates at the end of the reporting period would have increased/(decreased) post-tax profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Profit or loss	
Group	100bp increase RM	100bp decrease RM
Floating rate instruments		
- 2019	**(299,000)**	**299,000**
- 2018	(301,000)	301,000

Other price risk

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

Notes to the Financial Statements – 31 December 2019 (continued)

25. Financial instruments (continued)

25.4 Fair value information

The carrying amounts of cash and cash equivalents, short-term receivables and payables and short-term borrowings reasonably approximate their fair values due to the relatively short term nature of these financial instruments.

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

	Fair value of financial instruments not carried at fair value				Carrying amount
Group	**Level 1 RM**	**Level 2 RM**	**Level 3 RM**	**Total RM**	**RM**
2019					
Financial liabilities					
Term loans	**–**	**–**	**16,072,070**	**16,072,070**	**16,767,198**
Hire purchase financing	**–**	**–**	**164,255**	**164,255**	**147,766**
	–	**–**	**16,236,325**	**16,236,325**	**16,914,964**
2018					
Financial liabilities					
Term loans	–	–	15,968,634	15,968,634	17,069,378
Finance lease liabilities	–	–	152,416	152,416	152,416
	–	–	16,121,050	16,121,050	17,221,794

Level 3 fair value

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

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

26. Capital management

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

Notes to the Financial Statements – 31 December 2019 (continued)

26. Capital management (continued)

During the year, the Group's strategy, which was unchanged from 2018 was to maintain the debt-to-equity ratio close to 0.5:1. The debt-to-equity ratios at 31 December 2019 and at 31 December 2018 were as follows:

	Group	
	2019	**2018**
	RM	**RM**
Total loans and borrowings (Note 15)	**79,715,050**	87,100,657
Less: Cash and cash equivalents (Note 13)	**(14,337,480)**	(9,835,303)
Less: Other investments (Note 12)	**(1,049,519)**	–
Net debt	**64,328,051**	77,265,354
Total equity	**159,982,609**	158,129,108
Debt-to-equity ratio	**0.40**	0.49

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

During the year, the Group is required to maintain net assets of not less than RM120 million to comply with a bank covenant, failing which, the bank may call an event of default (see Note 15.2). The Group has not breached the covenant.

27. Capital expenditure commitments

	Group	
	2019	**2018**
	RM	**RM**
Property, plant and equipment		
Authorised and contracted for	**19,436,847**	–

28. Contingencies

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

	Company	
	2019	**2018**
	RM	**RM**
Corporate guarantees for banking facilities granted to a subsidiary	**123,817,000**	122,470,000

The outstanding banking facilities of the subsidiary as at the end of the reporting period is RM72,920,843 (2018; RM79,397,490).

Notes to the Financial Statements – 31 December 2019 (continued)

29. Related parties

Identity of related parties

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

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly and entity that provides key management personnel services to the Group. The key management personnel include all the Directors of the Group, and certain members of senior management of the Group.

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

Significant related party transactions

Related party transactions have been entered into in the normal course of business under normal trade terms. The significant related party transactions of the Group and the Company are shown below. The balances related to the below transactions are shown in the statements of financial position.

	Company	
	2019	**2018**
	RM	**RM**
Subsidiary		
Interest income on loans	**424,300**	421,683

	Group	
	2019	**2018**
	RM	**RM**
Key management personnel		
Directors		
- fees	**412,617**	416,000
- remuneration	**994,894**	994,894
- other short term employee benefits	**14,144**	16,308
- rental expenses	**72,000**	72,000
	1,493,655	1,499,202
Other key management personnel		
- fees	**866,800**	806,800
- remuneration	**1,162,991**	1,105,344
- other short-term employee benefits	**17,228**	17,947
	2,047,019	1,930,091
	3,540,674	3,429,293

Other key management personnel comprise persons other than the Directors of Group entities, having authority and responsibility for planning, directing and controlling the activities of the Group entities either directly or indirectly.

Notes to the Financial Statements – 31 December 2019 (continued)

30. Incorporation of new subsidiary

Details of the subsidiary incorporated during the financial year are as follows:

Subsidiary	Equity interest acquired %	Date of incorporation	Purchase consideration RM
Fuya Energy Sdn. Bhd.	100	4 July 2019	1.00

31. Event after the reporting period

The coronavirus (Covid-19) pandemic was announced by the World Health Organisation in early 2020 and has since spread to countries across the world including Malaysia. The Government of Malaysia announced a Movement Control Order ("MCO") on 16 March 2020. The MCO began on 18 March 2020 and ended on 12 May 2020. The Covid-19 pandemic has resulted in disruptions to businesses and various macro-economic impacts and weakened the global economic outlook. The unprecedented lockdowns in many countries have translated to the disruption to global manufacturing industries and their supply networks.

The Group considers this outbreak to be a non-adjusting post balance sheet event as it was not a condition that existed as at the reporting date. Accordingly, the current conditions arising from this outbreak do not have an impact on the balances reported for the financial year ended 31 December 2019.

As at the date the financial statements are authorised for issuance, the current situation is still very unpredictable. As a result, it is not practicable for the Group to estimate the financial effect of this outbreak at this juncture. If the situation does not improve over time, the Group anticipates that the assumptions used to estimate the recoverable amount for non-financial assets may have to be revised to better reflect current conditions. In addition, the Group also anticipates that revenue will be affected in a prolonged situation, as well as tightening of liquidity for the Group.

32. Significant changes in accounting policies

During the year, the Group and the Company adopted MFRS 16.

Definition of a lease

On transition to MFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied MFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under MFRS 117 and IC Interpretation 4, *Determining whether an Arrangement contains a Lease* were not reassessed. Therefore, the definition of a lease under MFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

As a lessee

Where the Group and the Company are a lessee, the Group and the Company applied the requirements of MFRS 16 retrospectively with the cumulative effect of initial application as an adjustment to the opening balance of retained earnings at 1 January 2019.

Notes to the Financial Statements – 31 December 2019 (continued)

32. Significant changes in accounting policies (continued)

As a lessee (continued)

At 1 January 2019, for leases that were classified as operating lease under MFRS 117, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group entities' incremental borrowing rate as at 1 January 2019. The weighted-average rate applied is 6.95%. Right-of-use assets are measured at either:

- their carrying amount as if MFRS 16 had been applied since the commencement date, discounted using the lessee's incremental borrowing rate at 1 January 2019; or
- an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

The Group used the following practical expedients when applying MFRS 16 to leases previously classified as operating lease under MFRS 117:

- applied a single discount rate to a portfolio of leases with similar characteristics; and
- used hindsight when determining the lease term if the contract contains options to extend or terminate the lease;

For leases that were classified as finance lease under MFRS 117, the carrying amounts of the right-of use asset and the lease liability at 1 January 2019 are determined to be the same as the carrying amount of the leased asset and lease liability under MFRS 117 immediately before that date.

32.1 Impacts on financial statements

Since the Group and the Company applied the requirements of MFRS 16 retrospectively with the cumulative effect of initial application at 1 January 2019, there are no adjustments made to the prior period presented.

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

	RM
Operating lease commitments at 31 December 2018 as disclosed in the Group's consolidated financial statements	–
Other operating lease commitments	59,500
Discounted using the incremental borrowing rate at 1 January 2019	53,842
Finance lease liabilities recognised at 31 December 2018	152,416
Lease liabilities recognised at 1 January 2019	206,258

Statement by Directors

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

In the opinion of the Directors, the financial statements set out on pages 40 to 93 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2019 and of their financial performance and cash flows for the financial year then ended.

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

Dato' Tay Tze How
Director

Dato' Tay Tze Poh
Director

Kuching,

Date: 18 May 2020

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

I, **Grace Tie Sing Lin**, the officer primarily responsible for the financial management of ABM Fujiya Berhad, do solemnly and sincerely declare that the financial statements set out on pages 40 to 93 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by the abovenamed **Grace Tie Sing Lin**, NRIC: 891106-13-6144, MIA CA39762 at Kuching in the State of Sarawak on 18 May 2020.

Grace Tie Sing Lin

Before me:

Evelyn Lau Sie Jiong
Commissioner For Oaths
No. Q137

Independent Auditors' Report
to the Members of ABM Fujiya Berhad
Registration No. 200301025904 (628324-W)
(Incorporated in Malaysia)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of ABM Fujiya Berhad, which comprise the statements of financial position as at 31 December 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 year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 40 to 93.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our auditors' report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key Audit Matters

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

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

Key Audit Matters (continued)

Revenue recognition

Refer to Note 2(k) - Significant accounting policies: Revenue and Note 19 - Revenue.

The key audit matter	How the matter was addressed in our audit
The Group derived revenue from sales of automotive batteries. The Group recorded revenue of RM110,724,829 for the year ended 31 December 2019. Revenue from sale of automotive batteries is recognised when there is a transfer of control to the customers, and is measured based on the consideration specified in the contract, net of trade discounts to customers. We have identified revenue recognition as a key audit matter because of the risk that revenue might be misstated either intentionally or unintentionally due to fraud or error.	We performed the following audit procedures, among others: i) We assessed the design and implementation of the Group's controls over the sales processes, and tested the design and effectiveness of the controls. ii) We obtained confirmations on outstanding balances and sales transaction during the year from selected customers based on sampling basis. iii) We verified the sales invoices which are selected based on sampling basis to underlying supporting documents, which included delivery orders. iv) We assessed the sales transactions before and after year end to ascertain whether these transactions were recognised in the correct financial year. v) We developed an expectation of the current year revenue taking into account of cash receipts and movements in receivable balance. We then compared this expectation with actual results. vi) We verified journal entries for revenue and revenue related accounts based on high risk criteria set to ascertain whether there are any unusual, unauthorised or unsupported entries made against revenue. vii) We assessed the completeness, accuracy and appropriateness of disclosures as required by MFRS 15.

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

Key Audit Matters (continued)

Valuation of trade receivables

Refer to Note 2(h) - Significant accounting policies: Impairment and Note 9 - Trade and other receivables.

The key audit matter	How the matter was addressed in our audit
At 31 December 2019, the Group has a significant level of trade receivables of RM42,893,710 which was approximately 16% of its total assets. The Group determines allowance for impairment losses on doubtful receivables based on an on-going review and evaluation performed as part of its credit risk evaluation process. The evaluation is however inherently judgemental and requires material estimates, including the loss rate used in the calculation of Expected Credit Loss. The Group's exposure to credit risk arises principally from its receivables from long established customers who are entitled to credit terms. We have identified recoverability of trade receivables as a key audit matter because the recoverability is dependent on the credit worthiness of customers and their ability to settle the amounts due which increases the risk of non-payment and non-recovery. Accordingly, allowance for impairment losses are required for amounts that are no longer considered recoverable.	We performed the following audit procedures, among others: i) We assessed the design and implementation of the Group's controls over the receivables collection processes, including the Group's credit control process over aged receivables and customer credit approvals. ii) We inspected the ageing of trade receivables to identify any potential for doubtful debts and we assessed whether appropriate allowances has been established for non-payment and non-recovery of such trade receivables. iii) We assessed the adequacy of the Group's allowances for impairment losses by assessing the assumptions made by the Group with reference to the profile of aged debts at the reporting date and post year-end payment records. iv) We have also considered the adequacy of the Group's disclosures about the degree of judgement and estimation involved in arriving at the allowances for the impairment of trade receivables. v) We assessed the completeness, accuracy and relevance of the transition disclosures as required by MFRS 9.

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

Key Audit Matters (continued)

Valuation of property, plant and equipment and right-of-use assets
Refer to Note 2(h) - Significant accounting policies: Impairment and Notes 3 and 5 - Property, plant and equipment and right-of-use assets.

The key audit matter	How the matter was addressed in our audit
As at 31 December 2019, the carrying amount of the Group's net assets was more than its market capitalisation. There is a risk that the carrying amount of its property, plant and equipment and prepaid lease payments may not be recoverable in full through the future cash flows to be generated from these assets. The property, plant and equipment and right-of-use assets consist of two major categories of assets: • leasehold land and buildings; and • plant and machinery. For land and buildings, the Group estimated the recoverable amount based on their estimated fair values which are determined by professional external valuation firm by reference to the market values of similar assets. For plant and machinery, the Group prepared a value in use calculation by forecasting and discounting future cash flows to be generated by an existing manufacturing plant of a subsidiary based on certain key assumptions. We have identified the valuation of property, plant and equipment and right-of-use assets as a key audit matter because of the carrying amount of these assets was material to the consolidated financial statements (being 34% of total assets). It also requires us to exercise a significant level of judgement in evaluating the Group's impairment assessment which involved a certain degree of judgement and assumptions of future events that are inherently uncertain. Changes in judgement and the estimates throughout the useful lives of the plant and machinery of the production line could affect the carrying amount of the plant and machinery.	We performed the following audit procedures, among others: i) Leasehold land and buildings (Fair value less costs of disposal) • We performed background check of the external valuer engaged by the Group to assess its competency, capabilities and objectivity. • We read the valuer's reports and obtained an understanding of the valuation methods and assumptions. We also considered whether the assumptions are appropriate and reasonable based on the industry norms and specified external data sources. • We considered the adequacy of the Group's disclosures of valuation techniques. ii) Plant and machinery • We evaluated and assessed the Group's key assumptions used in the cash flows forecast including average selling price, sales volume and average unit cost by considering the accuracy of the Group's past forecasts. We also considered current and future industry situation. • We assessed the appropriateness of the discount rate by comparing it with the weighted average cost of capital for other similar entities in the same industry. • We considered the adequacy of the Group's disclosures about the assumptions to which the outcome of the impairment assessment were most sensitive.

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

Key Audit Matters (continued)

We have determined that there is no key audit matters in the audit of the separate financial statements of the Company to communicate in our auditors' report.

Information Other than the Financial Statements and Auditors' Report Thereon

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

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

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the annual report and, in doing so, consider whether the annual report is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of the annual report, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

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

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

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that gives a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

Other Matter

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

KPMG PLT
(LLP0010081-LCA & AF 0758)
Chartered Accountants

Nicholas Chia Wei Chit
Approval Number: 03102/03/2022 J
Chartered Accountant

Kuching,

Date: 18 May 2020

List of Properties of the Group
As At 31 December 2019

No.	Location	Approximate Age of Building	Date of Expiry of Lease	Description and Existing Use	Land Area	Year of Acquisition	Net Book Value (RM'000)
1	Lot No. 859, Section 66, Kuching Town Land District Lorong Pangkalan, Off Jalan Pangkalan, Pending Industrial Estate, 93450 Kuching, Sarawak.	12 years	05.02.2035	Industrial Land with 5-storey office and 1-storey plant (with one mezzanine floor) for batteries manufacturing	8,053.00 m^2	1997	9,907
2	Lot 1122, Block 8, Muara Tebas Land District, 93050 Kuching, Sarawak.	Not applicable	09.01.2071	Industrial land / Vacant[(2)]	88,620.00 m^2	2010	7,946
3	Lot 1274, Block 8, Muara Tebas Land District, 93050 Kuching, Sarawak.	Not applicable	09.01.2071	Industrial land / Vacant[(2)]	80,660.00 m^2	2010	7,232
4	Lot No. 2224, Section 66, Kuching Town Land District, Lorong Pangkalan, Off Jalan Pangkalan, Pending Industrial Estate, 93450 Kuching, Sarawak.	18 years	08.02.2053	Industrial Land with 3-storey office and 1-storey plant (with one mezzanine floor) for batteries manufacturing	10,115.00 m^2	1993	5,170
5	PL Plot 854, Block 7, Muara Tebas Land District, Sejingkat Industrial Park, 93450 Kuching, Sarawak.	8 years	19.02.2054	Industrial land / 1-storey plant for batteries containers sets manufacturing and 3-storey block for storage and office	7,420.00 m^2	1995	4,248
6	Lot 1159, Section 66, Kuching Town Land District, Lorong Pangkalan, Off Jalan Pangkalan, Pending Industrial Estate, 93450 Kuching, Sarawak.	31 years	28.1.2037	Industrial land with 1-storey plant for batteries manufacturing	6,677.00 m^2	1997	2,833

List of Properties Of The Group
As At 31 December 2019 (continued)

No.	Location	Approximate Age of Building	Date of Expiry of Lease	Description and Existing Use	Land Area	Year of Acquisition	Net Book Value (RM'000)
7	Lot 9628, Section 64 , Kuching Town Land District, T. Chin Kin Commercial Centre, Jalan Pending, 93450 Kuching, Sarawak.	21 years	12.12.2795	4-storey intermediate shop house / Commercial / Residential Vacant(1)	194.10 m^2	2012	700
8	Lot 9629, Section 64, Kuching Town Land District, T. Chin Kin Commercial Centre, Jalan Pending, 93450 Kuching, Sarawak.	21 years	12.12.2795	4-storey intermediate shop house / Commercial / Residential Partially rented(1)	194.20 m^2	2012	700
9	Lot 8, Town Lease, 17701021, Inanam Baru, Kota Kinabalu, Sabah.	46 years	31.12.2071	3-storey intermediate shop lot / Commercial and industrial building Office and storage	116.10 m^2	2009	556
10	Lot 1678, Block 226, KNLD, 4th Mile, Penrissen Road, Kuching, Sarawak.	Not applicable	31.12.2038	Vacant land(1) / Suburban Land / Mixed Zone Land	4,207.00 m^2	2009	550

Notes:-

(1) Held for investment purposes.

(2) Held for future expansion purposes.

Analysis of Shareholdings

As At 18 May 2020

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

Distribution of Shareholdings

Holdings	No. of Holders	Total Holdings	% Shares
Less than 100	6	84	0.00
100 – 1,000	76	48,900	0.03
1,001 – 10,000	254	1,529,482	0.85
10,001 – 100,000	130	4,890,200	2.72
100,001 – and below 5%	54	40,367,838	22.42
5% and above	1	133,163,496	73.98
Total	**521**	**180,000,000**	**100.00**

Directors' Shareholdings

No.	Name of Directors	Direct Shareholdings		Indirect Shareholdings	
		No. of Shares	% of Shares	No. of Shares	% of Shares
1.	Dato Sri Tay Ah Ching @ Tay Chin Kin	200,002	0.11	133,163,496 (1)	73.98
2.	Puan Sri Corinne Bua Nyipa	171,300	0.10	–	–
3.	Dato' Tay Tze How	170,002	0.09	133,163,496 (2)	73.98
4.	Dato' Tay Tze Poh	170,000	0.09	133,163,496 (2)	73.98
5.	Tay Siew Ling	140,000	0.08	133,163,496 (2)	73.98
6.	Dato' Seri Ooi Teik Heng (3)	–	–	–	–
7.	Wong Siaw Wei	–	–	–	–
8.	Sim Chong Hong	–	–	–	–
9.	Ali Bin Adai (4)	–	–	–	–
10.	Datu Dr Hatta Bin Solhi (4)	–	–	–	–

Notes :

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

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

(3) Resigned on 1 March 2020.

(4) Appointed on 1 March 2020.

Substantial Shareholder

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

Analysis of Shareholdings
As At 18 May 2020 (continued)

Thirty Largest Shareholders

No.	Name	No.of Shares	% of Share
1.	Kayatas Sdn. Bhd.	133,163,496	73.98
2.	Maybank Securities Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Sulaiman Abdul Rahman B Abdul Taib (Margin)	5,381,300	2.99
3.	Teo Yiaw Hong @ Teo Yiaw Fong	4,062,000	2.26
4.	Bibi Anak Moton	3,714,800	2.06
5.	Polywell Enterprise Sendirian Berhad	3,000,000	1.67
6.	Teo Kwee Hock	2,276,300	1.26
7.	UOB Kay Hian Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Teo Siew Lai	1,965,400	1.09
8.	Ng Teng Song	1,917,700	1.07
9.	Erni Rianti Hardjoko	1,701,900	0.95
10.	Lim Teck Hui	1,653,800	0.92
11.	Chew Siang Jin	1,500,000	0.83
12.	CIMSEC Nominees (Tempatan) Sdn Bhd Beneficiary: CIMB for Wong Ching Kung (PB)	1,200,000	0.67
13.	Wong Chin Phong	1,060,800	0.59
14.	Kong Kim Sing	722,500	0.40
15.	Kueh Song Teck	682,400	0.38
16.	Loh Yut Kuah	673,700	0.37
17.	Teo Poh Boon	600,000	0.33
18.	Tchin Ah Khiun	561,200	0.31
19.	Ngui Ing Chuang	500,000	0.28
20.	Kederi Anak Moton	347,600	0.19
21.	Azerina Mohd Arip @ Gertie Chong Soke Hoon	342,700	0.19
22.	Cheong Boo Chin	305,000	0.17
23.	Chee Cheong On	300,000	0.17
24.	CIMSEC Nominees (Tempatan) Sdn Bhd Beneficiary: CIMB for Rose Lee Mee Choo (PB)	300,000	0.17
25.	RHB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Jamal Bin Mohd Aris	299,900	0.17
26.	UOB Kay Hian Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Teo Kwee Hock	286,800	0.16
27.	Syarikat Saiban Sdn. Bhd.	276,000	0.15
28.	Lim Teck Hee	267,600	0.15
29.	Ng Teng Song	250,000	0.14
30.	Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Vincent Shim Khing Kui	240,000	0.13
	Total	169,552,896	94.20

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Sixteenth Annual General Meeting ("16th AGM") of ABM Fujiya Berhad ("the Company") will be held at the Conference Room, Lot 859, Section 66, Lorong Pangkalan, Off Jalan Pangkalan, Pending Industrial Estate, 93450 Kuching, Sarawak, on Tuesday, 4 August 2020 at 11:00 a.m. for the transaction of the following businesses:

AGENDA

AS ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial year ended 31 December 2019 together with the Reports of the Directors and Auditors thereon.

2. To approve the payment of Directors' Fees and Directors' other benefits up to RM160,000 for the financial year ending 31 December 2020. **(Resolution 1)**

3. To re-elect the following Directors who shall retire by rotation in accordance with Clause 80 of the Company's Constitution and who being eligible offer themselves for re-election:

   (a) Miss Wong Siaw Wei **(Resolution 2)**
   (b) Mr Sim Chong Hong **(Resolution 3)**

4. To re-elect the following Directors who shall retire in accordance with Clause 87 of the Company's Constitution and who being eligible offer themselves for re-election:

   (a) Datu Dr Hatta Bin Solhi **(Resolution 4)**
   (b) Encik Ali Bin Adai **(Resolution 5)**
   (c) Ms Tay Siew Ling **(Resolution 6)**

5. To re-appoint Messrs KPMG PLT as Auditors of the Company until the conclusion of the next Annual General Meeting and to authorise the Directors to determine their remuneration. **(Resolution 7)**

AS SPECIAL BUSINESS

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

6. **Retention of Independent Directors**

   (i) "That subject to the passing of Resolution 2, Miss Wong Siaw Wei who has served the Board as an Independent Director of the Company for more than nine (9) years, be hereby retained as an Independent Director of the Company." **(Resolution 8)**

   (ii) "That Puan Sri Corinne Bua Nyipa who has served the Board as an Independent Director of the Company for more than nine (9) years, be hereby retained as an Independent Director of the Company." **(Resolution 9)**

7. **Authority to Issue Shares Pursuant to Sections 75 and 76 of The Companies Act 2016 ("the Act")** **(Resolution 10)**

   "THAT the Directors of the Company be and are hereby empowered pursuant to the Act, to issue and allot shares in the Company, at any time to such persons and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares to be issued does not exceed twenty (20) percent of the issued and paid up share capital of the Company for the time being; AND THAT the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad; AND FURTHER THAT such authority shall commence immediately upon the passing of this resolution and continue to be in force until the conclusion of the next Annual General Meeting of the Company.

Notice of Annual General Meeting (continued)

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

By order of the Board,

Ms Yeo Puay Huang SSM PC No: 202008000727 (LS0000577)
Company Secretary
Kuching, Sarawak
25 June 2020

NOTES TO THE NOTICE OF THE 16TH AGM

1.0 Proxy

1.1 In respect of deposited securities, only members whose names appear in the Record of Depositors on 28 July 2020 (General Meeting Record of Depositors) shall be eligible to attend, participate, speak and vote at the AGM.

1.2 Where a member is an authorized nominee (AN) as defined under the Securities Industry (Central Depositories) Act, 1991 (SICDA), the AN may appoint proxy(ies) in respect of each securities account it holds which is credited with ordinary shares of the Company; and where a member is an exempt authorized nominee (EAN) as defined under SICDA which holds ordinary shares in the Company for multiple owners in one securities account (omnibus account), the EAN can appoint proxy(ies) in respect of ach omnibus account it holds.

1.3 Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportion of his shareholding to be represented by each proxy.

1.4 The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorized in writing, or if the appointer is a corporation under its common seal or in such other manner approved by its directors.

1.5 The instrument appointing a proxy must be deposited at the registered office at Lot 2224, Section 66, Lorong Pangkalan, Off Jalan Pangkalan, Pending Industrial Estate, 93450 Kuching, Sarawak, Malaysia, not less than 48 hours before the time appointed for holding the AGM or at any adjournment thereof.

1.6 Pursuant to Paragraph 8.29A of Bursa Malaysia Berhad Main Market Listing Requirements, all resolutions set out in the Notice of 16th AGM will be put to vote on a poll.

2.0 Audited Financial Statements for the financial year ended 31 December 2019

The audited financial statements are laid in accordance with Section 340(1)(a) of the Companies Act 2016 for discussion only under Agenda 1. They do not require shareholders' approval and hence, will not be put forward for voting.

3.0 Directors' Fees and benefits payable to Directors

Pursuant to Section 230(1) of the Companies Act 2016, shareholders' approval shall be sought at the 16th AGM on the payment Directors' fees and Directors' other benefits up to RM160,000 for the financial year ending 31 December 2020.

4.0 Re-election of directors by rotation

Clause 80 of the Company's Constitution provides that one third of the Directors of the Company for the time being shall retire by rotation at an AGM of the Company. All the Directors shall retire from office at least in each three (3) years, but shall be eligible for re-election.

The profile of the directors who are standing for re-election, namely Miss Wong Siaw Wei and Mr Sim Chong Hong as per Agenda 3 of the Notice of 16th AGM are stated on page 11 of the Annual Report 2019.

Notice of Annual General Meeting (continued)

5.0 Re-election of directors in accordance with Clause 87 of the Company's Constitution

Clause 87 of the Company's Constitution states that the Directors shall have power at any time and from time to time, to appoint any person to be a Director, either to fill a casual vacancy or as an addition to the exiting Board, but so that the total number of Directors shall not at any time exceed the maximum number fixed in accordance with this Constitution. Any Director so appointed shall hold office only until the next following annual general meeting and shall then be eligible for re-election but shall not be taken into account in determining the Directors who are to retire by rotation at that meeting.

The profile of the directors who are standing for re-election, namely Datu Dr Hatta Bin Solhi, Encik Ali Bin Adai and Ms Tay Siew Ling as per Agenda 4 of the Notice of 16th AGM are stated on pages 9 and 12 of the Annual Report 2019.

6.0 Re-appointment of Messrs KPMG PLT as Auditors

Messrs KPMG PLT has expressed their willingness to be re-appointed as Auditors for the ensuing year.

7.0 Retention of Independent Directors

The proposed Resolutions 8 and 9 are to seek shareholders' approval to retain Miss Wong Siaw Wei and Puan Sri Corinne Bua Nyipa as Independent Non-Executive Directors. They have served the Company as Independent Non-Executive Directors for more than nine (9) years. The Nominating Committee had assessed both of them and thereby recommended to retain both of them in office as Independent Non-Executive Directors of the Company based on the following justifications:

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

8.0 Authority to Issue Shares Pursuant to Sections 75 and 76 of the Companies Act 2016

The Proposed Resolution 10, if passed, will give authority to the Directors of the Company pursuant to Sections 75 and 76 of the Act, as well as Additional Temporary Relief Measures to Listed Corporation for Covid-19, issued by Bursa Securities on 16 April 2020, to issue and allot shares to such persons in their absolute discretion without convening a general meeting provided that the aggregate number of shares issued does not exceed twenty per centum (20%) of the issued share capital of the Company for the time being. This authority, unless revoked or varied by the Company at a general meeting, will expire at the conclusion of the next Annual General Meeting of the Company.

The General Mandate granted by the shareholders at the 15th Annual General Meeting of the Company had not been utilized and hence no proceed was raised therefrom.

The new General Mandate will enable the Directors to take swift action for allotment of shares for any possible fund raising activities, including but not limited to further placing of shares, for the purpose of funding future investment project(s), working capital and/or acquisition(s) and to avoid delay and cost of convening general meeting(s) to approve such issue of shares. The Directors, having considered the current economic climate arising from the global Covid-19 pandemic and the prospective financial position of the Company, are of the opinion that the 20% General Mandate is in the best interests of the Company and its shareholders.

Administrative Details

Guidance and Requirements to conduct physical meeting for the Sixteenth Annual General Meeting of ABM Fujiya Berhad ("the Company") to be held at the Conference Room, Lot 859, Section 66, Lorong Pangkalan, Off Jalan Pangkalan, Pending Industrial Estate, 93450 Kuching, Sarawak, on Tuesday, 4 August 2020 at 11:00 a.m.

In addition to the requirement under Section 327 of the Companies Act 2016, the Company will:

1. ensure there is reliable infrastructure to enable the conduct of a physical general meeting including enabling members to exercise their rights to speak and vote at the meeting;
2. provide guidance to shareholders on the requirements and method of participating in the general meeting;
3. ensure only eligible individuals are allowed to participate in the meeting;
4. require shareholders to register ahead of the meeting to allow listed issuers to make the necessary arrangements including in relation to logistics;
5. observe the applicable directives, safety and precautionary requirements as prescribed by the Government, the Ministry of Health, the Malaysian National Securities Council, and other relevant authorities to curb the spread of Covid-19 are abided by;
6. ensure a physical distance of at least one (1) meter between each meeting participant at all times; and
7. ensure all participants are wearing face masks.

The Company will continue to monitor the Covid-19 pandemic situation closely and may adopt further procedures and measures at short notice as public health situation changes. Shareholders should check the Company's website at www.abmfujiya.com.

PARKING

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

REGISTRATION

- Registration will start at 10:00 a.m.
- Please produce your original Identity Card ("MyCard") or Passport (for foreigners) to the registration staff for verification.
- Upon registration, the polling slip will be distributed to you.

SEATING ARRANGMENT FOR THE AGM

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

APPOINTMENT OF PROXY

- Shareholders are reminded that physical attendance at the AGM is not necessary for the purpose of exercising Shareholders' rights. They are strongly encouraged to cast their votes by submitting a proxy form appointing the Chairman of the AGM.

Form of Proxy

No. of Shares Held : ____________________

ABM Fujiya Berhad
(Incorporated in Malaysia)
Registration No. 200301025904 (628324-W)

I/We ____ NRIC No./Company No. ____________________

of ____

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

____ NRIC No. ______________________

of ____

or failing him/her, ____________________________________ NRIC No. ______________________

of ____

or Chairman of the meeting as my/our proxy to vote for me/us on my/our behalf, at the Sixteenth Annual General Meeting of the Company to be held at the Conference Room, Lot 859, Section 66, Lorong Pangkalan, Off Jalan Pangkalan, Pending Industrial Estate, 93450 Kuching, Sarawak, on Tuesday, 4 August 2020 at 11:00 a.m. and at any adjournment thereof for/against *the resolution(s) to be proposed thereat.

NO.	RESOLUTIONS	FOR	AGAINST
1.	To approve the payment of Directors' fees and Directors' other benefits up to RM160,000 for the financial year ending 31 December 2020.		
2.	To re-elect Miss Wong Siaw Wei as Director of the Company.		
3.	To re-elect Mr Sim Chong Hong as Director of the Company.		
4.	To re-elect Datu Dr Hatta Bin Solhi as Director of the Company.		
5.	To re-elect Encik Ali Bin Adai as Director of the Company.		
6.	To re-elect Ms Tay Siew Ling as Director of the Company.		
7.	To re-appoint Messrs KPMG PLT as the Auditors of the Company and to authorise the Directors to determine their remuneration.		
8.	Continuation in office of Miss Wong Siaw Wei as Independent Non-Executive Director.		
9.	Continuation in office of Puan Sri Corinne Bua Nyipa as Independent Non-Executive Director.		
10.	Authority to Issue Shares Pursuant to Sections 75 and 76 of The Companies Act 2016.		

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

Dated this ______ day of ____________, 2020.

____
Signature of Shareholder(s)/Common Seal

NOTES:

1. In respect of deposited securities, only members whose names appear in the Record of Depositors on 28 July 2020 (General Meeting Record of Depositors) shall be eligible to attend, participate, speak and vote at the AGM.
2. Where a member is an authorized nominee (AN) as defined under the Securities Industry (Central Depositories) Act, 1991 (SICDA), the AN may appoint proxy(ies) in respect of each securities account it holds which is credited with ordinary shares of the Company; and where a member is an exempt authorized nominee (EAN) as defined under SICDA which holds ordinary shares in the Company for multiple owners in one securities account (omnibus account), the EAN can appoint proxy(ies) in respect of ach omnibus account it holds.
3. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportion of his shareholding to be represented by each proxy.
4. The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorized in writing, or if the appointer is a corporation under its common seal or in such other manner approved by its directors.
5. The instrument appointing a proxy must be deposited at the registered office at Lot 2224, Section 66, Lorong Pangkalan, Off Jalan Pangkalan, Pending Industrial Estate, 93450 Kuching, Sarawak, Malaysia, not less than 48 hours before the time appointed for holding the AGM or at any adjournment thereof.
6. Pursuant to Paragraph 8.29A of Bursa Malaysia Berhad Main Market Listing Requirements, all resolutions set out in the Notice of 16th AGM will be put to vote on a poll.

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Stamp

The Company Secretary

ABM Fujiya Berhad

Registration No. 200301025904 (628324-W)

Lot 2224, Section 66

Lorong Pangkalan, Off Jalan Pangkalan

Pending Industrial Estate

93450 Kuching, Sarawak

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www.abmfujiya.com

ABM Fujiya Berhad
Registration No. 200301025904 (628324-W)
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Lorong Pangkalan, Off Jalan Pangkalan
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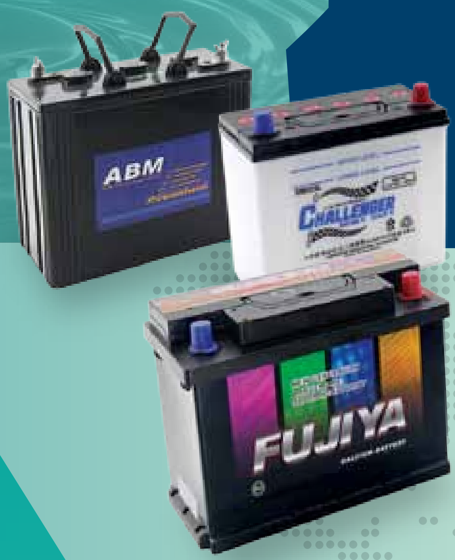
East Malaysia

Tel: 082 333 344 Fax: 082 483 603



ABM Fujiya Berhad Registration No. 200301025904 (628324-W)

ANNUAL REPORT 2019