

## **JADI IMAGING HOLDINGS BERHAD**

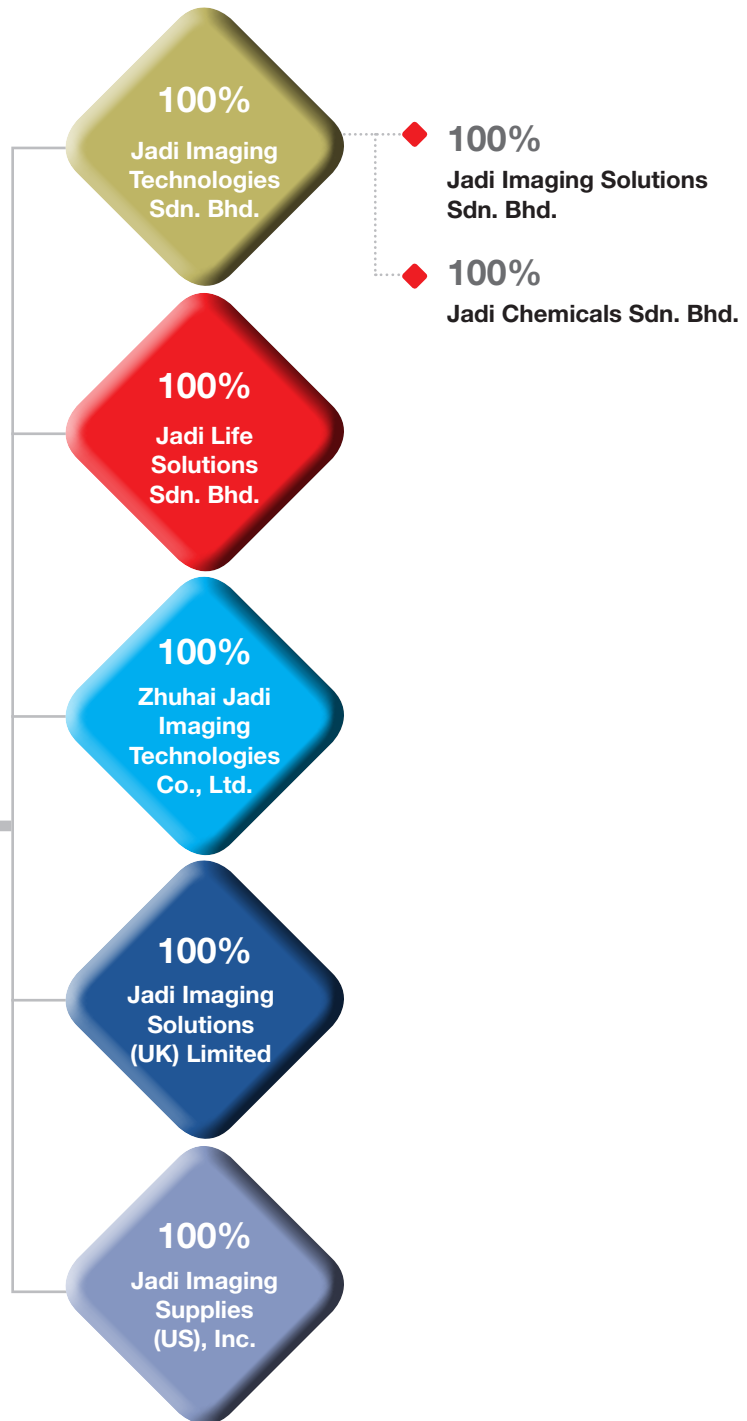
Registration No.:200001023711 (526319-P)

ANNUAL REPORT 2020

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## CORPORATE STRUCTURE



## OUR VISION

To be an integrated company which provides solutions for the global imaging supplies industry.

## OUR MISSION

Customer satisfaction in every decision.

## CORPORATE INFORMATION

### BOARD OF DIRECTORS

**Liew Kim Siong**  
*Executive Chairman / Group CEO*

**Liew Kit**  
*Executive Director /  
Group Sales & Marketing Manager*

**Liew Hock Yee**  
*Executive Director /  
Chief Financial Officer*

**Dato' Sri Liew Lee Leong**  
*Senior Independent  
Non-Executive Director*

**Lim Chee Khang**  
*Independent Non-Executive Director*

**Dato' Dr Lee Chung Wah**  
*Independent Non-Executive Director*

**Dai ShuChun**  
*Non-Independent  
Non-Executive Director <sup>1</sup>*

<sup>1</sup> Appointed on 16 October 2019

### AUDIT COMMITTEE

**Dato' Sri Liew Lee Leong** (*Chairman*)  
**Lim Chee Khang** (*Member*)  
**Dato' Dr Lee Chung Wah** (*Member*)

### REMUNERATION COMMITTEE

**Lim Chee Khang** (*Chairman*)  
**Dato' Sri Liew Lee Leong** (*Member*)  
**Dato' Dr Lee Chung Wah** (*Member*)

### NOMINATION COMMITTEE

**Dato' Sri Liew Lee Leong** (*Chairman*)  
**Lim Chee Khang** (*Member*)  
**Dato' Dr Lee Chung Wah** (*Member*)

### COMPANY SECRETARIES

**Wong Wai Foong**  
(MAICSA 7001358)  
(SSM PC No. 202008001472)  
**Fong Seah Lih**  
(MAICSA 7062297)  
(SSM PC No. 202008000973)

### REGISTERED OFFICE

No. 1, Jalan Peguam U1/25A  
Seksyen U1  
Hicom-Glenmarie Industrial Park  
40150 Shah Alam  
Selangor Darul Ehsan  
Telephone No. : (603) 7804 0333  
Facsimile No. : (603) 7804 3211

### SHARE REGISTRAR

**Tricor Investor & Issuing House  
Services Sdn. Bhd.**  
Unit 32-01, Level 32, Tower A  
Vertical Business Suite, Avenue 3  
Bangsar South  
No. 8, Jalan Kerinchi  
59200 Kuala Lumpur  
Wilayah Persekutuan  
Malaysia  
Telephone No. : (603) 2783 9299  
Facsimile No. : (603) 2783 9222

### PRINCIPAL BANKERS

**Hong Leong Bank Berhad**  
Level 9, Menara Hong Leong  
6, Jalan Damansara  
Bukit Damansara  
50490 Kuala Lumpur

**United Overseas Bank  
(Malaysia) Bhd**  
2A Ground Floor, Wisma SunwayMas  
Jalan Tengku Ampuan Zabedah C9/C  
Section 9, 40100 Shah Alam, Selangor

### AUDITORS

**PKF**  
Level 33, Menara 1MK  
Kompleks 1 Mont Kiara  
No. 1, Jalan Kiara, Mont Kiara  
50480 Kuala Lumpur  
Telephone No. : (603) 6203 1888  
Facsimile No. : (603) 6201 8880

### STOCK EXCHANGE

**Main Market of Bursa Malaysia  
Securities Berhad**

### STOCK CODE

7223

## CHAIRMAN'S STATEMENT



Against the backdrop of an impending severe global economic downturn which is triggered by the COVID-19 pandemic, the Group has reported a total sales revenue of RM47.3 million for the financial year ending 31st March 2020, a slight decline as compared to previous year's total sales revenue of RM47.8 million. A net loss after tax of RM32.9 million was recorded for the financial year ending 31st March 2020 versus a net profit after tax of RM458,723 reported by the Group a year earlier.

During the year under review, the Group continued to operate under a highly uncertain environment because of the ongoing trade tension between China and the United States which has escalated further with numerous exchanges in tariff hikes between both countries. On 13th August 2019, through a 10% share placement exercise, the Group entered into a Subscription Agreement with Static Control Holdings Limited ("Static Control"), a wholly owned subsidiary of Ninestar Group, to raise RM12.2 million. The funds raised were utilized as part of capital expenditure to expand the capacity and partially automate the Group's Chemically Prepared Toner (CPT) Plant at Jalan Kapar, Klang. In addition, a Framework Supply Agreement was also executed by both parties on the same date which requires the Group to manufacture and supply 250MT, 325MT and 420MT of CPT per annum to Static Control for the next three years ending 31st March.

In line with the Group's restructuring exercise to rationalize operating costs, its sales and distribution office in Alton, United Kingdom under Jadi Imaging Solutions UK Limited has ceased operation and in amidst of winding up. Later part of the year, the Group had to make a difficult decision to withdraw from the Indian cartridge remanufacturing market following the anti-competitive behaviour of Indian authorities to impose unfair anti-dumping duty on imported toners from China, Taiwan and Malaysia as a result of complaints filed by India's two main toner manufacturers, namely Indian Toners and Developers Ltd. and Pure Toners and Developers Pvt. Ltd. Despite ceasing exports to India, the adverse impact on sales was buffered by higher export and sales volume to China for the compatible cartridge segment. Besides that, the Group, like other businesses in the country, had to shut down its entire manufacturing operations from 18th Mar 2020 in accordance to the directive of the Malaysian government to implement the Movement Control Order (MCO) which was aimed at stopping the spread of COVID-19.

The operating environment for the Group is expected to remain extremely challenging due to intense price competition on commodity black toners, changing industry dynamics caused by the growing dominance of compatible cartridge versus remanufactured alternatives, and ongoing consolidation within the aftermarket industry. On top of these industry-wide challenges, the COVID-19 pandemic which has put many countries under unprecedented lockdown has thoroughly devastated the global economy and is anticipated to further weigh down on overall toner demand as business activities continue to dwindle across the world.

## CHAIRMAN'S STATEMENT (cont'd)

In view of these challenges, the Group will remain cautious in planning and implementing necessary actions to sustain the business and mitigate negative impacts from the global economic fallout as caused by the COVID-19 pandemic. Among some of the ongoing measures that will continue to be implemented across the board include:

1. Developing and strengthening its customer base of compatible cartridge and parts manufacturers in China through its sales office and warehouse located in Zhuhai, which is known as the industry's leading manufacturing hub for compatible cartridges;
2. Strengthening distribution network of bulk toner and compatible cartridge importers globally by offering superior and consistent quality products as well as excellent service.
3. Reducing time-to-market to gain product leadership position by improving speed of new product development;
4. Cost reduction of bulk toner formulations by sourcing out lower-priced alternative materials without compromising on quality in order to remain competitive against other toner manufacturers;
5. Streamlining bulk toner products to emphasize on high demand and high value products;
6. Enhancing operational productivity and quality by focusing on lean operations, costs minimization and efficiency improvements at all manufacturing facilities;
7. Expanding downstream sales channels in Malaysia by promoting and distributing bulk toner and compatible cartridges under a private-label, Jaditoner through the company's online store and third party e-commerce platforms.

Besides the ongoing measures above, the Group has commenced trial and commissioning of its recently completed CPT Plant at Jalan Kapar, Klang which was earlier delayed because of the MCO. Despite needing to undergo a new learning curve to optimize the plant's new and upgraded operation as well as process flow, the Group is optimistic that given the committed demand from Ninestar Group and its subsidiaries, the output from its new CPT Plant will start to contribute positively to the Group's results for the financial year ending 31st Mar 2021.

As a socially and environmentally responsible company, the Group remains steadfast in its efforts to minimize waste generated from its operations, encourage reuse of solvent for multiple batches of production, and increase the recycling rate of renewed waste materials in its products. When a more effective and economically viable solution is available to address any social or environmental issues, the Group is committed in making the right decision and adopting it for the good of the surrounding community, as well as the environment. For instance, to improve the effectiveness of its waste water treatment process, the Group has recently taken the opportunity during the expansion of its CPT Plant to re-design and upgrade its waste water treatment plant from a continuous treatment to a batch treatment process which is proven to be a lot more reliable in other countries (eg. Germany) in coping with varying quality of waste water discharge typically encountered in actual production environment.

Apart from its toner business, the Group has incorporated a wholly-owned subsidiary by the name of Jadi Life Solutions Sdn Bhd ("JLS") in Feb 2020 to house the e-commerce operation, as well as local distribution activities for its new business ventures in Office, School and IT Supplies ("OSIT"). Under the OSIT business division, in order to complement the online sales of Jaditoner cartridges, the Group through JLS has entered into exclusive distribution agreements with Ningbo Deli Import & Export Co., Ltd. ("Deli") and Shenzhen Anet Technology Co., Ltd. ("Anet") for exclusive rights to sell and distribute Nusign premium stationery products and 3D printers, respectively, in Malaysia. Moving forward, with careful evaluation of all commercial strategies and action plans, the Group is optimistic that its decision to diversify into these new businesses will have a positive impact on the overall financial performance of the Group through creation of new revenue streams and reduced over-reliance on a single source of business income.

# MANAGEMENT DISCUSSION AND ANALYSIS

## CORPORATE PROFILE

Jadi Imaging Holdings Berhad, through its overseas subsidiaries, is a world-class independent toner manufacturer. The Group is principally involved in the development, formulation and manufacturing of toners for laser printers, photocopiers, facsimile machines and multi-function office equipment.

The Company was founded in 1993 and is headquartered in Hicom-Glenmarie Industrial Park, Shah Alam, Selangor, Malaysia, where its main manufacturing and R&D facilities are located. It has an oversea office and distribution centre located at Zhuhai, China.

## OVERVIEW

The FY2020 has been another challenging year for the Group. The global business environment became more competitive as toner manufacturers in China continue to engage in stiff price competition. To increase the Group's market share in the global market, the Group has restructured its customer base and product range to cooperate with international distributors that emphasize on offering quality products at competitive prices to the market. The Group is expanding its business in the e-commerce sector through local distribution of bulk toners and compatible cartridges to the end-users under the private label, Jaditoner and has ventured into Office, School and IT Supplies ("OSIT"). Under the newly incorporated company; Jadi Life Solutions Sdn. Bhd., the Group is selling and distributing Nusign premium stationery products and 3D printers.

In addition to the international market, the Group continues to place high emphasis and efforts in its distribution centre in China. The total sales contributed by the China market is approximately 60% in FY2020.

## FINANCIAL REVIEW

Financial Indicators		31 March 2020	31 March 2019	Variance
Revenue	RM'000	47,263	47,792	-1.11%
Profit/(Loss) before tax	RM'000	(32,062)	1,297	-100.00%
Profit/(Loss) from continuing operations, net of tax	RM'000	(32,962)	1,229	-100.00%
Loss from discontinued operation, net of tax	RM'000	–	(770)	100.00%
Profit/(Loss), net of tax	RM'000	(32,962)	459	-100.00%
Net assets per share	RM	0.11	0.13	-15.51%
Total borrowings	RM'000	11,504	46	100.00%
Net debt to Capital and Reserves attributable to equity holders of the Company	Times	–	–	0.00%

## MANAGEMENT DISCUSSION AND ANALYSIS (cont'd)

### FINANCIAL REVIEW (CONT'D)

#### Revenue

For the financial year under review, there is a slight decline in the Group revenue by 1.11% from RM47.8 million to RM47.3 million in the preceding financial year partly affected by the COVID-19 pandemic resulted in an unprecedented lockdown in many countries and the changing industry dynamics caused by the growing dominance of compatible cartridge versus remanufactured alternatives.

#### Costs and expenses

	31 March 2020 RM'000	31 March 2019 RM'000	Variance
Administrative expenses	6,627	7,225	-8.28%
Selling and distribution costs	2,784	2,507	11.05%
Other operating expenses			
- Continued	13,825	429	100.00%
- Discontinued	–	1,268	-100.00%
	23,237	11,429	103.31%

Total other operating expenses of the Group in the current year have increased mainly due to the net stock write-off amounted to RM6.4 million, impairment of plant and equipment amounted to RM8.5 million, impairment of right-of-use of our leased factory No. 1 Jalan Peguam, Glenmarie Shah Alam amounted to RM2.3 million after assessing the value in use of the assets which reduced to their recoverable amount and a provision for reinstatement cost of JIS UK warehouse amounted to RM737k has also been made. In preceding financial year, other operating expenses related to discontinued operation and disposal of the Group's wholly-owned subsidiary, Jadi Imaging Technologies (Suzhou) Co., Ltd.

#### Loss Before Taxation ("LBT")

The Group has recorded a loss before taxation of RM32.9 million as compared to the profit before taxation in the preceding year of RM459k, mainly due to the net stock write-off amounted to RM6.4 million, impairment of plant and equipment amounted to RM8.5 million, impairment of right-of-use of our leased factory No. 1 Jalan Peguam, Glenmarie Shah Alam amounted to RM2.3 million, provision for reinstatement cost of JIS UK warehouse amounted to RM737k.

#### Gearing

The Group has total borrowings of RM11.50 million as at 31 March 2020 with gearing ratio of 10%.

## MANAGEMENT DISCUSSION AND ANALYSIS (cont'd)

### FUTURE OUTLOOK

The Group expects growth to continue in the China cartridge market due to the change of business model globally from cartridge remanufacturing to the distribution of Chinese-made compatible cartridges. Moving forward, the Group continues to develop its market share in this segment through stronger partnership with new and existing distributors and dealers.

The Group will continuously expand the e-Commerce segment through the increase of online distribution hubs with key international distributors in their respective markets. The Group will continue to invest in research and development as we always believe that it is important to improve our product quality and offerings so as to increase our market share in the bulk toner and compatible cartridges businesses. As a result, we are able to introduce the latest toner with higher quality than the market's standard that we expect will minimize the impact of the price war.

In view of the current challenging business environment and further impacted by the COVID-19 pandemic, the Group will remain cautious in planning and continuously optimizing productivity through increasing operational and manufacturing efficiencies.

### Appreciation

On behalf of the Board of Directors, we would like to express our thanks and appreciation to our shareholders, business partners, customers and all the employees for all your supports and hard work. We look forward to your continuous support in the years ahead.

## DIRECTORS' PROFILES

The profiles of the Board of Directors of Jadi Imaging Holdings Berhad are as follows:

### **LIEW KIM SIONG**

Executive Chairman / Group CEO

Liew Kim Siong, Malaysian, male, aged 62, was appointed to the Board as Executive Director of Jadi Imaging Holdings Berhad on 9 April 2002. He is presently the Executive Chairman and Group CEO of Jadi Imaging Holdings Berhad.

He obtained a Diploma in Accounting and Finance from the Association of Chartered Certified Accountants ("ACCA"), UK before pursuing a Master in Business Administration from University of Strathclyde, Scotland in 1995.

In 1984, he established Office Business Systems Sdn. Bhd., a company involved in the remanufacturing, sales and servicing of copiers and assumed the position of Managing Director. Subsequently in 1992, he established Technitone (M) Sdn. Bhd., a toner manufacturing company and was appointed Managing Director of the company. As a result of a change in partnership arrangements, he established Jadi Imaging Technologies Sdn. Bhd. in 1999 to acquire all the assets of Technitone (M) Sdn. Bhd. and was appointed Chief Executive Officer of the company. With over 33 years of experience in the copier and toner industries, he has been instrumental in the success, growth and development of the Jadi Imaging Group. As the Group Chief Executive Officer, he is responsible for the strategic direction as well as business development of the Group.

### **LIEW KIT**

Executive Director / Group Sales & Marketing Manager

Liew Kit, Malaysian, male, aged 28, was appointed to the Board as Executive Director of Jadi Imaging Holdings Berhad on 1 June 2017. He obtained a Joint Honors Degree in the field of Business and Marketing Management and Branding from the University of Gloucestershire, before completing his Master in Business Administration in Coventry University with a Distinction in 2015.

Since 2012, he had participated in various roles throughout Jadi Imaging Technologies Sdn. Bhd. Including Business Development, E-Commerce, Marketing and Sales respectively. Appointed as the Marketing Manager in January 2017, his main responsibilities include overseeing the Group's marketing division. In January 2018, he was appointed as the Group's Sales & Marketing Manager overseeing the sales and marketing division.

## DIRECTORS' PROFILES (cont'd)

### **LIEW HOCK YEE**

Executive Director / Chief Financial Officer

Liew Hock Yee, Malaysian, female, aged 35, was appointed to the Board as an Executive Director of Jadi Imaging Holdings Berhad on 1 June 2017.

She obtained her Bachelor of Commerce, majoring in Accounting and Finance in 2006 from University of Melbourne, Australia. She became a member of the Certified Practising Accountants of Australia (CPA) and a member of the Malaysian Institute of Accountants (MIA) in 2010.

She started her career as an auditor with Ernst & Young in 2007. Subsequently, she joined Jadi Imaging Technologies Sdn. Bhd. in 2010 as an Accountant with primary responsibilities in ensuring financial reports are prepared in accordance with the statutory and regulatory requirements. She was redesignated as Chief Financial Officer of Jadi Imaging Holdings Berhad and its subsidiaries on 1 April 2020.

### **DATO' SRI LIEW LEE LEONG**

Independent & Non-Executive Director

Dato' Sri Liew Lee Leong, Malaysian, male, aged 63, was appointed to the Board as an Independent Non-Executive Director of Jadi Imaging Holdings Berhad on 20 July 2018. He has been appointed as the Chairman of the Audit Committee and Nomination Committee on 20 July 2018. He has been redesignated as a Senior Independent Non-Executive Director on 27 November 2018.

Dato' Sri Liew Lee Leong is an Entrepreneur Chartered Accountant and holds a Master degree from Henley Management College, United Kingdom, a corporate advisor with many years of extensive work experience with professional firms and multi-national companies in brand repositioning, corporate advisory, insolvency, Mergers & Acquisitions to include corporate tax planning, investigative reviews and VAT/GST related exercises; and has since assisted in numerous corporate turnarounds and related due diligence corporate exercises.

Dato' Sri Liew Lee Leong is the President of McMillan Woods Global, an independent member firm of McMillan Woods Global network of which the global Head Office is based in London, United Kingdom.

With his extensive work knowledge, Dato' Sri Liew Lee Leong is a regular writer of technical articles and a frequent speaker at various professional seminars, conferences and training programmes. He is a Trustee of the Malaysian Accountancy Research & Education Foundation and was a Council member of the Malaysian Institute of Accountants and the Chartered Taxation Institute of Malaysia. He is also an adjudicator for the National Annual Corporate Report Awards for the past many years.

Dato' Sri Liew Lee Leong is a member of The Malaysian Institute of Accountants (MIA), Chartered Tax Institute of Malaysia (CTIM), Institute of Internal Auditors of Malaysia (IIAM) and a fellow member of The Association of Certified Chartered Accountants (UK) (ACCA).

He holds licences for audit, tax and insolvency certificates with the Ministry of Finance (MOF) and is a member of various Committees of MIA & CTIM.

Currently, Dato' Sri Liew Lee Leong is a Senior Independent Director of Seni Jaya Corporation Berhad and assumes the chairmanship of both the Audit and Nomination Committees.

## DIRECTORS' PROFILES (cont'd)

### LIM CHEE KHANG

Independent & Non-Executive Director

Lim Chee Khang, Malaysian, male, aged 54, was appointed to the Board as an Independent Non-Executive Director of Jadi Imaging Holdings Berhad on 20 July 2018. He has been appointed as the Chairman of the Remuneration Committee on 20 July 2018.

He serves as Independent Non-Executive Director of Seni Jaya Corp Bhd. He was appointed on 28 September, 2011. He is a member of the Audit and Nomination Committees and Chairman of the Remuneration Committee.

He is a member of the Honourable Society of Lincoln's Inn and has graduated with Bachelor of Laws (Honours) degree from London School of Economics and Political Science, London. He was called to the Bar of England and Wales in 1992. He has been practising as an advocate & solicitor in Malaysia since 1993. Mr Lim Chee Khang co-founded Messrs. Jal & Lim, Advocates & Solicitors in 1996. He is currently the Partner of Jal & Lim.

### DATO' DR LEE CHUNG WAH

Independent & Non-Executive Director

Dato' Dr Lee Chung Wah, Malaysian, male, aged 45, was appointed to the Board as an Independent Non-Executive Director of Jadi Imaging Holdings Berhad on 27 November 2018.

Graduated with a Bachelor of Business degree from University of Southern Queensland, Australia and a doctorate of Business Administration from University of Atlanta, USA.

Dato' Dr Lee Chung Wah spent the last 10 years in financial technology scene when he assumed the position of CEO and executive director of a few subsidiaries under INSAS Technology Berhad, the technology division of INSAS BHD, where he was in charge of several business units in this region. As an active Fintech entrepreneur, Dato' Dr. Lee was listed as an inventor to several granted patents under the Patent Cooperation Treaty (PCT) and World Intellectual Property Organization (WIPO) in Australia, Singapore, WIPO, United States of America and others. He was the general manager of INSAS Berhad from 2006-2007.

Presently, Dato' Dr Lee Chung Wah sits on the board of The One Smart City Ltd., a related company of China High Precision and Automation Group, a company listed on HKSE. He is also a partner & co-founder for International Supply Chain Alliance Ltd., which owns [www.oym56lm.com](http://www.oym56lm.com), the largest big data and artificial intelligence (AI) centric warehousing and logistics platform in greater China. Dato' Dr. Lee also sits on the board of several private limited companies in Malaysia, Singapore and Hong Kong.

## DIRECTORS' PROFILES (cont'd)

### DAI SHUCHUN

Non-Independent & Non-Executive Director

Dai ShuChun, Malaysian, male, aged 42, was appointed to the Board as a Non-Independent Non-Executive Director of Jadi Imaging Holdings Berhad on 16 October 2019. Graduated with a Bachelor of Automation Specialty degree from Zhengzhou University.

Presently, Dai ShuChun is Deputy General Manager of the consumables business department of Ninestar Corporation.

#### **Notes:-**

1. *Liew Kim Siong is the father of Liew Kit and Liew Hock Yee. Save as disclosed herein, none of the Directors have any family relationship with any director and/or major shareholder of the Company.*
2. *None of the Directors have any business arrangement with the Company in which he has personal interest.*
3. *None of the Directors have any conflict of interest with the Company.*
4. *None of the Directors have any conviction for offences within the past 5 years.*
5. *None of the Directors have any sanction and/or penalty imposed on them by any regulatory body during the financial year ended 31 March 2020.*
6. *Please refer to the Analysis of Shareholdings of this Annual Report for details of the Directors' shareholdings in the Company.*
7. *The details of attendance of the Directors at the Board Meetings are set out on page 39 of the Corporate Governance Overview Statement in this Annual Report.*

## PROFILE OF KEY SENIOR MANAGEMENT

The Management of the Group is headed by the Group Chief Executive Officer, Mr Liew Kim Siong, and he is assisted by the Executive Directors, i.e. Mr Liew Kit, Ms Liew Hock Yee, and the following key senior management:

### KOH CHIN CHIN

Finance Manager

Koh Chin Chin, Malaysian, female, aged 50, was appointed as Finance Manager on 18 August 2016. She is a Chartered Accountant by profession, a member of the Malaysian Institute of Accountants and an Associate of The Chartered Institute of Management Accountants, United Kingdom. She has gained extensive working experience in the areas of auditing, accounting, taxation, GST, corporate affairs and finance, having worked with public listed companies with various industries prior to joining the Group.

#### Notes:-

1. *None of the Key Senior Management hold directorships in any other public companies and listed issuer.*
2. *None of the Key Senior Management have any family relationship with any director and/or major shareholder of the Company.*
3. *None of the Key Senior Management have any business arrangement with the Company in which he has personal interest.*
4. *None of the Key Senior Management have any conflict of interest with the Company.*
5. *None of the Key Senior Management have any conviction for offences within the past 5 years.*
6. *None of the Key Senior Management have any sanction and/or penalty imposed on them by any regulatory body during the financial year ended 31 March 2020.*

# AUDIT COMMITTEE REPORT

The Board of Directors is pleased to present the Report of the Audit Committee (“AC”) for the financial year under review.

## 1. COMPOSITION AND MEETINGS

AC currently has three (3) members, who are all Independent Non-Executive Directors as follows:-

Name	Number of Attendance	Remark
<b>Dato’ Sri Liew Lee Leong</b> – Chairman (Senior Independent Non-Executive Director)	5/5	
<b>Lim Chee Khang</b> – Member (Independent Non-Executive Director)	5/5	
<b>Dato’ Lee Chung Wah</b> – Member (Independent Non-Executive Director)	5/5	

(Total: 5 meetings during the year)

### Audit Committee

Dato’ Sri Liew Lee Leong – Chairman  
Lim Chee Khang  
Dato’ Dr Lee Chung Wah

The Group’s external auditors, certain designated members of the management and internal auditors also attended some of the meetings, at the invitation of the committee.

The details of the training attended by the committee are set out in the Corporate Governance Overview Statement appearing on page 33 of this Annual Report.

The Terms of Reference of AC is available for reference in the Group’s website at [www.jadi.com.my](http://www.jadi.com.my).

## AUDIT COMMITTEE REPORT (cont'd)

### 2. SUMMARY OF WORK PERFORMED BY THE AUDIT COMMITTEE

During the financial year, the Committee carried out its duties and responsibilities in accordance with its terms of reference. The Committee has discharged its duties as set out below:

#### *Financial Results*

- Reviewed and recommended to the Board for approval, the quarterly and statutory financial results of the Company and its subsidiaries, including related announcements to ensure adherence to listing requirements, the relevant laws, regulations and applicable accounting standards as well as highlighted significant issues and any accounting adjustments to the Board.

#### *External Audit*

- Reviewed the external auditors' audit plan and reports on the audit of the statutory financial statements of the Group.
- Reviewed the independence, objectivity and effectiveness of the external auditors in meeting their responsibilities, including non-audit services and corresponding fees.
- Reviewed and recommended the reappointment of external auditors and audit fees to the Board for its approval.
- Met the external auditors twice (on 5 July 2019 and 25 February 2020) during the financial year ended 31 March 2020 in the absence of Executive Management to discuss audited related matters.

#### *Internal Audit*

- Reviewed and approved the internal audit plan for the Group.
- Reviewed the results of the internal audit reviews with the internal auditors.
- Reviewed the adequacy of the scope, function, competency and resources of the internal audit functions.

#### *Risk Management*

- Overseeing the Group's internal control system and risk management. AC continuously monitor and review effectiveness of the internal control with the support of internal auditor and Risk Management Committee ("RMC").

### 3. SUMMARY OF THE ACTIVITIES OF THE INTERNAL AUDIT FUNCTION

The Internal Audit function of the Group has been outsourced to Axcelasia Columbus Sdn Bhd. The Engagement Director is Mr Derek Lee who has diverse professional experience in internal audit, risk management and corporate governance advisory. He is a Chartered Member of the Institute of Internal Auditors Malaysia, a member of the Malaysian Institute of Accountants and a Certified Internal Auditor (USA) and has a Certification in Risk Management Assurance (USA). Mr Derek Lee also Certified Public Accountant, a member of Malaysian Institute of Certified Public Accountant and has Certification in Business Continuity Management from Business Continuity Institute (UK). The internal auditor reports directly to the AC.

The number of staff deployed for the internal audit reviews ranges from 4 to 5 staff per visit including the Engagement Director. The staff involved in the internal audit reviews possesses professional qualifications and/or a university degree. Most of them are members of the Institute of Internal Auditors Malaysia. The internal audit staff on the engagement are free from any relationships or conflict of interest, which could impair their objectivity and independence, and the internal audit reviews were conducted using a risk based approach and were guided by the International Professional Practice Framework.

## AUDIT COMMITTEE REPORT (cont'd)

### 3. SUMMARY OF THE ACTIVITIES OF THE INTERNAL AUDIT FUNCTION (CONT'D)

During the financial year under review, a summary of the activities carried out by the internal audit function are as follows:

- (a) Prepared the risk based internal audit plan for the review and approval of the Audit Committee.
- (b) Carried out reviews in accordance with the risk based internal audit plan reviewed and approved by the Audit Committee. Details of the reviews carried out are as follows:

Entity	Business Processes
Jadi Imaging Technologies Sdn Bhd	➤ Human Resource – Production Workforce Planning

Findings from the internal audit reviews conducted were discussed with Senior Management and subsequently presented, together with Management's response and proposed action plans, to the Audit Committee for their review and approval. The outsourced internal audit function also carries out follow up reviews and reports to the Audit Committee on the status of implementation of action plans committee by Management pursuant to the recommendations highlighted in the internal audit reports.

Notwithstanding the above, although a number of internal control deficiencies were identified during the internal audit reviews, none of the weaknesses have resulted in any material losses, contingencies or uncertainties that would require a separate disclosure in this annual report.

The total professional fees paid for the outsourcing of the internal audit function for the financial year ended 31 March 2020 was RM22,500.

# STATEMENT TO SHAREHOLDERS

IN RELATION TO THE PROPOSED RENEWAL OF AUTHORITY FOR THE COMPANY  
TO PURCHASE ITS OWN ORDINARY SHARES

## 1. Disclaimer Statement

Bursa Malaysia Securities Berhad ("Bursa Securities") takes no responsibility for the contents of this Share Buy-Back Statement ("Statement"), makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Statement.

## 2. Rationale for the Proposed Renewal of Share Buy-Back Authority for the Purchase by Jadi Imaging Holdings Berhad ("JADI" or the "Company") of its own Ordinary Shares ("Shares") on the Main Market of Bursa Securities of up to ten per centum (10%) of its Existing Issued and Paid-up Share Capital ("Proposed Renewal")

Any Share Buy-Back, if implemented pursuant to the Proposed Renewal, is expected to potentially benefit the Company and its shareholders as follows:-

- (a) It will enable the Company to utilise its surplus financial resources which is not immediately required for other uses to purchase JADI Shares from the market. This may help to stabilise the supply and demand of JADI Shares traded on the Main Market of Bursa Securities and thereby support its fundamental value;
- (b) The purchase of its own shares by JADI, whether to be held as treasury shares or subsequently cancelled, will effectively reduce the number of JADI Shares carrying voting and participation rights. Therefore, the shareholders of the Company may enjoy an increase in the value of their investment in JADI due to the increase in the Company's earnings per share; and
- (c) The purchased JADI Shares can be held as treasury shares and resold on Bursa Securities at a higher price with the intention of realising potential gain without affecting the total issued and paid-up share capital of the Company. Should any treasury shares be distributed as share dividends, this would serve to reward the shareholders of the Company.

## 3. Retained Profits/(Accumulated Losses)

Based on the audited financial statements for the financial year ended 31 March 2020, the accumulated losses account of the Company stood at RM23,388,606.

In accordance with Section 74 of the Companies Act, 2016 in Malaysia which became effective 31 January 2017, all shares issued by a company shall have no par or nominal value. Therefore, the share premium account now effectively forms part of the Company's share capital effective 31 January 2017 and at the end of the financial year end.

The Company has adopted the transitional provision under the Company Act, 2016 in Malaysia where the sum standing to the credit of the share premium and capital reserve account may be utilised within 24 months from the commencement date of 31 January 2017 in the manner as allowed for under the Act. Any remaining amount standing to the credit of the Company's shall be reclassified and become part of the share capital.

## STATEMENT TO SHAREHOLDERS (cont'd)

### 4. Source of Funds

The funding for the Proposed Renewal will be from internally generated funds and/or borrowings. The actual amount of borrowings will depend on the financial resources available at the time of the Proposed Renewal. The Proposed Renewal will reduce the cash of the Company by an amount equivalent to the purchase price of JADI Shares and the actual number of JADI Shares bought back. There is no restriction on the type of funds which may be utilized for the Proposed Renewal so long as it is backed by an equivalent amount of retained profits of the Company.

In the event that the Company decides to utilize external borrowings to finance the Proposed Renewal, the Board would ensure that the Company has sufficient funds to repay the external borrowings and that the repayment would have no material effect on the cash flow of the Company.

### 5. Direct and Indirect Interests of the Directors and Substantial Shareholders

Save for the proportionate increase in the percentage of shareholding and/or voting rights in their capacity as the shareholders of the Company, pursuant to the Proposed Renewal, none of the Directors, Substantial Shareholders and/or persons connected to them have any interest, direct or indirect, in the Proposed Renewal and/or resale of treasury shares.

The direct and indirect interest of the Directors and Substantial Shareholders of JADI as at 10 August 2020 are set out in the tables below together with the effect of the Proposed Renewal assuming that JADI implements the Proposed Renewal in full and all the shares so purchased are fully cancelled:

#### Minimum Scenario:

Assuming that none of the outstanding ESOS Options are exercised.

#### Maximum Scenario:

Assuming the full exercise of 141,273,012 outstanding ESOS Options.

#### (a) Effects of the Proposed Renewal on Directors' Shareholdings

##### Minimum Scenario

Name	Before Proposed Renewal				After Proposed Renewal (i)			
	Direct Shareholding		Indirect Shareholding		Direct Shareholding		Indirect Shareholding	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Liew Kim Siong	22,017,045	2.125%	284,743,985 <sup>1</sup>	27.488%	22,017,045	2.362%	284,743,985 <sup>1</sup>	30.543%
Liew Kit	-	-	-	-	-	-	-	-
Liew Hock Yee	-	-	-	-	-	-	-	-
Dato' Sri Liew Lee Leong	-	-	-	-	-	-	-	-
Lim Chee Khang	-	-	-	-	-	-	-	-
Dato' Dr Lee Chung Wah	-	-	-	-	-	-	-	-
Liew Choon	86,666	0.008%	-	-	86,666	0.009%	-	-

## STATEMENT TO SHAREHOLDERS (cont'd)

### 5. Direct and Indirect Interests of the Directors and Substantial Shareholders (cont'd)

#### (a) Effects of the Proposed Renewal on Directors' Shareholdings (cont'd)

##### Maximum Scenario

Name	Before Proposed Renewal				After Proposed Renewal (i)			
	Direct Shareholding		Indirect Shareholding		Direct Shareholding		Indirect Shareholding	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Liew Kim Siong	22,017,045	1.870%	284,743,985 <sup>1</sup>	24.189%	22,017,045	2.078%	284,743,985 <sup>1</sup>	26.877%
Liew Kit	4,000,000	0.340%	-	-	4,000,000	0.378%	-	-
Liew Hock Yee	4,000,000	0.340%	-	-	4,000,000	0.378%	-	-
Dato' Sri Liew Lee Leong	-	-	-	-	-	-	-	-
Lim Chee Khang	-	-	-	-	-	-	-	-
Dato' Dr Lee Chung Wah	-	-	-	-	-	-	-	-
Liew Choon	4,086,666	0.347%	-	-	4,086,666	0.386%	-	-

##### Notes:-

(i) Assuming that the purchase of JADI Shares pursuant to the Proposed Renewal is based on the maximum number of JADI Shares that may be purchased.

<sup>1</sup> Deemed interested by virtue of his shareholdings in LSI Holdings Sdn Bhd pursuant to Section 8 of the Companies Act, 2016 ("the Act").

(a) Liew Kit holds 4,000,000 ESOS Options as at 10 August 2020.

(b) Liew Hock Yee holds 4,000,000 ESOS Options as at 10 August 2020.

(c) Liew Choon holds 4,000,000 ESOS Options as at 10 August 2020.

#### (b) Effects of the Proposed Renewal on Substantial Shareholders' Shareholdings

##### Minimum Scenario

Name	Before Proposed Renewal				After Proposed Renewal (i)			
	Direct Shareholding		Indirect Shareholding		Direct Shareholding		Indirect Shareholding	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
LSI Holdings Sdn Bhd	284,743,985 <sup>1</sup>	27.488%	-	-	284,743,985 <sup>1</sup>	30.543%	-	-
Liew Kim Siong	22,017,045	2.125%	284,743,985 <sup>1</sup>	27.488%	22,017,045	2.362%	284,743,985 <sup>1</sup>	30.543%
Ng Poh Imm	-	-	284,743,985 <sup>1</sup>	27.488%	-	-	284,743,985 <sup>1</sup>	30.543%
Static Control Holdings Limited	94,170,040 <sup>2</sup>	9.091%	-	-	94,170,040 <sup>2</sup>	10.101%	-	-
Ninestar Corporation	-	-	94,170,040 <sup>2</sup>	9.091%	-	-	94,170,040 <sup>2</sup>	10.101%
Zhuhai Seine Technology Co., Ltd	-	-	94,170,040 <sup>2</sup>	9.091%	-	-	94,170,040 <sup>2</sup>	10.101%
Zhuhai Hengxinfengye Technology Co., Ltd	-	-	94,170,040 <sup>2</sup>	9.091%	-	-	94,170,040 <sup>2</sup>	10.101%

## STATEMENT TO SHAREHOLDERS (cont'd)

### 5. Direct and Indirect Interests of the Directors and Substantial Shareholders (cont'd)

#### (b) Effects of the Proposed Renewal on Substantial Shareholders' Shareholdings (cont'd)

##### Maximum Scenario

Name	Before Proposed Renewal				After Proposed Renewal (i)			
	Direct Shareholding		Indirect Shareholding		Direct Shareholding		Indirect Shareholding	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
LSI Holdings Sdn Bhd	284,743,985 <sup>1</sup>	24.189%	-	-	284,743,985 <sup>1</sup>	26.877%	-	-
Liew Kim Siong	22,017,045	1.870%	284,743,985 <sup>1</sup>	24.189%	22,017,045	2.078%	284,743,985 <sup>1</sup>	26.877%
Ng Poh Imm	-	-	284,743,985 <sup>1</sup>	24.189%	-	-	284,743,985 <sup>1</sup>	26.877%
Static Control Holdings Limited	94,170,040 <sup>2</sup>	8.000%	-	-	94,170,040 <sup>2</sup>	8.889%	-	-
Ninestar Corporation	-	-	94,170,040 <sup>2</sup>	8.000%	-	-	94,170,040 <sup>2</sup>	8.889%
Zhuhai Seine Technology Co., Ltd	-	-	94,170,040 <sup>2</sup>	8.000%	-	-	94,170,040 <sup>2</sup>	8.889%
Zhuhai Hengxinfengye Technology Co., Ltd	-	-	94,170,040 <sup>2</sup>	8.000%	-	-	94,170,040 <sup>2</sup>	8.889%

##### Notes:-

(i) Assuming that the purchase of JADI Shares pursuant to the Proposed Renewal is based on the maximum number of JADI Shares that may be purchased.

<sup>1</sup> Deemed interested by virtue of his/her shareholdings in LSI Holdings Sdn Bhd pursuant to Section 8 of the Act.

<sup>2</sup> Deemed interested by virtue of his/her shareholdings in Static Control Holdings Limited pursuant to Section 8 of the Act.

### 6. Potential Advantages and Disadvantages of the Proposed Renewal

For the potential advantages of the Proposed Renewal to the Company and its shareholders, kindly refer to Section 2 of this Statement. The potential disadvantages of the Proposed Renewal to the Company and its shareholders are as follows:-

- the Proposed Renewal will reduce the financial resources of the Group and may result in the Group foregoing better investment opportunities that may emerge in the future;
- the cashflow of the Company may be affected if the Company decides to utilise bank borrowings to finance a Share Buy-Back;
- as the Proposed Renewal can only be made out of the retained profits of the Company, it will result in a reduction in the financial resources available for distribution to shareholders of the Company in the immediate future; and
- the Proposed Renewal may reduce the consolidated net assets of the Company if the purchase price of JADI Shares is higher than the consolidated net assets of the Company at the time of purchase.

Nevertheless, any Share Buy-Back to be undertaken pursuant to the Proposed Renewal is not expected to have any potential material disadvantages to the Company and its shareholders as the Company would purchase JADI Shares only after the Board has given due consideration to its potential impact on the Company's earnings and financial position and the Board is of the opinion that it would be in the best interest of the Company and its shareholders to do so.

## STATEMENT TO SHAREHOLDERS (cont'd)

### 7. Financial Effects

The financial effects of the Share Buy-Back under the Proposed Renewal are set out below:

#### (a) Share Capital

	No. of Shares as at 10/08/2020	No. of Shares as at 10/08/2020
Issued and paid-up share capital	1,035,870,451	1,035,870,451
Upon full exercise of outstanding ESOS Options	–	141,273,012
	1,035,870,451	1,177,143,463
Less:- Shares purchased amounting to ten per cent (10%) of issued and paid-up capital pursuant to Proposed Renewal	(103,587,045)	(117,714,346)
Reduced issued and paid-up capital in the event that the purchased JADI Shares are cancelled	932,283,406	1,059,429,117

The Proposed Renewal will have no effect on the issued and paid-up share capital of JADI if all the Purchased JADI Shares are to be retained as treasury shares.

#### (b) Earnings

The effects of the Share Buy-Back under the Proposed Renewal on the earnings of the Group would depend on the purchase price and the number of JADI Shares purchased. The effective reduction in the issued and paid-up share capital of the Company pursuant to a Share Buy-Back will, generally, with all else being equal, have a positive impact on the consolidated earnings per share of the Company.

Buy-Back Authority is not expected to have any impact on the policy of the Board in recommending dividends, if any, to shareholders of JADI. However, the Board may distribute future dividends in the form of the treasury shares purchased pursuant to the Proposed Renewal of Share Buy-Back Authority.

### 8. Implication of the Malaysian Code on Take-Overs and Mergers 1998 (the “Code”)

As at 10 August 2020, LSI Holdings Sdn Bhd (“LSI”) and Liew Kim Siong collectively hold 29.61% of the voting issued and paid-up share capital of JADI.

Assuming that the Proposed Renewal is carried out in full and there is no exercise of the ESOS options in any period of six (6) months, the collective shareholdings of the LSI and Liew Kim Siong will increase to 32.91% of the total voting issued and paid-up share capital of JADI. Further, assuming that the Proposed Renewal is carried out in full and the ESOS options are exercised in full in any period of six (6) months, the collective shareholdings of LSI and Liew Kim Siong will increase to 28.96% of the total voting issued and paid-up share capital of JADI.

Pursuant to the Code, if a person or a group of persons acting in concert holding more than 33% but less than 50% of the voting shares of the Company and such person or group of persons acting in concert acquires in any period of six (6) months more than 2% of the voting shares of the Company, there is an obligation to undertake a mandatory general offer for the remaining JADI Shares not already owned by the said person or group of persons acting in concert.

## STATEMENT TO SHAREHOLDERS (cont'd)

### 8. Implication of the Malaysian Code on Take-Overs and Mergers 1998 (the “Code”) (cont'd)

Practice Note 2.9.10 of the Code allows an exemption from the obligation to undertake a mandatory general offer to a holder of voting shares who, as a result of a reduction of the voting shares of the company through a buy-back scheme under the Act, has increased his holding of voting shares to more than 33% or, if his existing holding of voting shares is more than 33% but less than 50%, by more than 2% in any six (6) month period, if the increase in his holding is inadvertent and as a result of any action that is outside his direct participation.

In the event that JADI decides to purchase its own Shares which will result in LSI's and Liew Kim Siong's shareholdings in JADI increasing by more than 2% in any period of six (6) months, LSI and Liew Kim Siong will seek a waiver from the SC under Practice Note 2.9.10 of the Code before the Company purchases its own Shares.

### 9. Purchases Made in Last Financial Year

The Company did not undertake any Share Buy-Back during the financial year ended 31 March 2020.

### 10. Public Shareholding Spread

According to JADI's Record of Depositors as at 10 August 2020, there were 5,834 public shareholders holding not less than 100 JADI Shares, with a total shareholding of 73.65% of the Company's issued and paid-up share capital.

The public shareholding spread of the Company is expected to be reduced to 56.99% assuming the Company implements the Share Buy-Back in full i.e. up to 10% of the issued and paid-up share capital of the Company and assuming no ESOS options are exercised into new JADI Shares. Further, the purchased JADI Shares are assumed to be purchased from the market from shareholders of JADI who are deemed public, and the number of JADI Shares held by the Directors and substantial shareholders of JADI and/or persons connected to them remains unchanged.

Notwithstanding the above, the Company, in implementing any Share Buy-Back, will be mindful in ensuring that the aforesaid public shareholding spread requirement is met and maintained at all times.

### 11. Directors' Statement

Your Directors, having considered all aspects of the Proposed Renewal, are of the opinion that the Proposed Renewal is in the best interest of the Company.

### 12. Directors' Recommendation

Your Directors are of the opinion that the Proposed Renewal is in the best interests of the Company and its shareholders. Accordingly, your Directors recommend that you vote in favor of the resolution in relation to the Proposed Renewal to be tabled at the forthcoming Annual General Meeting.

### 13. Other Information

There is no other information concerning the Proposed Renewal that shareholders and other professional advisers would reasonably require and expect to find in the Statement for the purpose of making informed assessment as to the merits of approving the Proposed Renewal and the extent of the risks involved in doing so.

# SUSTAINABILITY STATEMENT

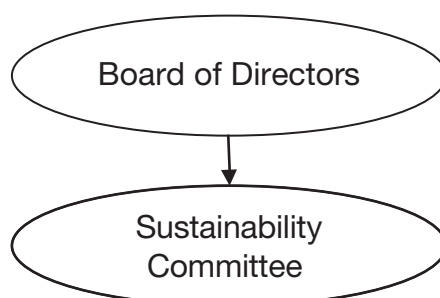
This Sustainability Statement is prepared in accordance with the Main Market Listing Requirements (“Listing Requirements”) of Bursa Malaysia Securities Berhad (“Bursa Securities”) and Sustainability Reporting Guide and Toolkits issued by Bursa Securities. This Statement covers the Group’s operation for the financial year ended 31 March 2020.

The Group recognises the importance of being committed to create long-term sustainable value for all stakeholders. Sustainability has become a significant factor contributing to business growth and competitiveness internationally. We therefore strive to look after the interests of our key stakeholders – including investors, shareholders, customers, suppliers, employees and the community. In this regard, the Group is committed to integrating corporate social responsibility practices into our daily operational activities while pursuing its corporate goals.

## SUSTAINABILITY GOVERNANCE STRUCTURE

The Board of Directors (“BOD”) is ultimately accountable for the oversight of sustainability matters management and setting sustainability strategies as part of the Group’s operations. SC is established to implement the sustainability strategies and monitors the overall Group’s sustainability initiatives; action plans associated with managing sustainability matters. SC is led by the Senior Management (“SM”) Team and supported by Heads of Department.

The Group’s Sustainability Governance Structure is comprised of the following:

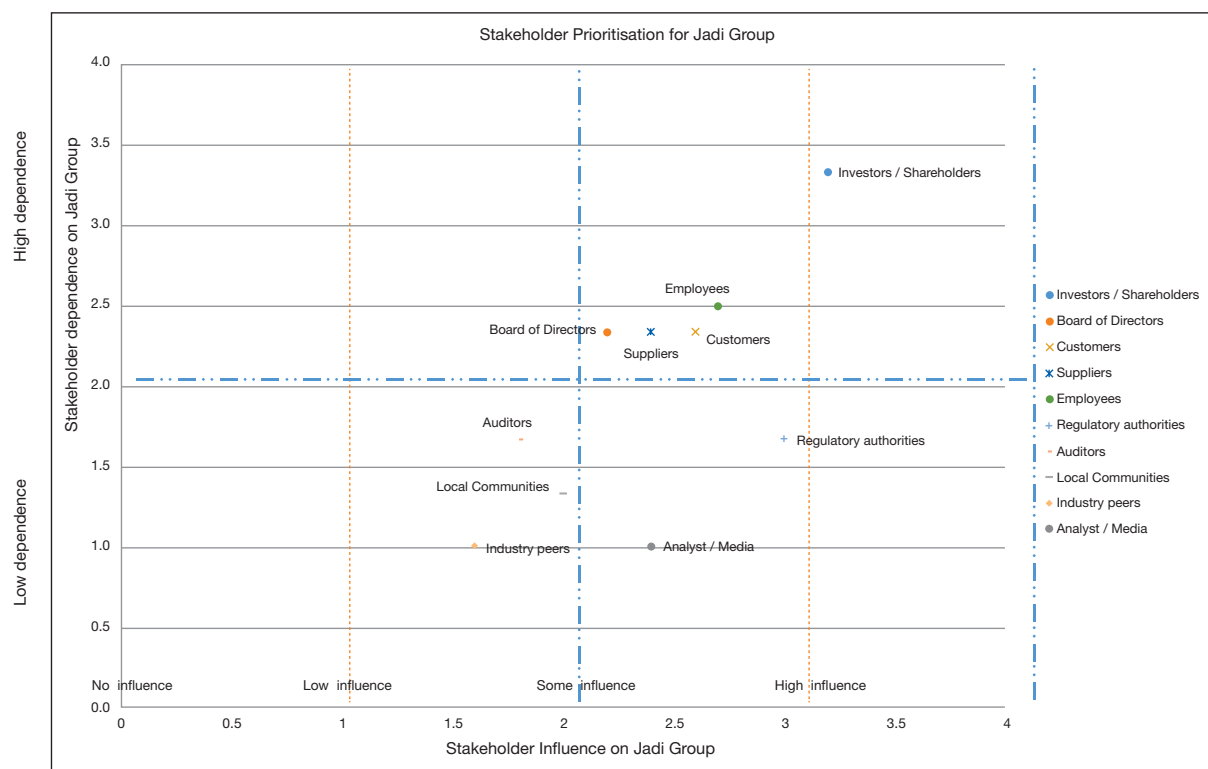


## STAKEHOLDER ENGAGEMENT

An effective stakeholder engagement is crucial to enable us to understand our stakeholders’ needs and identify material matters that are important to the stakeholders in our business operations. The Group has conducted different channels of engagement to collate valuable feedback from our stakeholders regarding their interests and concerns. We have identified and prioritised our stakeholders based on their level of influence to the Group and the Group’s impact on them. Our key stakeholders are Investors / Shareholders, Board of Directors, Customers, Suppliers, Employees, Regulatory authorities, Auditors, Local communities, Industry peers and Analyst / Media.

## SUSTAINABILITY STATEMENT (cont'd)

### STAKEHOLDER ENGAGEMENT (CONT'D)



## SUSTAINABILITY STATEMENT (cont'd)

### STAKEHOLDER ENGAGEMENT (CONT'D)

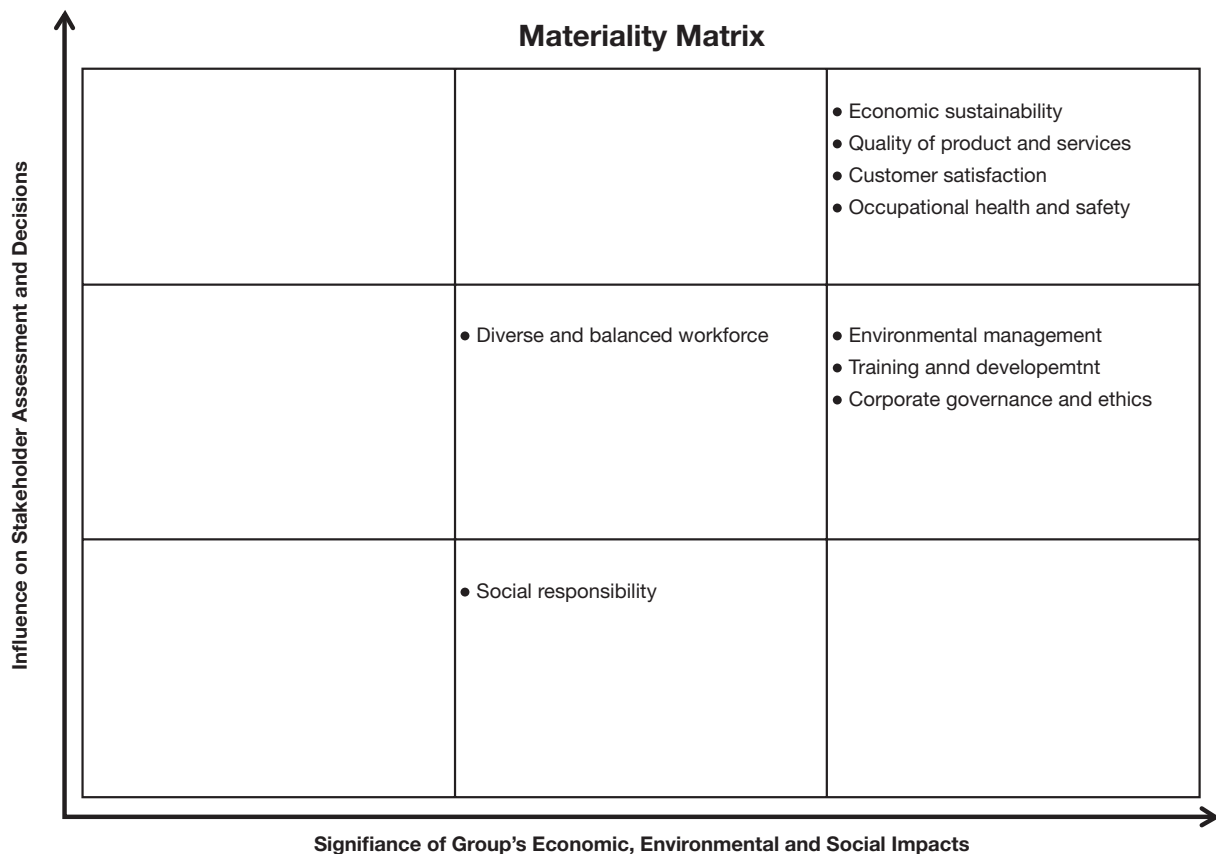
We continuously engage with our stakeholders via different channels as set below.

Key stakeholders	Engagement method	Areas of interest	How we address these areas
Investors/ Shareholders	<ul style="list-style-type: none"> <li>Annual general meetings</li> <li>Annual reports, quarterly reports &amp; announcements</li> </ul>	<ul style="list-style-type: none"> <li>Company performance &amp; growth</li> <li>Dividend &amp; Share performance</li> <li>Sustainability</li> </ul>	<ul style="list-style-type: none"> <li>Economic sustainability</li> <li>Corporate governance and ethics</li> </ul>
Board of Directors	<ul style="list-style-type: none"> <li>Board meetings</li> <li>Company organised events</li> <li>Annual general meetings</li> </ul>	<ul style="list-style-type: none"> <li>Corporate governance</li> <li>Company strategy &amp; direction</li> </ul>	<ul style="list-style-type: none"> <li>Economic sustainability</li> <li>Corporate governance and ethics</li> </ul>
Customers	<ul style="list-style-type: none"> <li>Regular visits &amp; meetings</li> <li>Customer feedback forms</li> <li>Exhibitions &amp; trade fairs</li> </ul>	<ul style="list-style-type: none"> <li>Product quality</li> <li>On time delivery</li> <li>Stock availability</li> <li>Production capacity</li> <li>Affordability</li> <li>Customer relations management</li> </ul>	<ul style="list-style-type: none"> <li>Quality of product and services</li> <li>Customer satisfaction</li> </ul>
Suppliers	<ul style="list-style-type: none"> <li>Regular meetings</li> <li>Supplier evaluation audit</li> </ul>	<ul style="list-style-type: none"> <li>Maintaining partnership</li> <li>Procurement practices</li> <li>Term of payment</li> </ul>	<ul style="list-style-type: none"> <li>Corporate governance and ethics</li> <li>Economic sustainability</li> </ul>
Employees	<ul style="list-style-type: none"> <li>Meetings &amp; briefings</li> <li>Weekly lunch gatherings</li> <li>Employee performance appraisals</li> <li>Policies &amp; procedures</li> <li>Events - Festive celebrations, Annual dinner</li> </ul>	<ul style="list-style-type: none"> <li>Remuneration &amp; benefits</li> <li>Occupational health &amp; safety</li> <li>Career development &amp; opportunities</li> </ul>	<ul style="list-style-type: none"> <li>Diverse &amp; balanced workforce</li> <li>Occupational health and safety</li> <li>Training and development</li> </ul>
Regulatory authorities	<ul style="list-style-type: none"> <li>Statutory submissions</li> <li>Meetings</li> </ul>	<ul style="list-style-type: none"> <li>Environmental &amp; safety compliance</li> </ul>	<ul style="list-style-type: none"> <li>Environmental management</li> </ul>
Auditors	<ul style="list-style-type: none"> <li>Annual audit/periodic reviews</li> </ul>	<ul style="list-style-type: none"> <li>Operational &amp; quality assurance practices</li> </ul>	<ul style="list-style-type: none"> <li>Quality of product and services</li> </ul>
Local communities	<ul style="list-style-type: none"> <li>Online platforms (eg. Social media &amp; online applications)</li> </ul>	<ul style="list-style-type: none"> <li>Job opportunities for local communities</li> <li>Social and environmental concerns</li> </ul>	<ul style="list-style-type: none"> <li>Environmental management</li> <li>Social responsibilities</li> </ul>
Industry peers	<ul style="list-style-type: none"> <li>Exhibitions &amp; trade fairs</li> <li>Collaborations</li> </ul>	<ul style="list-style-type: none"> <li>Market trend</li> </ul>	<ul style="list-style-type: none"> <li>Economic sustainability</li> </ul>
Analyst/Media	<ul style="list-style-type: none"> <li>Interviews</li> <li>Annual general meetings</li> </ul>	<ul style="list-style-type: none"> <li>Industry outlook</li> <li>Financial performance</li> </ul>	<ul style="list-style-type: none"> <li>Economic sustainability</li> <li>Corporate governance and ethics</li> </ul>

## SUSTAINABILITY STATEMENT (cont'd)

### MATERIALITY

The Group has conducted materiality assessment to identify and assess economic, environmental and social issues which are material to the Group and its stakeholders.



### ECONOMIC SUSTAINABILITY

Being in an extremely challenging landscape due to the ever-changing consumer behaviour, the Group believes that actively sharing its views and exchanging ideas with customers and industry peers are essential in keeping abreast with latest market developments. This enables us to create values to all our stakeholders; enhancing value for our shareholders, creating development opportunities for our employees and contributing to our local communities surrounding us.

## SUSTAINABILITY STATEMENT (cont'd)

### CUSTOMER SATISFACTION

We continuously visit and communicate with our customers to ensure effective customer engagement. We carry out Customer Feedback Survey, mainly covering product quality satisfaction, after sales service, and timeliness of delivery. This is carried out on a quarterly basis to monitor the Group's performance and customers' satisfaction.

### QUALITY OF PRODUCT AND SERVICES

Prompt action are taken upon receipt of customer complaints. Our Quality Assurance & Control team will perform relevant tests and investigation to identify the root-cause of complaints received. Corrective actions will then be taken to resolve customer issues immediately. Besides that, preventive measures are also instituted to prevent future recurrence and improve customer satisfaction.

### CORPORATE GOVERNANCE AND ETHICS

The Group is cognizant that a sound corporate governance, ethical conduct and compliance to regulations are foundation in protecting the interest of all stakeholders. This will not only enhance increase the confidence level of investors but also fundamental to maintaining an effective and transparent business operation.

The Directors and all employees are required to conform to the Code of Ethics and Conduct which define the ethical standards and conduct at work when discharging their respective duties and responsibilities. The Code includes the guiding principles of conduct on confidential information, misconducts, conflict of interest and several other principles of conduct to uphold the best governance practices.

The Code of Ethics and Conduct also facilitates a whistle blowing function. Any employee is encouraged to whistle blow on any form of violation of the Code. The internal audit function which is appointed by AC will report independently to the AC on its quarterly review results. The Group's Whistle Blowing guidance is available for reference in the Group's website at [www.jadi.com.my](http://www.jadi.com.my).

The details of the Code of Ethics and Conduct are available for reference in the Group's website at [www.jadi.com.my](http://www.jadi.com.my).

## SUSTAINABILITY STATEMENT (cont'd)

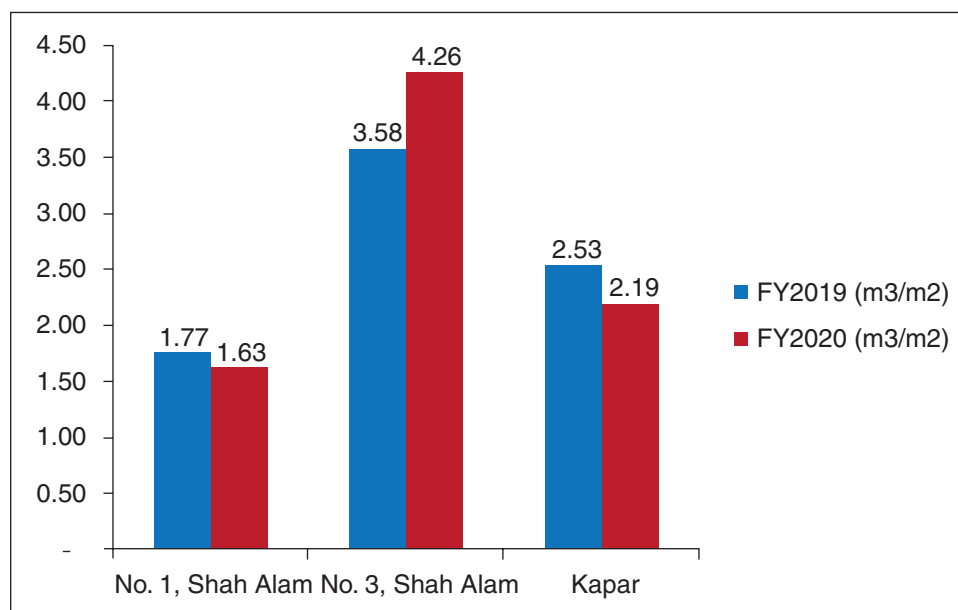
### ENVIRONMENT

Being a global toner manufacturer, the Group is cautious in handling its product in a proper manner and in accordance with the relevant laws and regulations. The Group is continuously looking out for ways to incorporate sustainability practises into the entire manufacturing and supply chain process. The Group consciously make concerted effort to promote awareness and commitment to contributing towards a greener environment, with the following initiatives:

#### Waste

We categorise our waste into two categories – scheduled waste and non-scheduled waste. Scheduled wastes which comprise of chemical wastes generated from the production of toner, thermal fluids and sludges are collected by third party contractor for disposal or treatment. Non-scheduled wastes are mainly made up of wood, plastic, scrap metal that are sent to recycling facilities for recovery and reuse. We are committed to proper waste management with storage, collection and reuse of recyclables.

#### Water



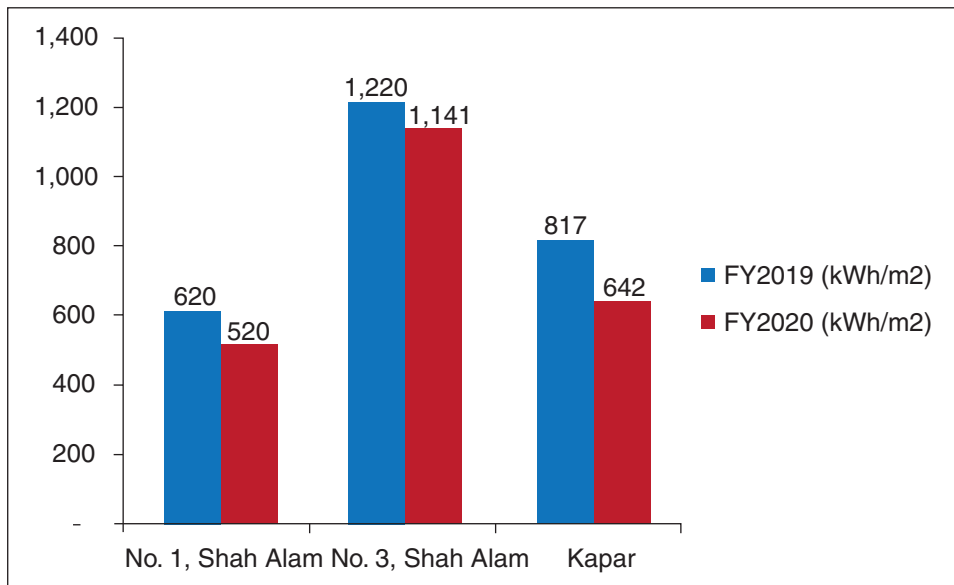
A waste water treatment plant is installed at Jalan Kapar factory and is operating around the clock to treat waste water generated by the Company's water-based chemical toner plant.

## SUSTAINABILITY STATEMENT (cont'd)

### ENVIRONMENT (CONT'D)

#### Energy and Air Emissions

Energy management initiatives are in place to minimize electricity consumption especially at our toner production lines and to mitigate possible increases in electricity tariff from time to time by our main electricity provider, Tenaga Nasional Berhad ("TNB"). Thermal insulation and clear roofs have been installed in parts of our largest factory located in Kapar to allow natural sunlight into the factory to reduce electricity consumption from lighting. We have also switched to LED lighting in certain areas of our factories to further reduce energy consumption. Lights and air-conditioning units are switched off when they are not required. Training is provided to employees to raise awareness on energy conservation.



Proper air filters are installed at the chimneys of all factories, to ensure that air emissions do not cause any adverse impact to the surrounding environment and community.

## SUSTAINABILITY STATEMENT (cont'd)

### OUR PEOPLE

#### Training and development

As the Group is growing in a fast-evolving market, the Group acknowledges the importance of investing in its employees. Both internal and external training programmes are organized to upgrade employees' skills and job knowledge, assisting them to work towards achieving their goals and aspirations. We continuously seek ways to develop our people and aligning our strategic goals in an ever changing business environment. We provide our people with a range of learning opportunities in the following ways:

- On-the-job training
- Training and workshops on product knowledge, operation, quality and job specific skills

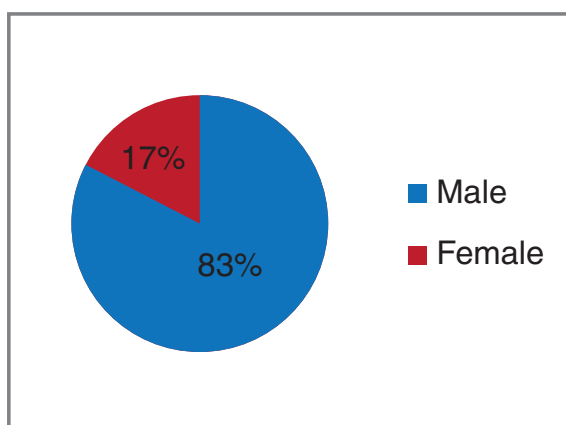
#### Employee engagement

Every year, we celebrate festivals such as Hari Raya, Chinese New Year, Deepavali and International Women's Day were also celebrated with staff during company lunches. Annual events are organized to gather all of our employees from all regions, to foster closer relationships among employees within the whole Group. Company lunch is also organized 2 – 3 times a week for all of operations team, to foster better employee engagement.

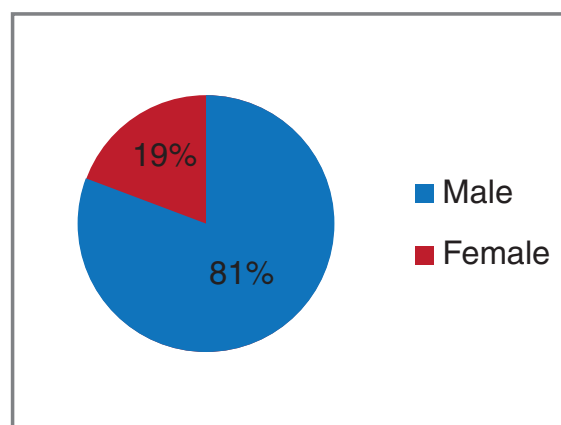
#### Diverse and balanced workforce

The Group embraces diversity at workplace, in terms of age, gender, race, ethnicity and social background. By having a diverse workforce, the Group is able to tap into a pool of people from diverse backgrounds with different experiences and perspectives. This also enables the Group to increase its competitiveness by having the ability to generate creative solutions to market/customer problems.

#### Breakdown by Employment by Gender



2020

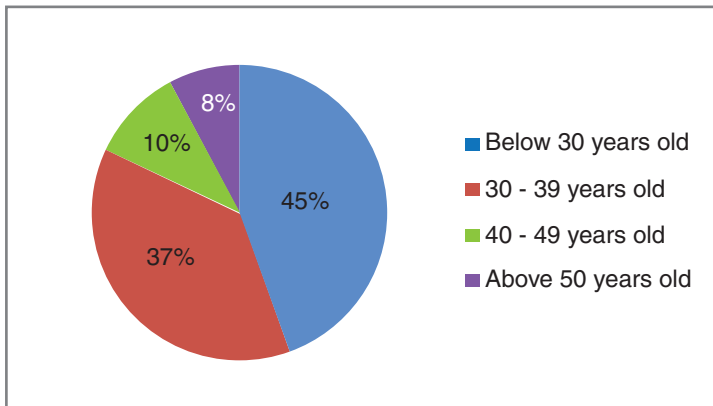


2019

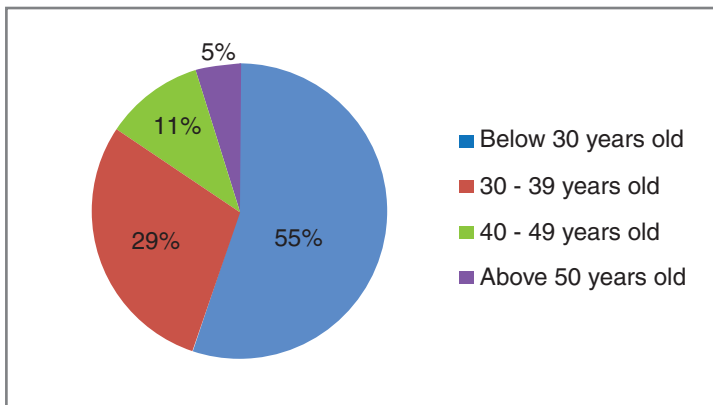
## SUSTAINABILITY STATEMENT (cont'd)

### OUR PEOPLE (CONT'D)

#### Breakdown by Employment by Age Group

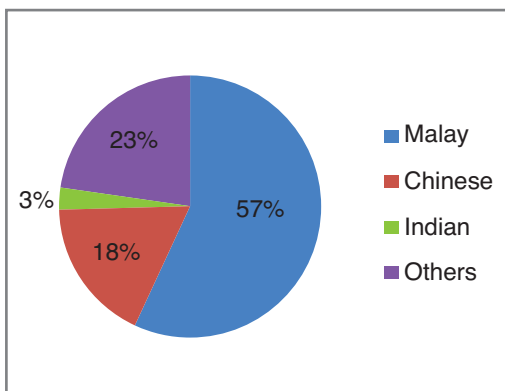


2020

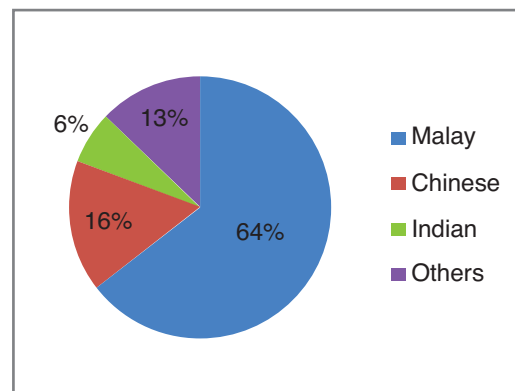


2019

#### Breakdown by Employment by Ethnic



2020



2019

## SUSTAINABILITY STATEMENT (cont'd)

### OUR PEOPLE (CONT'D)

#### Occupational health and safety

The Group continuously strives to provide a conducive working environment for all its employees. As part of our commitment to workplace safety and the environment, a Health, Safety and Environment ("HSE") Committee is tasked to oversee all occupational health and safety, as well as environmental protection initiatives. Monthly General Toolbox Talks are conducted by our in-house HSE Officer to create awareness on health and safety among our employees. Fire drills are also held to ensure our employees are well prepared in the event of an emergency.

#### Social responsibility

In recent years, the Group has been employing workers from local community surrounding its Kapar factory, as well as suitable candidates from East Coast of Peninsular Malaysia and East Malaysia. This has indirectly contributed to the development of community within the abovementioned areas. The Group also continues to explore new business opportunities with local suppliers and contractors, eventually supporting the development of our local economy. The Group recognises its responsibility to be a good corporate citizen.

### CONCLUSION

With various initiatives conducted, we strive to achieve a sustainable balance between our commitments to our customers, the needs of our community and requirements of other stakeholders in pursuing economic success.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Jadi Imaging Holdings Berhad recognises the importance of adopting corporate governance and is committed to ensuring that good corporate governance practices are applied throughout the Group to protect and enhance shareholders' value and safeguard the Group's assets.

In accordance with Practice Note 9 of Main Market Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa Securities") and Corporate Governance Guide (3rd edition) issued by Bursa Securities, the Board is pleased to provide Corporate Governance Overview Statement in which the Group has applied the new Malaysian Code on Corporate Governance 2017 ("MCCG"). The Corporate Governance Overview Statement is to be read together with Corporate Governance Report, based on a prescribed format as outlined in paragraph 15.25 of the Listing Requirements.

The Corporate Governance Overview Statement and Corporate Governance Report are available for reference in the Group's website at [www.jadi.com.my](http://www.jadi.com.my).

## PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

### 1. Board Roles and Responsibilities

The Board has established clearly defined roles and responsibilities to discharge its responsibilities in the best interests of the Group's shareholders and stakeholders. The Board sets the Group's strategic aims and ensure sufficient resources are in place to achieve these objectives. The Board assumes, amongst others, the following responsibilities:

- Reviews and adopts the Group's overall strategic plans, major investments and funding requirements for the Group by conducting discussion with Executive Directors
- Promotes good corporate governance culture within the Group
- Oversee and assess the conduct of the Group's business. The Group CEO will explain to the Board on the current Group's business as and when questions are raised during the Board meetings.
- Assess management performance to determine the Group's business is properly managed
- Identifies principal risks and ensure proper internal controls are implemented to manage these risks
- Ensure succession planning of senior management with right skillsets
- Oversee and ensure effective communication with shareholders are implemented
- Review and ensure the integrity of financial and non-financial management information
- Promotes sustainability to ensure long-term value creation

The Board is responsible for the oversight and overall management of the Group. The responsibilities of the Board are stipulated in the Board Charter. The management of the Group is delegated to execute the strategies and business plans of the Group. Matters such as major capital expenditure, business acquisition and restructuring, corporate proposal and annual budget are reserved for the Board to make its decision.

### 2. Key Responsibilities of Chairman

Chairman of the Group plays an important role in leading the Board to function and instilling good corporate governance practices. The responsibilities of the Chairman, amongst others, are as follows:

- Leads an effective corporate governance system
- Lead the Board and ensure the Board perform its responsibilities effectively. Ensure Board decisions are made in the best interest of the Group
- Ensure the efficient organization and conduct of the Board's function and meetings
- Encourage active participation amongst the Board members to ensure effective contribution of all Directors at the Board's meeting
- Takes appropriate steps to provide effective communication with stakeholders

## CORPORATE GOVERNANCE OVERVIEW STATEMENT (cont'd)

### PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

#### 3. Chairman and Chief Executive Officer ("CEO")

Although the Executive Chairman is also the Group Chief Executive Officer, all decisions of the Board are based on the decision of the majority of the Board's members and matters are deliberated with the active participation of all three independent non-executive directors. The Group Chief Executive Officer who is also the Executive Chairman oversees the day-to-day operations, understands the industry well and able to facilitate effective contribution about the industry market at the Board meetings. Notwithstanding that, no single Board member can make decision on behalf of the Board unless duly authorised by the entire Board.

#### 4. Qualified and Competent Company Secretaries

Company Secretaries play an advisory role to the Board, particularly with regard to the Company's constitution, and its compliance with regulatory requirements and updates on new Listing Requirements to the Board. It is important that a suitably qualified and competent company secretary is appointed according to the requirements outlined in the Companies Act 2016.

Company Secretaries ensure that deliberations at Board and Board Committee meetings are well documented and follow-up on matters arising are subsequently communicated to the relevant Management for appropriate actions. A secured retrieval system which stores meeting papers, minutes of board and committees are properly maintained by them. They also constantly keep themselves abreast of the evolving capital market environment, regulatory changes and developments in CG through continuous training. Hence, supporting the Board by ensuring adherence to board policies and procedures, rules, relevant laws and best practices in CG. The Company Secretaries also manage processes pertaining to general meetings and act as a focal point for stakeholders' communication and corporate governance.

#### 5. Access to Information and Advice

Scheduled Board meetings are structured with a pre-set agenda, taking into account the formal schedule of matters reserved for the Board's decision. Board meetings are carried out on a quarterly basis, with additional meetings when urgent matters are required to be discussed. Notice of meetings is given in writing at least 7 days prior to the meeting. Board papers providing mainly information on the financial performance of the Group as well as minutes of meetings are circulated approximately 7 days prior to the Board meetings or such other period as deemed appropriate by the Board, to provide sufficient time for the Directors to consider and deliberate on issues to be raised at the Board meetings. Notwithstanding, urgent matters will be presented and discussed at the Board meetings. The Directors have full access to the senior management as well as the advice and services of the Company Secretaries, and they ensure that the Board proceedings are properly documented.

In addition, the Directors may also seek independent professional advice, at the Group's expense, if required. The Directors may also consult with the Executive Chairman and other Board members prior to seeking any independent professional advice.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT (cont'd)

### PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

#### 6. Board Charter

The Board Charter is a source of reference and primary induction literature, providing insights to prospective Board members and senior management. The Board is structured to protect the best interests of shareholders and stakeholders by practising a high level of good governance. The Board delegates to the Group CEO to oversee the business operation of the Group. The management of the Group is delegated to the senior management execute the strategies and business plans of the Group.

During the Management's monthly meeting among the Head of Departments, risks are identified and appropriate internal controls are put in place to manage these risks. Succession planning of senior management is discussed by Nomination Committee by appointment of Executive Directors based on its relevant criteria. Internal auditors are appointed by the Board to review and highlight the adequacy and integrity of the internal control system. The details on the internal control system including its effectiveness are stipulated in the Statement on Internal Control and Risk Management.

Notwithstanding that, the Board also delegates to several Board Committees to carry out their fiduciary duties and responsibilities effectively. The following principal Board Committees have been established to assist the Board in discharging its duties effectively:

- Audit Committee ("AC")
- Nomination Committee ("NC")
- Remuneration Committee ("RC")

The terms of reference of each Board Committee have been approved by the Board and, where applicable, comply with the recommendations of the Code. These Committees have the authority to examine particular issues and report to the Board with their recommendations. Nonetheless, the ultimate responsibility for the final decision on such matters lies with the Board.

Board Charter was approved on 16 April 2013. Roles and responsibilities of directors are also included in the Board Charter. The Board Charter will be reviewed and updated in accordance with the needs of the Group and any new regulations that may have an impact on the discharge of the Board's responsibilities. The details of the Board Charter are available for reference in the Group's website at [www.jadi.com.my](http://www.jadi.com.my).

#### 7. Formalised Ethical Standards through Code of Ethics and Whistle Blowing Policy

The Board has formalised a Code of Ethics and Conduct to define the ethical standards and conduct at work, which the Directors and all employees are required to conform to when discharging their respective duties and responsibilities. The Code includes the guiding principles of conduct on confidential information, misconducts, conflict of interest and several other principles of conduct to uphold the best governance practices.

The Code of Ethics and Conduct also facilitates a whistle blowing function. Any employee is encouraged to whistle blow on any form of violation of the Code. The internal audit function which is appointed by AC will report independently to the AC on its quarterly review results. The Group's Whistle Blowing guidance is available for reference in the Group's website at [www.jadi.com.my](http://www.jadi.com.my).

The Code is reviewed regularly as and when it is deemed necessary by the Board. Summary of the Code of Ethics and Conduct forms part of the Board Charter. The details of the Code of Ethics and Conduct are available for reference in the Group's website at [www.jadi.com.my](http://www.jadi.com.my).

## CORPORATE GOVERNANCE OVERVIEW STATEMENT (cont'd)

### PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

#### 8. Strategies Promoting Sustainability

In relation to sustainability, the Board understands the importance of striking the balance between shareholder expectations and the needs and concerns of all other stakeholders. The Board is committed to ensuring that the Group's sustainability strategies and framework are continuously reviewed for effectiveness and adequacy. The Board also focuses on environmental sustainability of the Group's operations with emphasis on sustainable product design and the use of environmentally sound ingredients will be included as part of the criteria in any new product development. The Group is particularly mindful of the role that it can play in helping to protect the environment by encouraging the use of remanufactured cartridges to reduce plastic wastes from heading to landfills. The Board will take into consideration these three aspects of doing business; they are environment, social and governance ("ESG"). Managing and balancing ESG are essential to ensure long-term viability of the Group's business, in the interests of various stakeholders.

#### 9. Board Composition and Diversity

##### **Executive Chairman**

Liew Kim Siong

##### **Executive Directors**

Liew Kit

Liew Hock Yee

##### **Senior Independent Non-Executive Director**

Dato' Sri Liew Lee Leong

##### **Independent Non-Executive Directors**

Lim Chee Khang

Dato' Dr Lee Chung Wah

##### **Non-Independent Non-Executive Director**

Dai ShuChun <sup>1</sup>

<sup>1</sup> Appointed on 16 October 2019

During the financial year, one (1) Non-Independent Non-Executive Director: Mr Dai ShuChun has been appointed on 16 October 2019. As at financial year ended 31 March 2020, the Board has seven (7) members, comprising the Executive Chairman, two (2) Executive Directors, one (1) Senior Independent Non-Executive Director, two (2) Independent Non-Executive Directors and one (1) Non-Independent Non-Executive Director. This is in compliance with the Listing Requirements of Bursa Malaysia Securities Berhad which require at least three (3) directors or one-third (1/3) of the Board members, whichever is the higher, to be Independent Directors.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT (cont'd)

### PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

#### 9. Board Composition and Diversity (cont'd)

All Board members participate fully in decisions on key issues involving the Group. The Executive Directors are responsible for implementing the policies and decisions of the Board and managing the Group's day-to-day operations. Together with the Independent Non-Executive Directors, they ensure that strategies are fully discussed and examined taking into account the long term interests of the various stakeholders including shareholders, employees, customers, suppliers and the various communities in which the Group conducts its business. In addition to the role and guidance of the Independent Non-Executive Directors, each Director nevertheless brings an independent judgment to bear on issues of strategy, performance, resources and standards of conduct.

During the financial year ended 31 March 2020, the Board has one (1) female Executive Director which accounts for 14% of the Board members. The Board will take steps to include, where appropriate, women candidates as during the nomination process of Board members. This is to form a balanced mix of essential skills, experience and knowledge to ensure the capable management and leadership of the Group.

##### 9.1 Tenure of Independent Directors

As recommended in the MCCG and provided in the Board Charter, the tenure of an independent director should not exceed a cumulative term of nine (9) years. Upon completion of the nine (9) years, the independent director may continue to serve on the Board subject to the director's re-designation as a non-independent director. Strong justification and recommendation has to be provided to the shareholders in the annual general meeting for the re-appointment. If the Board continues to retain the independent director after the twelfth year, the board should seek annual shareholders' approval through a two-tier voting process. During the current year, all of the Independent Non-Executive Directors' service tenure is within the nine (9) years term.

Dato' Sri Liew Lee Leong and Mr Lim Chee Khang, Independent Non-Executive Directors were appointed to the Board on 20 July 2018. And Dato' Dr Lee Chung Wah was appointed as Independent Non-Executive Director on 27 November 2018. With their diverse backgrounds and many years of experience gained from their field of expertise, this will contribute to making Board decision more effectively, objectively and independently.

#### 10. Appointment of Directors to the Board

Nomination Committee ("NC") and Board members will review the Board composition and ensure its board diversity in terms of skills, knowledge, experience and gender; and mindful that it will contribute to better management and leadership to the Group. When potential candidates have been shortlisted, NC will deliberate on their skills, knowledge, expertise and experience, independence and capability to discharge their responsibilities. NC will assess the candidates and make recommendations to the Board for approval. In accordance with the Company's Constitution, all Board members who are appointed by the Board shall be subject to election by shareholders at the first opportunity of their appointment.

During the recent recruitment, the appointment of Director is undertaken by the Board as a whole guided by formal recommendations from NC which received nomination of candidates from shareholders and existing directors of the Group. The Board may consider utilising independent sources such as directors' registry, recruitment agency or industry and professional associations to identify suitably qualified candidates when necessary.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT (cont'd)

### PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

#### 11. Nomination Committee

During the financial year, one (1) Non-Independent Non- Executive Director: Mr Dai ShuChun, has been appointed on 16 October 2019. Nomination Committee ("NC") members are comprised of three (3) Independent Non-Executive Directors: Dato' Sri Liew Lee Leong, Mr Lim Chee Khang and Dato' Dr Lee Chung Wah. Dato' Sri Liew Lee Leong, Senior Independent Non-Executive Director has been nominated to be NC Chairman and they meet as and when required.

The attendance of NC is as follows:

Name	Number of Attendance	Remark
<b>Dato' Sri Liew Lee Leong</b> – Chairman (Senior Independent Non-Executive Director)	1/1	
<b>Lim Chee Khang</b> (Independent Non-Executive Director)	1/1	
<b>Dato' Dr Lee Chung Wah</b> (Independent Non-Executive Director)	1/1	

(Total: 1 meeting during the year)

#### Nomination Committee

Dato' Sri Liew Lee Leong – Chairman  
Lim Chee Khang  
Dato' Dr Lee Chung Wah

NC has clearly defined written terms of reference approved by the Board and is responsible for nominating new nominees to the Board and assessing the performance of the directors of the Group. The Terms of Reference of NC is available for reference in the Group's website at [www.jadi.com.my](http://www.jadi.com.my).

During the financial year under review, NC has undertaken the following activities:

- Reviewed, considered and recommended to the Board for approval, the re-election of Directors who retired in accordance with Articles of the Company's Constitution.
- Assessed the competence, experience, integrity and character of the newly appointed directors
- Reviewed and discussed succession planning of the Group
- Reviewed and recommended the revised NC's Terms of Reference in compliance with the latest amendments to the Listing Requirements and MCCG, to the Board for approval
- Assessed and evaluated the performance and effectiveness of the Board as a whole and individual Board member, taking into consideration directors' time commitment and directors' continuous training development.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT (cont'd)

### PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

#### 12. Annual Assessment of Directors

A good size and balance of the Board composition ensures that no individual or group of individuals can dominate its decision-making process. The MCCG recommends that the majority of the Board members must comprise of independent directors in the event, the Board Chairman is not an independent director. The Board and its committees have undertaken an annual assessment of the independence of its independent directors. The evaluation forms adopted are based on the prescribed forms recommended by Bursa Securities and MCCG, covering Board's structure, operations, role and responsibilities as a whole, assessment of individual director's input quality, time commitment, character, integrity, competency and experience.

During the financial year under review, the Board has performed peer-to-peer assessments on the effectiveness of the board as a whole, the committees of the board and the contribution of each individual director, including the Independent Non-Executive Directors. The assessment also included the assessment of independence of independent non-executive directors. After the assessment, the Board satisfies the level of independence by all independent directors. All decisions are made by the Board as a whole, with an objective judgement.

#### 13. Time commitment

The Board meets at quarterly intervals, with additional meetings held when urgent issues and important decisions are required to be taken between the scheduled meetings.

The Board held six (6) meetings during the financial year ended 31 March 2020 and they were attended by the following Directors:

Name	Number of Attendance	Remark
<b>Liew Kim Siong</b> – Chairman (Executive Chairman/Group CEO)	6/6	
<b>Liew Kit</b> (Executive Director/ Group Sales & Marketing Manager)	6/6	
<b>Liew Hock Yee</b> (Executive Director/Chief Financial Officer)	6/6	
<b>Dato' Sri Liew Lee Leong</b> (Senior Independent Non-Executive Director)	6/6	
<b>Lim Chee Khang</b> (Independent Non-Executive Director)	6/6	
<b>Dato' Dr Lee Chung Wah</b> (Independent Non-Executive Director)	6/6	
<b>Dai ShuChun</b> (Non-Independent Non-Executive Director)	1/2	

(Total: 6 meetings during the year)

All the Directors have complied with the minimum 50% attendance at Board meetings during the financial year as stipulated by the Listing Requirements. All directors are expected to devote sufficient time to carry out its responsibility and are required to notify the Chairman of their intention of accepting new directorship.

The notification shall include an indication of time that will be spent on the new appointment. The Chairman has to also notify the Board if he has any new directorship or significant commitments outside the Group.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT (cont'd)

### PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

#### 14. Training

All the Directors have attended the Mandatory Accreditation Programme as prescribed by Bursa Malaysia Securities Berhad. The individual director as determined by the Board will continue to participate in other relevant training programmes to further enhance their knowledge to enable them to discharge their responsibilities more effectively.

During the financial year ended 31 March 2020, the following Directors have attended the following seminars and training courses:

No	Name of Director	Seminar / Training Courses Attended
1	Liew Hock Yee	(a) Budget 2020: Key Updates and Changes for Corporate Accountants
2	Dato' Sri Liew Lee Leong	(a) McMillan Woods – Talk-2-Solve, Eastin Hotel KL (b) IIA – Evaluating Effective Internal Audit Function (c) McMillan Woods – Budget 2020, Eastin Hotel KL (d) McMillan Woods – McMillan International Conference 2020, London (e) MIA – Audit Opinion & Reporting – ISA700(revised) & other ISAs (f) ACCA – IFRS: Property, Plant & Equipment
3	Lim Chee Khang	(a) McMillan Woods – Talk-2-Solve, Eastin Hotel KL (b) McMillan Woods – Budget 2020, Eastin Hotel KL
4	Dato' Dr Lee Chung Wah	(a) McMillan Woods – Talk-2-Solve, Eastin Hotel KL (b) IIA – Evaluating Effective Internal Audit Function (c) McMillan Woods – Budget 2020, Eastin Hotel KL
5	Dai ShuChun	(a) Mandatory Accreditation Programme for Directors of Public Listed Companies

Saved as disclosed above, Mr Liew Kim Siong and Mr Liew Kit were not able to select any suitable training programmes to attend during the financial year due to overseas travelling and their busy work schedule. However, they have constantly been updated with relevant reading materials and technical updates, which will enhance their knowledge and equip them with the necessary skills to effectively discharge his duties as Director of the Group. Directors would also be updated on recent developments in the areas of statutory and regulatory requirements from the briefing by the External Auditors, the Internal Auditors and Company Secretaries during the Committee and/or Board meetings. The Board will continuously evaluate and determine the training needs of each Director, particularly on relevant new law and regulations and essential practices for effective corporate governance and risk management to enable the Directors to effectively discharge their duties.

In addition, any newly appointed directors will be given briefings by the executive directors and senior management of the Group on the business activities of the Group and its strategic directions, as well as their duties and responsibilities as directors. They have also attended the MAP programme conducted by Bursatra Sdn Bhd.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT (cont'd)

### PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

#### 15. Remuneration policies

The attendance of Remuneration Committee ("RC") is as follows:

Name	Number of Attendance	Remark
<b>Lim Chee Khang</b> – Chairman <i>(Independent Non-Executive Director)</i>	3/3	
<b>Dato' Sri Liew Lee Leong</b> <i>(Senior Independent Non-Executive Director)</i>	3/3	
<b>Dato' Dr Lee Chung Wah</b> <i>(Independent Non-Executive Director)</i>	3/3	

(Total: 3 meetings during the year)

#### Remuneration Committee

Lim Chee Khang – Chairman  
Dato' Sri Liew Lee Leong  
Dato' Dr Lee Chung Wah

The responsibility of RC is to recommend to the Board the remuneration framework for the remuneration packages of each Director. The remuneration of Directors is determined at levels which enable the Group to attract and retain the Directors with the relevant experience and expertise needed to assist in managing the Group effectively. In the case of Executive Directors of the Group, their remuneration is structured to link rewards to corporate and individual performance. The Board as a whole determines the remuneration of the Non-Executive Directors with the Directors concerned abstaining from deliberation and voting in respect of his/her own individual remuneration. The remuneration and entitlements of the Non- Executive Directors reflects the experience, expertise and level of responsibilities undertaken by the particular Non-Executive Director concerned. The determination of the remuneration will be decided by the Board as a whole.

RC met three (3) times during the year under review and the meeting were attended by Dato' Sri Liew Lee Leong and Dato' Dr Lee Chung Wah, chaired by Mr Lim Chee Khang. During the financial year under review, RC had reviewed RC's Terms of Reference to ensure in compliance with the latest amendments to the Listing Requirements and MCCG, to the Board for approval. RC and Board members had also reviewed the fees and BIK for Executive Directors and Non- Executive Directors to be approved by shareholders at the forthcoming AGM.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT (cont'd)

### PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

#### 15. Remuneration policies (cont'd)

##### Directors' Remuneration

The Group does not have a formalised remuneration policies and procedures for Directors and Senior Management. The Board is guided by the present remuneration practices and procedures to determine their remuneration. Nevertheless, it is the ultimate responsibility of the Board to approve the remuneration of the Directors.

The remuneration of Directors is determined at levels which enable the Group to attract and retain the Directors with the relevant experience and expertise needed to assist in managing the Group effectively. In the case of Executive Directors of the Group, their remuneration is structured to link rewards to corporate and individual performance.

Details of the remuneration of the Directors of the Group and categorised into appropriate components during the financial year ended 31 March 2020 are as follows:

	Company		Group	
	Fees (RM'000)	Salaries and other emoluments (RM'000)	Fees (RM'000)	Salaries and other emoluments (RM'000)
<b>Directors</b>				
Liew Kim Siong	37	–	37	829 *
Liew Kit	30	–	30	92
Liew Hock Yee	30	–	30	81
Liew Choon *	–	–	–	163
Dato' Sri Liew Lee Leong	60	–	60	–
Lim Chee Khang	58	–	58	–
Dato' Dr Lee Chung Wah	55	–	55	–
Dai ShuChun <sup>1</sup>	14	–	14	–
<b>Total</b>	<b>284</b>	<b>–</b>	<b>284</b>	<b>1,165</b>

\* Other emoluments include other allowances and BIK for the Directors in Board

\* Under the Group's subsidiary; Jadi Chemicals Sdn Bhd

<sup>1</sup> Appointed on 16 October 2019

## CORPORATE GOVERNANCE OVERVIEW STATEMENT (cont'd)

### PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

#### 15. Remuneration policies (cont'd)

##### Disclosure on remuneration of Key Senior Management

In determining the remuneration packages of the Group's key Senior Management personnel, factors that were taken into consideration included their individual responsibilities, skills, expertise and contributions to the Group's performance and whether the remuneration packages are competitive and sufficient to ensure that the Group is able to attract and retain executive talents. The Group believes it may not be in its best interest to disclose on named basis the key Senior Management personnel, having considered the highly competitive human resource environment for personnel with the requisite knowledge, expertise and experience in the Group's business activities.

The aggregate remuneration paid to the key Senior Management was RM154,261, representing 1.8% of the total employees remuneration of the Group, commensurate with their performance. The Group believes that such disclosure still allows stakeholders a fair view of the remuneration paid as it is linked to the Group's performance.

The Terms of Reference of RC which clearly sets out its duties and functions has been approved by the Board. The Terms of Reference is made available on the Group's website at [www.jadi.com.my](http://www.jadi.com.my).

### PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

#### 1. Audit Committee ("AC")

During the financial year under review, the AC comprises three (3) Independent Non-Executive Directors. The composition of the AC, including its roles and responsibilities are set out in pages 14 and 16 under the Audit Committee Report in this Annual Report. The Terms of Reference of AC has been updated on 5 July 2019 to be in line with the recent amendments in the MCGG.

The AC members have broad experience, knowledge and expertise from various industries allow them to discharge their duties effectively. They have committed their time and during meetings, they continuously probe with hard questions on the financials until they are completely satisfied with the feedback provided. Details of the AC members' experience and qualifications are set out in profile on the Directors' Profiles on pages 9 to 12.

All the AC members receive training and continuous professional developments set out in this statement on page 40.

#### 2. Assessment of suitability and independence of external auditors

The Board maintains a formal and transparent professional relationship with the auditors through AC. The role of the AC in relation to this is described in the Audit Committee Report in this Annual Report. AC has been explicitly accorded the power to communicate with the auditors of the Group. During the financial year, the Committee had two (2) private sessions with the external auditors without the presence of the management.

During the financial year under review, the AC has assessed the external auditors based on question and answer with the external auditors to assess the suitability and independence of the external auditors. AC is satisfied with PKF technical competency and audit independence during the financial year. A written assurance by PKF is disclosed in the Independent Auditors' Report to confirm their independence throughout the audit engagement. None of the Board members were former key audit partners. As per stipulated in the Terms of Reference of AC, in the event if a former key audit partner to be appointed as a member of AC, at least two (2) years of cooling-off period have to be observed prior to the appointment.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT (cont'd)

### PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT (CONT'D)

#### 3. Sound framework to manage risks

Risk Management Committee ("RMC") comprising directors and senior management staff was established by the Board with specific terms of reference. RMC reports directly to AC. RMC activities are reported to the AC at their scheduled meeting.

RMC has established a risk management framework to manage the Group's risk. The key risk profile has been identified and evaluated. RMC reviews the Group's risk management process periodically and makes recommendations to the Board for approval. The Board continues to identify, evaluate and manage significant risks. The Board has ultimate responsibility for reviewing the Group's risks, approving the risk management framework and the effectiveness of risk management of the Group.

The key risks relating to the Group's strategic and business plans are addressed at the Board and Senior Management Meetings on a periodical basis. In addition, the responsibility of managing the risks of each department within the Group lies with the respective Heads of Department and it is during the periodic management meetings where significant risks identified and the corresponding internal controls implemented are communicated to the Group Chief Executive Officer ("CEO") and Senior Management.

At the Board level, the top three primary risks are;

- (i) ensuring that the key leadership positions are filled and that succession planning/talent management process is in place annually;
- (ii) that processes are in place so that products are manufactured with ample attention paid to its quality and standards;
- (iii) that all overseas operation is being governed from Head Office and that the leadership team is fully aware of the risk and exposure of the Group.

The Statement on Risk Management and Internal Control of the Group as set out in this Annual Report provides an overview of the state of risk management and internal controls within the Group.

#### 4. Internal audit function

The Group's internal audit function is outsourced to a professional service firm and they report directly to AC. During the financial year under review, AC has assessed the performance of internal auditors based on question and answer with them on their competency and reports presented by the internal auditors. AC was satisfied with the outsourced Internal Auditor, Axcelasia Columbus Sdn. Bhd.'s technical competency and audit independence during the financial year under review.

The Audit Committee Report and Statement on Risk Management and Internal Control set out in this Annual Report provides an overview of the state of internal control within the Group.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT (cont'd)

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

#### 1. Compliance with applicable financial reporting standards

In presenting the annual audited financial statements and quarterly announcements of unaudited consolidated financial results to shareholders, the Board is responsible for presenting a balanced and understandable assessment of the Group's financial position and prospects. AC has been delegated in overseeing the Group's financial reporting processes, accuracy and quality of its financial reporting. The Audit Committee Report set out in this Annual Report provides an overview of the duties and functions of the Committee. A statement by the Directors of their responsibilities in preparing the financial statements is set out in the Directors' Responsibility Statement In Respect Of The Preparation Of The Annual Audited Financial Statements contained in this Annual Report.

#### 2. Communications with Stakeholders

The Board acknowledges the importance of timely, regular and effective communication with stakeholders.

The Group has established a dedicated section on the Group's website at [www.jadi.com.my](http://www.jadi.com.my) whereby shareholders as well as members of the public may access the latest information on the aforesaid website which provides information relating to annual reports, press releases, quarterly results and announcements.

The Group also participates in the overseas exhibition events and through social media and other electronic channels to give the stakeholders and public at large a better understanding of the businesses of the Group.

#### 3. Conduct of General Meetings

Annual General Meeting ("AGM") is an important platform to engage with our shareholders and have direct interaction with them. Save for the Notice for the forthcoming 19th AGM which the notice is given to the shareholders less than 28 days prior to the meeting, the Group has been giving notice for an AGM at least 28 days prior to the AGM since 2017. However, the Group is in compliance with 21 days' notice requirement under the Companies Act 2016 and Paragraph 7.15 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. Shareholders who are unable to attend may appoint their respective proxies to ask questions and vote on their behalf at the general meetings.

Shareholders are encouraged to raise questions pertaining to the Annual report, financial statements, corporate developments, resolutions and businesses of the Group. Board members, senior management and the external auditors attended the last AGM and the Board had provided explanations to all shareholders' queries during the meeting.

All resolutions at the last AGM were voted by way of poll at which an independent scrutineer was appointed to validate the votes cast at the last AGM.

The Board will strive to consistently apply the following practices and achieve higher standards of corporate governance:

- i. Notice of AGM be given to the shareholders at least 28 days prior to the meeting; and
- ii. All directors attend General Meetings.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

## INTRODUCTION

The Board of Directors (“the Board”) of Jadi Imaging Holdings Berhad is pleased to present its Statement on Risk Management and Internal Control for financial year ended 31 March 2020, which has been prepared pursuant to paragraph 15.26(b) of Bursa Malaysia Securities Berhad (“Bursa Securities”) Main Market Listing Requirements and as guided by the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers (“the Guidance”). This statement outlines the nature and state of the internal controls of the Group during the financial year.

## BOARD RESPONSIBILITY

The Board acknowledges that it is ultimately responsible for the Group’s systems of risk management and internal control and for reviewing the adequacy and effectiveness of the risk management and internal control systems to ensure that shareholders’ interests and the Group’s assets are safeguarded. In this respect, the responsibility of reviewing the adequacy and effectiveness of the internal control systems has been delegated to the Audit Committee (“AC”), which is empowered by its terms of reference to seek the assurance on the adequacy and effectiveness of the internal control systems through reports it receives from independent reviews conducted by the internal audit function and Management.

Due to inherent limitations in any system on risk management and internal controls, such systems put into effect by Management can only manage rather than eliminate all the risks that may impede the achievement of the Group’s business objectives or goals. Therefore, the risk management and internal control systems can only provide reasonable and not absolute assurance against material misstatement or loss.

## RISK MANAGEMENT FRAMEWORK

The Group’s established a structured Risk Management Framework with a systematic process to proactively identify, evaluate, mitigate, continuous monitoring and reviewing possible risks. The key risks relating to the Group’s strategic and business plans are addressed at the Board and Senior Management Meetings on a periodical basis. In addition, the responsibility of managing the risks of each department within the Group lies with the respective Heads of Department and it is during the periodic management meetings where significant risks identified and the corresponding internal controls implemented are communicated to the Chief Executive Officer (“CEO”) and Senior Management.

The Group’s Risk Management Oversight Structure is comprised of the following:



## STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (cont'd)

### RISK MANAGEMENT FRAMEWORK (CONT'D)

#### 1) Board of Directors

The Board will review the Group's risk management framework effectiveness periodically and provide guidance on the Group's risk appetite.

#### 2) Audit Committee

AC is tasked to oversee and ensure effective implementation of all risk management policies.

#### 3) Risk Management Committee ("RMC")

RMC reviews the status and monitors the overall implementation of the Group's risk management policies. Periodic review of the Group's key risk profile will be conducted by RMC. The RMC is comprised of at least three (3) members from amongst the Directors and Senior management.

#### 4) Risk Coordinator ("RC")

RC coordinates and documents all risk management activities from each Head of Department throughout the Group.

#### 5) Heads of Department

Heads of Department will carry out risk identification and evaluate the effectiveness of existing controls with its department team members.

#### 6) All Employees

All employees shall have the responsibility to manage risks associated with all activities and functions within their control.

The Group's risk management process comprises the following essential activities:



The above-mentioned risk management process of the Group serves as the on-going process used to identify, evaluate and manage significant risks for the year under review and up to the date of approval of this statement.

## STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (cont'd)

### MATERIAL RISKS

The Group's material risks identified and action plans being deliberated are outlined below:

Risk	Description	Mitigation
Quality assurance management	Risk of generating product quality out of specification may result in high product costing and unable to deliver on-time.	<ul style="list-style-type: none"> <li>Adhere to the Group's quality inspection standard operating procedure.</li> </ul>
Machinery breakdown	Risk of machinery breakdown may affect production output.	<ul style="list-style-type: none"> <li>Internal preventive maintenance program.</li> <li>Maintaining critical spare parts inventory.</li> </ul>

### INTERNAL AUDIT FUNCTION

The Group's Internal Audit Function assists the Board and Audit Committee by providing an independent assessment of the adequacy and effectiveness of the Group's internal control system. Further details of the Internal Audit Function are set out in the Audit Committee Report on pages 15 and 16 of this Annual Report.

### OTHER KEY ELEMENTS OF INTERNAL CONTROL

The other key elements of the Group's internal control systems are:-

- 1) The Group has a well-defined organisation structure with clear lines of accountability, approval and control procedures to provide a sound framework within the organization in facilitating proper decision making at the appropriate authority levels of Management including matters that require Board's approval.
- 2) The Audit Committee reviews the quarterly financial reports, annual financial statements and the internal audit report on a periodic basis. Discussions with Management were held to deliberate on the actions that are required to be taken to address internal control matters identified by the outsourced internal audit function.
- 3) The Executive Directors are closely involved in the running of business and operations of the Group and they report to the Board on significant changes in the business and external environment which affect the operations of the Group at large.
- 4) Management meetings are conducted regularly with the Executive Directors, Senior Management and/or Head of Departments in attendance. The meetings discuss and decide on all operational issues as well as inform and update all Senior Management and Head of Departments on all major policies and business strategies directed by the Board.
- 5) Policies and procedures on hiring and training scheme of staff have been established at Group level with individual business group having the flexibility to adapt these policies for their specific needs. Staffs are guided on where and how they can contribute their knowledge and skills through continuous upgrading to meet the demand of their working requirements. Heads of Department assume the responsibility of developing staff with relevant and appropriate skills by reviewing and recommending trainings to the Human Resource department on a yearly basis.

## STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (cont'd)

### OTHER KEY ELEMENTS OF INTERNAL CONTROL (CONT'D)

- 6) Established internal policies and procedures for key business units within the Group.
- 7) Certain operations of the Group are ISO 9001:2015 certified. With such a certification, audits are conducted by external parties periodically to ensure compliance with the terms and conditions of the certification.
- 8) All purchases and maintenance expenditures for the Group are centralised and coordinated by a Procurement Department that ensures adherence to approved procedures as well as to leverage on economies of scale. Major expenditures are subjected to tender procedure whenever possible and are appraised by the Management before they are approved by the Board.
- 9) The Group has established an Anti-Bribery and Corruption Policy ("ABC Policy") to provide guidance to all employees including external parties whom have business dealings with the Group on matters involving bribery and corruption practices. The Group is committed to upholding ethical business conduct at all times and ensuring compliance with all applicable laws in countries where it operates.

### REVIEW OF THIS STATEMENT BY EXTERNAL AUDITOR

The external auditors have reviewed this statement of risk management and internal control for inclusion in the Annual Report of the Company for the financial year ended 31 March 2020 and reported to the Board that nothing has come to their attention that causes them to believe that the Statement on Risk Management and Internal Control intended to be included in the annual report is not prepared, in all material respects, 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, nor is factually inaccurate.

### CONCLUSION

In line with the Guidance, the Chief Executive Officer ("CEO") and Chief Financial Officer have provided assurance to the Board, where to their best knowledge, the Group's risk management and internal control system are operating adequately and effectively, in all material aspects during the financial year under review.

The Board is of the view that the risk management and internal control systems are satisfactory and shall continue to take the appropriate and necessary measures to improve the Group's risk management and internal controls systems in meeting the Group's corporate objectives.

This statement was approved by the Board of Directors on 27 August 2020.

## ADDITIONAL COMPLIANCE INFORMATION

The information set out below is disclosed in compliance with the Listing Requirements of Bursa Malaysia Securities Berhad:-

### 1. UTILISATION OF PROCEEDS RAISED FROM CORPORATE PROPOSALS

During the financial year ended 31 March 2020, the Company has raised approximately RM12.2 million from the private placement. As at 10 August 2020, the status of the utilisation of proceeds raised is as follows:-

	Approved utilisation RM'000	Amount utilised RM'000	Utilised from working capital RM'000	Balance RM'000	Expected timeframe for utilisation
Expansion of manufacturing facilities	12,045,381	(12,045,381)	–	–	Fully utilised
Estimated expenses in relation to the Proposed Subscription	150,000	(254,580)	104,580	–	Fully utilised
<b>Total</b>	<b>12,195,381</b>				

### 2. AUDIT AND NON-AUDIT FEES

- (a) Amount of audit fees incurred by the Company and on a Group basis are amounted to RM29,000 and RM90,457 respectively.
- (b) Amount of non-audit fees incurred by the Company and on a Group basis are amounted to RM5,000 and RM7,000 respectively.

### 3. MATERIAL CONTRACTS

There were no material contracts entered into by the Company and its subsidiaries involving Directors and substantial shareholders, either still subsisting at the end of the financial year under review or entered into since the end of the previous financial year.

### 4. RECURRENT RELATED PARTY TRANSACTIONS OF REVENUE OR TRADING NATURE

The details of related party transactions for the financial year are disclosed in Note 31 to the financial statements.

### 5. REVALUATION POLICY ON LANDED PROPERTIES

The Group has not adopted a policy of regular revaluation of its landed properties as at the end of the financial year.

## STATEMENT ON DIRECTORS' RESPONSIBILITY

IN RESPECT OF THE PREPARATION OF THE FINANCIAL STATEMENTS

The Directors are responsible for ensuring that the financial statements of the Group and the Company are drawn up in accordance with the applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 2016 in Malaysia so as to give a true and fair view of the state of affairs of the Group and the Company as at 31 March 2020 and of the results and cashflows of the Group and the Company for the financial year ended on that date.

In preparing the financial statements, the Directors have:

- (a) adopted suitable accounting policies and applied them consistently;
- (b) made judgements and estimates that are prudent and reasonable;
- (c) ensured the adoption of applicable approved accounting standards; and
- (d) used the going concern basis for the preparation of the financial statements.

The Directors are responsible for ensuring that proper accounting records which disclose the financial position of the Group and the Company with reasonable accuracy at any time are kept in accordance with the Companies Act, 2016 in Malaysia. The Directors are also responsible for ensuring that a proper system of internal control is in place to safeguard the Group's assets and to prevent and detect fraud and other irregularities.

# Statutory Financial Statements

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## DIRECTORS' REPORT

The Directors hereby submit their report and the audited financial statements of the Group and of the Company for the year ended 31 March 2020.

### Principal activities

The Company is principally an investment holding company. The principal activities of the subsidiaries are disclosed in Note 9 to the financial statements.

There has been no significant change in the nature of these activities during the financial year.

### Results

	Group RM	Company RM
(Loss)/Profit for the financial year	(32,961,828)	258,553

### Reserves and provisions

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

### Dividends

No dividend has been paid or declared by the Company since the end of the previous financial year. The Directors do not recommend any dividend for the financial year ended 31 March 2020.

### Directors

The directors of the Company in office during the financial year and during the period from the end of the financial year to the date of this report are:

Liew Kim Siong  
Liew Hock Yee  
Liew Kit  
Lim Chee Khang  
Dato' Sri Liew Lee Leong  
Dato Dr. Lee Chung Wah@Lee Chung Fu  
Dai ShuChun

Apart from the directors mentioned above, there are no other directors holding office in the Company's subsidiaries since the date of the last report.

## DIRECTORS' REPORT (cont'd)

### Directors' interests in shares

According to the Register of Directors' Shareholdings, the interest of directors in office at the end of the financial year in shares in the Company and its related incorporations during the financial year were as follows:

Number of ordinary shares of RM0.10 each				
	Balance as at 1.4.2019	Bought	Sold	Balance as at 31.3.2020
<b>In the Company</b>				
<b>Direct interests:</b>				
Liew Kim Siong	22,017,045	-	-	22,017,045
<b>Indirect Interests:</b>				
Liew Kim Siong <sup>(1)</sup>	284,743,985	-	-	284,743,985
Number of Employee Share Options				
	Balance as at 1.4.2019	Granted	Exercise	Balance as at 31.3.2020
<b>In the Company</b>				
<b>Direct interests:</b>				
Liew Hock Yee	-	4,000,000	-	4,000,000
Liew Kit	-	4,000,000	-	4,000,000

<sup>(1)</sup> Deemed interest through LSI Holdings Sdn. Bhd.

By virtue of their interest in the shares of the Company, Liew Kim Siong is deemed to have interest in the shares of the subsidiaries to the extent of the Company's interest, in accordance with Section 8 of the Companies Act, 2016 in Malaysia.

The other directors in office at the end of the financial year, did not hold any interest in the ordinary shares of the Company and related corporations during the financial year, according to the register required to be kept under Section 59 of the Companies Act, 2016 in Malaysia.

### 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 a benefit included in the aggregate amount of emoluments received or due and receivable by directors or the fixed salaries of full time employees of the Company as disclosed in Note 4 to the financial statements) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest except those disclosed in Note 31 to the financial statements.

There were no arrangements during or at the end of the financial year, which had the object of enabling the 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.

## DIRECTORS' REPORT (cont'd)

### Directors' remuneration and fee

Directors' remuneration of the Group are amounted to RM1,246,820 as disclosed in Note 4 to the financial statements.

Directors' fee of the Group and of the Company are amounted to RM 1,633,667 and RM314,586 respectively for the financial year ended 31 March 2020.

### Indemnity and insurance for directors, officers and auditors

The Company has paid insurance premiums amounting to RM9,525 for Directors and Officers Liability insurance up to a limit of RM3 million for the period from 9 December 2019 to 8 December 2020 for the Directors.

Except for the above mentioned, there was no indemnities given to or insurance affected or any director, officer or auditor of the Group and of the Company.

### Issue of shares and debentures

On 20 August 2019, the Company announced that on the subscription agreement with Static Control Holdings Limited for the acquisition of 94,170,040 new ordinary shares in the Company representing 10% of the existing total number of issued shares for a cash consideration of approximately RM12,195,381 at issue price of RM0.130 per share.

The newly issued shares ranked pari passu in all respects with the previously issued shares.

There were no debentures issued 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 apart from the issue of options pursuant to the Employees Share Options Scheme ("ESOS").

The salient features of the ESOS scheme are, inter alia, as follows:

- (i) Eligible Directors or employees of the Group are those who have fulfilled the following conditions:
  - if he is employed on a full time basis and has not served a notice to resign or received a notice of termination;
  - if he is employed under an employment contract for a fixed duration excluding those who are employed on a short-term contract;
  - if his employment has been confirmed in writing and not under a probationary period;
  - if he has attained the age of 18 years and is not an undischarged bankrupt nor subject to any bankruptcy proceedings; and if he fulfils any other criteria and/or falls within such category as may be determined by the ESOS Committee at its sole and absolute discretion from time to time.

## DIRECTORS' REPORT (cont'd)

### Options granted over unissued shares (continued)

The salient features of the ESOS scheme are, inter alia, as follows: (continued)

- (ii) The maximum number of new JADI Shares, which may be allotted and issued pursuant to the Proposed ESOS shall not exceed in aggregate 15% of the total number of issued shares of the Company (excluding treasury shares), at any point in time throughout the duration of the Proposed ESOS.
- (iii) The maximum number of new JADI Shares that may be offered to an Eligible Person under the Proposed ESOS shall be determined at the discretion of the ESOS Committee after taking into consideration, amongst others and where relevant, the performance, contribution, employment grade, seniority and/ or length of service of the Eligible Person.
- (iv) Not more than 70% of the ESOS Options available under the Proposed ESOS shall be allocated, in aggregate, to the executive Directors and senior management of JADI Group who are Eligible Persons, on the basis that they are crucial to the performance of the Group.
- (vi) On or before the expiry of the above initial 5-year period, the Proposed ESOS maybe extended at the sole and absolute discretion of the Board upon recommendation of the ESOS Committee without having to obtain approval from the Company's shareholders in general meeting, for a further period of up to 5 years immediately from the expiry of the first 5 years, but will not in aggregate exceed 10 years from the Effective Date or such longer period as may be allowed by the relevant authorities.
- (vii) The Exercise Price shall be based on the 5-day VWAP of JADI Shares immediately preceding the date of the Offer, with a discount of not more than 10% during the duration of the ESOS, at the ESOS Committee's sole and absolute discretion.

The options offered to take up unissued ordinary shares and the exercise prices are as follows:

Number of options over ordinary shares					
Date of offer	Exercise price	At 1.4.2019	Granted	Forfeited	At 31.3.2020
5 August 2019	RM0.0522	-	51,829,000	(5,120,000)	46,709,000

Details on options granted to Directors are disclosed in the section on Directors' interests in shares in this report.

## DIRECTORS' REPORT (cont'd)

### 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) proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and have satisfied themselves that all known bad debts had been written off and that provision need not be 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) which would render the amount written off for bad debts or necessitate the provision for doubtful debts inadequate to any substantial extent; or
- (ii) which would render the value attributed to current assets in the financial statements of the Group and of the Company misleading; or
- (iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or
- (iv) not otherwise dealt with in this report or the financial statements, which would render any amount stated in the financial statements of the Group and of the Company misleading.

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

- (i) any charge on the assets of the Group and of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person; or
- (ii) any contingent liability in respect of the Group and of the Company that has arisen since the end of the financial year.

No contingent liability or other liability of the Group and of the Company 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 affect the ability of the Group and of the Company to meet their obligations as and when they fall due. Contingent liabilities are disclosed in Note 33 to the financial statements.

In the opinion of the Directors, the results of the operations of the Group and of the Company for the financial year ended 31 March 2020 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 the financial year and the date of this report.

### Significant events during the financial year

Details of significant event during the financial year are disclosed in Note 38 to the financial statements.

## DIRECTORS' REPORT (cont'd)

### Auditors

The auditors, Messrs PKF, have indicated their willingness to continue in office.

The auditors' remuneration of the Group and of the Company for the financial year ended 31 March 2020 amounted to RM90,457 and RM29,000 respectively.

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

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LIEW KIM SIONG

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LIEW HOCK YEE

Kuala Lumpur

27 August 2020

## STATEMENT BY DIRECTORS

PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT, 2016 IN MALAYSIA

In the opinion of the Directors, the accompanying financial statements as set out on pages 66 to 154 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 positions of the Group and of the Company as at 31 March 2020 and of their financial performances and their cash flows for the financial year ended on that date.

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

\_\_\_\_\_  
LIEW KIM SIONG

\_\_\_\_\_  
LIEW HOCK YEE

Kuala Lumpur

27 August 2020

## STATUTORY DECLARATION

PURSUANT TO SECTION 251(1)(B) OF THE COMPANIES ACT, 2016 IN MALAYSIA

I, LIEW HOCK YEE, being the director primarily responsible for the financial management of JADI IMAGING HOLDINGS BERHAD, do solemnly and sincerely declare that to the best of my knowledge and belief, the accompanying financial statements as set out on pages 66 to 154 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960 in Malaysia.

Subscribed and solemnly declared by the )  
above-named at Kuala Lumpur in Wilayah )  
Persekutuan on 27 August 2020 )

\_\_\_\_\_  
LIEW HOCK YEE  
(MIA No. 32558)

Before me,

\_\_\_\_\_  
COMMISSIONER FOR OATHS  
KAPT. (B) JASNI BIN YUSOFF  
(W465)

# INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF JADI IMAGING HOLDINGS BERHAD  
REGISTRATION NO.:200001023711 (526319-P) (INCORPORATED IN MALAYSIA)

## Report on the Audit of the Financial Statements

### *Opinion*

We have audited the financial statements of JADI IMAGING HOLDINGS BERHAD, which comprise the statements of financial position as at 31 March 2020 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 66 to 154.

In our opinion, the accompanying financial statements give a true and fair view of the financial positions of the Group and of the Company as at 31 March 2020, and of their financial performances and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

### *Basis for Opinion*

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report.

We 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' International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *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 financial year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

## INDEPENDENT AUDITORS' REPORT (cont'd)

### **Key Audit Matters (continued)**

#### **1. Net realisable value of inventories**

(Refer to Notes 2(m) and 15 to the financial statements)

We identified inventories as an area of focus in the audit as there is significant judgement involved in the assessment of the write down of inventories based on the estimated net realisable value. The estimation of net realisable value of inventories is based on the most reliable evidence available at the time the estimates are made. An additional impairment of RM6,173,326, net of reversal, was made against the Group's inventories of RM39,989,165 as at the financial year ended.

As part of our audit, we evaluated management's assessment of the net realisable value of inventories and the amount written down, focusing especially on slow moving inventories and inventories that do not appear to be useable. Our procedures included:

- (a) Verifying appropriateness of inventory costing and assessing its accuracy;
- (b) Assessment and enquiry with management on the rationale and basis of specific inventories written down that do not appear to be useable or slow moving; and
- (c) Reviewing the sufficiency of amounts of inventories written down by considering the sales of the finished goods/usage of the materials during the year and subsequent to the financial year.

#### **2. Impairment of plant and equipment and Right Of Use ("ROU") assets**

(Refer to Notes 2(i), 10 and 11 to the financial statements)

The Group has plant and machinery with an carrying amount of RM12,879,216 as at 31 March 2020. Following the losses reported during the year and a review of the business, the management has assessed and concluded that there is further impairment required to reduce the carrying amount of their plant and machinery as the carrying amounts are currently higher than their estimated recoverable values. Total impairment of RM6,210,633 were made for those plant and machinery which have low recoverable amount.

The Group has adopted MFRS 16 during the year, and recognised right-of-use (ROU) assets amount to RM4,955,843. In assessing the impairment of ROU assets, the assets are grouped at the lowest levels for which there are separately identifiable cash flow, which is cash-generating units ("CGU"). The management has assessed and concluded that impairment is required to reduce the carrying amount of ROU assets, as the carrying amount are currently higher than their estimate recoverable value. Total impairment of RM2,373,172 were made for those ROU assets which have low recoverable amount.

We identified impairment of plant and machinery and ROU assets as an area of focus in the audit as these conclusions are dependent upon significant management judgement, including the estimated utilisation and recoverable values, and also the discount rates that were applied in the discounted cash flow model provided by the management, for the purposes of determining the recoverable amount of the said assets.

Our procedures in relation to management's impairment assessment of plant and machinery and ROU assets, included:

- (a) Assessment and enquiry with management on the rationale and basis of impairment of plant and machinery and ROU assets;

## INDEPENDENT AUDITORS' REPORT (cont'd)

### **Key Audit Matters (continued)**

#### **2. Impairment of plant and equipment and Right-Of-Use assets (continued)** (Refer to Notes 2(i) and 11 to the financial statements)

- (b) Assessing management's methodology used in estimating values in use;
- (c) critically challenged the key estimates and assumptions used including performed sensitivity analysis around the key drivers of the cash flow projections, particularly, the revenue and cost estimation, checked the reliability of the management past forecast and also verified the discount rates used against independent sources.
- (d) evaluated the disclosures made in the notes to the financial statements, including the judgements and the uncertainties.

#### **3. Reliance on Valuation Report** (Refer to Notes 2(i) and 10 to the financial statements)

In the current financial year, the lands and buildings were revalued by independent firm of professional valuers. The fair value of the lands and buildings are RM34,700,000 and RM17,300,000 respectively, as such addition revaluation surplus were taken up in the reserve. The valuation of land and buildings requires specific expertise in determining the key assumptions, which have higher assessed risk of material misstatement. Therefore, this is considered as a matter of significant to the audit.

Our audit procedures performed includes the following:

- (a) Assessed the objectivity, independence, reputation, experience and expertise of the independent valuers;
- (b) Reviewed the methodology adopted by the independent valuers in estimating the fair value of the lands and buildings and assessed whether such methodology is consistent with those used in the industry;
- (c) Evaluated the appropriateness of the data used by the independent valuers as input into their valuations;
- (d) Evaluated the appropriateness of their conclusions and the consistency with other audit evidences obtained.

#### **4. Going Concern basis for the preparation of financial statements**

The Group incurred a net loss of RM32.9 million for the year ended 31 March 2020. This is mainly due to the impairments of plant and machinery, ROU asset and inventories as explained in the previous Key Audit Matters.

In addition, the outbreak of the coronavirus disease 2019 (Covid-19) has affected the Group's production and operation both in China and Malaysia towards the end of the financial year, therefore resulted in negative cash flow in operating activities as at the financial year end and is likely to have further impact on the Group's cash flows.

The financial statements has been prepared on a going concern basis. However, these events or conditions may cast significant doubt on the ability of the Group to continue as a going concern.

This is a key audit matter due to the degree of judgement involved in our evaluation of the appropriateness of the going concern basis in the preparation of the financial statements of the Group.

## INDEPENDENT AUDITORS' REPORT (cont'd)

### ***Key Audit Matters (continued)***

#### **4. Going Concern basis for the preparation of financial statements (continued)**

Our audit procedures performed includes the following:

- (a) Obtained the cash flow forecast prepared by management, which demonstrate the Group's ability to meet its liabilities as and when they fall due for the period up to 31 March 2021, i.e. 12 months from the date of these financial statements.
- (b) Reviewed and challenged the forecast relating to the appropriateness and reasonableness of the inputs and assumptions used.

### ***Information Other than the Financial Statements and Auditors' Report Thereon***

The Directors are responsible for the other information. The other information comprises the Chairman's Statement, Management Discussion and Analysis, Audit Committee Report, Corporate Governance Overview Statement, Statement on Risk Management and Internal Control and Director's 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 do not cover the other information and we do not express any form of assurance conclusion thereon.

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

If, based on the work we have performed, we conclude that there is a material misstatement of these other information, we are required to report that fact. We have nothing to report in this regard.

### ***Responsibilities of the Directors for the Financial Statements***

The Directors 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 controls as the Directors determine are 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.

## INDEPENDENT AUDITORS' REPORT (cont'd)

### ***Responsibilities of the Directors for the Financial Statements (continued)***

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

### ***Auditors' Responsibilities for the Audit of the Financial Statements***

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

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

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

## INDEPENDENT AUDITORS' REPORT (cont'd)

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

- 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 represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

### **Report on Other Legal and Regulatory Requirements**

In accordance with the requirements of the Companies Act, 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 9 to the financial statements.

### **Other Matters**

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

PKF  
AF 0911  
CHARTERED ACCOUNTANTS

Kuala Lumpur

NGU SIOW PING  
03033/11/2021 J  
CHARTERED ACCOUNTANT

# STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

		Group		Company	
	Note	2020 RM	2019 RM	2020 RM	2019 RM
Revenue	3	47,262,583	47,791,729	-	-
Cost of sales		(57,786,261)	(51,728,860)	-	-
<b>Gross loss</b>		(10,523,678)	(3,937,131)	-	-
Other income		1,323,833	15,507,484	3,434,532	11,742,197
Administrative expenses		(6,626,673)	(7,224,698)	(522,519)	(363,816)
Selling and distribution expenses		(2,784,173)	(2,507,197)	-	-
Other expenses		(5,241,560)	(428,583)	(212,058)	(25,761)
Impairment of investment in subsidiary		-	-	(2,441,402)	-
Impairment of property, plant and equipment		(6,210,633)	-	-	-
Impairment of right-of-use		(2,373,172)	-	-	-
<b>(Loss)/Profit from operations</b>		(32,436,056)	1,409,875	258,553	11,352,620
Finance costs	5	(625,950)	(112,449)	-	-
<b>(Loss)/Profit before tax</b>		(33,062,006)	1,297,426	258,553	11,352,620
Tax income/(expense)	6	100,178	(68,357)	-	-
<b>(Loss)/Profit from continuing operations, net of tax</b>		(32,961,828)	1,229,069	258,553	11,352,620
<b>Loss from discontinued operations, net of tax</b>	7	-	(770,346)	-	-
<b>(Loss)/Profit, net of tax</b>		(32,961,828)	458,723	258,553	11,352,620

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
(cont'd)

		Group		Company	
	Note	2020 RM	2019 RM	2020 RM	2019 RM
<b>Other comprehensive (loss)/income, net of tax:</b>					
<b>Items that are or may be reclassified subsequently to profit or loss:</b>					
Revaluation surplus, net of tax		12,444,355	-	-	-
Foreign currency translation differences		(162,785)	(5,473,930)	-	-
<b>Total comprehensive (loss)/profit for the financial year</b>		<u>(20,680,258)</u>	<u>(5,015,207)</u>	<u>258,553</u>	<u>11,352,620</u>
<b>(Loss)/Profit attributable to owners of the Company</b>		<u>(32,961,828)</u>	<u>458,723</u>		
<b>Total comprehensive loss attributable to owners of the Company</b>		<u>(20,680,258)</u>	<u>(5,015,207)</u>		
<b>Basic (loss)/earnings per share (sen):</b>					
Basic	8	<u>(3.28)</u>	<u>0.05</u>		
<b>Diluted (loss)/earnings per share:</b>					
Diluted	8	<u>(3.25)</u>	<u>0.05</u>		

# STATEMENTS OF FINANCIAL POSITION

AS AT 31 MARCH 2020

		Group		Company	
	Note	2020 RM	2019 RM	2020 RM	2019 RM
<b>ASSETS</b>					
<b>Non-current assets</b>					
Investment in subsidiaries	9	-	-	78,052,860	80,302,324
Property, plant and equipment	10	59,419,351	59,255,598	-	-
Right-of-use assets	11	2,582,671	-	-	-
Investment properties	12	85,800	88,200	-	-
Other investment	13	50,000	50,000	-	-
Amount due from a subsidiary	14	-	-	-	2,995,894
		62,137,822	59,393,798	78,052,860	83,298,218
<b>Current assets</b>					
Inventories	15	39,989,165	48,949,562	-	-
Trade receivables	16	7,811,907	8,932,108	-	-
Non-trade receivables, deposits and prepayments	17	9,729,865	2,966,790	1,500	1,500
Amount due from subsidiaries	14	-	-	38,173,214	21,820,664
Tax recoverable	21	-	3,558	-	-
Fixed deposit with licensed banks	18	8,846,837	535,746	1,187,985	-
Cash and bank balances		9,694,698	14,523,750	144,905	40,954
		76,072,493	75,911,514	39,507,604	21,863,118
<b>TOTAL ASSETS</b>		<b>138,210,315</b>	<b>135,305,312</b>	<b>117,560,464</b>	<b>105,161,336</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Equity attributable to owners of the Company</b>					
Share capital	19	106,126,270	94,185,469	106,126,270	94,185,469
Treasury shares	20	(22,042)	(22,042)	(22,042)	(22,042)
Foreign exchange translation reserve	21	3,589,332	3,752,117	-	-
Revaluation reserve	22	26,603,361	14,247,487	-	-
Share option reserve	23	191,938	-	191,938	-
(Accumulated losses)/Retained profits	24	(23,388,606)	9,790,782	11,222,004	10,963,451
<b>Total equity</b>		<b>113,100,253</b>	<b>121,953,813</b>	<b>117,518,170</b>	<b>105,126,878</b>

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

# STATEMENTS OF FINANCIAL POSITION

(cont'd)

		Group		Company	
	Note	2020 RM	2019 RM	2020 RM	2019 RM
<b>LIABILITIES</b>					
<b>Non-current liabilities</b>					
Borrowings	25	9,880,644	13,861	-	-
Lease liabilities	26	3,773,221	-	-	-
Deferred tax liabilities	27	2,124,250	759,953	-	-
		15,778,115	773,814	-	-
<b>Current liabilities</b>					
Trade payables	28	3,602,863	7,655,381	-	-
Non-trade payables, accruals and provision	29	2,554,619	3,425,045	42,294	34,458
Amount due to a director	30	-	1,465,000	-	-
Borrowings	25	1,623,150	32,259	-	-
Lease liabilities	26	1,551,315	-	-	-
		9,331,947	12,577,685	42,294	34,458
<b>Total liabilities</b>		25,110,062	13,351,499	42,294	34,458
<b>TOTAL EQUITY AND LIABILITIES</b>		138,210,315	135,305,312	117,560,464	105,161,336

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

# STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

	Note	Non-distributable				Distributable		
		Share capital	Treasury shares	Foreign exchange translation reserve	Share option reserve	Revaluation reserve	Retained profits	Total
		RM	RM	RM	RM	RM	RM	RM
<b>Group</b>								
At 31 March 2019 (before restated)		94,185,469	(22,042)	3,752,117	-	14,247,487	9,790,782	121,953,813
Initial application of MFRS 16	11	-	-	-	-	-	(306,041)	(306,041)
At 1 April 2019 (after restated)		94,185,469	(22,042)	3,752,117	-	14,247,487	9,484,741	121,647,772
Profit for the financial year		-	-	-	-	-	(32,961,828)	(32,961,828)
Other comprehensive income for the financial year:								
- Revaluation reserve, net of tax		-	-	-	-	12,444,355	-	12,444,355
- foreign currency translation differences		-	-	(162,785)	-	-	-	(162,785)
Total comprehensive (loss)/profit for the financial year		-	-	(162,785)	-	12,444,355	(32,961,828)	(20,680,258)
Allotment of shares		11,940,801	-	-	-	-	-	11,940,801
Realisation of revaluation reserve		-	-	-	-	(88,481)	88,481	-
Employee Stocks Option		-	-	-	191,938	-	-	191,938
At 31 March 2020		106,126,270	(22,042)	3,589,332	191,938	26,603,361	(23,388,606)	113,100,253

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

STATEMENTS OF CHANGES IN EQUITY  
(cont'd)

	Non-distributable			Distributable		
	Share capital RM	Treasury shares RM	Foreign exchange translation reserve RM	Revaluation reserve RM	Retained profits RM	Total RM
<b>Group</b>						
At 1 April 2018	94,185,469	(22,042)	9,226,047	14,259,085	9,320,461	126,969,020
Profit for the financial year	-	-	-	-	458,723	458,723
Other comprehensive income for the financial year:	-	-	-	-	-	-
- foreign currency translation differences	-	-	(5,473,930)	-	-	(5,473,930)
<b>Total comprehensive (loss)/profit for the financial year</b>	-	-	(5,473,930)	-	458,723	(5,015,207)
Realisation of revaluation reserve	-	-	-	(11,598)	11,598	-
At 31 March 2019	94,185,469	(22,042)	3,752,117	14,247,487	9,790,782	121,953,813

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

# STATEMENTS OF CHANGES IN EQUITY (cont'd)

Company	<----- Non-distributable----->			Distributable (Accumulated losses)/ Retained profits		Total RM
	Share capital RM	Treasury shares RM	Share Option reserve RM	RM	RM	
At 1 April 2018	94,185,469	(22,042)	-	(389,169)	93,774,258	
Total comprehensive loss for the financial year	-	-	-	11,352,620	11,352,620	
At 31 March 2019	94,185,469	(22,042)	-	10,963,451	105,126,878	
Total comprehensive income for the financial year	-	-	-	258,553	258,553	
Issue of shares						
- Private placement	11,940,801	-	-	-	11,940,801	
Share options granted under ESOS	-	-	191,938	-	191,938	
At 31 March 2020	106,126,270	(22,042)	191,938	11,222,004	117,518,170	

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

# STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

	Note	Group 2020 RM	2019 RM	Company 2020 RM	2019 RM
<b>Cash flows from operating activities</b>					
(Loss)/Profit before tax from continuing operations		(33,062,006)	1,297,426	258,553	11,352,620
Loss before tax from discontinued operation		-	(770,346)	-	-
		(33,062,006)	527,080	258,553	11,352,620
Adjustments for:					
Bad debts written off		-	10,915	-	-
Depreciation of:		-	-	-	-
- investment properties		2,400	2,400	-	-
- property, plant and equipment		9,092,877	7,620,589	-	-
- right-of-use		1,421,743	-	-	-
Property, plant and equipment written off		4,127	1,545	-	-
Impairment loss on property, plant and equipment		6,210,633	-	-	-
Impairment loss on right-of-use assets		2,373,172	-	-	-
Impairment loss on investment in subsidiary		-	-	2,441,402	-
Interest income		(65,599)	(148,048)	-	-
Interest expense		625,950	112,450	-	-
(Reversal)/Addition of inventories written down		(6,233,429)	2,444,472	-	-
Inventories written off		12,406,755	-	-	-
Inventories written down		270,148	-	-	-
Gain on disposal of a subsidiary		-	(12,684,245)	-	(11,047,250)
Gain on disposal of property, plant and equipment		(12,588)	(52,783)	-	-
Reversal of inventories written down		-	(489,778)	-	-
Gain on unrealised foreign exchange		(164,988)	(477,658)	-	(121,062)
Share options granted under ESOS		191,938	-	-	-
Unwinding of discount of amount due from a subsidiary		-	-	-	(242,315)
Reversal of loss on remeasurement from a subsidiary		-	-	(3,404,202)	-
Provision for reinstatement of warehouse		737,229	-	-	-
<b>Operating (loss)/profit before working capital changes</b>		(6,201,638)	(3,133,061)	(704,247)	(58,007)

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

# STATEMENTS OF CASH FLOWS

(cont'd)

	Group		Company	
Note	2020 RM	2019 RM	2020 RM	2019 RM
<b>Operating (loss)/profit before working capital changes</b>	(6,201,638)	(3,133,061)	(704,247)	(58,007)
Decrease/(Increase) in inventories	2,516,923	(10,381,507)	-	-
Increase in receivables	2,174,256	(4,788,086)	-	-
(Decrease)/Increase in payables	(5,863,666)	4,494,376	7,836	(1,921,932)
(Decrease)/Increase in amount due to a director	(1,465,000)	1,465,000	-	-
<b>Cash (used in)/generated from operations</b>	(8,839,125)	(12,343,278)	(696,411)	(1,979,939)
Interest paid	-	(109,481)	-	-
Income tax refunded	-	341,921	-	-
Income tax paid	(23)	-	-	-
Real property gain tax paid	-	(83,041)	-	-
<b>Net cash (used in)/from operating activities</b>	(8,839,148)	(12,193,879)	(696,411)	(1,979,939)
<b>Cash flows from investing activities</b>				
Interest received	65,599	148,048	-	-
Proceeds from disposal of property, plant and equipment	44,072	77,055	-	-
Purchase of property, plant and equipment	(1,660,409)	(714,739)	-	-
Net cash inflow from disposal of a subsidiary	-	19,645,690	-	19,785,258
Downpayment for expansion of manufacturing facilities	(7,448,649)	-	-	-
Net cash inflow from private placement	11,940,801	-	11,940,801	-
Investment made in a subsidiary	-	-	-	(5,859,864)
Advances to subsidiaries	-	-	(9,952,454)	(14,214,934)
<b>Net cash from/(used in) investing activities</b>	2,941,414	19,156,054	1,988,347	(289,540)

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

STATEMENTS OF CASH FLOWS  
(cont'd)

		Group		Company	
	Note	2020 RM	2019 RM	2020 RM	2019 RM
<b>Cash flows from financing activities</b>					
Interest paid		(141,842)	(2,969)	-	-
Drawdown of term loan		11,761,581	-	-	-
Repayment of term loan		(303,907)	-	-	-
Repayment of bills payable		-	(1,817,773)	-	-
Repayment of hire purchase		-	(30,775)	-	-
Repayment of lease liabilities		(1,773,274)	-	-	-
<b>Net cash from/(used in) financing activities</b>		<u>9,542,558</u>	<u>(1,851,517)</u>	<u>-</u>	<u>-</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		3,644,824	5,110,658	1,291,936	(2,269,479)
<b>Effects on foreign currency translation</b>		(162,785)	(694,171)	-	-
<b>Cash and cash equivalents at 1 April 2019/2018</b>		<u>15,059,496</u>	<u>10,643,009</u>	<u>40,954</u>	<u>2,310,433</u>
<b>Cash and cash equivalents at 31 March</b>	(i)	<u>18,541,535</u>	<u>15,059,496</u>	<u>1,332,890</u>	<u>40,954</u>

**Notes:****(i) Cash and cash equivalents**

Cash and cash equivalents comprise the following:

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Cash and bank balances				
- cash in bank and cash on hand	9,694,698	14,523,750	144,905	40,954
- fixed deposit with licensed bank with original maturities less than 3 months	8,846,837	535,746	1,187,895	-
	<u>18,541,535</u>	<u>15,059,496</u>	<u>1,332,890</u>	<u>40,954</u>

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

# STATEMENTS OF CASH FLOWS

(cont'd)

## Notes:

### (ii) Reconciliation of liabilities arising from financing activities:

	1 April (before restated) RM	Initial application of MFRS 16 RM	Cash flows RM	31 March RM
<b>Group 2020</b>				
Borrowings	46,120	-	11,457,674	11,503,794
Lease liabilities	-	7,097,810	(1,773,274)	5,324,536
	<u>46,120</u>	<u>7,097,810</u>	<u>9,684,400</u>	<u>16,828,330</u>
<b>2019</b>				
Borrowings	1,817,773	-	(1,817,773)	-
Lease liabilities	76,895	-	(30,775)	46,120
	<u>1,894,668</u>	<u>-</u>	<u>(1,848,548)</u>	<u>46,120</u>

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

# NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2020

## 1. Basis of preparation

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

The accompanying financial statements have been prepared assuming that the Group and the Company will continue as going concerns which contemplates the realisation of assets and settlement of liabilities in the normal course of business.

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

### (a) Standards issued and effective

On 1 April 2019, the Group and the Company have also adopted the following amended MFRS which are mandatory for annual financial periods beginning on or after 1 January 2019.

#### Description

- MFRS 16 *Leases*
- Annual improvements to MFRSs 2015 - 2017 cycle
  - Amendments to MFRS 3 *Business Combinations*
  - Amendments to MFRS 11 *Joint Arrangements*
  - Amendments to MFRS 112 *Income Taxes*
  - Amendments to MFRS 123 *Borrowing Costs*
- Amendments to MFRS 119 *Employee Benefits: Plan Amendment, Curtailment and Settlement*
- Amendments to MFRS 9 *Financial Instruments: Prepayment Features with Negative Compensation*
- Amendments to MFRS 128 *Investment in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures*
- IC Interpretation 23 *Uncertainty over Income Tax Treatments*

Adoption of the above accounting standards, amendments and interpretation did not have any material impact on the financial performance and position of the Group and the Company except for changes in accounting policies as disclosed in Note 1(c) to the financial statements.

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 1. Basis of preparation (continued)

#### (b) Standards issued but not yet effective

The Group and the Company have not adopted the following standards and interpretations that have been issued not yet effective:

Description	Effective for annual periods beginning on or after
<ul style="list-style-type: none"> <li>• Amendments to References to the Conceptual Framework in MFRS Standards</li> </ul>	
- Amendments to MFRS 2 <i>Share-based Payment</i>	1 January 2020
- Amendments to MFRS 3 <i>Business Combinations</i>	1 January 2020
- Amendments to MFRS 6 <i>Exploration for and Evaluation of Mineral Resources</i>	1 January 2020
- Amendments to MFRS 14 <i>Regulatory Deferral Accounts</i>	1 January 2020
- Amendments to MFRS 101 <i>Presentation of Financial Statements</i>	1 January 2020
- Amendments to MFRS 108 <i>Accounting Policies, Changes in Accounting Estimates and Errors</i>	1 January 2020
- Amendments to MFRS 134 <i>Interim Financial Reporting</i>	1 January 2020
- Amendments to MFRS 137 <i>Provisions, Contingent Liabilities and Contingent Assets</i>	1 January 2020
- Amendments to MFRS 138 <i>Intangible Assets</i>	1 January 2020
- Amendments to IC Interpretation 12 <i>Service Concession Arrangements</i>	1 January 2020
- Amendments to IC Interpretation 19 <i>Extinguishing Financial Liabilities with Equity Instruments</i>	1 January 2020
- Amendments to IC Interpretation 20 <i>Stripping Costs in the Production Phase of a Surface Mine</i>	1 January 2020
- Amendments to IC Interpretation 22 <i>Foreign Currency Transactions and Advance Consideration</i>	1 January 2020
- Amendments to IC Interpretation 132 <i>Intangible Assets - Web Site Costs</i>	1 January 2020
- Amendments to MFRS 3 <i>Business Combinations: Definition of Business</i>	1 January 2020
- Amendments to MFRS 101 <i>Presentation of Financial Statements</i> and MFRS 108 <i>Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Material</i>	1 January 2020

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 1. Basis of preparation (continued)

#### (b) Standards issued but not yet effective (continued)

The Group and the Company have not adopted the following amendments, standards and interpretations that have been issued but not yet effective:  
(continued)

Description	Effective for annual periods beginning on or after
<ul style="list-style-type: none"> <li>Amendments to MFRS 9 <i>Financial Instruments</i>, MFRS 139 <i>Financial Instruments: Recognition and Measurement</i> and MFRS 7 <i>Financial Instruments: Disclosures: Interest Rate Benchmark Reform</i></li> </ul>	1 January 2020
<ul style="list-style-type: none"> <li>Amendment to MFRS 16 <i>Leases: Covid-19-Related Rent Concessions</i></li> </ul>	1 June 2020
<ul style="list-style-type: none"> <li>Amendments to MFRS 101 <i>Presentation of Financial Statements: Classification of Liabilities as Current or Non-current</i></li> </ul>	1 January 2022
<ul style="list-style-type: none"> <li>Annual improvements to MFRSs 2018 - 2020 cycle               <ul style="list-style-type: none"> <li>- Amendments to MFRS 1 First-time Adoption of Malaysian Financial Reporting Standards</li> <li>- Amendments to MFRS 9 Financial Instruments</li> <li>- Amendments to MFRS 16 Leases</li> <li>- Amendments to MFRS 141 Agriculture</li> </ul> </li> </ul>	1 January 2022
<ul style="list-style-type: none"> <li>Amendments to MFRS 3 <i>Business Combinations: Reference to the Conceptual Framework</i></li> </ul>	1 January 2022
<ul style="list-style-type: none"> <li>Amendments to MFRS 116 <i>Property, Plant and Equipment: Property, Plant and Equipment – Proceeds before Intended Use</i></li> </ul>	1 January 2022
<ul style="list-style-type: none"> <li>Amendments to MFRS 137 <i>Provisions, Contingent Liabilities and Contingent Assets: Onerous Contracts – Cost of Fulfilling a Contract</i></li> </ul>	1 January 2022
<ul style="list-style-type: none"> <li>Amendments to MFRS 10 <i>Consolidated Financial Statements</i> and MFRS 128 <i>Investment in Associates and Joint Ventures: Sales and Contribution of Assets between an Investor and its Associate or Joint Venture</i></li> </ul>	Deferred
<ul style="list-style-type: none"> <li>MFRS 17 <i>Insurance Contract</i></li> </ul>	1 January 2021

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

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 1. Basis of preparation (continued)

#### (c) Explanation on change in accounting policy

##### ***MFRS 16 Leases***

In the current financial year, the Group and the Company have adopted MFRS 16 Leases ("MFRS 16") effective for the annual financial period beginning on or after 1 January 2019. The Group and the Company have elected not to restate comparatives for the financial year ended 31 March 2019 and recognise the cumulative effect of initial applying MFRS 16 as an adjustment to the opening balance of retained earnings.

The Group and the Company have also elected not to reassess whether a contract is, or contains, a lease at 1 April 2019 (date of initial application). Instead, the Group and the Company relied on their assessment made applying MFRS 117 Leases ("MFRS 117") and IC Interpretation 4 Determining whether an Arrangement contains a Lease for contracts entered into (or changed) before the date of initial application.

##### **As a lessee**

At the date of initial application, for leases previously classified as an operating lease applying MFRS 117, lease liabilities were measured at the present value of the remaining lease payments, discounted using the Group's and the Company's incremental borrowing rate at the date of initial application. On 1 January 2019, the weighted average incremental borrowing rate of the Group and the Company applied to the lease liabilities is 6.90%.

The right-of-use assets are measured at either their carrying amount as if MFRS 16 has been applied since the commencement date, but discounted using the lessee's incremental borrowing rate at the date of initial application.

The following practical expedients have been applied to leases previously classified as operating leases applying MFRS 117:

- applied a single discount rate to a portfolio of leases with reasonably similar characteristics;
- relied on previous assessment on whether leases are onerous as an alternative to perform impairment review – there were no onerous contracts as at 1 April 2019;
- accounted for operating leases with a remaining lease term of less than 12 months as at 1 April 2019 as short-term leases;
- excluded initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

## NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

### 1. Basis of preparation (continued)

#### (c) Explanation on change in accounting policy (continued)

##### ***MFRS 16 Leases (continued)***

For leases previously classified as finance leases applying MFRS 117, the carrying amount of the right-of-use assets and the lease liabilities as at 1 April 2019 are determined to be the same as the carrying amount of the lease assets and lease liabilities under MFRS 117.

##### ***As a lessor***

Group entities reassessed the classification of subleases that previously classified as operating leases applying MFRS 117 and concluded that the subleases are finance leases under MFRS 16. The subleases are accounted as new finance leases entered into at the date of initial application.

*Reconciliation between operating lease commitments disclosed applying MFRS 117 and lease liabilities.*

	<b>2020</b>
Operating lease commitments disclosed as at 31 March 2019	2,862,033
Discounted using the lessee's incremental borrowing rate as at 1 April 2019	2,635,417
Finance lease liabilities recognised as at 31 March 2019	13,861
Adjustments as a result of a different treatment of extension and termination options	3,325,488
<b>Lease liabilities recognised as at 1 April 2019</b>	<b>5,974,766</b>

These are impact on the changes to the accounting policies applied to lease contracts entered into by the Company as compared to those applied in previous financial statements. The impact arising from the changes are disclosed as below.

	<b>As reported at 31 March 2019 RM</b>	<b>Estimated adjustments due to adoption of MFRS 16 RM</b>	<b>Estimated adjusted opening balance at 1 April 2019 RM</b>
<b>Group</b>			
Right-of-use asset	-	5,668,725	5,668,725
Lease liabilities	-	(5,974,766)	(5,974,766)
Retained earnings	9,790,782	(306,041)	9,484,741

#### (d) Basis of measurement

The financial statements have been prepared on the historical cost basis unless otherwise indicated in the summary of significant accounting policies.

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 1. Basis of preparation (continued)

#### (e) Significant accounting estimates and judgements

Estimates and judgements are continually evaluated by the Directors and management and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and judgements that affect the application of the Group's and of the Company's accounting policies and disclosures, and have a significant risk of causing a material adjustment to the carrying amount of assets, liabilities, income and expenses are discussed below:

##### (i) *Depreciation of property, plant and equipment*

The estimates for the residual values, useful lives and related depreciation charges for property, plant and equipment are based on commercial factors which could change significantly as a result of technical innovations and competitors' actions in response to the market conditions.

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

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

##### (ii) *Income taxes*

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

##### (iii) *Impairment of non-financial assets*

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

##### (iv) *Written down for inventories*

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

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 1. Basis of preparation (continued)

#### (e) Significant accounting estimates and judgements (continued)

##### (v) *Impairment of trade receivables*

The Group and the Company use a provision matrix to calculate ECLs for trade receivables. The provision rates are based on the payment profiles of sales over a period of 36 months before the end of the reporting period and the corresponding historical credit losses experienced within this period.

The provision matrix is initially based on the Group's and the Company's historical observed default rates. The Group and the Company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The historical observed default rates are updated and changes in the forward-looking estimates are analysed at every end of the reporting period.

##### (vi) *Revaluation of properties*

Freehold land and buildings of the Group are reported at valuation which is based on valuation performed by independent professional valuers.

The independent professional valuers have exercised judgment in determining discount rates, estimates of future cash flows, capitalisation rate, terminal year value, market freehold rental and other factors used in the valuation process. Also, judgement has been applied in estimating prices for less readily observable external parameters. Other factors such as model assumptions, market dislocations and expected correlations can also materially affect these estimates and the resulting valuation estimates.

##### (vii) *Classification between investment properties and owner occupied properties*

The Group determines whether a property qualifies as an investment property, and have developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independent of the other assets held by the Group.

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 1. Basis of preparation (continued)

#### (e) Significant accounting estimates and judgements (continued)

##### (vii) *Classification between investment properties and owner occupied properties (continued)*

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately (or leased out separately under a finance lease), the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes.

Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as investment property.

##### (viii) *Provision for expected credit losses ("ECLs") of trade receivables*

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on the payment profiles of sales over a period of 36 months before the beginning of the reporting period and the corresponding historical credit losses experienced within this period.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The historical observed default rates are updated and changes in the forward-looking estimates are analysed at every end of the reporting period.

##### (ix) *Fair value estimates for certain financial assets and liabilities*

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

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 1. Basis of preparation (continued)

#### (e) Significant accounting estimates and judgements (continued)

##### (x) *Deferred tax assets and liabilities*

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

##### (xi) *Provision for liabilities*

Provision for liabilities are based on management's judgement on the likelihood of liabilities crystallising and best estimates on the amounts required to settle the liabilities arising from legal and constructive obligations. A change in circumstances which could cause estimates to change include changes in market trends and conditions, regulatory environment, employees' behaviours and other factors that may change the amount of provisions in the statement of financial position. The difference between the actual amount and the estimated amount would be recognised in the profit or loss in the period in which the change occurs.

##### (xii) *Leases*

###### (a) *Lease term*

In determining the lease term, management considers all fact and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

The extension options in leases for building have been included in the lease liability in consideration of the costs and business disruption required to replace the leased assets.

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 1. Basis of preparation (continued)

#### (e) Significant accounting estimates and judgements (continued)

##### (xii) Leases (continued)

##### (b) Incremental borrowing rate of leases

In determining the incremental borrowing rate, the Group and the Company use recent third-party financing received by the Group and the Company as a starting point and makes adjustments specific to the lease, for e.g. term and security.

### 2. Summary of significant accounting policies

#### (a) Basis of consolidation

Subsidiaries are entities, including structured entities, controlled by the Company. The Group controls an entity when the Group is exposed to, 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.

Subsidiaries are consolidated from the date on which control is transferred to the Group up to the effective date on which control ceases, as appropriate.

Intragroup transactions, balances, income and expenses are eliminated on consolidation. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies with those of the Group.

##### (i) Business combinations

Acquisitions of business are accounted for using the acquisition method. Under the acquisition method, the consideration transferred for acquisition of a subsidiary is the fair value of the assets transferred, liabilities incurred and the equity interests issued by the Group at the acquisition date. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs, other than the costs to issue debt or equity securities, are recognised in profit or loss when incurred.

In a business combination achieved in stages, previously held equity interests in the acquiree are remeasured at fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 2. Summary of significant accounting policies (continued)

#### (a) Basis of consolidation (continued)

##### (i) *Business combinations (continued)*

Non-controlling interests in the acquiree may be initially measured either at fair value or at the non-controlling interests' proportionate shares of the fair value of the acquiree's identifiable net assets at the date of acquisition. The choice of measurement basis is made on a transaction-by-transaction basis.

##### (ii) *Non-controlling interests*

Non-controlling interests are presented within equity in the consolidated statement of financial position, separately from equity attributable to the owners of the Company. Transactions with non-controlling interests are accounted for as transactions with owners and are recognised directly in equity. Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

At the end of each reporting period, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' shares of subsequent changes in equity.

##### (iii) *Loss of control*

Upon the loss of control of a subsidiary, the Group recognises any gain or loss on disposal in profit or loss which is calculated as the difference between:

- (i) The aggregate of the fair value of the consideration received and the fair value of any retained interest in the former subsidiary; and
- (ii) The previous carrying amount of the assets (including goodwill), and liabilities of the former subsidiary and any non-controlling interests.

Amounts previously recognised in other comprehensive income in relation to the former subsidiary are accounted in the same manner as would be required if the relevant assets or liabilities were disposed of (i.e. reclassified to profit or loss or transferred directly to retained profits). The fair value of any investments retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under MFR 139 or, when applicable, the cost on initial recognition of an investment in an associate or joint venture.

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 2. Summary of significant accounting policies (continued)

#### (a) Basis of consolidation (continued)

##### (iv) *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.

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

##### (v) *Changes in ownership interests in subsidiaries without change of control*

All changes in the parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of consideration paid or received is recognised directly in equity of the Group.

#### (b) Discontinued operation

A discontinued operation is a component of the Group's business that represent a separate major line of business or geographical area of operations that has been disposed of or is held for sale or distribution, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative statement of profit or loss and other comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative period.

#### (c) Foreign currencies

##### (i) *Foreign currency transactions*

Transactions in foreign currencies are measured in the respective functional currencies of the Group and of the Company are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates.

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items denominated in foreign currencies measured at fair value are translated using the exchange rates at the date when the fair value was determined.

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 2. Summary of significant accounting policies (continued)

#### (c) Foreign currencies (continued)

##### (i) *Foreign currency transactions (continued)*

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in profit or loss except for exchange differences arising on monetary items that form part of the Group's and of the Company's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group and of the Company on disposal of the foreign operation.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

##### (ii) *Foreign operations*

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

The assets and liabilities of foreign operations are translated into RM at the rate of exchange ruling at the reporting date and income and expenses are translated at exchange rates at average exchange rates for the financial period, which approximates the exchange rate at the dates of the transactions. The exchange differences arising on the translation are taken directly to other comprehensive income. On disposal of a foreign operation, the cumulative amount recognised in other comprehensive income and accumulated in equity under foreign currency translation reserve relating to that particular foreign operation is recognised in the profit or loss.

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the reporting date.

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 2. Summary of significant accounting policies (continued)

#### (c) Foreign currencies (continued)

The principal exchange rates for every unit of foreign currency ruling at the end of the reporting period used are as follows:

	2020 RM	2019 RM
1 Chinese Renminbi	0.61	0.61
1 Euro	4.74	4.58
100 Japanese Yen	3.97	3.69
1 Pound Sterling	5.31	5.33
1 United States Dollar	4.03	4.08

#### (d) Revenue and other income

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group and the Company expect to be entitled in exchange for these goods or services.

##### (i) *Sale of goods*

The Group manufactures and sells a range of toner to customers. The sales contract identifies one performance obligations which is the delivering of goods to customers.

Revenue from these sales is recognised based on the price specified in the contract, net of the estimated volume discount. Revenue for the sales of toner is recognised at a point in time, when the Group delivers the goods to the customer.

Sales are made with a credit term of 30 to 60 days, where is consistent with market practice, therefore, no element of financing is deemed present. The receivable is recognised when the customer obtained the control of goods as the consideration is unconditional other than passage of time before payment is due.

##### (ii) *Rental income*

Rental income is accounted for on a straight-line basis over the lease terms. The aggregate costs of incentives provided to lessees are recognised as a reduction of rental income over the lease term on a straight-line basis.

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 2. Summary of significant accounting policies (continued)

#### (d) Revenue and other income (continued)

##### (iii) *Interest income*

Interest income is recognised on an accrual basis, based on effective yield on the investment.

#### (e) Employee benefits expense

##### (i) *Short term benefits*

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

##### (ii) *Defined contribution plans*

The Group's and the Company's contribution to defined contribution plans are charged to the profit or loss in the period to which they relate. Once the contributions have been paid, the Group and the Company have no further liability in respect of the defined contribution plans.

#### (f) Borrowing costs

Borrowings are stated at cost with any difference between cost and redemption value being recognised in the profit or loss over the period of the loans and borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group and the Company have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

#### (g) Tax expense

##### (i) *Current tax*

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Current taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 2. Summary of significant accounting policies (continued)

#### (g) Tax expense (continued)

##### (ii) *Deferred tax*

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax liabilities are recognised for all taxable temporary differences other than those that arise from goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the business combination costs or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

The carrying amounts of deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred tax assets to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same taxation authority.

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

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 2. Summary of significant accounting policies (continued)

#### (g) Tax expense (continued)

##### (iii) *Withholding tax*

Withholding tax, which is payable by the subsidiary in the PRC on distribution of earnings to the holding company incorporated or domiciled outside the PRC, are deducted from the dividends paid and payable to the foreign holding company and are included as part of current tax liabilities in the statement of financial position. Correspondingly, the distribution represents realisation of the temporary differences. The tax rates and tax laws used to compute the amount are those that have been enacted or substantively enacted by the end of each reporting period.

##### (iv) *Other taxes*

The Group's sales of goods in the PRC are subject to Value Added Tax ("VAT") at the applicable tax rate of 13% for PRC domestic sales. Input VAT on purchases can be deducted from output VAT. The net amount of VAT together with other taxes, such as land use rights tax, recoverable from, or payable to, the tax authority is included as part of "other receivables" or "other payables" in the consolidated statement of financial position respectively.

Revenue, expenses and assets are recognised net of the amount of VAT except where:

- (a) VAT incurred on the purchases of assets or services is not recoverable from the tax authority, in which case VAT is recognised as part of the cost of acquisition of the asset or as part of the expense items as applicable; and
- (b) Receivables and payables are stated with the amount of VAT included.

Land use rights tax and other taxes are not based on taxable profits and are recognised as part of administrative expenses in the profit or loss.

#### (h) Impairment

##### (i) *Financial assets*

The Group and the Company recognise loss allowances for expected credit losses on financial assets measured at amortised cost, 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 cash and bank balances. Loss allowances for trade receivables are always measured at an amount equal to lifetime expected credit loss.

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 2. Summary of significant accounting policies (continued)

#### (h) Impairment

##### (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 and the Company'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, which 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 amount.

At each reporting date, the Group and the Company assess whether financial assets carried at amortised cost 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 and the Company determine that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to 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 and the Company's procedures for recovery amounts due.

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 2. Summary of significant accounting policies (continued)

#### (h) Impairment (continued)

##### (ii) *Impairment of non-financial assets*

The Group and the Company assess at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment assessment for an asset is required, the Group and the Company make an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units ("CGUs")).

In assessing value in use, the estimated future cash flows expected to be generated by the asset 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. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

Impairment losses are recognised in profit or loss except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase. Impairment loss on goodwill is not reversed in a subsequent period.

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 2. Summary of significant accounting policies (continued)

#### (i) Property, plant and equipment

Property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Subsequent to recognition, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. When significant parts of plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

Freehold land and building is stated at revalued amount less impairment losses recognised after the date of the revaluation. Freehold land has an indefinite useful life and therefore is not depreciated. Freehold buildings are stated at revalued amount less accumulated depreciation and accumulated impairment losses recognised after the date of the revaluation.

Freehold land and buildings are revalued periodically, at least once in every 5 years. Surpluses arising from the revaluation are recognised in other comprehensive income and accumulated in equity under the revaluation reserve. Deficits arising from the revaluation, to the extent that they are not supported by any previous revaluation surpluses, are recognised in profit or loss.

Depreciation of other property, plant and equipment is provided for on a straight line basis, at the following annual rates:

Buildings	2.5% to 5%
Furniture, fittings and office equipment	20% - 33.3%
Motor vehicles	20%
Plant and machinery	10% to 20%
Renovation	10%
Tools and equipment	20%

The carrying amount of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year end, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in the profit or loss in the year the asset is derecognised.

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 2. Summary of significant accounting policies (continued)

#### (j) Leases

The Group and the Company had applied MFRS 117 until financial year ended 31 March 2019. From 1 April 2019, MFRS 16 has been applied.

##### **Current financial year**

#### (i) *Initial recognition and measurement*

##### (a) *As a lessee*

The Group and the Company recognise right-of-use asset and lease liability at the commencement date of the lease.

The right-of-use asset is initially measured at cost, which comprises as follows:

- the initial amount of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- 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.

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 Group's and the Company's incremental borrowing rate.

Variable lease payments that do not depend on an index or a rate are excluded from lease liability and right-of-use asset and recognised in profit or loss in the period in which the event or condition that triggers those payments occurs.

The Group and the Company have elected not to recognise right-of-use assets and lease liabilities for short-term leases and leases for which the underlying asset is of low value. The Group and the Company recognise the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 2. Summary of significant accounting policies (continued)

#### (j) Leases (continued)

##### Current financial year (continued)

##### (i) *Initial recognition and measurement*

##### (b) *As a lessor*

Leases for which the Group or the Company is a lessor are classified as finance or operating leases.

Leases which transfer substantially all of the risks and rewards incidental to ownership of the underlying asset is a finance lease; if not, then it is an operating lease.

The Group and the Company 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. Initial direct costs, other than those incurred by manufacturer or dealer lessors, are included in the initial measurement of the investment in the lease.

When the Group or the Company 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. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sublease as an operating lease.

##### (ii) *Subsequent measurement*

##### (a) *As a lessee*

The right-of-use asset is subsequently depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset to the Group and the Company by the end of the lease term or if the cost of the right-of-use asset reflects that the Group and the Company will exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. In addition, the right-of-use asset is periodically reduced by impairment losses determined in accordance with Note 2(g)(ii) to the financial statements, if any, and adjusted for certain remeasurements of the lease liability.

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 2. Summary of significant accounting policies (continued)

#### (j) Leases (continued)

##### Current financial year (continued)

##### (ii) Subsequent measurement (continued)

##### (a) As a lessee (continued)

The carrying amount of lease liability is subsequently increased by interest on the lease liability and reduced by lease payments made. It is remeasured when there is a change in lease term, assessment of an option to purchase the underlying asset, future lease payments arising from the change in an index or rate, the Group's and the Company's estimate of the amount expected to be payable under a residual value guarantee or in-substance fixed lease payments.

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.

Finance income from finance leases is recognised over the lease term, based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the lease whereas lease income from operating leases is recognised in profit or loss on a straight-line basis over the lease term.

##### Previous financial year

##### Finance lease

Leases which transfer substantially all the risks and rewards incidental to ownership were classified as financial leases.

##### (i) As a lessee

Upon initial recognition, the Group and the Company recognised finance leases as assets and liabilities at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. Any initial direct costs were added to the amount recognised as an asset.

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 2. Summary of significant accounting policies (continued)

#### (j) Leases (continued)

##### Previous financial year (continued)

##### Finance lease (continued)

###### (i) *As a lessee (continued)*

Each lease payment was allocated between the liability and finance cost. The finance charge was charged to profit or loss over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The property, plant and equipment acquired under finance lease was depreciated over the asset's useful life, or over the shorter of the lease term and its useful life if there is no reasonable certainty that the ownership will be obtained by the Company by the end of the lease term.

##### Operating lease

Leases which did not transfer substantially all the risks and rewards incidental to ownership were classified as operating leases.

###### (i) *As a lessee*

Operating lease payment was charged to profit or loss on a straight-line basis over the lease term.

###### (ii) *As a lessor*

Lease income from operating leases is recognised in income on a straight-line basis over the lease term.

The respective leased assets are included in the statement of financial position according to the nature of the asset. Initial direct costs incurred in obtaining operating lease are added to the carrying amount of the leased asset and recognised as expense over the lease term on the same basis as the lease income.

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 2. Summary of significant accounting policies (continued)

#### (k) Investment properties

Investment properties, which are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes), are measured initially at its cost, including transaction costs.

Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of 50 years.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal.

Any gain or loss on the retirement or disposal of an investment property is recognised in profit or loss in the year of retirement or disposal.

The estimated useful lives, residual values and depreciation method of investment properties are reviewed at each year end, with the effect of any changes in estimates accounted for prospectively.

#### (l) Financial assets

##### (i) Initial recognition and measurement

Financial assets are recognised when, and only when, the Group and the Company become party to the contractual provision of the instrument.

At initial recognition, the Group and the Company measure a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset.

A trade receivable without a significant financing component is initially measured at the transaction price.

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 2. Summary of significant accounting policies (continued)

#### (I) Financial assets (continued)

##### (ii) *Subsequent measurement*

The Group and the Company classify their financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

The Group and the Company reclassified debt investments when and only when its business model for managing those asset changes.

##### (a) *Amortised cost*

Financial asset is measured at amortised cost when the financial asset is held within a business model whose objective is to hold financial assets in order 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.

Interest income from financial asset measured at amortised cost is recognised in profit or loss using the effective interest method. Any gain or loss on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gain and losses.

##### (b) *Fair value through other comprehensive income ("FVOCI") – debt investment*

Debt investment, which is not designated as at fair value through profit or loss, is measured at FVOCI when the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and its contractual terms give rise on specified dates to cash flows that are solely payments to principal and interest on the principal amount outstanding.

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 2. Summary of significant accounting policies (continued)

#### (I) Financial assets (continued)

##### (ii) Subsequent measurement (continued)

##### (b) FVOCI – debt investment (continued)

Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest income calculated using the effective interest method, and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss. Impairment expenses are presented as a separate line item in the statement of profit or loss.

##### (c) FVOCI – equity investment

Equity investment is measured at FVOCI when the Group and the Company made an irrevocable election to present changes in fair value in other comprehensive income. This election is made on an investment-by-investment basis.

Dividends from such investments continue to be recognised in profit or loss as other income when the Group's and the Company's right to receive payments is established.

Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are not reclassified to profit or loss.

##### (d) Fair value through profit or loss ("FVTPL")

All financial assets not measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes derivative financial assets (except for a derivative that is a designated and effective hedging instrument).

Financial assets categorised as FVTPL are subsequently measured at their fair value. Net gains or losses, including any interest or dividend income, are recognised in the profit or loss.

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 2. Summary of significant accounting policies (continued)

#### (l) Financial assets (continued)

##### (iii) *Derecognition*

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group and the Company have transferred substantially all the risk and rewards of ownership. 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) shall be recognised in profit or loss.

Any cumulative gain or loss arise from fair value changes in equity investment that had been recognised in other comprehensive income is transferred within equity when the equity investment is derecognised whereas any cumulative gain or loss arise from fair value changes in debt investment that had been recognised in other comprehensive income is transferred to profit or loss when the debt investment is derecognised.

#### (m) Inventories

Inventories, comprising of raw materials, spare parts, work-in-progress, goods in transit and finished goods, are stated at the lower of cost and net realisable value.

Cost is determined using the weighted average basis, and comprises the purchase price, production or conversion costs and incidentals incurred in bringing the inventories to their present location and condition.

Net realisable value represents 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.

#### (n) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand and fixed deposits with licensed banks at maturities not exceeding three months, and other short term and highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value.

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 2. Summary of significant accounting policies (continued)

#### (o) Financial liabilities

##### (i) *Initial recognition and measurement*

Financial liabilities are recognised when, and only when, the Group and the Company become party to the contractual provision of the instrument.

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

##### (i) *Fair value through profit or loss*

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

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

- (a) if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise;
- (b) a group of financial liabilities or assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the Group's key management personnel; or
- (c) if a contract contains one or more embedded derivatives and the host is not a financial asset in the scope of MFRS 9, where the embedded derivative significantly modifies the cash flows and separation is not prohibited.

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

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

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 2. Summary of significant accounting policies (continued)

#### (o) Financial liabilities (continued)

##### (ii) *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.

Company have not designated any financial liabilities as at fair value through profit or loss.

##### (ii) *Other financial liabilities measured at amortised cost*

The Group's and the Company's other financial liabilities include trade and non-trade payables, accruals and borrowings.

##### (iii) *Derecognition*

The difference between the carrying amount of a financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liability assumed, is recognised in profit or loss.

#### (p) Financial guarantee contracts

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

Financial guarantee contracts are recognised initially as a liability at fair value, net of transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the liability is measured at higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount initially recognised less cumulative amortisation.

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 2. Summary of significant accounting policies (continued)

#### (q) Hire purchase arrangements

Plant and equipment acquired under hire purchase arrangements are capitalised in the financial statements and the corresponding obligations are taken up as hire purchase liability.

The interest element is charged to profit or loss over the years of respective hire purchase arrangements.

#### (r) Provisions

Provisions are recognised when the Group and the Company have a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. Where the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risk specific to the liability and the present value of the expenditure expected to be required to settle the obligation.

#### (s) Contingencies

##### (i) *Contingent liabilities*

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

##### (ii) *Contingent assets*

Where an inflow of economic benefits of an asset is probable where it arises from past events and where existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity, the asset is not recognised in the statements of financial position but is disclosed as a contingent asset. When the inflow of benefit is virtually certain, then the related asset is recognised.

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 2. Summary of significant accounting policies (continued)

#### (t) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available as mentioned in Note 34.

#### (u) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group and of the Company after deducting all of its liabilities. Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Dividends on ordinary shares are recognised from equity in the period in which they are declared.

#### (v) Purchase of own shares

When the share capital recognised as equity is bought by the Company under the share buy-back programme, the amount of the consideration paid, including directly attributable costs, are recognised as a deduction from equity. Shares bought that are not subsequently cancelled are classified as treasury shares in the statement of changes in equity and presented as a deduction from the total equity.

When such shares are subsequently sold or reissued, any consideration received, net of any direct costs, and are included in shareholders' equity.

#### (w) Fair value measurements

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

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

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 2. Summary of significant accounting policies (continued)

#### (w) Fair value measurements (continued)

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

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

#### (x) Earnings/(Loss) per ordinary share

The Group presents basic and diluted loss/earnings per share data for its ordinary shares ("EPS/LPS").

Basic EPS/LPS 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/LPS 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.

### 3. Revenue

The revenue of the Group consists of the following:

	<b>Group 2020 RM</b>	<b>2019 RM</b>
<b>At a point in time:</b>		
Sale of goods	<u>47,262,583</u>	<u>47,791,729</u>

Additional disclosures on each of the revenue are shown in the Note 35 to the financial statements, including the factors used to identify the reportable segments and the measurement basis of segment information.

## NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

### 4. Employee benefits expense

	<b>Group</b>	
	<b>2020</b>	<b>2019</b>
	<b>RM</b>	<b>RM</b>
<b>(a) Staff costs</b>		
Salaries, wages, allowances, bonus and overtime	6,380,063	6,727,620
Contributions to defined contribution plan	434,820	524,193
Other benefits	176,295	256,290
	<u>6,991,178</u>	<u>7,508,103</u>
<b>(b) Directors' remuneration</b>		
Executive:		
Salaries and other emoluments	1,120,300	1,027,796
Contribution to defined contribution plan	124,044	125,580
Other benefits	2,476	9,304
Estimated money value of benefits-in-kind	15,500	15,500
Total directors' remuneration	<u>1,262,320</u>	<u>1,178,180</u>
Total directors' remuneration excluding benefits-in-kind	<u>1,246,820</u>	<u>1,162,680</u>
Total	<u><u>8,237,998</u></u>	<u><u>8,670,782</u></u>

### Share-based payment arrangements

#### Employee Share Option Scheme ("ESOS")

On 6 August 2019, the Group granted share options ESOS of 51,829,000 to eligible Directors and employees of the Group to acquire shares in the Company under the Employees Share Options Scheme ("ESOS") approved by the shareholders of the Company on 5 August 2019. In accordance with this programme, holders of vested options are entitled to acquire shares at the market price of the shares after vesting conditions have been fulfilled as stated under ESOS. All options are to be settled by physical delivery of shares.

The terms and conditions related to grants of the share option programme are as follows:

<b>Grant date/employees entitled</b>	<b>Number of options</b>	<b>Vesting conditions</b>	<b>Contractual life of options</b>
Options granted to Directors and employees on 6 August 2019	51,829,000	For the period of five (5) years until the expiry of the ESOS on 6 August 2024	5 years

## NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

### 4. Employee benefits expense (continued)

The number, weighted average exercise prices and share price at date of exercise of share options are as follows:

	<b>2020</b>	
	<b>Exercise price</b>	<b>Weighted average Number of option</b>
	<b>RM</b>	
Granted on 5 August 2019	0.0522	51,829,000
Forfeited during the financial year	0.0522	(5,120,000)
Outstanding at 31 March 2020	0.0522	<u>46,709,000</u>
Exercisable at 31 March 2020	-	<u>-</u>

The fair value of services received in return for share options granted is based on the fair value of share options granted.

	<b>2020</b>
<b>Fair value of share options and assumptions</b>	
Fair value at grant date	<u>0.0138</u>
Weighted average share price	0.0530
Share price at grant date	0.0555
Expected volatility (weighted average volatility)	20%
Option life (expected weighted average life)	5 years
Expected dividends	Nil
Risk-free interest rate	<u>3.35%</u>

### 5. Finance costs

	<b>Group</b>	
	<b>2020</b>	<b>2019</b>
	<b>RM</b>	<b>RM</b>
Bills payable	-	80,601
Hire purchase interest	-	2,969
Term loan	129,742	-
Lease liabilities	484,108	-
Others	12,100	28,879
	<u>625,950</u>	<u>112,449</u>

## NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

### 6. Tax expense

No provision for income tax has been made in financial year 2020 and 2019 for the Company as the Company has no taxable income.

	<b>Group</b>		<b>Company</b>	
	<b>2020 RM</b>	<b>2019 RM</b>	<b>2020 RM</b>	<b>2019 RM</b>
Tax expenses				
- real property gain tax	-	83,041	-	-
- underprovision in prior year	3,547	-	-	-
	3,547	83,041	-	-
Deferred tax (Note 27)				
- current year	(75,784)	(50,477)	-	-
- underprovision in prior year	-	39,456	-	-
- crystallisation of deferred tax liability arising from revaluation reserve	(27,941)	(3,663)	-	-
	(103,725)	(14,684)	-	-
	(100,178)	68,357	-	-

#### Reconciliation of tax expense

(Loss)/Profit before tax	(33,062,006)	1,297,426	258,553	11,352,620
Loss before tax from discontinued operation	-	(770,346)	-	-
	(33,062,006)	527,080	255,553	11,352,620
Tax calculated using statutory tax rate at 24%	(7,934,881)	126,500	62,053	2,724,629
Non-deductible expenses	7,729,197	599,327	825,508	93,498
Non-taxable income	(1,925,652)	(3,701,618)	(887,561)	(2,818,127)
Tax savings arising from Pioneer Status	-	(69,233)	-	-
Deferred tax assets not recognised during the financial year	2,131,336	3,034,003	-	-
	-	(11,021)	-	-
Real property gain tax	-	83,041	-	-
Underprovision of tax expense in prior year	3,547	-	-	-
Overprovision of deferred tax in prior year	(75,784)	-	-	-
Realisation of deferred tax liability arising from revaluation reserve	(27,941)	(3,663)	-	-
	(100,178)	68,357	-	-

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 6. Tax expense (continued)

The Group has unutilised tax losses and unabsorbed capital allowance amounting to RM10,086,121 and RM32,944,603 (2019: RM17,185,842 and RM20,494,650) respectively available for offset against future taxable profits.

On 1 October 2019, a subsidiary of the Company namely Jadi Chemicals Sdn. Bhd., had been granted Pioneer Status Incentive under Income Tax (Exemption) (No. 11) Order 2006 by the Malaysian Investment Development Authority (MIDA) which qualifies the Company for 100% exemption from income tax on its statutory income from pioneer activity for five years from 1 October 2019 to 30 September 2023.

Taxes in foreign jurisdictions are calculated at the rates prevailing in the respective jurisdictions.

In Malaysia, unutilised tax losses arising from year of assessment 2020 amounted to RM10,086,121 (2019: RM17,185,842) can be carried forward for a period 7 years for set off against future taxable profits. However, unutilised tax losses which arose up to the year of assessment 2018 amounted to RM6,575,137 to be utilised up to the year of assessment 2025.

Unutilised tax losses can be carried forward for a period of 7 years of assessment ("YA") to set off against future taxable profits as follows:

	RM	Utilised up to
YA 2018 and before	6,575,137	YA 2025
YA 2019	17,185,842	YA 2026
YA 2020	10,086,121	YA 2027
	<u>6,575,137</u>	<u>YA 2025</u>

### 7. Discontinued operation

On 10 September 2018, the Company had disposed its entire interest in Jadi Imaging Technologies (Suzhou) Co., Ltd.

The results of the disposed subsidiaries are presented separately on the statements of profit or loss and other comprehensive income as "Loss from discontinued operation, net of tax".

Loss attributable to the discontinued operation was as follows:

#### Results of discontinued operation

	Group 2019 RM
Other income	497,204
Other expenses	(1,267,550)
<b>Loss for the financial year</b>	<u><u>(770,346)</u></u>

## NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

### 7. Discontinued operation (continued)

The effects of disposal to the financial position of the Group:

	<b>Discontinued operation 2019 RM</b>
Property, plant and equipment	3,368,702
Investment property	4,777,241
Non-trade receivables	2,875,967
Cash and bank balance	139,568
Non-trade payable	(24,235)
Foreign exchange reserve	(4,036,230)
Net asset of subsidiaries	7,101,013
Proceed from disposal of subsidiary	(19,785,258)
Gain on disposal of subsidiary	(12,684,245)

### 8. Basic and diluted (loss)/profit per share

#### (a) Basic (loss)/profit per share

The basic (loss)/profit per share is based on the Group's loss after taxation attributable to owners of the Company for the financial year divide by the weighted average number of ordinary shares in issue (net of treasury shares), computed as follows:

	<b>Group 2020</b>	<b>2019</b>
(Loss)/Profit for the financial year attributable to owners of the Company (RM)	(32,961,828)	458,723
Weighted average number of ordinary shares in issue	1,004,480,438	941,700,411
Basic profit/(loss) per share (sen)	(3.28)	0.05

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 8. Basic and diluted (loss)/profit per share (continued)

#### (b) Diluted earnings/(loss) per share (continued)

Diluted (loss)/earnings per share amounts are calculated by dividing (loss)/ profit for the financial year, net of tax, attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year after adjustment for the effects of all dilutive potential ordinary shares.

	<b>Group</b>	
	<b>2020</b>	<b>2019</b>
Profit/(Loss) for the financial year attributable to owners of the Company (RM)	(32,961,828)	458,723
Weighted average number of ordinary shares at 31 March	1,004,480,438	941,700,411
Effect of new ordinary share pursuant to exercised of ESOS	9,341,800	-
Weighted average number of ordinary shares at 31 March	1,013,822,238	941,700,411
Diluted (loss)/earnings per share	(3.25)	0.05

### 9. Investment in subsidiaries

	<b>Company</b>	
	<b>2020</b>	<b>2019</b>
	<b>RM</b>	<b>RM</b>
<i>Unquoted shares, at cost:</i>		
At 1 April	14,608,035	17,486,179
Addition	191,938	5,859,864
Disposal	-	(8,738,008)
	14,799,973	14,608,035
Less: Impairment		
At 1 April	(1,743,254)	(1,743,254)
Addition	(2,441,402)	-
	(4,184,656)	(1,743,254)
Contribution to a subsidiary	67,437,543	67,437,543
At 31 March	78,052,860	80,302,324

## NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

### 9. Investment in subsidiaries (continued)

The details of the subsidiaries are as follows:

Name of subsidiaries	Country of incorporation	Percentage of equity held		Principal activities
		2020 %	2019 %	
Jadi Imaging Technologies Sdn. Bhd.	Malaysia	100	100	Manufacturing and sale of toner.
Jadi Imaging Supplies (US), Inc.*	United States of America	100	100	Dormant.
Jadi Imaging Solutions (UK) Limited**	United Kingdom	100	100	Distributing of toner.
Zhuhai Jadi Imaging Technologies Co., Ltd.*	The People's Republic of China	100	100	Trading of toner.
Jadi Life Solutions Sdn. Bhd.	Malaysia	100	100	Dormant
<b>Subsidiary of Jadi Imaging Technologies Sdn. Bhd.</b>				
Jadi Imaging Solutions Sdn. Bhd.	Malaysia	100	100	Dormant.
Jadi Chemicals Sdn. Bhd.	Malaysia	100	100	Manufacturing and sale of toner resin.
International Cartridge Supplies Sdn. Bhd.	Malaysia	-	100	Dormant.

\* Not audited by PKF

\*\* Not audited, management account is available

# NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

## 10. Property, plant and equipment

Group	Carrying amount as at 1.4.2019 RM	Revaluation RM	Additions RM	Disposals RM	Impairment RM	Written off RM	Currency translation reserve RM	Depreciation charge RM	Carrying amount as at 31.3.2020 RM
2020									
Freehold land	24,600,000	10,100,000	-	-	-	-	-	-	34,700,000
Buildings	13,756,026	3,749,151	-	-	-	-	-	(399,783)	17,105,394
Furniture, fittings and office equipment	364,345	-	17,319	(95)	-	(2,984)	(795)	(90,336)	287,454
Motor vehicles	80,152	-	73,177	(35,213)	-	-	(153)	(38,557)	79,406
Plant and machinery	19,890,623	-	1,236,784	(291)	(6,210,633)	(1,048)	(665)	(8,253,336)	6,661,434
Renovation	206,756	-	76,873	-	-	(95)	(620)	(70,233)	212,681
Tools and equipment	357,696	-	256,256	-	-	-	(338)	(240,632)	372,982
Total	59,255,598	13,849,151	1,660,409	(35,599)	(6,210,633)	(4,127)	(2,571)	(9,092,877)	59,419,351

# NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

## 10. Property, plant and equipment (continued)

Group	Carrying amount as at 1.4.2018 RM	Additions RM	Disposals RM	Disposal of subsidiary RM	Written off RM	Currency translation reserve RM	Depreciation charge RM	Carrying amount as at 31.3.2019 RM
<b>2019</b>								
Freehold land	24,600,000	-	-	-	-	-	-	24,600,000
Leasehold land	2,074,765	-	-	(2,014,627)	-	(37,230)	(22,908)	-
Buildings	15,471,129	-	-	(1,074,489)	-	(111,050)	(529,564)	13,756,026
Furniture, fittings and office equipment	405,462	119,340	(1,051)	-	-	(1,343)	(158,063)	364,345
Motor vehicles	119,637	-	-	-	-	(850)	(38,635)	80,152
Plant and machinery	26,103,132	497,600	(22,237)	(151,141)	-	(5,165)	(6,531,566)	19,890,623
Renovation	456,557	-	-	(128,445)	-	(4,427)	(116,929)	206,756
Tools and equipment	486,185	97,799	(984)	-	(1,545)	(835)	(222,924)	357,696
<b>Total</b>	<b>69,716,867</b>	<b>714,739</b>	<b>(24,272)</b>	<b>(3,368,702)</b>	<b>(1,545)</b>	<b>(160,900)</b>	<b>(7,620,589)</b>	<b>59,255,598</b>

NOTES TO THE FINANCIAL STATEMENTS  
(cont'd)

10. Property, plant and equipment (continued)

Group	At cost	At valuation	Accumulated depreciation	Accumulated impairment	Disposal of a subsidiary	Carrying amount
2020	RM	RM	RM	RM	RM	RM
Freehold land	-	34,700,000	-	-	-	34,700,000
Buildings	-	20,479,152	(3,373,758)	-	-	17,105,394
Furniture, fittings and office equipment	3,236,090	-	(2,972,293)	-	-	263,797
Motor vehicles	1,100,263	-	(1,003,470)	-	-	96,793
Plant and machinery	116,381,722	-	(91,119,397)	(18,593,742)	-	6,668,583
Renovation	917,400	-	(683,082)	-	-	234,318
Tools and equipment	4,473,769	-	(4,123,303)	-	-	350,466
Total	126,109,244	55,179,152	(103,275,303)	(18,593,742)	-	59,419,351
2019						
Freehold land	-	24,600,000	-	-	-	24,600,000
Leasehold land	2,601,198	-	(586,571)	-	(2,014,627)	-
Buildings	2,159,690	16,730,001	(4,059,176)	-	(1,074,489)	13,756,026
Furniture, fittings and office equipment	3,345,685	-	(2,981,340)	-	-	364,345
Motor vehicles	1,075,648	-	(995,496)	-	-	80,152
Plant and machinery	116,635,083	-	(84,210,210)	(12,383,109)	(151,141)	19,890,623
Renovation	2,132,472	-	(1,797,271)	-	(128,445)	206,756
Tools and equipment	4,248,983	-	(3,891,287)	-	-	357,696
Total	132,198,759	41,330,001	(98,521,351)	(12,383,109)	(3,368,702)	59,255,598

## NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

### 10. Property, plant and equipment (continued)

- (a) Included in property, plant and equipment of the Group are the following fully depreciated property, plant and equipment which are still in use:

	2020 RM	2019 RM
<b>At cost:</b>		
Furniture and fittings	720,084	989,903
Motor vehicles	857,647	857,647
Office equipment	1,555,646	1,368,859
Plant and machinery	40,951,075	36,631,335
Tools and equipment	3,794,641	2,981,899
	47,879,093	42,829,643

- (b) Included in the property, plant and equipment at the end of the reporting period were motor vehicles with a total carrying amount of RM23,008 (2019: RM53,096), which were acquired under hire purchase terms.
- (c) A freehold land with carrying amount of RM13,700,000 (2019: RM24,600,000) have been pledged to banks for banking facilities granted to the subsidiaries as disclosed in Note 25 to the financial statements; and
- (d) The freehold land and buildings were revalued on 5 August 2020 and 25 August 2020 by an independent firm of professional valuers using the Comparison Market Method and Cost Approach method. The arising revaluation surplus was credited to the Revaluation Reserve.
- (e) Fair value hierarchy of land and buildings

#### Level 2 fair value

Level 2 fair values of land and buildings have been generally derived using Market Comparison Method, where the price of comparable properties in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square foot of comparable properties.

- (f) If the freehold land and buildings were measured using the cost model, the carrying amount would be as follows:

	Group 2020 RM	2019 RM
Freehold land, at cost	10,784,571	10,784,571
Buildings:		
Cost	16,329,701	16,329,701
Accumulated depreciation	(3,840,106)	(3,513,512)
At 31 March	12,489,595	12,816,189

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 10. Property, plant and equipment (continued)

#### Impairment test for property, plant and equipment

In financial year ended 2020, the Group has continued to assess the recoverability of its property, plant and equipment as the Group continue to report losses for the current financial year which indicated the existence of impairment.

#### Key assumptions used in value-in-use calculations

The recoverable amount of a Cash-Generating Unit ("CGU") is determined based on its value in use. The cashflow were projected based on the 5 years business plan.

The value in use was determined by discounting the future cashflows expected to be generated from the continued use of the unit and was based on the following assumptions:

#### (i) *Revenue growth*

The revenue was projected based on the subsequent sales which are from April to June 2020, actual sales occurred up to month of June 2020, and were anticipated with growth in line with the business plan

#### (ii) *Discount rate*

The discount rate used is weighted average cost of capital of the Company. The discount rate applied was 5.49% (2019: 8.8%) per annum based on bank borrowing rate.

The values assigned to the key assumptions represent management's assessment of future trends in the industry and are based on external and internal sources. A reasonably possible change in a key assumption does not have any significant difference to the recoverable amount.

#### **Sensitivity to change in assumptions**

With regards to the assessment of the value-in-use of the CGU relating to the production of output, management believes there are possible changes in key assumptions which could cause the carrying value of the CGU to exceed its recoverable amount. Based on the assessment, there is a shortfall of RM6,210,633 (2019: RMNil) which it is impaired.

## 11. Right-of-use assets

2020 Cost	Land and building RM	Forklift RM	Air Compressor RM	Total RM
At 31 March	-	-	-	-
Initial application of MFRS 16	7,046,151	220,908	189,972	7,457,031
At 1 April	7,046,151	220,908	189,972	7,457,031
Addition	708,861	-	-	708,861
As at 31 March	7,755,012	220,908	189,972	8,165,892
<b>Accumulated depreciation</b>				
At 31 March	-	-	-	-
Initial application of MFRS 16	1,761,538	12,272	14,496	1,788,306
At 1 April	1,761,538	12,273	14,496	1,788,306
Addition	1,253,121	73,636	94,986	1,421,743
As at 31 March	3,014,659	85,908	109,482	3,210,049
<b>Accumulated impairment</b>				
At 1 April 2019	-	-	-	-
Addition	2,373,172	-	-	2,373,172
At 31 March 2020	2,373,172	-	-	2,373,172
<b>Carrying amount</b>				
At 31 March	2,367,181	135,000	80,490	2,582,671

## NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

### 11. Right-of-use assets (continued)

The Group leases factory and warehouse. The contract term ranges from 1 to 3 years that comes together with an extension options of renewal of contract which ranges from 1 to 3 years.

The extension and termination options were commonly exercisable only by the Group and not by the respective lessor.

### 12. Investment properties

	Freehold apartment RM	Group Warehouse building RM	Total RM
<b>2020 Cost</b>			
At 1 April 2019/31 March 2020	120,000	-	120,000
<b>Accumulated depreciation</b>			
At 1 April 2019	(31,800)	-	(31,800)
Charge for the financial year	(2,400)	-	(2,400)
At 31 March 2020	(34,200)	-	(34,200)
<b>Carrying amount</b>			
At 31 March 2020	85,800	-	85,800
<b>Fair value</b>	249,980	-	249,980
<b>2019 Cost</b>			
At 1 April 2018	120,000	8,072,564	8,192,564
Disposal	-	(8,072,564)	(8,072,564)
At 31 March 2019	120,000	-	120,000
<b>Accumulated depreciation</b>			
At 1 April 2018	(29,400)	(3,295,323)	(3,324,723)
Charge for the financial year	(2,400)	-	(2,400)
Disposal	-	3,295,323	3,295,323
At 31 March 2019	(31,800)	-	(31,800)
<b>Carrying amount</b>			
At 31 March 2019	88,200	-	88,200
<b>Fair value</b>	248,258	-	248,258

## NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

### 12. Investment properties (continued)

The fair value disclosure of the freehold apartment has been determined by the Directors based on their assessment of fair market value of similar properties in the same vicinity at reporting date.

The fair value disclosure of the warehouse building is based on a valuation performed on the property in August 2014 by an independent valuer using the comparison method that makes reference to market values of similar properties in the vicinity that have been transacted in the open market, and which the Directors believe continues to be appropriate. The warehouse buildings was disposed on 10 September 2018 as disclosed in Note 7 to the financial statements.

#### Level 2 Fair Value

The fair value references of freehold apartment and building are categorised as Level 2, and have been generally derived using Market Comparison Method, where the price of comparable properties in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square foot of comparable properties.

### 13. Other investment

The investment represents golf club membership which is measured at fair value through profit and loss.

### 14. Amount due from subsidiaries

	<b>Company</b>	
	<b>2020</b>	<b>2019</b>
	<b>RM</b>	<b>RM</b>
Amount due from subsidiaries	38,173,214	28,220,760
Less: Loss on remeasurement		
At 1 April 2019/2018	(3,404,202)	(3,646,517)
Reversal	3,404,202	242,315
At 31 March	-	(3,404,202)
	<u>38,173,214</u>	<u>24,816,558</u>

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 14. Amount due from subsidiaries (continued)

	<b>Company</b>	
	<b>2020</b>	<b>2019</b>
	<b>RM</b>	<b>RM</b>
Representing:		
Current	38,173,214	21,820,664
Non-current	-	2,995,894
	<u>38,173,214</u>	<u>24,816,558</u>

The amount for the non-current portion of amount due from subsidiaries represents unsecured and interest-free advances with amortised cost adjustment at 8.80% per annum, which is repayable at the end of financial year 2028.

The current portion of amount due from subsidiaries represents unsecured, interest-free advances and payments made on behalf and was repayable on demand.

Significant related party's transactions are disclosed in Note 31(b) to the financial statements.

### 15. Inventories

	<b>Group</b>	
	<b>2020</b>	<b>2019</b>
	<b>RM</b>	<b>RM</b>
<b>At cost:</b>		
Raw materials	16,114,504	23,405,465
Finished goods	21,845,746	16,101,053
Spare parts	365,543	539,780
Work-in-progress	47,538	5,929,161
Goods in transit	519,138	1,276,749
	<u>38,892,469</u>	<u>47,252,208</u>
<b>At net realisable value:</b>		
Raw materials	689,361	-
Finished goods	407,335	1,697,354
	<u>1,096,696</u>	<u>1,697,354</u>
	<u>39,989,165</u>	<u>48,949,562</u>
<b>Recognised in profit or loss:</b>		
Inventories recognised as cost of sales	57,567,434	45,853,735
Amount written down to net realisable value	1,096,696	2,444,472
Reversal of inventories written down in prior year	-	(489,778)

## NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

### 16. Trade receivables

	<b>Group</b>	
	<b>2020 RM</b>	<b>2019 RM</b>
Trade receivables	7,811,907	8,932,108
Less: Impairment loss		
At 1 April 2019/2018	-	(365,299)
Reversal	-	365,299
At 31 March	-	-
	<u>7,811,907</u>	<u>8,932,108</u>

The Group's normal trade credit terms range from 30 to 60 days (2019: 30 to 60 days). Other credit terms are assessed and approved on a case-by-case basis.

The allowance for impairment losses was made mainly on those trade receivables in significant financial difficulties and have defaulted on payments.

### 17. Non-trade receivables, deposits and prepayments

	<b>Group</b>		<b>Company</b>	
	<b>2020 RM</b>	<b>2019 RM</b>	<b>2020 RM</b>	<b>2019 RM</b>
Non-trade receivables	1,797,997	1,683,305	-	-
Deposits	608,621	689,521	1,500	1,500
Prepayments	7,323,247	593,964	-	-
	<u>9,729,865</u>	<u>2,966,790</u>	<u>1,500</u>	<u>1,500</u>

### 18. Fixed deposit with licensed banks

The Group's fixed deposit with a licensed bank bears interest of 2.40% to 3.35% (2019: 2.40% to 3.35%) per annum and has a maturity of 365 days (2019: 365 days).

Fixed deposit amounting to RM480,000 has been pledged to the bank for banking facilities as disclosed in Note 25 of the financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

### 19. Share capital

	2020	Group and Company 2019	2020	2019
	Number of Ordinary Shares		RM	RM
Issued share capital				
At 1 April	941,820,083	941,820,083	94,185,469	94,185,469
Allotment of shares during the year	94,170,040	-	12,195,381	-
Less: Expenses related to issuance of shares	-	-	(254,580)	-
At 31 March	<u>1,035,990,123</u>	<u>941,820,083</u>	<u>106,126,270</u>	<u>94,185,469</u>

The holder of ordinary shares is entitled to receive dividends as and when declared by the Company. All ordinary shares carry one (1) vote per share without restriction and rank equally with regards to the Company residual interests.

### 20. Treasury shares

The re-purchased shares are held as treasury shares in accordance with Section 127 of the Companies Act, 2016 in Malaysia.

The re-purchased shares under the share buy-back programme were financed by internally generated funds and retained as treasury shares and are presented as a deduction from shareholders' equity.

Out of the total 1,035,990,123 (2019: 941,820,083) issued and fully paid-up ordinary shares as at the end of the reporting period, 119,672 (2019: 119,672) ordinary shares are held as treasury shares by the Company. The treasury shares are held at a carrying amount of RM22,042 (2019: RM22,042). None of the treasury shares were resold or cancelled during the financial year.

### 21. Foreign exchange translation reserve

The foreign exchange translation reserve arose from the translation of the financial statements of foreign subsidiaries and is not distributable by way of dividends.

## NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

### 22. Revaluation reserve

The revaluation represents the increase in the fair value of freehold land and buildings of the Group (net of deferred tax, where applicable).

	<b>Revaluation reserve RM</b>
At 1 April 2018	14,259,085
Revaluation surplus	-
Realisation of revaluation reserve	(11,598)
At 31 March 2019	14,247,487
Revaluation surplus	12,444,355
Realisation of revaluation reserve	(88,481)
At 31 March 2020	26,603,361

### 23. Share option

#### Share option programme (equity settled)

	<b>Employees' share options ("ESOS") reserve</b>	
<b>Group</b>	<b>2020</b>	<b>2019</b>
	<b>RM</b>	<b>RM</b>
At 1 April/31 March	191,938	-

The share options reserve comprises the cumulative value of employee services received for the issue of share options. When the option is exercised, the amount from the share option reserve is transferred to retained profits. When the share options expire, the amount from the share option reserve is transferred to retained profits. Share options are disclosed in Note 4 to the financial statements.

### 24. (Accumulated losses)/Retained profits

Under the single tier system introduced by the Finance Act, 2007 in Malaysia which came into effect from the year of assessment 2008, dividends paid under this system are tax exempt in the hands of shareholders. As such, the whole retained profits can be distributed to shareholders as tax exempt dividends.

## NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

### 25. Borrowings

		<b>Group</b>	
	<b>Note</b>	<b>2020</b>	<b>2019</b>
		<b>RM</b>	<b>RM</b>
<b>Secured</b>			
<b>Current</b>			
Term loan	(a)	1,623,150	-
Hire purchase liability	(b)	-	32,259
		<u>1,623,150</u>	<u>32,259</u>
<b>Non-current</b>			
Term loan	(a)	9,880,644	-
Hire purchase liability	(b)	-	13,861
		<u>11,503,794</u>	<u>46,120</u>

#### (a) Term loan

The maturity structure of the term loans can be analysed as follows:

	<b>Group</b>
	<b>2020</b>
	<b>RM</b>
Repayable within one year	1,623,150
Repayable between one to two years	5,229,196
Repayable more than five years	4,651,448
	<u>11,503,794</u>

Term loans of the Group bears interest at 8.25% and 5.49% (2019: Nil) per annum and is secured by way of:

- (i) legal charge over the Group's freehold land and building (Note 10);
- (ii) fixed deposit placed with licensed bank (Note 18);
- (iii) guarantee by a director of the Company; and
- (iv) corporate guarantee by Jadi Imaging Holdings Berhad.

	<b>Year of maturity</b>	<b>Number of</b>	<b>Monthly</b>
		<b>monthly</b>	<b>instalment</b>
		<b>instalments</b>	<b>amount</b>
			<b>RM</b>
Term loan 1	2020 - 2025	60	193,764
Term loan 2	2020 - 2027	84	154,765

## NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

### 25. Borrowings (continued)

#### (b) Hire purchase liability

	Group	
	2020 RM	2019 RM
Minimum hire purchase payments:		
Repayable within one year	-	33,744
Repayable between one to two years	-	14,015
Repayable between two to five years	-	-
	-	47,759
Less: Future finance charges	-	(1,639)
Present value of hire purchase liability	-	46,120
Present value of hire purchase liability:		
Repayable within one year	-	32,259
Repayable between one to two years	-	13,861
Repayable between two to five years	-	-
	-	46,120
Representing hire purchase liability:		
Current	-	32,259
Non-current	-	13,861
	-	46,120

The hire purchase liability bears weighted average effective interest rate at Nil (2019: 4.72%) per annum.

### 26. Lease liabilities

The following table summarises the carrying amount of the Group's lease liabilities and the movements during the financial year:

	Group 2020 RM
<b>Representing:</b>	
Current liabilities	1,551,315
Non-current liabilities	3,773,221
	5,324,536

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 26. Lease liabilities (continued)

The following table summarises the carrying amount of the Group's lease liabilities and the movements during the financial year:

	<b>2020 RM</b>
<b>Recognised in profit or loss:</b>	
Interest expense on lease liabilities	484,108

The total cash outflow for leases for the financial year ended 31 March 2020 is RM1,314,156 (2019: RM Nil).

### 27. Deferred tax liabilities

	<b>2020 RM</b>	<b>2019 RM</b>
At 1 April 2019/2018	759,953	774,637
Recognised directly to equity	1,489,925	-
Recognised in profit or loss (Note 6)	(125,628)	(14,684)
At 31 March	2,124,250	759,953

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

	<b>Right-of- use assets</b>	<b>Revaluation reserve RM</b>	<b>Property, plant and equipment RM</b>	<b>Total RM</b>
<b>Deferred tax liabilities of the Group:</b>				
At 1 April 2019	-	827,210	2,840,977	3,668,187
Recognised directly to equity	63,226	1,404,796	-	1,468,022
Recognised in profit or loss	(75,784)	(27,941)	26,625	(77,100)
At 31 March 2020	(12,558)	2,204,065	2,867,602	5,059,109
At 1 April 2018	-	830,873	3,768,884	4,599,757
Recognised directly to equity	-	-	-	-
Recognised in profit or loss	-	(3,663)	(927,907)	(931,570)
At 31 March 2019	-	827,210	2,840,977	3,668,187

## NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

### 27. Deferred tax liabilities (continued)

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

	<b>Unabsorbed capital allowances RM</b>	<b>Total RM</b>
<b>Deferred tax assets of the Group:</b>		
At 1 April 2019	(2,908,234)	(2,908,234)
Recognised in profit or loss	(26,625)	(26,625)
At 31 March 2020	<u>(2,934,859)</u>	<u>(2,934,859)</u>
At 1 April 2018	(3,825,120)	(3,825,120)
Recognised in profit or loss	916,886	916,886
At 31 March 2019	<u>(2,908,234)</u>	<u>(2,908,234)</u>

The amounts of temporary differences for which no deferred tax assets have been recognised as they may not be used to offset taxable profits of the other subsidiaries in the Group and they arose in subsidiaries that have a recent history of losses, are as follows (stated at gross):

	<b>2020 RM</b>	<b>2019 RM</b>
Inventories write down value	18,334,152	6,417,879
Unrealised loss on foreign exchange	2,817,941	2,853,065
Unutilised reinvestment allowances	20,494,650	20,494,650
Unabsorbed capital allowances	32,944,603	28,845,466
Unutilised tax losses	10,086,121	17,185,842
	<u>84,677,467</u>	<u>75,796,902</u>

### 28. Trade payables

The normal trade credit terms granted to the Group range from 30 to 90 days (2019: 30 to 90 days).

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 29. Non-trade payables, accruals and provision

	<b>Group</b>		<b>Company</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Non-trade payables	1,345,135	2,074,100	11,294	7,258
Deposit received	42,577	-	-	-
Accruals	429,678	1,350,945	31,000	27,200
Provision of reinstatement of warehouse	737,229	-	-	-
	<u>2,554,619</u>	<u>3,425,045</u>	<u>42,294</u>	<u>34,458</u>

### 30. Amount due to a director

Amounts due to a director is non-trade in nature unsecured, interest-free and repayable on demand.

### 31. Related party transactions

#### (a) Identities of related parties

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

Related parties of the Group include:

- i. Subsidiaries;
- ii. Entities in which directors have substantial financial interests; and
- iii. Key management personnel of the Group and of the Company, comprising persons having the authority and responsibility for planning, directing and controlling the activities directly or indirectly.

## NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

### 31. Related party transactions (continued)

#### (b) Significant related party's transactions

Significant transactions between the Company and its related parties during the financial year were as follows:

		2020 RM	2019 RM
<b>With subsidiaries:</b>			
Jadi Imaging Technologies Sdn. Bhd.	Advances	19,663,431	2,432,270
	Unwinding of discount on amount due from subsidiaries	-	242,315
Jadi Imaging Technologies (Suzhou) Co., Ltd.	Capital reduction	-	5,855,825
Zhuhai Jadi Imaging Technologies Co., Ltd.	Received on behalf for proceed from disposal of a subsidiary by holding company	-	19,906,320
<b>Amount due to directors</b>			
Amount due to directors	Advances	-	1,465,000

Significant balances with related parties are disclosed in Note 14 to the financial statements.

#### (c) Compensation of Key Management Personnel

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Short-term employee benefits	1,633,667	1,627,862	314,586	295,511

Key management personnel comprise executive and non-executive directors and managers of the Group and of the Company who have authority and responsibility for planning, directing, and controlling the activities of the Group and of the Company, directly or indirectly.

The Directors are of the opinion that the transactions above have been entered into in the normal course of business and have been established on terms and conditions mutually agreed between the relevant parties.

## NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

### 32. Commitments

#### Capital commitments

Capital commitments as at the reporting date are as follows:

	<b>Group</b>	
	<b>2020</b>	<b>2019</b>
	<b>RM</b>	<b>RM</b>
Approved and contracted for:		
Purchase of property, plant and equipment	9,266,202	-

### 33. Contingent liabilities

	<b>Group</b>	
	<b>2020</b>	<b>2019</b>
	<b>RM</b>	<b>RM</b>
Bank guarantees given by financial institutions to third parties	964,010	910,000

### 34. Financial guarantees

	<b>Company</b>	
	<b>2020</b>	<b>2019</b>
	<b>RM</b>	<b>RM</b>
Corporate guarantees given to licensed banks for credit facilities granted to a subsidiary	29,600,000	-

### 35. Operating segments

Operating segments are presented in respect of the Group's business and geographical segments. The primary format, business segment, is based on the Group's management and internal reporting structure. Inter-segment transactions were carried out on terms and conditions not materially different from those obtainable in transactions with independent third parties.

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 35. Operating segments (continued)

#### (a) Business segments

The Group comprises the following main business segments:

- (i) Manufacturing - Manufacturing and sale of toner
- (ii) Investment holding - Investment of companies

#### (b) Geographical segments

The Group comprises the following principal geographical areas:

- (i) Malaysia
  - Manufacturing and sale of toner
  - Investment of companies
- (ii) Overseas
  - Trading and distributing of toner

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of the customers. Segment assets are based on the geographical location of assets.

The management assesses the performance of the operating segments based on operating profit or loss which is measured differently from those disclosed in the consolidated financial statements as enumerated in the subsequent paragraphs below.

Group financing (including finance costs) and income taxes are managed on a group basis and are not allocated to operating segments.

Assets, liabilities and expenses which are common and cannot be meaningfully allocated to the operating segments are presented under unallocated items. Unallocated items comprise mainly investments and related income, loans and borrowings and related expenses, corporate assets (primarily the Company's headquarters) and head office expenses.

Transfer prices between operating segments are at arm's length basis in manner similar to transactions with third parties.

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 35. Operating segments (continued)

#### (b) Geographical segments (continued)

Segment loss before interest and taxation includes the followings expenses/(income):

Group 2020	Manufacturing RM	Investment holding RM	Group RM
<b>Revenue</b>			
External revenue	47,262,583	-	47,262,583
Inter-segment revenue	46,120,582	-	46,120,583
Total revenue	93,383,164	-	93,383,164
Consolidation adjustments			(46,120,581)
Consolidated revenue			47,262,583
<b>Results</b>			
Segment (loss)/profit before interest and taxation	(13,294,013)	(1,092,920)	(14,386,933)
Interest expense			(625,950)
Income tax expense			100,178
Consolidated adjustments			(18,577,386)
Consolidated loss after taxation			(33,487,600)
Depreciation of:			
- investment properties	2,400	-	2,400
- property, plant and equipment	6,759,511	-	6,759,511
Impairment on plant and equipment	8,543,999	-	8,543,999
Interest income	(65,599)	-	(65,599)
Inventories written off	11,778,632	-	11,778,632
Inventories written down	270,148	-	270,148
Reversal of inventories written down	(6,233,429)	-	(6,233,429)
<b>ASSETS</b>			
Segment assets	168,565,605	120,547,084	289,112,710
Unallocated assets			21
- tax refundable			(151,697,059)
Consolidated adjustments			137,415,630
Consolidated total assets			137,415,630
Additions to non-current assets other than financial instruments are:			
Property, plant and equipment	1,660,409	-	1,660,409
Right-of-use	708,861	-	708,861

# NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

## 35. Operating segments (continued)

Segment loss before interest and taxation includes the followings expenses/(income):

	Manufacturing RM	Investment holding RM	Group RM
<b>Group 2020</b>			
<b>LIABILITIES</b>			
Segment liabilities	67,899,522	42,294	67,941,816
Unallocated liabilities			
- deferred tax liabilities			2,289,194
- bank borrowings			16,189,188
Consolidated adjustments			(61,949,278)
Consolidated total liabilities			24,470,920
<b>2019</b>			
<b>Revenue</b>			
External revenue	47,791,729	-	47,791,729
Inter-segment revenue	51,781,056	-	51,781,056
Total revenue	99,572,785	-	99,572,785
Consolidation adjustments			(51,781,056)
Consolidated revenue			47,791,729
<b>Results</b>			
Segment loss before interest and taxation	(13,591,131)	11,352,620	(2,238,511)
Interest expense			(112,449)
Income tax expense			(79,378)
Consolidated adjustments			2,889,061
Consolidated loss after taxation			458,723
Bad debts written off	10,915	-	10,915
Depreciation of:			
- investment properties	2,400	-	2,400
- property, plant and equipment	7,620,589	-	7,620,589
Interest income	(148,048)	-	(148,048)
Inventories written down	2,444,472	-	2,444,472
Reversal of inventories written down	(489,778)	-	(489,778)

## NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

### 35. Operating segments (continued)

Segment loss before interest and taxation includes the followings expenses/(income):

Group 2019	Manufacturing RM	Investment holding RM	Group RM
<b>ASSETS</b>			
Segment assets	259,080,381	105,161,336	364,241,717
Unallocated assets			
- tax refundable			3,558
Consolidated adjustments			(228,939,963)
Consolidated total assets			<u>135,305,312</u>
Additions to non-current assets other than financial instruments are:			
Property, plant and equipment	714,739	-	714,739
<b>LIABILITIES</b>			
Segment liabilities	206,788,216	34,458	206,822,674
Unallocated liabilities			
- deferred tax liabilities			827,210
- bank borrowings			46,120
Consolidated adjustments			(194,344,505)
Consolidated total liabilities			<u>13,351,499</u>

### Geographical information

	Revenue		Non-current assets	
	2020 RM	2019 RM	2020 RM	2019 RM
South East Asia	9,093,791	12,512,014	63,412,651	61,483,943
South America	2,036,072	3,043,667	-	-
East Asia	28,601,633	20,118,825	(2,069,515)	(2,122,360)
South Asia	1,805,077	3,007,336	-	-
North Asia	307,876	2,026,359	-	-
Middle East	1,709,033	2,238,230	-	-
Europe	2,134,978	2,021,358	-	32,214
Others	1,574,123	2,823,940	-	-
	<u>47,262,583</u>	<u>47,791,729</u>	<u>61,343,136</u>	<u>59,393,797</u>

Information on specific countries within each region disclosed above is not presented as the cost of doing so would be excessive relative to the benefit of their disclosures.

### Major customer

There are no major customer, with revenue equal to or more than 10% of the Group's revenue arising from sales during the year and prior year.

## NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

### 36. Financial instruments

#### Categories of financial instruments

The table below provides an analysis of the categories of financial instruments categorised as Financial assets and liabilities measured at fair value through profit or loss ("FVTPL") and amortised cost ("AC").

Group	Carrying amount RM	FVTPL RM	AC RM
<b>2020</b>			
<b>Financial assets</b>			
Other investment	50,000	50,000	-
Trade receivables	7,811,907	-	7,811,907
Non-trade receivables and deposits (excluding prepayments)	2,406,619	-	2,406,619
Fixed deposit with licensed banks	8,846,837	-	8,846,837
Cash and bank balances	9,694,698	-	9,694,698
	<b>28,810,061</b>	<b>50,000</b>	<b>28,760,061</b>
<b>Financial liabilities</b>			
Trade payables	3,602,863	-	3,602,863
Non-trade payables and accruals	2,554,619	-	2,554,619
Amount due to a director	-	-	-
Lease liabilities	5,324,536	-	5,324,536
Term loan	11,503,794	-	11,503,794
	<b>22,985,812</b>	<b>-</b>	<b>22,985,812</b>
<b>Company</b>			
<b>2020</b>			
<b>Financial assets</b>			
Deposits	1,500	-	1,500
Amount due from subsidiaries	38,173,214	-	38,173,214
Fixed deposit with licensed banks	1,187,985	-	1,187,985
Cash and bank balances	144,905	-	144,905
	<b>39,507,604</b>	<b>-</b>	<b>39,507,604</b>
<b>2020</b>			
<b>Financial liability</b>			
Non-trade payables and accruals	42,294	-	24,294

NOTES TO THE FINANCIAL STATEMENTS  
(cont'd)

36. Financial instruments (continued)

Categories of financial instruments (continued)

Group 2019	Carrying amount RM	FVTPL RM	AC RM
<b>Financial assets</b>			
Other investment	50,000	50,000	-
Trade receivables	8,932,108	-	8,932,108
Non-trade receivables and deposits (excluding prepayments)	2,372,826	-	2,372,826
Fixed deposit with licensed banks	535,746	-	535,746
Cash and bank balances	14,523,750	-	14,523,750
	<u>26,414,430</u>	<u>50,000</u>	<u>26,364,430</u>
<b>Financial liabilities</b>			
Trade payables	7,655,381	-	7,655,381
Non-trade payables and accruals	3,425,045	-	3,425,045
Amount due to a director	1,465,000	-	1,465,000
Hire purchase liability	46,120	-	46,120
	<u>12,591,546</u>	<u>-</u>	<u>12,591,546</u>
<b>Company 2019</b>			
<b>Financial assets</b>			
Deposits	1,500	-	1,500
Amount due from subsidiaries	24,816,558	-	24,816,558
Cash and bank balances	40,954	-	40,954
	<u>24,859,012</u>	<u>-</u>	<u>24,859,012</u>
<b>2019</b>			
<b>Financial liability</b>			
Non-trade payables and accruals	34,458	-	34,458

NOTES TO THE FINANCIAL STATEMENTS  
(cont'd)

36. Financial instruments (continued)

Categories of financial instruments (continued)

Net gains and losses arising from financial instruments

	Group		Company	
	2020	2019	2020	2019
	RM	RM	RM	RM
<b>Net losses arising on:</b>				
<b><i>Financial assets measured at amortised cost</i></b>				
Bad debts written off	-	10,915	-	-
Gain on foreign exchange:				
- realised	1,207,063	348,481	61,980	121,062
- unrealised	395,664	681,911	121,062	-
Interest income	39,471	148,048	4,202	-
Unwinding of discount	-	-	-	242,315
	<u>1,642,198</u>	<u>1,189,355</u>	<u>187,244</u>	<u>363,377</u>
<b><i>Financial liabilities measured at amortised cost</i></b>				
Interest on borrowings	(141,842)	(112,450)	-	-
Interest on lease liabilities	(484,108)	-	-	-
Gain/(Loss) on foreign exchange:				
- realised	847,464	15,891	-	-
- unrealised	752,595	(99,283)	-	-
	<u>974,109</u>	<u>(195,842)</u>	<u>-</u>	<u>-</u>

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 36. Financial instruments (continued)

#### Categories of financial instruments (continued)

##### Financial risk management objectives and policies

The Group and the Company are exposed to financial risks arising from their operations and the use of financial instruments. The key financial risks include credit risk, interest rate risk, market risk, foreign currency risk and liquidity risk.

The Group's and the Company's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's and the Company's businesses whilst managing its credit risk, interest rate risk, market risk, foreign currency risk and liquidity risk.

The following sections provide details regarding the Group's and the Company's exposures to the above mentioned financial risks and the objectives, policies and processes for the management of these risks.

##### 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, or the risk of counterparties defaulting, arises mainly from trade and non-trade receivables. The Group manages its exposure to credit risk by the application of credit approvals, credit limits and monitoring procedures on an ongoing basis. For other financial assets (including quoted investments, cash and bank balances and derivatives), the Company minimises credit risk by dealing exclusively with high credit rating counterparties.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of the trade and non-trade receivables as appropriate. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that might have been incurred but not yet identified. Impairment is estimated by management based on prior experience and the current economic environment.

##### Credit risk concentration profile

The Group does not have any major concentration of credit risk related to any individual customer or counterparty as at the end of the reporting period.

##### Exposure to credit risk

As the Group does not hold any collateral, the maximum exposure to credit risk is represented by the carrying amount of the financial assets as at the end of the reporting period.

## NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

### 36. Financial instruments (continued)

#### Categories of financial instruments (continued)

#### Credit risk (continued)

##### Recognition and measurement of impairment loss

The Company uses a provision matrix to measure ECLs of trade receivables and contract assets.

Loss rates are based on actual credit loss experience over the past three (3) years. The Company also considers differences between (a) economic conditions during the period over which the historic data has been collected, (b) current conditions and (c) the Company's view of economic conditions over the expected lives of the receivables. Nevertheless, the Company believes that these factors are immaterial for the purpose of impairment calculation for the financial year.

The exposure of credit risk for trade receivables by geographical region is as follows:

Group	2020	%	2019	%
	RM		RM	
South East Asia	740,759	9	1,442,919	16
South America	5,510	0	507,779	6
East Asia	6,481,032	83	5,922,329	66
South Asia	127,883	2	390,434	4
North Asia	74,738	1	-	0
Middle East	-	0	243,697	3
Europe	314,366	4	149,458	2
Others	67,619	1	275,492	3
	<u>7,811,907</u>	<u>100</u>	<u>8,932,108</u>	<u>100</u>

##### Ageing analysis

The ageing analysis of the Group's trade receivables is as follows:

	Gross amount RM	Loss allowance RM	Carrying amount RM
<b>2020</b>			
Not past due:	4,332,665	-	4,332,665
Past due:			
- less than 3 months	2,626,999	-	2,626,999
- 3 to 6 months	561,436	-	561,436
- more than 6 months	290,807	-	290,807
	<u>7,811,907</u>	<u>-</u>	<u>7,811,907</u>

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 36. Financial instruments (continued)

#### Categories of financial instruments (continued)

##### Ageing analysis

The ageing analysis of the Group's trade receivables is as follows:

	Gross amount RM	Loss allowance RM	Carrying amount RM
<b>2019</b>			
Not past due:	5,968,263	-	5,968,263
Past due:		-	
- less than 3 months	2,854,350	-	2,854,350
- 3 to 6 months	3,225	-	3,225
- more than 6 months	106,270	-	106,270
	8,932,108	-	8,932,108

At the end of reporting period, trade receivables that are individually impaired were those in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancement.

The Group deems collective impairment not necessary.

##### Trade receivables that are neither past due nor impaired

A significant portion of trade receivables that are neither past due nor impaired are regular customers that have been transacting with the Group. The Group uses ageing analysis to monitor the credit quality of the trade receivables.

##### Trade receivables that are past due but not impaired

Any receivables having significant balances past due or more than 60 days, which are deemed to have higher credit risk, are monitored individually. The Group believes that no impairment allowance is necessary in respect of these trade receivables. They are companies which have substantially good collection track record and no recent history of default.

##### Financial guarantees

The fair value of financial guarantees provided by the Company to banks in respect of bank facilities granted to a subsidiary with nominal amount of RM29,600,000 (2019: Nil), as disclosed in Note 33 to the financial statements, are negligible because the outstanding borrowings are adequately secured by the Company. The outstanding borrowings were secured by the freehold land and building of the subsidiary in which their market values upon realisation are expected to be higher than the outstanding borrowing amounts.

## NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

### 36. Financial instruments (continued)

#### Financial risk management objectives and policies (continued)

##### Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises mainly from interest-bearing financial assets and liabilities. The Group's policy is to obtain the most favourable interest rates available.

Information relating to the Group's exposure to the interest rate risk of the financial liabilities is disclosed in the notes to the financial statements.

	Effective interest rate per annum %	Less than one year RM	Between one and five years RM	Total RM
<b>Group</b>				
<b>2020</b>				
<b>Financial liability</b>				
Term loan	7.06	1,623,150	9,880,644	11,503,794
Lease liabilities	4.72 – 6.90	1,551,315	3,773,221	5,324,536
		<u>3,174,465</u>	<u>13,653,865</u>	<u>16,828,330</u>
<b>2019</b>				
<b>Financial liability</b>				
Hire purchase	4.72	<u>32,259</u>	<u>13,861</u>	<u>46,120</u>

##### Interest rate risk sensitivity analysis

The following table details the sensitivity analysis to a reasonably possible change in the interest rates as at the end of the reporting period, with all other variables held constant:

	<b>Group</b>	
	<b>2020</b>	<b>2019</b>
	<b>(Decrease)/</b>	<b>(Decrease)/</b>
	<b>Increase</b>	<b>Increase</b>
	<b>RM</b>	<b>RM</b>
<b>Effects on profit after taxation</b>		
Increase of 100 basis points	(87,534)	(351)
Decrease of 100 basis points	<u>87,534</u>	<u>351</u>

##### 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 Company's financial position or cash flows.

## NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

### 36. Financial instruments (continued)

#### Financial risk management objectives and policies (continued)

##### Foreign currency risk

The Group and the Company are exposed to foreign currency risk on sales and purchases that are denominated in a currency other than Ringgit Malaysia. The currency giving rise to this risk is Chinese Renminbi ("RMB"), Japanese Yen ("JPY"), Pound Sterling ("GBP"), United States Dollar ("USD"), and European Dollar ("EUR"). The exposure of foreign currency risk is monitored on an on-going basis to ensure that the net exposure is at an acceptable level.

The Group's exposure to foreign currency is as follows:

	RMB RM	JPY RM	GBP RM	USD RM	EUR RM	Total RM
<b>Group 2020</b>						
<b>Financial assets</b>						
Trade receivables	6,379,305	60,238	419,812	895,862	-	7,755,217
Non-trade receivables and deposits (excluding prepayments)	1,269,741	-	66,987	-	-	1,336,728
Cash and bank balances	3,301,913	130,966	17,465	3,453,682	37,244	6,941,270
	<u>10,950,959</u>	<u>191,204</u>	<u>504,264</u>	<u>4,349,544</u>	<u>37,244</u>	<u>16,033,215</u>
<b>Financial liabilities</b>						
Trade payables	513,973	2,228,619	36,002	625,863	-	3,404,457
Non-trade payables and accruals	137,307	-	786,947	-	43,879	968,133
	<u>651,280</u>	<u>2,228,619</u>	<u>822,949</u>	<u>625,863</u>	<u>43,879</u>	<u>4,372,590</u>
Net financial assets/ (liabilities)	10,299,679	(2,037,416)	(318,685)	3,723,680	(6,634)	11,660,624
Less: Net financial (assets)/ liabilities denominated in the respective entities' functional currencies	(10,299,679)	-	318,685	-	-	(9,962,200)
Currency exposure	<u>-</u>	<u>(2,037,416)</u>	<u>-</u>	<u>3,723,680</u>	<u>(6,634)</u>	<u>1,698,424</u>

# NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

## 36. Financial instruments (continued)

### Financial risk management objectives and policies (continued)

#### Foreign currency risk (continued)

Group	RMB RM	JPY RM	GBP RM	USD RM	EUR RM	Total RM
<b>2019</b>						
<b>Financial assets</b>						
Trade receivables	5,453,100	73,722	333,745	2,636,829	-	8,497,396
Non-trade receivables and deposits (excluding prepayments)	1,034,541	-	300,324	-	-	1,334,865
Cash and bank balances	12,002,386	453,520	364,086	520,776	578	13,341,346
	18,490,027	527,242	998,155	3,157,605	578	23,173,607
<b>Financial liabilities</b>						
Trade payables	795,825	3,166,916	243,827	655,962	-	4,862,530
Non-trade payables and accruals	745,999	63,090	11,297	-	-	820,386
	1,541,824	3,230,006	255,124	655,962	-	5,682,916
Net financial assets/ (liabilities)	16,948,203	(2,702,764)	743,031	2,501,643	578	17,490,691
Less: Net financial (assets)/ liabilities denominated in the respective entities' functional currencies	(16,948,203)	-	(743,031)	-	-	(17,691,235)
Currency exposure	-	(2,702,764)	-	2,501,643	578	(200,544)

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 36. Financial instruments (continued)

#### Financial risk management objectives and policies (continued)

#### Foreign currency risk (continued)

The Company's exposure to foreign currency is as follows:

	RMB RM	USD RM
<b>Company</b>		
<b>2020</b>		
<b>Financial assets</b>		
Amount due from subsidiaries	10,195,343	-
Cash and bank balances	-	35,803
	10,195,343	35,803
<b>2019</b>		
<b>Financial assets</b>		
Amount due from subsidiaries	22,902,214	-
Cash and bank balances	1,120	34,123
	22,903,334	34,123

#### Foreign currency risk sensitivity analysis

The following table details the sensitivity analysis to a reasonably possible change in the foreign currencies as at the end of the reporting period, with all other variables held constant:

	2020 %	2019 %	Group 2020 RM Increase/ (Decrease)	2019 RM Increase/ (Decrease)	Company 2020 RM Increase/ (Decrease)	2019 RM Increase/ (Decrease)
<b>Effect on profit after tax</b>						
<b>JPY/RM</b>						
Strengthened by	5.00	5.00	(77,422)	(102,705)	-	-
Weakened by	5.00	5.00	77,422	102,705	-	-
<b>USD/RM</b>						
Strengthened by	5.00	5.00	141,500	95,062	1,361	1,297
Weakened by	5.00	5.00	(141,500)	(95,062)	(1,361)	(1,297)
<b>EURO/RM</b>						
Strengthened by	5.00	5.00	(252)	23	-	-
Weakened by	5.00	5.00	252	(23)	-	-
<b>RMB/RM</b>						
Strengthened by	5.00	5.00	-	-	387,423	767,262
Weakened by	5.00	5.00	-	-	(387,423)	(767,262)

# NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

## 36. Financial instruments (continued)

### Financial risk management objectives and policies (continued)

#### Liquidity risk

Liquidity risk is the risk that the Group and the Company will not be able to meet its financial obligations as they fall due. The Group and the Company monitor and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's and the Company's operations and to mitigate the effects of fluctuations in cash flows.

#### Maturity analysis

The table below summarises the maturity profile of the Group's financial liabilities as at the reporting period based on undiscounted contractual payments:

Group	Carrying amount RM	Contractual Interest rate %	Contractual cash flows RM	Within 1 year RM	Within 1 to 2 years RM	Within 2 to 5 years RM
<b>2020</b>						
Trade payables	3,602,863	-	3,602,863	3,602,863	-	-
Non-trade payables and accruals, excluding financial guarantees	2,554,619	-	2,554,619	2,554,619	-	-
Lease liabilities	5,324,536	4.72	5,324,536	1,551,315	3,068,662	704,559
Term loan	11,503,794	7.06	11,503,794	1,623,150	5,229,196	4,651,448
	<u>22,985,812</u>		<u>22,985,812</u>	<u>9,331,947</u>	<u>8,297,858</u>	<u>5,356,007</u>
<b>2019</b>						
Trade payables	7,655,381	-	7,655,381	7,655,381	-	-
Non-trade payables and accruals, excluding financial guarantees	3,425,045	-	3,425,045	3,425,045	-	-
Amount due to a director	1,465,000	-	1,465,000	1,465,000	-	-
Hire purchase liability	46,120	4.72	47,759	33,744	14,015	-
	<u>12,591,546</u>		<u>12,593,185</u>	<u>12,579,170</u>	<u>14,015</u>	<u>-</u>

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 36. Financial instruments (continued)

#### Financial risk management objectives and policies (continued)

#### Maturity analysis (continued)

At the reporting date, the counterparty to the financial guarantees does not have a right to demand cash as the default has not occurred. Accordingly, financial guarantees under the scope of MFRS 139 Financial Instruments: Recognition and Measurement are not included in the above maturity profile analysis.

Company 2020	Carrying amount RM	Contractual interest rate %	Contractual cash flows RM	Within 1 year RM	More than 1 year RM
Non-trade payables and accruals	42,294	-	42,294	42,294	-
<i>Non-derivative financial liability:</i> Financial guarantees	-	-	29,600,000	29,600,000	-
<b>2019</b> Non-trade payables and accruals	34,458	-	34,458	34,458	-

#### Fair values

The following summarises the methods used to determine the fair values of the financial instruments:

- (i) The financial assets and financial liabilities maturing within the next twelve (12) months approximated their fair values due to the relatively short term maturity of the financial instruments.
- (ii) The fair value of other investments is equivalent to the carrying value as at the end of the reporting period.
- (iii) The fair value of financial guarantees is determined based on probability weighted discounted cash flow method. The probability has been estimated and assigned using the following key assumptions:
  - The likelihood of the guaranteed party defaulting within the guaranteed period;
  - The exposure on the portion that is not expected to be recovered due to the guaranteed party's default; and
  - The estimated loss exposure if the party guaranteed were to default.

## NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

### 36. Financial instruments (continued)

#### Financial risk management objectives and policies (continued)

#### Fair values (continued)

The aggregate fair values and the carrying amounts of the financial asset carried on the statement of financial position as at 31 March are as below:

	← 2020 Carrying amount RM	→ Fair value RM	← 2019 Carrying amount RM	→ Fair value RM
<b>Group</b>				
<b>Financial asset:</b>				
Other investment	50,000	50,000	50,000	50,000
<b>Financial liability:</b>				
Hire purchase liability	13,861	-	46,120	48,270

#### Fair value hierarchy

The table below analyses financial instrument carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.  
 Level 2: Inputs other than quoted prices included within Level 1 that are observable for assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices).  
 Level 3: Input for the assets or liabilities that are not based on observable market data (unobservable inputs).

	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
<b>2020</b>				
<b>Group</b>				
<b>Financial asset</b>				
Other investment	-	50,000	-	50,000
<b>Financial liability</b>				
Hire purchase liability	-	14,726	-	14,726
<b>2019</b>				
<b>Financial asset</b>				
Other investment	-	50,000	-	50,000
<b>Financial liability</b>				
Hire purchase liability	-	48,270	-	48,270

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 37. Capital management

The Group manages its capital by maintaining an optimal capital structure so as to support its business and maximise shareholders' value. To achieve this objective, the Group may make adjustments to the capital structure in view of changes in economic conditions, such as adjusting the amount of dividend payment, returning of capital to shareholders or issuing new shares.

The Group's strategies were unchanged from the previous financial year. The Group monitors its capital based on the debt-to-equity ratio. The debt-to-equity ratio is calculated as net debt divided by total equity, and where net debt is calculated as borrowings less cash and cash equivalents. The debt-to-equity ratio of the Group as at the reporting date was as follows:

	2020 RM	2019 RM
Hire purchase liability	-	46,120
Term loans	11,503,794	-
Lease liabilities	5,324,536	-
	<u>16,828,330</u>	<u>46,120</u>
Less: Cash and cash equivalent	(18,541,535)	(15,059,496)
Net debt	<u>(1,713,205)</u>	<u>(15,013,376)</u>
Total equity	<u>113,100,253</u>	<u>121,953,813</u>
Gearing ratio (times)	<u>n/a</u>	<u>n/a</u>

Under the requirement of Bursa Malaysia Practice Note 17, the Group is required to maintain a consolidated shareholder's equity equal to or not less than the 25% of the issued and paid up capital (including treasury shares) and such shareholders' equity is not less than RM40 million. The Group has complied with this requirement.

### 38. Significant event during the financial year

- (i) On 26 June 2019, the Company announced that they are propose to establish an employees' share option scheme ("ESOS") of up to 15% of the total number of issued shares of the Company (excluding treasury shares) at any point in time to the eligible executive directors and employees of JADI and its subsidiary companies.
- (ii) On 20 August 2019, the Company announced that on the subscription agreement with Static Control Holdings Limited for the acquisition of 94,170,040 new ordinary shares in the Company representing 10% of the existing total number of issued shares for a cash consideration of approximately RM12,195,381 at issue price of RM0.130 per share.

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 38. Significant event during the financial year (continued)

- (iii) The directors of the Company are of the opinion that the outbreak of the COVID-19 may affect the business performance and position of the Company mainly due to travel and movement restriction and other precautionary measures imposed by relevant local authorities that resulted in delays in commencement of work and delivery of products to customers. Meanwhile, due to inherent nature and unpredictability of future development of the virus and market sentiment, the extent of the impact depends on (i) ongoing precautionary measures introduced by each country to address this pandemic and (ii) the durations of the pandemic. Accordingly, the financial impact of the COVID-19 outbreak to the Company cannot be reasonably estimated as at this juncture. The directors will continue to monitor the situations and respond proactively to mitigate the impact on the Company's financial performance and financial position.

### 39. General information

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

The Company is principally an investment holding company. The principal activities of the subsidiaries are disclosed in Note 9 to the financial statements.

There has been no significant change in the nature of these activities during the financial year.

The registered office and principal place of business of the Company are located at No.1, Jalan Peguam U1/25A, Seksyen U1, Hicom-Glenmarie Industrial Park, 40150 Shah Alam, Selangor Darul Ehsan.

The financial statements were approved and authorised for issue by the Board of Directors on 27 August 2020.

## LIST OF PROPERTIES

Registered owner	Location	Description/ Existing use	Date of certificate of fitness	Approximate age of building years/ Tenure	Land area/ Built-up area (sq. ft.)	Audited net book value as at 31.03.2020 (RM'000)
Jadi Imaging Technologies Sdn. Bhd.	No. 211 Tingkat 2 Block 1 Jalan Pegawai U1/33 Pangsapuri Sri Kerjaya Seksyen U1, 40150 Shah Alam Selangor	Apartment for foreign workers	1 August 2001	19 years/ Freehold	855	86
Jadi Imaging Technologies Sdn. Bhd.	No. 3 Jalan Peguam U1/25 Hicom-Glenmarie Industrial Park Seksyen U1, 40150 Shah Alam Selangor	Toner factory, R & D Centre	28 February 2002	25 years/ Freehold	45,856/ 24,921	16,949
Jadi Imaging Technologies Sdn. Bhd.	GM3626 Lot 719, Mukim Kapar Tempat Sungai Dua Daerah Klang Selangor	Toner factory, Resin factory R & D lab	17 June 2011	10 years/ Freehold	257,278/ 123,128	34,857

# ANALYSIS OF SHAREHOLDINGS

AS AT 10 AUGUST 2020

Issued and Paid-Up Share Capital : RM 106,126,270.00 comprising 1,035,870,451 ordinary shares of RM0.10 each  
 Class of Shares : Ordinary shares of RM0.10 each  
 Number of Shareholders : 7,921

## ANALYSIS OF SHAREHOLDINGS

Holdings	No. of holders	Total holdings	%
1 - 99	2,087	109,745	0.010
100 - 1,000	715	209,508	0.020
1,001 - 10,000	1,197	7,123,627	0.688
10,001 - 100,000	2,958	121,248,535	11.705
100,001 – 51,793,521*	962	528,265,011	50.998
51,793,522 and above**	2	378,914,025	36.579
Total	7,921	1,035,870,451	100.000

### Notes:

\* less than 5% of issued shares.

\*\* 5% and above of issued shares.

## SUBSTANTIAL SHAREHOLDERS

Shareholders	Direct		Indirect	
	No. of shares	%	No. of shares	%
LSI Holdings Sdn Bhd	284,743,985 <sup>1</sup>	27.488	–	–
Liew Kim Siong	22,017,045	2.125	284,743,985 <sup>1</sup>	27.488
Ng Poh Imm	–	–	284,743,985 <sup>1</sup>	27.488
Static Control Holdings Limited	94,170,040 <sup>2</sup>	9.091	–	–
Ninestar Corporation	–	–	94,170,040 <sup>2</sup>	9.091
Zhuhai Seine Technology Co., Ltd	–	–	94,170,040 <sup>2</sup>	9.091
Zhuhai Hengxinfengye Technology Co., Ltd	–	–	94,170,040 <sup>2</sup>	9.091

### Notes:

<sup>1</sup> Deemed interested by virtue of his/her shareholdings in LSI Holdings Sdn Bhd pursuant to Section 8 of the Companies Act, 2016.

<sup>2</sup> Deemed interested by virtue of his/her shareholdings in Static Control Holdings Limited pursuant to Section 8 of the Companies Act, 2016.

## ANALYSIS OF SHAREHOLDINGS (cont'd)

### DIRECTORS' SHAREHOLDINGS

Directors	Direct		Indirect	
	No. of shares	%	No. of shares	%
Liew Kim Siong	22,017,045	2.125	284,743,985 <sup>1</sup>	27.488
Liew Kit	—	—	—	—
Liew Hock Yee	—	—	—	—
Dato' Sri Liew Lee Leong	—	—	—	—
Lim Chee Khang	—	—	—	—
Dato' Dr Lee Chung Wah	—	—	—	—
Dai ShuChun	—	—	—	—

**Notes:**

<sup>1</sup> Deemed interested by virtue of his/her shareholdings in LSI Holdings Sdn Bhd pursuant to Section 8 of the Companies Act, 2016.

### LIST OF THIRTY (30) LARGEST REGISTERED SHAREHOLDERS

Name	No. of shares held	Percentage (%)
1. LSI Holdings Sdn Bhd	246,050,335	23.753
2. Maybank Securities Nominees (Asing) Sdn Bhd <i>Pledged Securities Account For Static Control Holdings Limited</i>	94,170,040	9.091
3. Mega First Corporation Berhad	41,000,000	3.958
4. LSI Holdings Sdn Bhd	38,693,650	3.735
5. CGS-CIMB Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account For Fong Kheng Hup (MK0107)</i>	25,600,000	2.471
6. Liew Kim Siong	22,017,045	2.125
7. Won Tian Loong	13,429,036	1.296
8. Cheong Sok Yin	10,169,800	0.981
9. Yap Swee Sang	10,000,000	0.965
10. Tee Shong Pen	8,300,000	0.801
11. Leong Oow Lai	6,073,461	0.586
12. CGS-CIMB Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account For Fong Kheng Hup (Kuching-CL)</i>	5,577,300	0.538
13. Wong Yoong San	5,347,000	0.516

## ANALYSIS OF SHAREHOLDINGS (cont'd)

### LIST OF THIRTY (30) LARGEST REGISTERED SHAREHOLDERS (CONT'D)

	<b>Name</b>	<b>No. of shares held</b>	<b>Percentage (%)</b>
14.	CGS-CIMB Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account For Ng Kok Weng (MY2166)</i>	5,000,000	0.482
15.	Chew Chin Hun	4,671,000	0.450
16.	How Bee Lay	4,644,466	0.448
17.	Aw Kheng Tong	3,800,000	0.366
18.	Wong Mee Ling	3,710,000	0.358
19.	Won Bau Khim	3,700,010	0.357
20.	Maybank Securities Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account For Tan Kuan Teck</i>	3,600,000	0.347
21.	Seah Tin Kim	3,363,544	0.324
22.	Kwan Bang Hing	3,200,000	0.308
23.	Teo Kwee Hock	3,090,380	0.298
24.	UOB Kay Hian Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account For Teo Siew Lai</i>	3,000,678	0.289
25.	Ong Kar Fatt	3,000,000	0.289
26.	Yung Boon Hong @ Yang Kok Ching	2,700,000	0.260
27.	Public Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account For Loh Kim Wai (E-SS2)</i>	2,670,000	0.257
28.	TA Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account For Rohayu Binti Ali</i>	2,666,666	0.257
29.	Citigroup Nominees (Asing) Sdn Bhd <i>Exempt an for OCBC Securities Private Limited (Client A/C-NR)</i>	2,605,876	0.251
30.	Tan Kuan Teck	2,600,000	0.250
	<b>Total</b>	<b>584,450,287</b>	<b>56.407</b>



**JADI IMAGING HOLDINGS BERHAD**

Registration No.:200001023711 (526319-P)

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