

MCE HOLDINGS BERHAD (1158341-K)*(Incorporated In Malaysia)***CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**
(THE FIGURES HAVE NOT BEEN AUDITED)

	As at 31.01.2019 Unaudited RM'000	As at 31.07.2018 Audited RM'000
ASSETS		
Non-Current Assets		
Property, plant and equipment	66,325	62,920
Investment property	-	1,974
Deferred tax assets	1,183	615
	<u>67,508</u>	<u>65,509</u>
Current Assets		
Inventories	15,069	12,297
Trade receivables	10,244	11,564
Other receivables	3,776	1,023
Tax recoverable	315	316
Cash and bank balances	5,652	11,725
	<u>35,056</u>	<u>36,925</u>
TOTAL ASSETS	<u>102,564</u>	<u>102,434</u>
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the company		
Share capital	45,411	44,405
Reserves	42,865	45,237
	<u>88,276</u>	<u>89,642</u>
Non-controlling Interests	-	-
Total Equity	<u>88,276</u>	<u>89,642</u>
Non-Current Liabilities		
Borrowings	450	109
Deferred tax liabilities	129	123
	<u>579</u>	<u>232</u>
Current Liabilities		
Borrowings	825	1,003
Trade payables	10,578	8,368
Other payables	2,306	3,189
Tax payables	-	-
	<u>13,709</u>	<u>12,560</u>
Total Liabilities	<u>14,288</u>	<u>12,792</u>
TOTAL EQUITY AND LIABILITIES	<u>102,564</u>	<u>102,434</u>
Net assets per stock unit attributable to ordinary equity holders of the company (RM)	<u>1.9880</u>	<u>2.0187</u>

The condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the year ended 31 July 2018.

MCE HOLDINGS BERHAD (1158341-K)*(Incorporated in Malaysia)***CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE QUARTER ENDED 31 JANUARY 2019**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTERS	
	3 Months Ended		6 Months Ended	
	31-Jan-19	31-Jan-18	31-Jan-19	31-Jan-18
	RM'000	RM'000	RM'000	RM'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue	18,312	16,965	35,016	34,617
Cost of sales	<u>(16,514)</u>	<u>(15,431)</u>	<u>(32,259)</u>	<u>(30,305)</u>
Gross profit	1,798	1,534	2,757	4,312
Other income	69	195	175	386
Selling and administrative expenses	(2,311)	(1,856)	(4,510)	(3,781)
Finance costs	<u>(13)</u>	<u>(76)</u>	<u>(67)</u>	<u>(171)</u>
(Loss)/ profit before tax	(457)	(203)	(1,645)	746
Taxation	77	8	279	(141)
(Loss)/ profit for the period	<u>(380)</u>	<u>(195)</u>	<u>(1,366)</u>	<u>605</u>
Other comprehensive (loss)/ income:				
Other comprehensive (loss)/ income for the period	-	-	-	-
Total comprehensive (loss)/ income for the period	<u>(380)</u>	<u>(195)</u>	<u>(1,366)</u>	<u>605</u>
(Loss)/ profit attributable to:				
Equity holders of the company	(380)	(195)	(1,366)	605
Non-controlling interests	-	-	-	-
	<u>(380)</u>	<u>(195)</u>	<u>(1,366)</u>	<u>605</u>
Total comprehensive (loss)/ income attributable to:				
Equity holders of the company	(380)	(195)	(1,366)	605
Non-controlling interests	-	-	-	-
	<u>(380)</u>	<u>(195)</u>	<u>(1,366)</u>	<u>605</u>
(Loss)/ earnings per share attributable to equity holders of the company:				
Basic and diluted (sen)	<u>(0.86)</u>	<u>(0.44)</u>	<u>(3.08)</u>	<u>1.36</u>

The condensed consolidated statement of comprehensive income should be read in conjunction with the audited financial statements for the year ended 31 July 2018.

MCE HOLDINGS BERHAD (1158341-K)*(Incorporated in Malaysia)***NOTES TO THE CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

The following amounts have been charged/ (credited) in arriving at profit/ (loss) before tax:

	INDIVIDUAL QUARTER		CUMULATIVE QUARTERS	
	3 Months Ended		6 Months Ended	
	31-Jan-19	31-Jan-18	31-Jan-19	31-Jan-18
	RM'000	RM'000	RM'000	RM'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Interest income	(40)	(115)	(139)	(213)
Interest expenses	13	76	67	171
Depreciation	654	675	1,203	1,391
Amortisation of development costs	-	96	-	191
Impairment of golf club membership	-	1	1	1
Provision/ (reversal) for warranties	228	(78)	253	(606)
Obsolete inventories written off	-	228	-	228
Loss/ (gain) on disposal of plant and equipment	-	-	-	9
Loss/ (gain) on foreign exchange				
- realised	(5)	(227)	61	(180)
- unrealised	(72)	11	(91)	(88)
Plant and equipment written off	1	-	1	3

Save as disclosed above and in the Condensed Consolidated Statement of Comprehensive Income, the other items required by Bursa Malaysia Securities Berhad Main Market Listing Requirements, Chapter 9, Appendix 9B are not applicable to the Group.

MCE HOLDINGS BERHAD (1158341-K)

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE QUARTER ENDED 31 JANUARY 2019**

(The figures have not been audited)

	← Attributable to Equity Holders of the Company →					Total RM'000	Non-controlling Interests RM'000	Total Equity RM'000
	Share capital RM'000	Share premium RM'000	Share buy-back reserve RM'000	Foreign Currency Translation RM'000	Retained profits RM'000			
At 1 Aug 2018	44,405	654	352	-	44,231	89,642	-	89,642
Transition to no par value regime *	1,006	(654)	(352)	-	-	-	-	-
Other comprehensive income/ (loss)	-	-	-	-	-	-	-	-
(Loss)/ profit for the period	-	-	-	-	(1,366)	(1,366)	-	(1,366)
Total comprehensive (loss) for the period	-	-	-	-	(1,366)	(1,366)	-	(1,366)
At 31 Jan 2019	45,411	-	-	-	42,865	88,276	-	88,276
At 1 Aug 2017	44,405	654	352	-	46,138	91,549	-	91,549
Other comprehensive income/ (loss)	-	-	-	-	-	-	-	-
Profit/ (loss) for the period	-	-	-	-	605	605	-	605
Total comprehensive income for the period	-	-	-	-	605	605	-	605
At 31 Jan 2018	44,405	654	352	-	46,743	92,154	-	92,154

* Effective from 31 January 2017, the new Companies Act 2016 ("the Act") abolished the concept of authorised share capital and par value of share capital. Consequently, the credit balances of the share premium and capital redemption reserve become a part of the Company's share capital pursuant to the transitional provision set out in Section 618(2) of the Act. Notwithstanding this provision, the Company may within 24 months from the commencement of the Act, use these amounts for purposes as set out in Section 618(3) and 618(4) of the Act. There is no impact on the numbers of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition.

The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 July 2018.

MCE HOLDINGS BERHAD (1158341-K)*(Incorporated in Malaysia)***CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE QUARTER ENDED 31 JANUARY 2019***(The figures have not been audited)*

	6 months ended 31-Jan-19 RM'000 (Unaudited)	6 months ended 31-Jan-18 RM'000 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss)/ profit before taxation	(1,645)	746
Adjustments for :		
Depreciation	1,203	1,391
Amortisation of development costs	-	191
Impairment of golf club membership	1	1
Interest income	(139)	(213)
Interest expense	67	171
Short term accumulated compensated absences	172	125
Obsolete inventories written off	-	228
Provision/ (reversal) for warranties	253	(606)
Loss on disposal of plant and equipment	-	9
Plant and equipment written off	1	3
Unrealised (gain)/ loss on foreign exchange	(91)	(88)
	<hr/>	<hr/>
Operating (loss)/ profit before working capital changes	(178)	1,958
Receivables	(1,434)	932
Inventories	(2,772)	1,773
Payables	991	1,576
	<hr/>	<hr/>
Cash (used in)/ generated from operations	(3,393)	6,239
Tax paid	(281)	(198)
Tax refund	-	251
Interest paid	(67)	(171)
	<hr/>	<hr/>
Net cash (used in)/ from operating activities	(3,741)	6,121
	<hr/>	<hr/>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	139	213
Purchase of property, plant and equipment	(1,985)	(795)
Proceeds from disposal of plant and equipment	-	7
	<hr/>	<hr/>
Net cash used in investing activities	(1,846)	(575)
	<hr/>	<hr/>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of borrowings	(486)	(1,140)
Dividend paid	-	-
	<hr/>	<hr/>
Net cash used in financing activities	(486)	(1,140)
	<hr/>	<hr/>
NET (DECREASE)/ INCREASE IN CASH AND CASH EQUIVALENTS	(6,073)	4,406
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	11,725	13,009
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	<hr/> <hr/>	<hr/> <hr/>
	5,652	17,415

The condensed consolidated statement of cash flow should be read in conjunction with the audited financial statements for the year ended 31 July 2018.

MCE HOLDINGS BERHAD (1158341-K)
(Incorporated in Malaysia)

NOTES TO THE INTERIM FINANCIAL REPORT – 2ND QUARTER ENDED 31 JANUARY 2019

PART A – EXPLANATORY NOTES PURSUANT TO MFRS 134

A1. Basis of Preparation

This condensed consolidated interim financial statement (Condensed Report) has been prepared in accordance with Malaysian Financial Reporting Standards (“MFRS”) 134: Interim Financial Reporting and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

The Condensed Report should be read in conjunction with the audited financial statements of MCE Holdings Berhad (‘The Group’) for the financial year ended 31 July 2018. These explanatory notes attached to the Condensed Report provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 July 2018.

A2. Significant Accounting Policies

The accounting policies and presentation adopted for the interim financial statements are consistent with those adopted for the annual financial statements of the Group for the year ended 31 July 2018.

The adoption of the following new MFRSs, Amendments to MFRSs and IC Interpretation that came into effect on 1 August 2018 did not have any significant impact on the unaudited consolidated financial statements upon their initial application.

- MFRS 9 Financial Instruments (IFRS 9 issued by IASB in July 2014) Initiative (effective from 1 January 2018)
- MFRS 15 Revenue from Contracts with Customers (effective from 1 January 2018)
- Amendments to MFRS 2 Classification and measurement of Share-based Payment transactions (effective from 1 January 2018)
- Amendments to MFRS 15 Clarifications to MFRS 15 ‘Revenue from Contracts with Customers’ (effective from 1 January 2018)
- Amendments to MFRS 140 Transfers of Investment Property (effective from 1 January 2018)
- IC Interpretation 22 Foreign Currency Transactions and Advance Consideration (effective from 1 January 2018)

The Group has not early adopted the following new or revised standards, amendments or IC Interpretations which are applicable to the Group that have been issued by the MASB but are not yet effective for the Group’s current financial period ended 31 January 2019:

MFRS, Amendments to MFRS and IC Interpretation		Effective for annual periods beginning on or after
MFRS 16	Leases	1 January 2019
IC Interpretation 23	Uncertainty over Income Tax Treatments	1 January 2019
Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred until further notice

MCE HOLDINGS BERHAD (1158341-K)
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NOTES TO THE INTERIM FINANCIAL REPORT – 2ND QUARTER ENDED 31 JANUARY 2019

PART A – EXPLANATORY NOTES PURSUANT TO MFRS 134

A2. Significant Accounting Policies (Cont'd)

MFRS, Amendments to MFRS and IC Interpretation		Effective for annual periods beginning on or after
Amendments to MFRS 9	Prepayment Features with Negative Compensation	1 January 2019
Amendments to MFRS 128	Long-term Interests in Associates and Joint Ventures	1 January 2019
Annual Improvements to MFRS Standards 2015-2017 Cycles		1 January 2019
Amendments to References to the Conceptual Framework in MFRS Standards		1 January 2020

The adoption of the above pronouncements will not have any financial impact to the Group.

A3. Disclosure of Audit Report Qualification

The auditors' report of the Group's most recent audited financial statements for the financial year ended 31 July 2018 did not contain any qualification.

A4. Seasonal or Cyclical Factors Affecting Operations

The principal business operations of the Group are not significantly affected by any seasonal or cyclical factors.

A5. Unusual Items Affecting the Assets, Liabilities, Equity, Net Income or Cash Flows

There were no unusual items affecting the assets, liabilities, equity, net income or cash flows of the Group for the financial period ended 31 January 2019.

A6. Material Changes in Estimates

There were no changes in estimates that have a material effect in the current quarter.

A7. Changes in Debt and Equity Securities

There were no issuance and repayment of debt securities, share buyback, share cancellations, shares held as treasury shares and resale of treasury shares for the financial period ended 31 January 2019.

MCE HOLDINGS BERHAD (1158341-K)
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NOTES TO THE INTERIM FINANCIAL REPORT – 2ND QUARTER ENDED 31 JANUARY 2019

PART A – EXPLANATORY NOTES PURSUANT TO MFRS 134

A8. Dividends Paid

No dividend has been paid during the financial period ended 31 January 2019.

A9. Segmental Reporting

The Group is organized into 2 main reportable segments as follows: -

- Automotive parts - involved in manufacturing and trading of automotive parts.
- Healthcare services - involved in providing health care services.
(The healthcare services have yet to commence business)

The segmental information are as follows: -

<u>3 months ended 31 January 2019</u>	Automotive Parts	Healthcare Services	Elimination	Consolidated
	RM'000	RM'000	RM'000	RM'000
<u>Revenue</u>				
Revenue	18,312	-	-	18,312
<u>Results</u>				
Segment results	(256)	(36)	-	(292)
Interest expenses				(13)
Unallocated expenses				(152)
(Loss) before taxation				<u>(457)</u>

<u>Cumulative 6 months ended 31 January 2019</u>	Automotive Parts	Healthcare Services	Elimination	Consolidated
	RM'000	RM'000	RM'000	RM'000
<u>Revenue</u>				
Revenue	35,016	-	-	35,016
<u>Results</u>				
Segment results	(1,212)	(71)	-	(1,283)
Interest expenses				(67)
Unallocated expenses				(295)
(Loss) before taxation				<u>(1,645)</u>

MCE HOLDINGS BERHAD (1158341-K)
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NOTES TO THE INTERIM FINANCIAL REPORT – 2ND QUARTER ENDED 31 JANUARY 2019

PART A – EXPLANATORY NOTES PURSUANT TO MFRS 134

A9. Segmental Reporting (Cont'd)

<u>Assets & liabilities as at 31 January 2019</u>	Automotive Parts	Healthcare Services	Elimination	Consolidated
	RM'000	RM'000	RM'000	RM'000

Assets & liabilities

Segmental assets	103,874	33,683	(35,036)	102,521
Unallocated assets				43
Consolidated total assets				<u>102,564</u>

Segmental liabilities	14,115	5,051	(5,036)	14,130
Unallocated liabilities				158
Consolidated total liabilities				<u>14,288</u>

Other information

Capital expenditure	2,634	-	-	2,634
Depreciation and amortisation	1,203	-	-	1,203

No segmental information is provided on a geographical basis as the Group's activities are conducted primarily in Malaysia.

A10. Material Events Subsequent to the end of the Reporting Period

There were no material events subsequent to the end of the current financial period that have not been reflected in the interim financial reports for the said period as at the date of this report.

A11. Changes in the Composition of the Group

There were no changes in the composition of the Group during the period under review.

A12. Contingent Liabilities and Contingent Assets

The Group has no material contingent liabilities and assets as at 31 January 2019.

MCE HOLDINGS BERHAD (1158341-K)
(Incorporated in Malaysia)

NOTES TO THE INTERIM FINANCIAL REPORT – 2ND QUARTER ENDED 31 JANUARY 2019

PART B – ADDITIONAL EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

B1 Review of Performance

Comparison to preceding year corresponding quarter

For the second quarter ended 31 January 2019, the Group achieved consolidated revenue of RM18.31 million which was approximately 7.94% higher than the preceding year corresponding quarter. The increase in revenue was mainly due to high demand for Original Equipment Manufacturer (“OEM”) products in the current quarter. The Group recorded a loss after tax of RM0.38 million for the current quarter as compared to RM0.20 million in the preceding year corresponding quarter mainly due to higher operating and administrative expenses incurred in current quarter.

B2 Material Changes in Profit/ (Loss) before Taxation for the Current Quarter with Immediate Preceding Quarter

	Current Quarter 31 Jan 2019 RM'000	Preceding Quarter 31 Oct 2018 RM'000
Revenue	18,312	16,704
Pre-tax (loss)/ profit before non-controlling interests	(457)	(1,188)

For the current quarter, the Group achieved revenue of RM18.31 million, representing an increase of 9.63% as compared to the preceding quarter ended 31 October 2018. The increase was attributable to higher demand for OEM products in the current quarter. The Group recorded a pre-tax loss before non-controlling interests (“NCI”) of RM0.45 million for the quarter under review as compared to RM1.19 million for the preceding quarter.

B3 Prospects Commentary

The Group will continue to enhance its product technology by upgrading its existing production facilities and also control production costs through its various cost reduction initiatives which includes improvement of production processes and productivity together with realignment of its supply chain.

The Group is also looking for strategic partners to expand its product range to broaden its existing customer base and capitalize on operational synergies.

The Board expects that with the strategies and measures put in place, and management’s preparedness to knuckle down, the MCE Group’s prospects going forward for financial year 2019 should be brighter in the long term.

MCE HOLDINGS BERHAD (1158341-K)
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NOTES TO THE INTERIM FINANCIAL REPORT – 2ND QUARTER ENDED 31 JANUARY 2019

PART B – ADDITIONAL EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

B4 Variance of Actual Profit from Forecast Profit & Shortfall on Profit Guarantee

There is no profit forecast prepared for public release and no profit guarantee provided by the Group for the current financial period.

B5 Taxation

	Individual Quarter 3 months ended		Cumulative Quarter 6 months ended	
	31.01.19 RM'000	31.01.18 RM'000	31.01.19 RM'000	31.01.18 RM'000
Income tax:				
- current year	151	101	283	150
- (Over)/ under provision in prior years	-	-	-	(5)
	151	101	283	145
Deferred tax	(228)	(109)	(562)	(4)
Tax (income)/ expense	(77)	(8)	(279)	141

The effective tax rate of the Group for the current quarter and financial period to date were lower than the statutory tax rate mainly due to increase in the availability of certain tax benefits, such as capital allowance and business losses.

B6 Status of Corporate Proposals

There were no corporate proposals announced by the Company as at the date of issue of this quarterly report.

MCE HOLDINGS BERHAD (1158341-K)
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NOTES TO THE INTERIM FINANCIAL REPORT – 2ND QUARTER ENDED 31 JANUARY 2019

PART B – ADDITIONAL EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

B7 Group Borrowings and Debt Securities

Group borrowings as at 31 January 2019:

	<u>RM'000</u>
(a) Secured borrowings	1,275
Unsecured borrowings	-
	<u>1,275</u>
(b) Short term	
- term loans (secured)	-
- hire purchase payable	825
	<u>825</u>
Long term	
- term loans (secured)	-
- hire purchase payable	450
	<u>450</u>
Total borrowings	<u>1,275</u>

All the above borrowings are denominated in Ringgit Malaysia.

B8 Financial Instruments

The Group enters into forward foreign exchange currencies contracts to hedge its exposure to fluctuations in foreign currency arising from purchases.

The Group has no outstanding derivative financial instruments as at 31 January 2019.

B9 Changes in Material Litigation

There was no pending material litigation as at 18 March 2019 being a date not earlier than 7 days from the date of this quarterly report.

B10 Dividends

No dividend is recommended for the current quarter (Q2-FY2018: Nil).

MCE HOLDINGS BERHAD (1158341-K)
(Incorporated in Malaysia)

NOTES TO THE INTERIM FINANCIAL REPORT – 2ND QUARTER ENDED 31 JANUARY 2019

PART B – ADDITIONAL EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

B11 Earnings per Share

The basic and diluted earnings per share are calculated as follows:

	3 months ended		6 months ended	
	31.01.2019	31.01.2018	31.01.2019	31.01.2018
(Loss)/ profit for the period attributable to ordinary equity holders of the company (RM'000)	(380)	(195)	(1,366)	605
Number of ordinary shares in issue ('000)	44,405	44,405	44,405	44,405
Basic and diluted (loss)/ earnings per share (sen)	(0.86)	(0.44)	(3.08)	1.36

B12 Memorandum of Understanding (“MOU”)

- i) The Group had entered into Memorandum of Understanding (“MOU”) with the following strategic partner with the intention to enhance its’ product technology, penetrate into global market and expand its’ existing product range:
 - a) E-LEAD ELECTRONIC CO., LTD (“E-LEAD”) on 19 September 2017 with an intention to enter into an equity joint venture, setting forth a framework for the consultation and exchange of information and technology. The cooperation in the current stage shall focus on the development, manufacture and marketing of automobile parts in Malaysia using the technology and technical assistance provided by E-Lead.

There were no further developments to-date.

- b) SUZHOU PRACHTIG ELECTRONIC MATERIAL CO., LTD (“PRACHTIG”) on 8 October 2018 for the purpose of setting forth a framework for the consultation and exchange of information and technology. The cooperation in the current stage shall focus on the localization of automotive plastic parts and value added processes (hereinafter referred to as “Products”) in order to develop, produce, market and supply the Products in Malaysia and Association of Southeast Asia Nations countries and if so desired and mutually agreed by both parties to further extend the collaboration into an equity joint venture and other electronic and mechatronic parts.

On 28 November 2018, the Company entered into joint venture agreement with PRACHTIG and currently in the process of implementing the equity and capital structure of the joint venture company.

There were no further development to-date.

MCE HOLDINGS BERHAD (1158341-K)
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NOTES TO THE INTERIM FINANCIAL REPORT – 2ND QUARTER ENDED 31 JANUARY 2019

PART B – ADDITIONAL EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

B13 Authorized for issue

The interim financial statements were authorized by the Board of Directors in accordance with the resolution of the Directors on 22 March 2019.

By Order of the Board,

Lee Wee Hee (MAICSA 0773340)
Company Secretary
Johor Bahru
Date: 22 March 2019