ABM Fujiya Berhad

(Company No. 628324 - W)
(Incorporated in Malaysia)

and its subsidiaries

Financial statements
for the year ended 31 December 2016

ABM Fujiya Berhad
(Company No. 628324 - W)
(Incorporated in Malaysia)
and its subsidiaries

Directors' report for the year ended 31 December 2016

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2016.

Principal activities

The Company is principally engaged in investment holding activities, whilst the principal activities of the subsidiaries are as stated in Note 5 to the financial statements. There has been no significant change in the nature of these activities during the financial year.

Ultimate holding company

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

Subsidiaries

The details of the Company's subsidiaries are disclosed in Note 5 to the financial statements.

Results

	Group RM	**Company RM**
Profit for the year attributable to owners of the Company	3,546,631	89,614
	========	========

Reserves and provisions

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

Dividend

The Company has no distributable reserve with which to pay dividends.

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Directors of the Company

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

Datuk Tay Ah Ching @ Tay Chin Kin
Dato' Tay Tze How
Dato' Tay Tze Poh
Puan Sri Corinne Bua Nyipa
Datuk Haji Abang Abdul Wahap Bin Haji Abang Julai
Dato' Ooi Teik Heng
Wong Siaw Wei
Sim Chong Hong

Directors' interests in shares

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

	Number of ordinary shares			
	At			**At**
Direct interests in the Company	**1.1.2016**	**Bought**	**Sold**	**31.12.2016**
Datuk Tay Ah Ching @ Tay Chin Kin	200,002	-	-	200,002
Dato' Tay Tze How	170,002	-	-	170,002
Dato' Tay Tze Poh	170,000	-	-	170,000
Puan Sri Corinne Bua Nyipa	171,300	-	-	171,300
Direct interests in the holding company, Kayatas Sdn. Bhd.				
Datuk Tay Ah Ching @ Tay Chin Kin	88,000	-	-	88,000
Dato' Tay Tze How	220,000	-	-	220,000
Dato' Tay Tze Poh	170,492	-	-	170,492
Deemed interests in the Company				
Datuk Tay Ah Ching @ Tay Chin Kin) Dato' Tay Tze How) Dato' Tay Tze Poh)	133,163,496	-	-	133,163,496

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Directors' interests in shares (continued)

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

None of the other Directors holding office at 31 December 2016 had any interest in the shares and options over shares of the Company and of its related corporations during the financial year.

Directors' benefits

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

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

Issue of shares and debentures

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

Options granted over unissued shares

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

Indemnity and insurance costs

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

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Other statutory information

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

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

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

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

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

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

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

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

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

i) any charge on the assets of the Group or 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 or of the Company that has arisen since the end of the financial year.

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

In the opinion of the Directors, the financial performance of the Group and of the Company for the financial year ended 31 December 2016 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

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Auditors

The auditors, KPMG PLT (converted from a conventional partnership, KPMG, on 27 December 2016), have indicated their willingness to accept re-appointment.

The auditors' remuneration is disclosed in Note 15 to the financial statements.

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

....................…………….........….......………
Datuk Tay Ah Ching @ Tay Chin Kin
Director

....................…………….........….......………
Dato' Tay Tze How
Director

Kuching,

Date: 5 April 2017

ABM Fujiya Berhad
(Company No. 628324 - W)
(Incorporated in Malaysia)
and its subsidiaries

Statements of financial position as at 31 December 2016

		Group		Company	
	Note	**2016 RM**	**2015 RM**	**2016 RM**	**2015 RM**
Assets					
Property, plant and equipment	3	90,715,014	84,063,277	-	-
Prepaid lease payments	4	4,311,506	4,540,460	-	-
Investments in subsidiaries	5	-	-	78,500,000	78,500,000
Deferred tax assets	6	3,000	22,000	-	-
Total non-current assets		95,029,520	88,625,737	78,500,000	78,500,000
Inventories	7	81,357,581	78,903,667	-	-
Current tax assets		913,927	531,044	4,432	-
Trade and other receivables	8	45,981,892	49,362,481	2,000	2,300
Amount due from subsidiaries	9	-	-	12,064,325	11,830,104
Cash and cash equivalents	10	8,179,790	11,946,841	18,988	78,508
Total current assets		136,433,190	140,744,033	12,089,745	11,910,912
Total assets		231,462,710	229,369,770	90,589,745	90,410,912
Equity					
Share capital	11.1	90,000,000	90,000,000	90,000,000	90,000,000
Share premium	11.2	2,023,644	2,023,644	2,023,644	2,023,644
Merger reserve	11.3	3,643,000	3,643,000	-	-
Retained earnings/(Accumulated losses)		51,619,550	48,072,919	(1,657,397)	(1,747,011)
Total equity attributable to owners of the Company		147,286,194	143,739,563	90,366,247	90,276,633
Liabilities					
Loans and borrowings	12	14,047,601	15,259,451	-	-
Deferred tax liabilities	6	8,109,996	8,256,745	-	-
Total non-current liabilities		22,157,597	23,516,196	-	-

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Statements of financial position as at 31 December 2016 (continued)

		Group		Company	
		2016	**2015**	**2016**	**2015**
	Note	**RM**	**RM**	**RM**	**RM**
Trade and other payables	13	7,784,226	11,601,037	223,498	117,729
Amount due to a Director	14	127,844	58,839	-	-
Current tax liabilities		99,693	119,470	-	16,550
Loans and borrowings	12	54,007,156	50,334,665	-	-
Total current liabilities		62,018,919	62,114,011	223,498	134,279
Total liabilities		84,176,516	85,630,207	223,498	134,279
Total equity and liabilities		231,462,710	229,369,770	90,589,745	90,410,912

The notes on pages 14 to 70 are an integral part of these financial statements.

ABM Fujiya Berhad
(Company No. 628324 - W)
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Statements of profit or loss and other comprehensive income for the year ended 31 December 2016

		Group		Company	
	Note	2016 RM	2015 RM	2016 RM	2015 RM
Revenue		100,310,351	111,548,466	-	-
Cost of sales		(86,387,451)	(95,293,853)	-	-
Gross profit		13,922,900	16,254,613	-	-
Other income		2,835,512	123,115	-	-
Distribution expenses		(1,541,271)	(1,981,217)	-	-
Administrative expenses		(6,818,731)	(7,024,798)	(271,463)	(207,406)
Results from operating activities	15	8,398,410	7,371,713	(271,463)	(207,406)
Finance income	16	10,552	4,545	413,711	410,980
Finance costs	16	(3,415,383)	(2,893,637)	-	-
Net finance (costs)/income		(3,404,831)	(2,889,092)	413,711	410,980
Profit before tax		4,993,579	4,482,621	142,248	203,574
Tax expense	17	(1,446,948)	(1,571,540)	(52,634)	(88,564)
Profit/Total comprehensive income for the year attributable to owners of the Company		3,546,631	2,911,081	89,614	115,010
Basic and diluted earnings per ordinary share (Sen)	18	1.97	1.62		

The notes on pages 14 to 70 are an integral part of these financial statements.

ABM Fujiya Berhad
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Consolidated statement of changes in equity for the year ended 31 December 2016

	Non-distributable			*Distributable*	
Group	**Share capital RM**	**Share premium RM**	**Merger reserve RM**	**Retained earnings RM**	**Total RM**
At 1 January 2015	90,000,000	2,023,644	3,643,000	45,161,838	140,828,482
Profit/Total comprehensive income for the year	-	-	-	2,911,081	2,911,081
At 31 December 2015/ 1 January 2016	90,000,000	2,023,644	3,643,000	48,072,919	143,739,563
Profit/Total comprehensive income for the year	-	-	-	3,546,631	3,546,631
At 31 December 2016	90,000,000	2,023,644	3,643,000	51,619,550	147,286,194
	(Note 11.1)	(Note 11.2)	(Note 11.3)		

The notes on pages 14 to 70 are an integral part of these financial statements.

ABM Fujiya Berhad
(Company No. 628324 - W)
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Statement of changes in equity for the year ended 31 December 2016

<u>Company</u>	Share capital RM	Share premium RM	Accumulated losses RM	Total RM
At 1 January 2015	90,000,000	2,023,644	(1,862,021)	90,161,623
Profit/Total comprehensive income for the year	-	-	115,010	115,010
At 31 December 2015/ 1 January 2016	90,000,000	2,023,644	(1,747,011)	90,276,633
Profit/Total comprehensive income for the year	-	-	89,614	89,614
At 31 December 2016	90,000,000	2,023,644	(1,657,397)	90,366,247
	(Note 11.1)	(Note 11.2)		

The notes on pages 14 to 70 are an integral part of these financial statements.

ABM Fujiya Berhad
(Company No. 628324 - W)
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Statements of cash flows for the year ended 31 December 2016

	Group		Company	
	2016 RM	**2015 RM**	**2016 RM**	**2015 RM**
Cash flows from operating activities				
Profit before tax	4,993,579	4,482,621	142,248	203,574
Adjustments for:				
Impairment loss on trade receivables (Note 15)	102,849	344,326	-	-
Amortisation of prepaid lease payments (Note 4)	228,954	228,954	-	-
Depreciation of property, plant and equipment (Note 3)	8,917,070	9,136,830	-	-
Write-offs of property, plant and equipment (Note 15)	842	-	-	-
Gain on disposal of property, plant and equipment (Note 15)	(15,471)	-	-	-
Finance costs (Note 16)	3,415,383	2,893,637	-	-
Finance income (Note 16)	(10,552)	(4,545)	(413,711)	(410,980)
Interest on bankers' acceptances (Note 15)	-	672,946	-	-
Unrealised foreign exchange gain (Note 15)	(31,680)	(548,140)	-	-
Operating profit/(loss) before changes in working capital	17,600,974	17,206,629	(271,463)	(207,406)
Changes in working capital:				
Inventories	(2,453,914)	(15,350,355)	-	-
Trade and other receivables, deposits and prepayments	3,387,406	610,328	300	(300)
Trade and other payables	(3,808,851)	2,529,537	105,769	36,363
Amount due to a Director	69,005	29,286	-	-
Cash generated from/(used in) operations	14,794,620	5,025,425	(165,394)	(171,343)
Income tax paid, net of refund	(1,977,357)	(2,202,144)	(73,616)	(78,026)
Interest received	10,552	4,545	-	-
Interest paid	(2,180,815)	(2,004,737)	-	-
Net cash from/(used in) operating activities	10,647,000	823,089	(239,010)	(249,369)

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Statements of cash flows for the year ended 31 December 2016 (continued)

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM	**RM**	**RM**	**RM**
Cash flows from investing activities				
Acquisition of property, plant and equipment [Note (i)]	(15,494,649)	(4,193,573)	-	-
Proceeds from disposal of property, plant and equipment	15,471	-	-	-
Land premium paid	-	(2,732,185)	-	-
Interest paid on land premium payable	-	(841,948)	-	-
Net cash used in investing activities	(15,479,178)	(7,767,706)	-	-
Cash flows from financing activities				
Advances to subsidiaries	-	-	179,490	319,792
Proceeds from borrowings	77,253,236	122,390,711	-	-
Repayment of borrowings	(78,521,558)	(103,647,356)	-	-
Repayment of finance leases	(96,588)	(78,653)	-	-
Interest paid	(1,234,568)	(719,898)	-	-
Net cash (used in)/from financing activities	(2,599,478)	17,944,804	179,490	319,792
Net (decrease)/increase in cash and cash equivalents	(7,431,656)	11,000,187	(59,520)	70,423
Effect of exchange rate fluctuations on cash held	(85,946)	(16,394)	-	-
Cash and cash equivalents at beginning of year	(1,678,193)	(12,661,986)	78,508	8,085
Cash and cash equivalents at end of year [Note (ii)]	(9,195,795)	(1,678,193)	18,988	78,508

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Statements of cash flows for the year ended 31 December 2016 (continued)

Notes

(i) Acquisition of property, plant and equipment

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

	Group	
	2016 RM	2015 RM
Paid in cash	15,494,649	4,193,573
Finance leases	75,000	-
Total (see Note 3)	15,569,649	4,193,573

(ii) Cash and cash equivalents

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

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Cash and bank balances (Note 10)	8,179,790	11,946,841	18,988	78,508
Bank overdrafts (Note 12)	(17,375,585)	(13,625,034)	-	-
Cash and cash equivalents	(9,195,795)	(1,678,193)	18,988	78,508

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Notes to the financial statements

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

The consolidated financial statements of the Company as at and for the financial year ended 31 December 2016 comprise the Company and its subsidiaries (together referred to as the "Group" and individually referred to as "Group entities"). The financial statements of the Company as at and for the financial year ended 31 December 2016 do not include other entities.

The Company is principally engaged in investment holding activities, whilst the principal activities of the subsidiaries are as stated in Note 5 to the financial statements.

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

These financial statements were authorised for issue by the Board of Directors on 5 April 2017.

1. Basis of preparation

(a) Statement of compliance

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

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

MFRS / Amendment / Interpretation	**Effective date**
Amendments to MFRS 12, *Disclosure of Interests in Other Entities (Annual Improvements to MFRS Standards 2014-2016 Cycle)*	1 January 2017
Amendments to MFRS 107, *Statement of Cash Flows - Disclosure Initiative*	1 January 2017
Amendments to MFRS 112, *Income Taxes - Recognition of Deferred Tax Assets for Unrealised Losses*	1 January 2017
MFRS 9, *Financial Instruments* (2014)	1 January 2018
MFRS 15, *Revenue from Contracts with Customers*	1 January 2018
Clarifications to MFRS 15, *Revenue from Contracts with Customers*	1 January 2018

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

MFRS / Amendment / Interpretation	Effective date
IC Interpretation 22, *Foreign Currency Transactions and Advance Consideration*	1 January 2018
Amendments to MFRS 2, *Share-based Payment - Classification and Measurement of Share-based Payment Transactions*	1 January 2018
Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2014-2016 Cycle)*	1 January 2018
Amendments to MFRS 4, *Insurance Contracts - Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts*	1 January 2018
Amendments to MFRS 128, *Investments in Associates and Joint Ventures (Annual Improvements to MFRS Standards 2014-2016 Cycle)*	1 January 2018
Amendments to MFRS 140, *Transfers of Investment Property*	1 January 2018
MFRS 16, *Leases*	1 January 2019
Amendments to MFRS 10, *Consolidated Financial Statements* and MFRS 128, *Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	To be determined

The Group and the Company plan to apply:

- from the annual period beginning on 1 January 2017 for Amendments to MFRS 12, Amendments to MFRS 107 and Amendments to MFRS 112 which are effective for annual periods beginning on or after 1 January 2017.

- from the annual period beginning on 1 January 2018 for those amendments which are effective for annual periods beginning on or after 1 January 2018, except for Amendments to MFRS 1, Amendments to MFRS 2, Amendments to MFRS 4, Amendments to MFRS 128 and Amendments to MFRS 140, which are assessed as not applicable to the Company.

- from the annual period beginning on 1 January 2019 for MFRS 16, which is effective for annual periods beginning on or after 1 January 2019.

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

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1. Basis of preparation (continued)

(a) Statement of compliance (continued)

(i) MFRS 9, *Financial Instruments*

MFRS 9 replaces the guidance in MFRS 139, *Financial Instruments: Recognition and Measurement* on the classification and measurement of financial assets and financial liabilities, and on hedge accounting.

The Group is currently assessing the financial impact that may arise from the adoption of MFRS 9.

(ii) MFRS 15, *Revenue from Contracts with Customers* and Clarifications to MFRS 15, *Revenue from Contracts with Customers*

MFRS 15 replaces the guidance in MFRS 111, *Construction Contracts*, MFRS 118, *Revenue*, IC Interpretation 13, *Customer Loyalty Programmes*, IC Interpretation 15, *Agreements for Construction of Real Estate*, IC Interpretation 18, *Transfers of Assets from Customers* and IC Interpretation 131, *Revenue - Barter Transactions Involving Advertising Services*.

The Group is currently assessing the financial impact that may arise from the adoption of MFRS 15 and Clarifications to MFRS 15.

(iii) MFRS 16, *Leases*

MFRS 16 replaces the guidance in MFRS 117, *Leases*, IC Interpretation 4, *Determining whether an Arrangement contains a Lease*, IC Interpretation 115, *Operating Leases – Incentives* and IC Interpretation 127, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease.*

The Group is currently assessing the financial impact that may arise from the adoption of MFRS 16.

(b) Basis of measurement

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

(c) Functional and presentation currency

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

Company No.
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1. Basis of preparation (continued)

(d) Use of estimates and judgements

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

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

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

- Note 3, impairment assessment of property, plant and equipment; and
- Note 8, assessment of recoverability on trade receivables.

2. Significant accounting policies

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

(a) Basis of consolidation

(i) Subsidiaries

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

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

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2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(i) Subsidiaries (continued)

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

(ii) Business combinations

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group.

For new acquisitions, the Group measures the cost of goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(iii) Acquisitions from entities under common controls

Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Group are accounted for as if the acquisition had occurred at the beginning of the earliest comparative period presented or, if later, at the date that common control was established; for this purpose comparatives are restated. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the Group controlling shareholder's consolidated financial statements. The components of equity of the acquired entities are added to the same components within Group equity and any resulting gain/loss is recognised directly in equity.

(iv) Loss of control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statement of financial position. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

(v) Transactions eliminated on consolidation

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

(b) Foreign currency transactions

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

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

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

2. Significant accounting policies (continued)

(b) Foreign currency transactions (continued)

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments or a financial instrument designated as a hedge of currency risk, which are recognised in other comprehensive income.

(c) Financial instruments

(i) Initial recognition and measurement

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

A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

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

(ii) Financial instrument categories and subsequent measurement

The Group and the Company categorise financial instruments as follows:

Financial assets

(a) Financial assets at fair value through profit or loss

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

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost.

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

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

Financial assets (continued)

(a) Financial assets at fair value through profit or loss (continued)

Other financial assets categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

(b) Held-to-maturity investments

Held-to-maturity investments category comprises debt instruments that are quoted in an active market and the Group or the Company has the positive intention and ability to hold them to maturity.

Financial assets categorised as held-to-maturity investments are subsequently measured at amortised cost using the effective interest method.

(c) Loans and receivables

Loans and receivables category comprises debt instruments that are not quoted in an active market.

Financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective interest method.

(d) Available-for-sale financial assets

Available-for-sale category comprises investment in equity and debt securities instruments that are not held for trading.

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2. Significant accounting policies (continued)

(c) Financial instruments (continued)

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

Financial assets (continued)

(d) Available-for-sale financial assets (continued)

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost. Other financial assets categorised as available-for-sale are subsequently measured at their fair values with the gain or loss recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses arising from monetary items and gains and losses of hedged items attributable to hedge risks of fair value hedges which are recognised in profit or loss. On derecognition, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity into profit or loss. Interest calculated for a debt instrument using the effective interest method is recognised in profit or loss.

All financial assets, except for those measured at fair value through profit or loss, are subject to review for impairment [see Note 2(h)(i)].

Financial liabilities

All financial liabilities, other than those categorised as fair value through profit or loss, are subsequently measured at amortised cost.

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 or financial liabilities that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of equity instruments that do not have a quoted price in an active market for identical instruments whose fair values otherwise cannot be reliably measured are measured at cost.

Other financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

(iii) Regular way purchase or sale of financial assets

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date accounting. Trade date accounting refers to:

(a) the recognition of an asset to be received and the liability to pay for it on the trade date, and

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

(iv) Derecognition

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

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

(d) Property, plant and equipment

(i) Recognition and measurement

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

2. Significant accounting policies (continued)

(d) Property, plant and equipment (continued)

(i) Recognition and measurement (continued)

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

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

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

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

(ii) Subsequent costs

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

2. Significant accounting policies (continued)

(d) Property, plant and equipment (continued)

(iii) Depreciation

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

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment from the date that they are available for use. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Assets under construction are not depreciated until the assets are ready for their intended use.

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

Long-term leasehold land	60, 788, 793, 797 and 825 years
Short-term leasehold land	42, 48, 50, 60 and 61 years
Buildings	24, 35, 50 years
Plant and machinery	5 and 10 years
Tools and equipment	8 years
Furniture and fittings	5, 8, 10 and 12 years
Motor vehicles	5 and 10 years
Renovation	10 years

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

(e) Leased assets

(i) Finance lease

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

2. Significant accounting policies (continued)

(e) Leased assets (continued)

(i) Finance lease (continued)

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

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

(ii) Operating lease

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

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

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

(f) Inventories

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

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

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

2. Significant accounting policies (continued)

(g) Cash and cash equivalents

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

(h) Impairment

(i) Financial assets

All financial assets (except for financial assets categorised as fair value through profit or loss and investment in subsidiaries) are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. For an investment in an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment. If any such objective evidence exists, then the impairment loss of the financial asset is estimated.

An impairment loss in respect of loans and receivables and held-to-maturity investments is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

An impairment loss in respect of available-for-sale financial assets is recognised in profit or loss and is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and the asset's current fair value, less any impairment loss previously recognised. Where a decline in the fair value of an available-for-sale financial asset has been recognised in other comprehensive income, the cumulative loss in other comprehensive income is reclassified from equity to profit or loss.

An impairment loss in respect of unquoted equity instrument that is carried at cost is recognised in profit or loss and is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

2. Significant accounting policies (continued)

(h) Impairment (continued)

(i) Financial assets (continued)

Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available for sale is not reversed through profit or loss.

If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss.

(ii) Other assets

The carrying amounts of other assets, except for inventories and deferred tax assets [see Note 2(f) and 2(m)] are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill with indefinite useful lives, the recoverable amount is estimated each period at the same time.

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

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

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

2. Significant accounting policies (continued)

(h) Impairment (continued)

(ii) Other assets (continued)

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

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

(i) Equity instruments

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

(i) Issue expenses

Costs directly attributable to the issue of instruments classified as equity are recognised as a deduction from equity.

(ii) Ordinary shares

Ordinary shares are classified as equity.

(j) Employee benefits

(i) Short-term employee benefits

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

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

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2. Significant accounting policies (continued)

(j) Employee benefits (continued)

(ii) State plans

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

(k) Revenue and other income

(i) Goods sold

Revenue from the sale of goods in the course of ordinary activities is measured at fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

(ii) Rental income

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

(iii) Interest income

Interest income is recognised as it accrues using the effective interest method in profit or loss except for interest income arising from temporary investment of borrowings taken specifically for the purpose of obtaining a qualifying asset which is accounted for in accordance with the accounting policy on borrowing costs.

(l) Borrowing costs

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

2. Significant accounting policies (continued)

(l) Borrowing costs (continued)

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

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

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

(m) Tax expense

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

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

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

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

2. Significant accounting policies (continued)

(m) Tax expense (continued)

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

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

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

(n) Earnings per ordinary share

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

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

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

(o) Operating segments

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

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2. Significant accounting policies (continued)

(p) Contingent liabilities

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

(q) Fair value measurements

Fair value of an asset or a liability, except for 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.

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

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

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

Level 3: unobservable inputs for the asset or liability.

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

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3. Property, plant and equipment

Group	**Long-term leasehold land (unexpired lease period of more than 50 years) RM**	**Short-term leasehold land (unexpired lease period of less than 50 years) RM**	**Buildings RM**	**Plant and machinery RM**	**Tools and equipment RM**	**Furniture and fittings RM**	**Motor vehicles RM**	**Renovation RM**	**Assets under construction RM**	**Total RM**
Cost										
At 1 January 2015	20,323,483	4,419,863	31,855,137	74,781,385	832,675	1,018,237	990,148	531,803	234,380	134,987,111
Additions	-	-	-	3,994,813	5,569	29,488	-	-	163,703	4,193,573
Write-offs	-	-	-	-	-	(3,762)	-	-	-	(3,762)
At 31 December 2015/ 1 January 2016	20,323,483	4,419,863	31,855,137	78,776,198	838,244	1,043,963	990,148	531,803	398,083	139,176,922
Additions	-	-	-	8,435,775	79,581	16,222	89,685	228,750	6,719,636	15,569,649
Disposals	-	-	-	-	-	-	(149,866)	-	-	(149,866)
Transfers	-	-	-	-	-	-	-	90,000	(90,000)	-
Write-offs	-	-	-	(2,808,062)	-	(3,762)	-	-	-	(2,811,824)
At 31 December 2016	20,323,483	4,419,863	31,855,137	84,403,911	917,825	1,056,423	929,967	850,553	7,027,719	151,784,881
Depreciation										
At 1 January 2015	1,517,876	553,267	3,294,021	38,849,400	434,002	381,876	688,350	261,785	-	45,980,577
Depreciation for the year (Note 15)	303,575	110,654	717,130	7,653,543	78,708	76,673	138,783	57,764	-	9,136,830
Write-offs	-	-	-	-	-	(3,762)	-	-	-	(3,762)
At 31 December 2015	1,821,451	663,921	4,011,151	46,502,943	512,710	454,787	827,133	319,549	-	55,113,645

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3. Property, plant and equipment (continued)

Group (continued)	Long-term leasehold land (unexpired lease period of more than 50 years) RM	Short-term leasehold land (unexpired lease period of less than 50 years) RM	Buildings RM	Plant and machinery RM	Tools and equipment RM	Furniture and fittings RM	Motor vehicles RM	Renovation RM	Assets under construction RM	Total RM
Depreciation (continued)										
At 1 January 2016	1,821,451	663,921	4,011,151	46,502,943	512,710	454,787	827,133	319,549	-	55,113,645
Depreciation for the year (Note 15)	303,577	110,651	717,129	7,445,059	71,315	82,812	96,934	89,593	-	8,917,070
Disposals	-	-	-	-	-	-	(149,866)	-	-	(149,866)
Write-offs	-	-	-	(2,807,220)	-	(3,762)	-	-	-	(2,810,982)
At 31 December 2016	2,125,028	774,572	4,728,280	51,140,782	584,025	533,837	774,201	409,142	-	61,069,867
Carrying amounts										
At 31 December 2015/ 1 January 2016	18,502,032	3,755,942	27,843,986	32,273,255	325,534	589,176	163,015	212,254	398,083	84,063,277
At 31 December 2016	18,198,455	3,645,291	27,126,857	33,263,129	333,800	522,586	155,766	441,411	7,027,719	90,715,014

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3. **Property, plant and equipment** (continued)

3.1 Leased motor vehicles

At 31 December 2016, the net carrying amount of leased motor vehicles was RM156,719 (2015: RM151,766).

3.2 Security

The leased motor vehicles are charged to secure the finance lease liabilities of the Group (see Note 12.1).

The land and buildings of the Group are charged to secure banking facilities granted to certain Group entities. In addition, a debenture incorporating fixed and floating charges has been created over all assets (including property, plant and equipment and prepaid lease payments) of certain Group entities to secure the banking facilities granted thereto (see Note 12.1).

3.3 Land

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

3.4 Impairment assessment of property, plant and equipment

During the financial year under review, the Group has estimated whether the property, plant and equipment are stated in excess of their recoverable amounts, an exercise that entails by virtue of the current economic condition, a significant degree of estimation uncertainty and judgment. The Group has evaluated the carrying amount of the property, plant and equipment by estimating its recoverable amount using the value in use calculation of an existing manufacturing plant of a subsidiary.

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

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4. Prepaid lease payments

Group	Short-term leasehold land (unexpired lease period of less than 50 years) RM
Cost	
At 1 January 2015, 31 December 2015/1 January 2016 and 31 December 2016	5,914,184
	=========
Amortisation	
At 1 January 2015	1,144,770
Amortisation for the year (Note 15)	228,954
At 31 December 2015/1 January 2016	1,373,724
Amortisation for the year (Note 15)	228,954
At 31 December 2016	1,602,678
	=========
Carrying amounts	
At 31 December 2015/1 January 2016	4,540,460
	=========
At 31 December 2016	4,311,506
	=========

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

The two parcels of leasehold land have been charged to secure banking facilities granted to certain Group entities (see Note 12.1).

5. Investments in subsidiaries

	Company	
	2016 RM	**2015 RM**
Unquoted shares, at cost	78,500,000	78,500,000
	========	========

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5. Investments in subsidiaries (continued)

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

Direct subsidiaries

Name of entity	Principal place of business	Principal activities	Effective ownership interest and voting interest 2016 %	2015 %
Amalgamated Batteries Manufacturing (Sarawak) Sdn. Bhd.	Malaysia	Manufacture and sale of automotive batteries	100.00	100.00
Amalgamated Batteries Corporation Sdn. Bhd.	Malaysia	Dormant	100.00	100.00
Anpei Corporation Sdn. Bhd.	Malaysia	Dormant	100.00	100.00

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

Name of entity	Principal place of business	Principal activities	Effective ownership interest and voting interest 2016 %	2015 %
Amalgamated Batteries Marketing (Sarawak) Sdn. Bhd.	Malaysia	Retailing of automotive batteries	100.00	100.00
Auto Industries Batteries (East Malaysia) Sdn. Bhd.	Malaysia	Dealer of batteries and lubricants	100.00	100.00

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6. Deferred taxation

6.1 Recognised deferred tax assets and liabilities

Deferred taxation is attributable to the following:

	Assets		Liabilities		Net	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**
Group	**RM**	**RM**	**RM**	**RM**	**RM**	**RM**
Property, plant and equipment	2,000	3,000	(7,585,000)	(7,653,000)	(7,583,000)	(7,650,000)
Fair value adjustments on business combinations	-	-	(748,996)	(797,745)	(748,996)	(797,745)
Allowances for impairment losses	224,000	194,000	-	-	224,000	194,000
Others	1,000	19,000	-	-	1,000	19,000
Tax assets/(liabilities)	227,000	216,000	(8,333,996)	(8,450,745)	(8,106,996)	(8,234,745)
Set off of tax	(224,000)	(194,000)	224,000	194,000	-	-
Net tax assets/(liabilities)	3,000	22,000	(8,109,996)	(8,256,745)	(8,106,996)	(8,234,745)

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6. Deferred taxation (continued)

6.2 Movement in temporary differences during the year

Group	**At 1.1.2015 RM**	**Recognised in profit or loss RM**	**At 31.12.2015/ 1.1.2016 RM**	**Recognised in profit or loss RM**	**At 31.12.2016 RM**
Property, plant and equipment	7,858,000	(208,000)	7,650,000	(67,000)	7,583,000
Fair value adjustments on business combinations	812,322	(14,577)	797,745	(48,749)	748,996
Allowance for impairment losses	(158,000)	(36,000)	(194,000)	(30,000)	(224,000)
Others	(120,000)	101,000	(19,000)	18,000	(1,000)
	8,392,322	(157,577)	8,234,745	(127,749)	8,106,996
	=======	=======	=======	=======	=======
		(Note 17)		(Note 17)	

6.3 Unrecognised deferred tax assets

Deferred tax assets of the Group of RM3,000 (2015: RM22,000) have not been recognised in respect of the following items (stated at gross) because it is uncertain if future taxable profits of sufficient quantum will be available against which the Group entities concerned can utilise the benefits therefrom:

	Group	
	2016 RM	**2015 RM**
Property, plant and equipment	14,000	90,000
	======	======

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7. Inventories

	Group	
	2016	2015
	RM	RM
Raw materials (including goods in transit)	24,007,348	18,045,202
Work-in-progress	35,016,271	30,621,472
Manufactured inventories	21,354,423	29,638,447
Trading goods (including goods in transit)	979,539	598,546
	81,357,581	78,903,667
Recognised in profit or loss:		
Inventories recognised as cost of sales	68,154,053	74,539,404
Write-down to net realisable value charged out to cost of sales	-	21,494

8. Trade and other receivables

	Group		Company	
	2016	2015	2016	2015
	RM	RM	RM	RM
Trade				
Trade receivables (Note 8.1)	43,471,836	39,149,236	-	-
Allowance for impairment losses	(1,108,790)	(1,005,941)	-	-
	42,363,046	38,143,295	-	-
Non-trade				
Other receivables	62,644	59,143	-	-
GST receivable	-	782,470	-	-
Deposits	145,011	144,447	2,000	2,300
Prepayments (Note 8.2)	3,411,191	10,233,126	-	-
	3,618,846	11,219,186	2,000	2,300
Total	45,981,892	49,362,481	2,000	2,300

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8. Trade and other receivables (continued)

8.1 Assessment of recoverability on trade receivables

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

8.2 Included in the prepayments is an amount of RM3,087,366 (2015: RM9,985,147) being advances paid for the purchase of machineries.

9. Amount due from subsidiaries - Company

Amount due from subsidiaries is non-trade in nature, unsecured, interest free and has no fixed terms of repayment except for an amount due from a subsidiary of RM12,064,325 (2015: RM11,830,104) which bears interest at 3.50% (2015: 3.50%) per annum.

10. Cash and cash equivalents

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM	**RM**	**RM**	**RM**
Cash and bank balances	8,179,790	11,946,841	18,988	78,508
	========	========	========	========

11. Capital and reserves

11.1 Share capital

	Group and Company			
	Amount		**Number of shares**	
	2016	**2015**	**2016**	**2015**
	RM	**RM**		
Ordinary shares of RM0.50 each				
Authorised:				
Opening and closing balances	500,000,000	500,000,000	1,000,000,000	1,000,000,000
	=========	=========	==========	==========

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11. Capital and reserves (continued)

11.1 Share capital (continued)

	Group and Company			
	Amount		Number of shares	
	2016	2015	2016	2015
	RM	RM		
Issued and fully paid:				
Opening and closing balances	90,000,000	90,000,000	180,000,000	180,000,000
	=========	=========	=========	=========

11.2 Share premium

Share premium comprises the premium paid on subscription of shares in the Company over and above the par value of the ordinary shares net of share listing expenses.

11.3 Merger reserve

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

12. Loans and borrowings

	Group	
	2016	2015
	RM	RM
Non-current		
Term loans - secured	13,971,055	15,186,895
Finance lease liabilities - secured	76,546	72,556
	14,047,601	15,259,451
	---------------	---------------
Current		
Bank overdrafts - secured	17,375,585	13,625,034
Bankers' acceptances		
- secured	25,108,548	25,335,190
- unsecured	-	494,000
	25,108,548	25,829,190
Term loans - secured	1,467,144	1,798,984
Finance lease liabilities - secured	55,879	81,457
Revolving credit - secured	10,000,000	9,000,000
	54,007,156	50,334,665
	---------------	---------------
Total	68,054,757	65,594,116
	==========	==========

12. **Loans and borrowings** (continued)

12.1 Security

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

The finance lease liabilities are secured on the respective leased assets of the Group (see Note 3.2).

12.2 Covenants

The Group is required to maintain net assets of not less than RM130 million to comply with a bank covenant, failing which the bank may call an event of default.

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12. Loans and borrowings (continued)

12.2 Finance lease liabilities

Finance lease liabilities are payable as follows:

Group	2016 Future minimum lease payments RM	2016 Interest RM	2016 Present value of minimum lease payments RM	2015 Future minimum lease payments RM	2015 Interest RM	2015 Present value of minimum lease payments RM
Less than one year	61,330	5,451	55,879	87,126	5,669	81,457
Between one and two years	61,606	4,671	56,935	48,471	2,220	46,251
Between two and five years	20,300	689	19,611	26,806	501	26,305
	143,236	10,811	132,425	162,403	8,390	154,013

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13. Trade and other payables

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM	**RM**	**RM**	**RM**
Trade payables	6,214,737	10,516,822	-	-
Other payables and accruals	1,226,933	1,050,458	223,498	117,729
GST payable	342,556	33,757	-	-
	7,784,226	11,601,037	223,498	117,729

14. Amount due to a Director - Group

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

15. Results from operating activities

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM	**RM**	**RM**	**RM**
Results from operating activities is arrived at after charging:				
Impairment losses on trade receivables	102,849	344,326	-	-
Amortisation of prepaid lease payments (Note 4)	228,954	228,954	-	-
Auditors' remuneration				
- statutory audit				
- current year	109,000	94,000	20,000	15,000
- prior year	-	2,000	-	-
- non-audit	11,000	11,000	11,000	11,000

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15. Results from operating activities (continued)

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM	**RM**	**RM**	**RM**
Results from operating activities is arrived at after charging: (continued)				
Depreciation of property, plant and equipment (Note 3)	8,917,070	9,136,830	-	-
Directors' fees	1,072,800	733,800	116,000	50,000
Foreign exchange loss				
- realised	-	558,796	-	-
Interest on bankers' acceptances	-	672,946	-	-
Personnel expenses (including key management personnel)				
- contributions to state plans	369,302	354,262	-	-
- wages, salaries and others	7,981,587	7,977,037	9,800	5,900
Rental of premises	110,300	79,800	-	-
Write-offs of property, plant and equipment	842	-	-	-
Inventories written down	-	21,494	-	-
	======	======	======	======
and after crediting:				
Foreign exchange gain				
- realised	2,504,681	-	-	-
- unrealised	31,680	548,140	-	-
Gain on disposal of property, plant and equipment	15,471	-	-	-
Rental of premises	85,650	92,710	-	-
	=======	=======	=======	=======

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16. Finance income and finance costs

Recognised in profit or loss

	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
Interest income of financial assets that are not at fair value through profit or loss				
- Fixed deposits and cash funds	10,552	4,545	-	-
- Amount due from a subsidiary	-	-	413,711	410,980
	10,552	4,545	413,711	410,980
Interest expense of financial liabilities that are not at fair value through profit or loss				
- Loans and borrowings	3,415,383	2,051,689	-	-
- Land premium payable	-	841,948	-	-
	3,415,383	2,893,637	-	-

17. Tax expense

Recognised in profit or loss

	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
Current tax expense				
Malaysian - current year	1,444,000	1,691,000	54,000	83,000
- prior year	130,697	38,117	(1,366)	5,564
	1,574,697	1,729,117	52,634	88,564
Deferred tax income (Note 6)				
- current year	(127,749)	(115,577)	-	-
- prior year	-	(42,000)	-	-
	(127,749)	(157,577)	-	-
Total tax expense	1,446,948	1,571,540	52,634	88,564

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17. Tax expense (continued)

	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
Reconciliation of tax expense				
Profit for the year	3,546,631	2,911,081	89,614	115,010
Total tax expense	1,446,948	1,571,540	52,634	88,564
Profit excluding tax	4,993,579	4,482,621	142,248	203,574
Income tax calculated using Malaysian tax rate of 24% (2015: 25%)*	1,198,000	1,121,000	34,000	51,000
Non-deductible expenses	403,251	443,423	20,000	32,000
Non-taxable income	(266,000)	-	-	-
Movement in unrecognised deferred tax assets	(19,000)	(32,000)	-	-
Effect of deferred tax assets not recognised	-	43,000	-	-
	1,316,251	1,575,423	54,000	83,000
(Over)/Under-provided in prior years	130,697	(3,883)	(1,366)	5,564
	1,446,948	1,571,540	52,634	88,564

* *In the Malaysia Budget 2014, corporate income tax rate has been reduced from 25% to 24% from the year of assessment 2016.*

18. Earnings per ordinary share

Basic and diluted earnings per ordinary share

The calculation of basic and diluted earnings per ordinary share at 31 December 2016 was based on the profit attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, calculated as follows:

	Group 2016 RM	Group 2015 RM
Profit attributable to ordinary shareholders	3,546,631	2,911,081
Weighted average number of ordinary shares at end of year	180,000,000	180,000,000

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18. Earnings per ordinary share (continued)

Basic and diluted earnings per ordinary share (continued)

	Group	
In Sen	**2016**	**2015**
Basic and diluted earnings per ordinary share	1.97	1.62
	========	========

19. Operating segments

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

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

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

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

Segment assets, liabilities and capital expenditure

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

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19. Operating segments (continued)

Group	Manufacturing RM	Marketing RM	Total RM
2016			
Segment profit	2,641,045	2,419,543	5,060,588
Included in the measure of segment profit are:			
Revenue from external customers	66,888,175	33,422,176	100,310,351
Inter-segment revenue	27,188,967	-	27,188,967
Amortisation	(228,954)	-	(228,954)
Depreciation	(8,672,736)	(144,968)	(8,817,704)
Finance costs	(3,810,978)	(39,626)	(3,850,604)
Not included in the measure of segment profit but provided to Group's Executive Chairman are:			
Tax expense	(806,237)	(636,826)	(1,443,063)
2015			
Segment profit	2,859,553	1,488,565	4,348,118
Included in the measure of segment profit are:			
Revenue from external customers	82,647,622	28,900,844	111,548,466
Inter-segment revenue	21,467,523	-	21,467,523
Amortisation	(228,954)	-	(228,954)
Depreciation	(8,879,342)	(158,122)	(9,037,464)
Finance costs	(3,244,063)	(60,553)	(3,304,616)
Not included in the measure of segment profit but provided to Group's Executive Chairman are:			
Tax expense	(1,128,523)	(369,030)	(1,497,553)

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19. Operating segments (continued)

Reconciliations of reportable segment profit or loss

	Group 2016 RM	Group 2015 RM
Profit or loss		
Total profit for reportable segments	5,060,588	4,348,118
Elimination of inter-segment profits	(325,014)	(221,895)
Additional depreciation	(99,366)	(99,366)
Net unallocated income	357,371	455,764
Consolidated profit before tax	4,993,579	4,482,621

Geographical segments

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

Geographical information

Group	2016 Revenue RM	2016 Non-current assets RM	2015 Revenue RM	2015 Non-current assets RM
Malaysia	54,703,723	95,026,520	53,048,244	88,603,737
Dubai	14,784,577	-	6,225,524	-
Sultanate of Oman	10,717,458	-	28,475,338	-
Others	20,104,593	-	23,799,360	-
	100,310,351	95,026,520	111,548,466	88,603,737

Major customers

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

	Revenue 2016 RM	Revenue 2015 RM	Segment
Customer A	10,101,169	28,273,699	Manufacturing

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20. Financial instruments

20.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:

(i) Loans and receivables ("L&R"); and
(ii) Financial liabilities measured at amortised cost ("FL").

2016	Carrying amount RM	L&R/ (FL) RM
Group		
Financial assets/(liabilities)		
Trade and other receivables *	42,570,701	42,570,701
Cash and cash equivalents	8,179,790	8,179,790
Loans and borrowings	(68,054,757)	(68,054,757)
Trade and other payables *	(7,441,670)	(7,441,670)
Amount due to a Director	(127,844)	(127,844)
	========	========
Company		
Financial assets/(liabilities)		
Amount due from subsidiaries	12,064,325	12,064,325
Cash and cash equivalents	18,988	18,988
Trade and other payables	(223,498)	(223,498)
	========	========
2015		
Group		
Financial assets/(liabilities)		
Trade and other receivables *	38,346,885	38,346,885
Cash and cash equivalents	11,946,841	11,946,841
Loans and borrowings	(65,594,116)	(65,594,116)
Trade and other payables *	(11,567,280)	(11,567,280)
Amount due to a Director	(58,839)	(58,839)
	========	========

* *Excluding GST receivable from/payable to Royal Malaysian Custom Department and prepayments.*

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20. Financial instruments (continued)

20.1 Categories of financial instruments (continued)

2015 (continued)	**Carrying amount RM**	**L&R/ (FL) RM**
Company		
Financial assets/(liabilities)		
Amount due from subsidiaries	11,830,104	11,830,104
Cash and cash equivalents	78,508	78,508
Trade and other payables	(117,729)	(117,729)

20.2 Net gains and losses arising from financial instruments

	Group		**Company**	
	2016 RM	**2015 RM**	**2016 RM**	**2015 RM**
Net (losses)/gains on:				
Loans and receivables	1,326,379	2,845,050	413,711	410,980
Financial liabilities measured at amortised cost	(3,375,085)	(6,716,342)	-	-
	(2,048,706)	(3,871,292)	413,711	410,980

20.3 Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk

(a) Credit risk

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

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20. Financial instruments (continued)

20.3 Financial risk management (continued)

(a) Credit risk (continued)

Receivables

Risk management objectives, policies and processes for managing the risk

The Group implements credit controls that include evaluation, monitoring and feedback to ensure that only credit-worthy customers are accepted. Credit sales are mainly to long established customers. The Group also controls credit risk by limiting the credit amounts given to new customers. Credit limits are revised on a regular basis based on customers' payment patterns and the comfort level of doing business with them.

Exposure to credit risk, credit quality and collateral

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

	Group	
	2016	**2015**
	RM	**RM**
Amount due from three (2015: three) trade receivables	22,475,475	18,775,964
	========	========

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are stated at their realisable values. A significant portion of these receivables are regular customers that have been transacting with the Group for a good length of time. The Group uses ageing analysis to monitor the credit quality of the receivables. Any receivables having significant balances past due more than 60 days, which are deemed to have higher credit risk, are monitored individually.

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20. Financial instruments (continued)

20.3 Financial risk management (continued)

(a) Credit risk (continued)

Receivables (continued)

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

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

	Group 2016 RM	**Group 2015 RM**
Malaysia	37,013,866	33,002,828
Sultanate of Oman	233,985	2,527,213
Singapore	1,680,923	636,573
Nigeria	962,568	786,399
Others	2,471,704	1,190,282
	42,363,046	38,143,295

Impairment losses

The Group maintains an ageing analysis in respect of trade receivables only. The ageing of trade receivables as at the end of the reporting period was:

Group	**Gross RM**	**Individual impairment RM**	**Collective impairment RM**	**Net RM**
2016				
Not past due	28,451,809	-	-	28,451,809
Past due 0-30 days	2,308,152	-	-	2,308,152
Past due 31-120 days	5,816,705	-	-	5,816,705
Past due 121-180 days	2,792,147	-	-	2,792,147
Past due 181-365 days	4,281,983	(87,790)	(1,021,000)	3,173,193
Past due more than 365 days	(178,960)*	-	-	(178,960)
	43,471,836	(87,790)	(1,021,000)	42,363,046

* *Being overpayment/deposits.*

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20. Financial instruments (continued)

20.3 Financial risk management (continued)

(a) Credit risk (continued)

Receivables (continued)

Impairment losses (continued)

Group	**Gross RM**	**Individual impairment RM**	**Collective impairment RM**	**Net RM**
2015				
Not past due	26,443,439	-	-	26,443,439
Past due 0-30 days	1,935,859	-	-	1,935,859
Past due 31-120 days	3,536,050	-	-	3,536,050
Past due 121-180 days	1,227,357	-	-	1,227,357
Past due 181-365 days	3,406,089	-	-	3,406,089
Past due more than 365 days	2,600,442	(87,941)	(918,000)	1,594,501
	39,149,236	(87,941)	(918,000)	38,143,295

The movements in the allowance for impairment losses of trade receivables during the financial year were:

	Group 2016 RM	**2015 RM**
At beginning of year	1,005,941	661,615
Impairment losses recognised	103,000	344,326
Impairment losses reversed	(151)	-
At end of year	1,108,790	1,005,941

The allowance account in respect of trade receivables is used to record impairment losses. Unless the Group is satisfied that recovery of the amount is possible, the amount considered irrecoverable is written off against the receivable directly.

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20. Financial instruments (continued)

20.3 Financial risk management (continued)

(a) Credit risk (continued)

Inter-company loans and advances

Risk management objectives, policies and processes for managing the risk

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

Exposure to credit risk, credit quality and collateral

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

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

Impairment losses

As at the end of the reporting period, there was no indication that the loans and advances to the subsidiaries are not recoverable. The Company does not specifically monitor the ageing of current advances to the subsidiaries. Nevertheless, these advances have been overdue for less than a year.

Financial guarantees

Risk management objectives, policies and processes for managing the risk

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

Exposure to credit risk, credit quality and collateral

The maximum exposure to credit risk amounts to RM62,507,381 (2015: RM57,215,566) representing the outstanding banking facilities of the subsidiary as at the end of the reporting period.

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

The financial guarantees have not been recognised since the fair value on initial recognition was not material.

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20. **Financial instruments** (continued)

20.3 **Financial risk management** (continued)

(b) Liquidity risk

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

Risk management objectives, policies and processes for managing the risk

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

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

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20. Financial instruments (continued)

20.3 Financial risk management (continued)

(b) Liquidity risk (continued)

Maturity analysis

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

Group	**Carrying amount RM**	**Contractual interest rate % p.a**	**Contractual cash flows RM**	**Under 1 year RM**	**1-2 years RM**	**2-5 years RM**	**More than 5 years RM**
2016							
Bank overdrafts	17,375,585	7.31 - 7.75	17,492,990	17,492,990	-	-	-
Bankers' acceptances	25,108,548	2.29 - 4.69	25,129,776	25,129,776	-	-	-
Term loans	15,438,199	4.67 - 6.65	16,980,197	1,891,709	5,444,321	8,470,644	1,173,523
Finance lease liabilities	132,425	3.77 - 6.32	143,236	61,330	61,606	20,300	-
Revolving credit	10,000,000	4.77	10,039,750	10,039,750	-	-	-
Trade payables	6,214,737	-	6,214,737	6,214,737	-	-	-
Other payables and accruals	1,226,933	-	1,226,933	1,226,933	-	-	-
Amount due to a Director	127,844	-	127,844	127,844	-	-	-
	75,624,271		77,355,463	62,185,069	5,505,927	8,490,944	1,173,523
	========		========	========	========	========	========

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20. Financial instruments (continued)

20.3 Financial risk management (continued)

(b) Liquidity risk (continued)

Maturity analysis (continued)

Group (continued)	**Carrying amount RM**	**Contractual interest rate % p.a**	**Contractual cash flows RM**	**Under 1 year RM**	**1-2 years RM**	**2-5 years RM**	**More than 5 years RM**
2015							
Bank overdrafts	13,625,034	3.95 - 7.85	13,709,825	13,709,825	-	-	-
Bankers' acceptances	25,829,190	1.91 - 4.64	25,835,390	25,835,390	-	-	-
Term loans	16,985,879	4.90 - 7.15	18,044,290	1,915,261	5,130,120	8,255,542	2,743,367
Finance lease liabilities	154,013	3.77 - 6.54	162,403	87,126	48,471	26,806	-
Revolving credit	9,000,000	6.15	9,046,125	9,046,125	-	-	-
Trade payables	10,516,822	-	10,516,822	10,516,822	-	-	-
Other payables and accruals	1,050,458	-	1,050,458	1,050,458	-	-	-
Amount due to a Director	58,839	-	58,839	58,839	-	-	-
	77,220,235		78,424,152	62,219,846	5,178,591	8,282,348	2,743,367

Company No.
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20. Financial instruments (continued)

20.3 Financial risk management (continued)

(b) Liquidity risk (continued)

Maturity analysis (continued)

Company	**Carrying amount RM**	**Contractual interest rate %**	**Contractual cash flows RM**	**Under 1 year RM**
2016				
Other payables and accruals	223,498	-	223,498	223,498
Financial guarantees	-	-	62,507,381	62,507,381
	=======		========	========
2015				
Other payables and accruals	117,729	-	117,729	117,729
Financial guarantees	-	-	57,215,566	57,215,566
	=======		========	========

(c) Market risk

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

Currency risk

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

Risk management objectives, policies and processes for managing the risk

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

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

Company No.
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20. Financial instruments (continued)

20.3 Financial risk management (continued)

(c) Market risk (continued)

Currency risk (continued)

Exposure to foreign currency risk

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

	2016			2015	
	Denominated in			Denominated in	
	USD	SGD	JPY	USD	SGD
Balances recognised in the statement of financial position					
In RM					
Trade receivables	4,616,556	415,550	-	4,563,553	322,426
Bankers' acceptances	(2,862,548)	-	-	(2,146,189)	-
Trade payables	(5,261,154)	-	(38,803)	(8,854,909)	-
Other payable	-	-	-	(48,070)	-
Cash and cash equivalents	5,837,410	1,278,082	-	7,960,471	1,495,528
Net exposure	2,330,264	1,693,632	(38,803)	1,474,856	1,817,954

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20. Financial instruments (continued)

20.3 Financial risk management (continued)

(c) Market risk (continued)

Currency risk (continued)

Currency risk sensitivity analysis

A 10% (2015: 10%) strengthening of the Ringgit Malaysia ("RM") against the following currencies at the end of the reporting period would have increased/(decreased) post-tax profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remained constant and ignores any impact of forecasted sales and purchases.

	Profit or (loss)	
	2016	**2015**
Group	**RM**	**RM**
USD	(177,000)	(111,000)
SGD	(129,000)	(136,000)
JPY	3,000	-
	(303,000)	(247,000)

A 10% (2015: 10%) weakening of RM against the above currencies at the end of the reporting period would have had equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remained constant.

Interest rate risk

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

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20. Financial instruments (continued)

20.3 Financial risk management (continued)

(c) Market risk (continued)

Interest rate risk (continued)

Risk management objectives, policies and processes for managing the risk

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

Exposure to interest rate risk

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

Group	2016 RM	2015 RM
Fixed rate instruments		
Financial liabilities	(35,240,973)	(34,983,203)
Floating rate instruments		
Financial liabilities	(32,813,784)	(30,610,913)
	(68,054,757)	(65,594,116)
Company		
Fixed rate instruments		
Financial assets	12,064,325	11,830,104

Interest rate risk sensitivity analysis

Fair value sensitivity analysis for fixed rate instruments

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

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20. Financial instruments (continued)

20.3 Financial risk management (continued)

(c) Market risk (continued)

Interest rate risk (continued)

Cash flow sensitivity analysis for variable rate instruments

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

	Profit or loss	
<u>Group</u>	**100bp increase RM**	**100bp decrease RM**
Floating rate instruments		
- 2016	(249,000)	249,000
- 2015	(230,000)	230,000

Other price risk

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

20.4 Fair value information

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

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

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20. Financial instruments (continued)

20.4 Fair value information (continued)

Group	Fair value of financial instruments not carried at fair value Level 1 RM	Level 2 RM	Level 3 RM	Total RM	Carrying amount RM
2016					
Financial liabilities					
Term loans	-	-	13,878,498	13,878,498	15,438,199
Finance lease liabilities	-	-	132,425	132,425	132,425
	-	-	14,010,923	14,010,923	15,570,624
2015					
Financial liabilities					
Term loans	-	-	14,870,549	14,870,549	16,985,879
Finance lease liabilities	-	-	149,230	149,230	154,013
	-	-	15,019,779	15,019,779	17,139,892

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20. Financial instruments (continued)

20.4 Fair value information (continued)

Level 3 fair value

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

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

21. Capital management

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

During the year, the Group's strategy, which was unchanged from 2015 was to maintain the debt-to-equity ratio close to 0.5:1. The debt-to-equity ratios at 31 December 2016 and at 31 December 2015 were as follows:

	Group	
	2016	**2015**
	RM	**RM**
Total loans and borrowings (Note 12)	68,054,757	65,594,116
Less: Cash and cash equivalents (Note 10)	(8,179,790)	(11,946,841)
Net debt	59,874,967	53,647,275
Total equity	147,286,194	143,739,563
Debt-to-equity ratio	0.41	0.37

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

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21. Capital management (continued)

During the year, the Group is required maintain net assets of not less than RM130 million to comply with a bank covenant, failing which the bank may call an event of default (see Note 12.2). The Group has not breached the covenant.

22. Capital expenditure commitments

	Group	
	2016	**2015**
	RM	**RM**
Plant and equipment		
Authorised and contracted for	977,948	1,571,512
Authorised but not contracted for	-	1,991,988
	977,948	3,563,500
	========	========

23. Contingencies

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

	Company	
	2016	**2015**
	RM	**RM**
Corporate guarantees for banking facilities granted to a subsidiary	117,270,000	117,270,000
	=========	=========

The outstanding banking facilities of the subsidiary as at the end of the reporting period is RM62,507,381 (2015: RM57,215,566).

24. Related parties

Identity of related parties

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

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24. Related parties (continued)

Identity of related parties (continued)

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

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

Significant related party transactions

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

	Company	
	2016	**2015**
	RM	**RM**
Subsidiary		
Interest income on loans	413,711	410,980
	========	=======

	Group	
	2016	**2015**
	RM	**RM**
Key management personnel		
Directors		
- fees	416,000	350,000
- other short term employee benefits	1,011,713	999,654
- rental expenses	72,000	42,000
	1,499,713	1,391,654
	------------	-----------
Other key management personnel		
- fees	656,800	383,800
- short-term employee benefits	1,095,268	1,091,638
	1,752,068	1,475,438
	------------	-----------
	3,251,781	2,867,092
	========	=======

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

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25. Supplementary financial information on the breakdown of realised and unrealised profits or losses

The breakdown of the retained earnings/(accumulated losses) of the Group and of the Company at 31 December, into realised and unrealised profits/(losses), pursuant to Paragraphs 2.06 and 2.23 of Bursa Malaysia Main Market Listing Requirements, are as follows:

	Group		**Company**	
	2016	**2015**	**2016**	**2015**
	RM	**RM**	**RM**	**RM**
Total retained earnings/ (accumulated losses) of the Company and its subsidiaries				
- realised	61,612,510	57,471,683	(1,663,397)	(1,747,011)
- unrealised	(7,329,320)	(6,888,860)	-	-
	54,283,190	50,582,823	(1,663,397)	(1,747,011)
Less: Consolidation adjustments	(2,663,640)	(2,509,904)	-	-
Total retained earnings/ (accumulated losses)	51,619,550	48,072,919	(1,663,397)	(1,747,011)
	========	========	========	========

The determination of realised and unrealised profits or losses is based on the Guidance of Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants on 20 December 2010.

ABM Fujiya Berhad
(Company No. 628324 - W)
(Incorporated in Malaysia)
and its subsidiaries

Statement by Directors pursuant to Section 251(2) of the Companies Act, 2016

In the opinion of the Directors, the financial statements set out on pages 6 to 70 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2016 and of their financial performance and cash flows for the financial year then ended.

In the opinion of the Directors, the information set out in Note 25 on page 71 to the financial statements has been compiled in accordance with Guidance on Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

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

....................………….........….......………
Datuk Tay Ah Ching @ Tay Chin Kin
Director

....................………….........….......………
Dato' Tay Tze How
Director

Kuching,

Date: 5 April 2017

ABM Fujiya Berhad
(Company No. 628324 - W)
(Incorporated in Malaysia)
and its subsidiaries

Statutory declaration pursuant to Section 251(1)(b) of the Companies Act, 2016

I, **Desmond Hii Hiong Sion**, the officer primarily responsible for the financial management of ABM Fujiya Berhad, do solemnly and sincerely declare that the financial statements set out on pages 6 to 71 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed **Desmond Hii Hiong Sion**, NRIC: **820918-13-5181,** at Kuching in the State of Sarawak on 5 April 2017.

…………………………………………….
Desmond Hii Hiong Sion

Before me:

Evelyn Lau Sie Jiong Q137
Commissioner for Oaths
Sarawak

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF ABM FUJIYA BERHAD

(Company No. 628324 - W)
(Incorporated in Malaysia)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of ABM Fujiya Berhad, which comprise the statements of financial position as at 31 December 2016 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 6 to 70.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2016, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

Basis for Opinion

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

Independence and Other Ethical Responsibilities

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

Key Audit Matters

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

Valuation of trade receivables
Refer to Note 2(h) – Significant accounting policies: Impairment and Note 8 – Trade and other receivables.

The key audit matter	How the matter was addressed in our audit
At 31 December 2016, the Group has a significant level of trade receivables of RM43,471,836 which was approximately 18% of its total assets. The Group determines allowance for impairment losses on doubtful receivables based on an on-going review and evaluation performed as part of its credit risk evaluation process. The evaluation is however inherently judgemental and requires material estimates, including the amounts and timing of future cash flows expected to be received, which may be susceptible to significant changes. The Group's exposure to credit risk arises principally from its receivables from long established customers who entitle credit terms. We have identified recoverability of trade receivables as a key audit matter because the recoverability is dependent on the credit worthiness of customers and their ability to settle the amounts due which increases the risk of non-payment and non-recovery. Accordingly, allowance for impairment losses are required for amounts that are no longer considered recoverable.	We performed the following audit procedures, amongst others: i) We assessed the design and implementation of the Group's controls over the receivables collection processes, including the Group's credit control process over aged receivables and customer credit approvals. ii) We inspected the ageing of trade receivables to identify any potential for doubtful debts and we assessed whether appropriate allowances has been established for non-payment and non-recovery of such trade receivables. iii) We assessed the adequacy of the Group's allowances for impairment losses by assessing the assumptions made by the Group with reference to the profile of aged debts at the reporting date and post year-end payment records. iv) We have also considered the adequacy of the Group's disclosures about the degree of judgement and estimation involved in arriving at the allowances for the impairment of trade receivables.

Valuation of property, plant and equipment and prepaid lease payments
Refer to Note 2(h) – Significant accounting policies: Impairment and Note 3 – Property, plant and equipment.

The key audit matter	How the matter was addressed in our audit
As at 31 December 2016, the carrying amount of the Group's net assets was more than its market capitalisation. There is a risk that the carrying amount of its property, plant and equipment and prepaid lease payments may not be recoverable in full through the future cash flows to be generated from these assets. The property, plant and equipment consist of two major category of assets: • leasehold land and buildings; and • plant and machineries. For land and buildings, the Group estimated the recoverable amount based on their estimated fair values which are determined by professional external valuation firm by reference to the market values of similar assets. For plant and machineries, the Group prepared a value in use calculation by forecasting and discounting future cash flows to be generated by an existing manufacturing plant of a subsidiary based on certain key assumptions. We have identified the valuation of property, plant and equipment and prepaid lease payments as a key audit matter because the size of the carrying amount of these assets was material to the consolidated financial statements (being 41% of total assets). It also requires us to exercise a significant level of judgement in evaluating the Group's impairment assessment which involved a certain degree of judgement and assumptions of future events that are inherently uncertain. Changes in judgement and the estimates throughout the useful lives of the plant and machineries of the production line could affect the carrying amount of the plant and machineries.	We performed the following audit procedures, amongst others: i) Leasehold land and buildings (Fair value less costs of disposal) • We performed background check of the external valuer engaged by the Group to assess its competency, capabilities and objectivity. • We read the valuer's reports and obtained an understanding of the valuation methods and assumptions. We also considered whether the assumptions are appropriate and reasonable based on the industry norms and specified external data sources. • We considered the adequacy of the Group's disclosures of valuation techniques. ii) Plant and machineries • We assessed and challenged the Group's key assumptions used in the cash flows forecast including average selling price, sales volume and average unit cost by considering the accuracy of the Group's past forecasts. We also considered current and future industry situation. • We assessed the appropriateness of the discount rate by comparing it with the weighted average cost of capital for other similar entities in the same industry. • We considered the adequacy of the Group's disclosures about the assumptions to which the outcome of the impairment assessment were most sensitive.

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

Information Other than the Financial Statements and Auditors' Report Thereon

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

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

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

Responsibilities of the Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the ability of the Group and of the Company to continue as going 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 conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

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

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

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

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

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

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

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

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

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

Other Reporting Responsibilities

The supplementary information set out in Note 25 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

Other Matter

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

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

Lee Hean Kok
Approval Number: 2700/12/17(J)
Chartered Accountant

5 April 2017

Kuching