# ABM Fujiya Berhad

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

## and its subsidiaries

## Financial statements
## for the year ended 31 December 2015

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

## Directors' report for the year ended 31 December 2015

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 2015.

### 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.

### Results

| | Group RM | Company RM |
|---|---|---|
| Profit for the year attributable to owners of the Company | 2,911,081 | 115,010 |

### Reserves and provisions

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

### Dividends

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

### Directors of the Company

Directors who served since the date of the last 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 (Appointed 04.06.2015)

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## Directors' interests in shares

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

| | Number of ordinary shares * | | | |
|---|---|---|---|---|
| ***Direct interests in the Company*** | **At 1.1.2015** | **Bought** | **Sold** | **At 31.12.2015** |
| 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 )<br>Dato' Tay Tze How )<br>Dato' Tay Tze Poh ) | 133,163,496 | - | - | 133,163,496 |

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 2015 had any interest in the shares and options over shares of the Company and of its related corporations during the financial year.

* *The nominal value of the ordinary shares of Kayatas Sdn. Bhd. is RM1.00 each while that of the Company is RM0.50 each.*

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## Directors' benefits

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in the financial statements of the Company or of related corporations or the fixed salary of a full time employee 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.

## 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.

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## **Other statutory information** (continued)

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 2015 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, Messrs KPMG, have indicated their willingness to accept re-appointment.

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

.....
**Datuk Tay Ah Ching @ Tay Chin Kin**

.....
**Dato' Tay Tze How**

Kuching,

Date: 7 April 2016

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

## Statements of financial position as at 31 December 2015

| | Note | Group 2015 RM | Group 2014 RM | Company 2015 RM | Company 2014 RM |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Property, plant and equipment | 3 | 84,063,277 | 89,006,534 | - | - |
| Prepaid lease payments | 4 | 4,540,460 | 4,769,414 | - | - |
| Investments in subsidiaries | 5 | - | - | 78,500,000 | 78,500,000 |
| Deferred tax assets | 12 | 22,000 | - | - | - |
| **Total non-current assets** | | 88,625,737 | 93,775,948 | 78,500,000 | 78,500,000 |
| Inventories | 6 | 78,903,667 | 63,553,312 | - | - |
| Current tax assets | | 531,044 | 313,328 | - | - |
| Trade and other receivables | 7 | 49,362,481 | 50,249,215 | 2,300 | 2,000 |
| Amount due from subsidiaries | 8 | - | - | 11,830,104 | 11,738,916 |
| Cash and cash equivalents | 9 | 11,946,841 | 3,680,330 | 78,508 | 8,085 |
| **Total current assets** | | 140,744,033 | 117,796,185 | 11,910,912 | 11,749,001 |
| **Total assets** | | 229,369,770 | 211,572,133 | 90,410,912 | 90,249,001 |
| **Equity** | | | | | |
| Share capital | 10 | 90,000,000 | 90,000,000 | 90,000,000 | 90,000,000 |
| Share premium | 10 | 2,023,644 | 2,023,644 | 2,023,644 | 2,023,644 |
| Merger reserve | 10 | 3,643,000 | 3,643,000 | - | - |
| Retained earnings/(Accumulated losses) | | 48,072,919 | 45,161,838 | ( 1,747,011) | ( 1,862,021) |
| **Total equity attributable to owners of the Company** | | 143,739,563 | 140,828,482 | 90,276,633 | 90,161,623 |
| **Liabilities** | | | | | |
| Loans and borrowings | 11 | 15,259,451 | 645,176 | - | - |
| Deferred tax liabilities | 12 | 8,256,745 | 8,392,322 | - | - |
| **Total non-current liabilities** | | 23,516,196 | 9,037,498 | - | - |

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## Statements of financial position as at 31 December 2015 (continued)

| | Note | Group 2015 RM | Group 2014 RM | Company 2015 RM | Company 2014 RM |
|---|---|---|---|---|---|
| Trade and other payables | 13 | 11,601,037 | 12,300,299 | 117,729 | 81,366 |
| Amount due to a Director | 14 | 58,839 | 29,553 | - | - |
| Current tax liabilities | | 119,470 | 374,781 | 16,550 | 6,012 |
| Loans and borrowings | 11 | 50,334,665 | 49,001,520 | - | - |
| **Total current liabilities** | | 62,114,011 | 61,706,153 | 134,279 | 87,378 |
| **Total liabilities** | | 85,630,207 | 70,743,651 | 134,279 | 87,378 |
| **Total equity and liabilities** | | 229,369,770 | 211,572,133 | 90,410,912 | 90,249,001 |

# ABM Fujiya Berhad
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**and its subsidiaries**

## Statements of profit or loss and other comprehensive income for the year ended 31 December 2015

| | Note | Group 2015 RM | Group 2014 RM | Company 2015 RM | Company 2014 RM |
|---|---|---|---|---|---|
| **Revenue** | | | | | |
| - Sale of automotive batteries and lubricants | | 111,548,466 | 111,413,844 | - | - |
| Cost of sales | | ( 95,293,853) | ( 94,161,924) | - | - |
| **Gross profit** | | 16,254,613 | 17,251,920 | - | - |
| Other income | | 123,115 | 580,626 | - | - |
| Distribution expenses | | ( 1,981,217) | ( 2,043,652) | - | - |
| Administrative expenses | | ( 7,024,798) | ( 6,314,628) | ( 207,406) | ( 140,301) |
| **Results from operating activities** | 15 | 7,371,713 | 9,474,266 | ( 207,406) | ( 140,301) |
| Finance income | 16 | 4,545 | 66 | 410,980 | 406,821 |
| Finance costs | 16 | ( 2,893,637) | ( 2,501,477) | - | - |
| Net finance (costs)/income | | ( 2,889,092) | ( 2,501,411) | 410,980 | 406,821 |
| **Profit before tax** | | 4,482,621 | 6,972,855 | 203,574 | 266,520 |
| Tax expense | 17 | ( 1,571,540) | ( 1,992,762) | ( 88,564) | ( 75,512) |
| **Profit/Total comprehensive income for the year attributable to owners of the Company** | | 2,911,081 | 4,980,093 | 115,010 | 191,008 |
| Basic and diluted earnings per ordinary share (Sen) | 18 | 1.62 | 2.77 | | |

The notes on pages 14 to 73 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 2015

| | *Non-distributable* | | | *Distributable* | |
|---|---|---|---|---|---|
| **Group** | **Share capital RM** | **Share premium RM** | **Merger reserve RM** | **Retained earnings RM** | **Total RM** |
| **At 1 January 2014** | 90,000,000 | 2,023,644 | 3,643,000 | 40,181,745 | 135,848,389 |
| Profit/Total comprehensive income for the year | - | - | - | 4,980,093 | 4,980,093 |
| **At 31 December 2014/ 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** | 90,000,000 | 2,023,644 | 3,643,000 | 48,072,919 | 143,739,563 |
| | (Note 10) | (Note 10) | (Note 10) | | |

The notes on pages 14 to 73 are an integral part of these financial statements.

# ABM Fujiya Berhad
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## Statement of changes in equity for the year ended 31 December 2015

| Company | Share capital RM | Share premium RM | Accumulated losses RM | Total RM |
|---|---|---|---|---|
| **At 1 January 2014** | 90,000,000 | 2,023,644 | ( 2,053,029) | 89,970,615 |
| Profit/Total comprehensive income for the year | - | - | 191,008 | 191,008 |
| **At 31 December 2014/ 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** | 90,000,000 (Note 10) | 2,023,644 (Note 10) | ( 1,747,011) | 90,276,633 |

# ABM Fujiya Berhad
(Company No. 628324 - W)
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## Statements of cash flows for the year ended 31 December 2015

| | Group | | Company | |
|---|---|---|---|---|
| | 2015 RM | 2014 RM | 2015 RM | 2014 RM |
| **Cash flows from operating activities** | | | | |
| Profit before tax | 4,482,621 | 6,972,855 | 203,574 | 266,520 |
| Adjustments for: | | | | |
| Allowance for impairment loss on doubtful receivables (Note 15) | 344,326 | 196,000 | - | - |
| Amortisation of prepaid lease payments (Note 4) | 228,954 | 228,954 | - | - |
| Depreciation of property, plant and equipment (Note 3) | 9,136,830 | 9,994,431 | - | - |
| Finance costs (Note 16) | 2,893,637 | 2,501,477 | - | - |
| Finance income (Note 16) | ( 4,545) | ( 66) | ( 410,980) | ( 406,821) |
| Interest on bankers' acceptances (Note 15) | 672,946 | 440,198 | - | - |
| Unrealised foreign exchange (gain)/loss (Note 15) | ( 548,140) | 499,333 | - | - |
| Operating profit/(loss) before changes in working capital | 17,206,629 | 20,833,182 | ( 207,406) | ( 140,301) |
| Changes in working capital: | | | | |
| Inventories | (15,350,355) | ( 711,783) | - | - |
| Trade and other receivables, deposits and prepayments | 610,328 | ( 5,505,328) | ( 300) | - |
| Trade and other payables | 2,529,537 | ( 1,015,815) | 36,363 | ( 366,938) |
| Amount due to a Director | 29,286 | 6,635 | - | - |
| Cash generated from/(used in) operations | 5,025,425 | 13,606,891 | ( 171,343) | ( 507,239) |
| Income tax paid, net of refund | ( 2,202,144) | ( 1,923,651) | ( 78,026) | ( 77,500) |
| Interest received | 4,545 | 66 | - | - |
| Interest paid | ( 2,004,737) | ( 1,462,229) | - | - |
| **Net cash from/(used in) operating activities** | 823,089 | 10,221,077 | ( 249,369) | ( 584,739) |

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## Statements of cash flows for the year ended 31 December 2015 (continued)

| | Group | | Company | |
|---|---|---|---|---|
| | 2015 RM | 2014 RM | 2015 RM | 2014 RM |
| **Cash flows from investing activities** | | | | |
| Acquisition of property, plant and equipment [Note (i)] | ( 4,193,573) | ( 4,608,634) | - | - |
| Land premium paid | ( 2,732,185) | ( 2,732,179) | - | - |
| Interest paid on land premium payable | ( 841,948) | ( 841,954) | - | - |
| Changes in deposits pledged with licensed bank | - | 18,000 | - | - |
| **Net cash used in investing activities** | ( 7,767,706) | ( 8,164,767) | - | - |
| **Cash flows from financing activities** | | | | |
| Advances to subsidiaries | - | - | 319,792 | 579,389 |
| Proceeds from borrowings | 122,390,711 | 86,816,392 | - | - |
| Repayment of borrowings | (103,647,356) | ( 95,884,174) | - | - |
| Repayment of finance leases | ( 78,653) | ( 52,862) | - | - |
| Interest paid | ( 719,898) | ( 637,492) | - | - |
| **Net cash from/(used in) financing activities** | 17,944,804 | ( 9,758,136) | 319,792 | 579,389 |
| Net increase/(decrease) in cash and cash equivalents | 11,000,187 | ( 7,701,826) | 70,423 | ( 5,350) |
| Effect of exchange rate fluctuations on cash held | ( 16,394) | ( 3,913) | - | - |
| Cash and cash equivalents at beginning of year | ( 12,661,986) | ( 4,956,247) | 8,085 | 13,435 |
| Cash and cash equivalents at end of year [Note (ii)] | ( 1,678,193) | ( 12,661,986) | 78,508 | 8,085 |

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## Statements of cash flows for the year ended 31 December 2015 (continued)

### Notes

***(i) Acquisition of property, plant and equipment***

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

| | Group | |
|---|---|---|
| | **2015** | **2014** |
| | **RM** | **RM** |
| Paid in cash | 4,193,573 | 4,608,634 |
| Finance lease | - | 130,000 |
| Total (see Note 3) | 4,193,573 | 4,738,634 |

***(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 | |
|---|---|---|---|---|
| | **2015** | **2014** | **2015** | **2014** |
| | **RM** | **RM** | **RM** | **RM** |
| Cash and bank balances (Note 9) | 11,946,841 | 3,680,330 | 78,508 | 8,085 |
| Bank overdrafts (Note 11) | (13,625,034) | (16,342,316) | - | - |
| Cash and cash equivalents | ( 1,678,193) | (12,661,986) | 78,508 | 8,085 |

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

## 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 its registered office 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 2015 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 2015 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 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 7 April 2016.

### 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** |
|---|---|
| MFRS 14, *Regulatory Deferral Accounts* | 1 January 2016 |
| Amendments to MFRS 5, *Non-current Assets Held for Sale and Discontinued Operations (Annual Improvements 2012-2014 Cycle)* | 1 January 2016 |
| Amendments to MFRS 7, *Financial Instruments: Disclosures (Annual Improvements 2012-2014 Cycle)* | 1 January 2016 |

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## 1. Basis of preparation (continued)

### (a) Statement of compliance (continued)

| MFRS / Amendment / Interpretation | Effective date |
|---|---|
| Amendments to MFRS 10, *Consolidated Financial Statements,* MFRS 12, *Disclosure of Interests in Other Entities* and MFRS 128, *Investments in Associates and Joint Ventures - Investment Entities: Applying the Consolidation Exception* | 1 January 2016 |
| Amendments to MFRS 11, *Joint Arrangements - Accounting for Acquisition of Interests in Joint Operations* | 1 January 2016 |
| Amendments to MFRS 101, *Presentation of Financial Statements – Disclosure Initiative* | 1 January 2016 |
| Amendments to MFRS 116, *Property, Plant and Equipment* and MFRS 138, *Intangible Assets - Clarification of Acceptable Methods of Depreciation and Amortisation* | 1 January 2016 |
| Amendments to MFRS 116, *Property, Plant and Equipment* and MFRS 141, *Agriculture - Agriculture: Bearer Plants* | 1 January 2016 |
| Amendments to MFRS 119, *Employee Benefits (Annual Improvements 2012-2014 Cycle)* | 1 January 2016 |
| Amendments to MFRS 127, *Separate Financial Statements - Equity Method in Separate Financial Statements* | 1 January 2016 |
| Amendments to MFRS 134, *Interim Financial Reporting (Annual Improvements 2012-2104 Cycle)* | 1 January 2016 |
| MFRS 9, *Financial Instruments* (2014) | 1 January 2018 |
| MFRS 15, *Revenue from Contracts with Customers* | 1 January 2018 |
| 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 2016 those standards, amendments and interpretations that are effective for annual periods beginning on or after 1 January 2016, except for MFRS 14, Amendments to MFRS 5, Amendments to MFRS 10, MFRS 12 and MFRS 128, Amendments to MFRS 11, Amendments to MFRS 116 and MFRS 141, Amendments to MFRS 119, Amendments to MFRS 127 and Amendments to MFRS 134, which are assessed as presently not applicable to the Group and the Company.

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## 1. Basis of preparation (continued)

### (a) Statement of compliance (continued)

- from the annual period beginning on 1 January 2018, MFRS 9 and MFRS 15, which are effective for annual periods beginning on or after 1 January 2018.

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 below:

#### *(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. Upon adoption of MFRS 9, financial assets will be measured at either fair value or amortised cost.

The adoption of MFRS 9 will result in a change in accounting policy. 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*

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*. Upon adoption of MFRS 15, it is expected that the timing of revenue recognition might be different as compared with the current practices.

The adoption of MFRS 15 will result in a change in accounting policy. The Group is currently assessing the financial impact that may arise from the adoption of MFRS 15.

### (b) Basis of measurement

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

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## 1. Basis of preparation (continued)

### (c) Functional and presentation currency

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

### (d) Use of estimates and judgements

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

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

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

- Note 3, impairment assessment of property, plant and equipment; and
- Note 7, 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.

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## 2. Significant accounting policies (continued)

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

#### *(i) Subsidiaries* (continued)

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

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

#### *(ii) 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.

## 2. Significant accounting policies (continued)

### (b) Foreign currency transactions (continued)

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.

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.

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## 2. Significant accounting policies (continued)

### (c) Financial instruments (continued)

#### *(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.

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.

## 2. Significant accounting policies (continued)

### (c) Financial instruments (continued)

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

***Financial assets*** (continued)

***(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.

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)].

## 2. Significant accounting policies (continued)

### (c) Financial instruments (continued)

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

***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.

#### *(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.

## 2. Significant accounting policies (continued)

### (c) Financial instruments (continued)

#### *(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.

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.

## 2. Significant accounting policies (continued)

### (d) Property, plant and equipment (continued)

#### *(i) Recognition and measurement* (continued)

The cost of property, plant and equipment recognised as a result of a business combination is based on fair value at acquisition date. The fair value of property is the estimated amount for which a property could be exchanged between knowledgeable willing parties in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The fair value of other items of plant and equipment is based on the quoted market prices for similar items when available and replacement cost when appropriate.

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.

#### *(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.

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## 2. Significant accounting policies (continued)

### (d) Property, plant and equipment (continued)

#### *(iii) Depreciation* (continued)

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment from the date that they are available for use. 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.

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## 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.

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## 2. Significant accounting policies (continued)

### (f) Inventories (continued)

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

### (g) Cash and cash equivalents

Cash and cash equivalents consist 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.

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## 2. Significant accounting policies (continued)

### (h) Impairment (continued)

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

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.

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.

## 2. Significant accounting policies (continued)

### (h) Impairment (continued)

#### *(ii) Other assets (continued)*

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

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

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

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.

## 2. Significant accounting policies (continued)

### (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.

#### *(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.

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## 2. Significant accounting policies (continued)

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

#### *(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.

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.

## 2. Significant accounting policies (continued)

### (m) Tax expense (continued)

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

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

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

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

Unutilised reinvestment allowance 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.

## 2. Significant accounting policies (continued)

### (o) Operating segments

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

### (p) Contingent liabilities

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

### (q) Fair value measurements

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

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## 2. Significant accounting policies (continued)

### (q) Fair value measurements (continued)

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 (more than 50 years) RM | Short-term leasehold land (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 2014 | 20,323,483 | 4,419,863 | 31,855,137 | 70,901,900 | 474,880 | 958,948 | 800,148 | 488,803 | 25,315 | 130,248,477 |
| Additions | - | - | - | 3,879,485 | 357,795 | 59,289 | 190,000 | 43,000 | 209,065 | 4,738,634 |
| At 31 December 2014/ 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 | 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 |
| ***Depreciation*** | | | | | | | | | | |
| At 1 January 2014 | 1,214,301 | 442,614 | 2,576,891 | 30,387,346 | 332,723 | 299,952 | 528,755 | 203,564 | - | 35,986,146 |
| Depreciation for the year (Note 15) | 303,575 | 110,653 | 717,130 | 8,462,054 | 101,279 | 81,924 | 159,595 | 58,221 | - | 9,994,431 |
| At 31 December 2014 | 1,517,876 | 553,267 | 3,294,021 | 38,849,400 | 434,002 | 381,876 | 688,350 | 261,785 | - | 45,980,577 |

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

| **Group** (continued) | Long-term leasehold land (more than 50 years) RM | Short-term leasehold land (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 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 |
| ***Carrying amounts*** | | | | | | | | | | |
| At 31 December 2014/ 1 January 2015 | 18,805,607 | 3,866,596 | 28,561,116 | 35,931,985 | 398,673 | 636,361 | 301,798 | 270,018 | 234,380 | 89,006,534 |
| At 31 December 2015 | 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 |

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

### *3.1 Leased motor vehicles*

Assets under finance lease are charged to secure the finance lease liabilities of the Group (see Note 11.1). The net carrying amount of leased motor vehicles was RM151,766 (2014: RM249,562).

### *3.2 Security*

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 11.1).

### *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, 2031, 2038, 2053 and 2054.

Included in the long-term leasehold land are two parcels of leasehold land for which only provisional land titles have been received.

## 4. Prepaid lease payments

| **Group** | **Short-term leasehold land (Unexpired lease period less than 50 years) RM** |
|---|---|
| ***Cost*** | |
| At 1 January 2014, 31 December 2014/1 January 2015 and 31 December 2015 | 5,914,184 |
| ***Amortisation*** | |
| At 1 January 2014 | 915,816 |
| Amortisation for the year (Note 15) | 228,954 |
| At 31 December 2014/1 January 2015 | 1,144,770 |
| Amortisation for the year (Note 15) | 228,954 |
| At 31 December 2015 | 1,373,724 |
| ***Carrying amounts*** | |
| At 31 December 2014/1 January 2015 | 4,769,414 |
| At 31 December 2015 | 4,540,460 |

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## 4. Prepaid lease payments (continued)

The lease period of 2 parcels of leasehold land (classified as short-term) expire in the years 2035 and 2037.

The land has been charged to secure banking facilities granted to certain Group entities (see Note 11.1).

## 5. Investments in subsidiaries

| | Company | |
|---|---|---|
| | **2015** | **2014** |
| | **RM** | **RM** |
| Unquoted shares, at cost | 78,500,000 | 78,500,000 |

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** | |
|---|---|---|---|---|
| | | | **2015** | **2014** |
| | | | **%** | **%** |
| 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** | |
|---|---|---|---|---|
| | | | **2015** | **2014** |
| | | | **%** | **%** |
| 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. Inventories

| | Group | |
|---|---|---|
| | **2015** | **2014** |
| | **RM** | **RM** |
| Raw materials (including goods in transit) | 18,045,202 | 16,990,597 |
| Work-in-progress | 30,621,472 | 21,075,372 |
| Manufactured inventories | 29,638,447 | 24,481,780 |
| Trading goods (including goods in transit) | 598,546 | 1,005,563 |
| | 78,903,667 | 63,553,312 |
| Recognised in profit or loss: | | |
| Inventories recognised as cost of sales | 74,539,404 | 72,080,328 |
| Write-down to net realisable value charged out to cost of sales | 21,494 | - |

## 7. Trade and other receivables

| | Group | | Company | |
|---|---|---|---|---|
| | **2015** | **2014** | **2015** | **2014** |
| | **RM** | **RM** | **RM** | **RM** |
| ***Trade*** | | | | |
| Trade receivables (Note 7.1) | 39,149,236 | 46,640,578 | - | - |
| Allowance for impairment losses | ( 1,005,941) | ( 661,615) | - | - |
| | 38,143,295 | 45,978,963 | - | - |
| ***Non-trade*** | | | | |
| Other receivables | 841,613 | 33,165 | - | - |
| Deposits | 144,447 | 136,937 | 2,300 | 2,000 |
| Prepayments (Note 7.2) | 10,233,126 | 4,100,150 | - | - |
| | 11,219,186 | 4,270,252 | 2,300 | 2,000 |
| Total | 49,362,481 | 50,249,215 | 2,300 | 2,000 |

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## 7. Trade and other receivables (continued)

***Assessment on doubtful receivables***

7.1 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, sales level, 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.

7.2 Included in the prepayments is an amount of RM9,985,147 (2014: RM3,872,560) being advances paid for the purchase of machineries.

## 8. 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 RM11,830,104 (2014: RM11,738,916) which bears interest at 3.50% (2014: 3.50%) per annum.

## 9. Cash and cash equivalents

| | Group | | Company | |
|---|---|---|---|---|
| | **2015** | **2014** | **2015** | **2014** |
| | **RM** | **RM** | **RM** | **RM** |
| Cash and bank balances | 11,946,841 | 3,680,330 | 78,508 | 8,085 |

## 10. Capital and reserves

***Share capital***

| | Group and Company | | | |
|---|---|---|---|---|
| | Amount | | Number of shares | |
| | **2015** | **2014** | **2015** | **2014** |
| | **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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## 10. Capital and reserves (continued)

***Share capital*** (continued)

| | Group and Company | | | |
|---|---|---|---|---|
| | Amount | | Number of shares | |
| | 2015 RM | 2014 RM | 2015 | 2014 |
| ***Issued and fully paid:*** | | | | |
| Opening and closing balances | 90,000,000 | 90,000,000 | 180,000,000 | 180,000,000 |

***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.

***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.

## 11. Loans and borrowings

| | Group | |
|---|---|---|
| | 2015 RM | 2014 RM |
| ***Non-current*** | | |
| Term loans - secured | 15,186,895 | 491,213 |
| Finance lease liabilities - secured | 72,556 | 153,963 |
| | 15,259,451 | 645,176 |

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## 11. Loans and borrowings (continued)

| | Group | |
|---|---|---|
| | **2015** | **2014** |
| | **RM** | **RM** |
| ***Current*** | | |
| Bank overdrafts | | |
| - secured | 13,625,034 | 16,210,512 |
| - unsecured | - | 131,804 |
| | 13,625,034 | 16,342,316 |
| Bankers' acceptances | | |
| - secured | 25,335,190 | 29,067,384 |
| - unsecured | 494,000 | 568,000 |
| | 25,829,190 | 29,635,384 |
| Term loans - secured | 1,798,984 | 2,945,117 |
| Finance lease liabilities - secured | 81,457 | 78,703 |
| Revolving credit - secured | 9,000,000 | - |
| | 50,334,665 | 49,001,520 |
| Total | 65,594,116 | 49,646,696 |

### *11.1 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 finance lease assets of the Group (see Note 3.1).

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## 11. Loans and borrowings (continued)

### *11.2 Finance lease liabilities*

Finance lease liabilities are payable as follows:

| | 2015 | | | 2014 | | |
|---|---|---|---|---|---|---|
| | **Future minimum lease payments RM** | **Interest RM** | **Present value of minimum lease payments RM** | **Future minimum lease payments RM** | **Interest RM** | **Present value of minimum lease payments RM** |
| Less than one year | 87,126 | 5,669 | 81,457 | 88,692 | 9,989 | 78,703 |
| Between one and two years | 48,471 | 2,220 | 46,251 | 87,076 | 5,669 | 81,407 |
| Between two and five years | 26,806 | 501 | 26,305 | 75,277 | 2,721 | 72,556 |
| | 162,403 | 8,390 | 154,013 | 251,045 | 18,379 | 232,666 |

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## 12. Deferred taxation

### *12.1 Recognised deferred tax assets and liabilities*

Deferred taxation is attributable to the following:

| | Assets | | Liabilities | | Net | |
|---|---|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| **Group** | **RM** | **RM** | **RM** | **RM** | **RM** | **RM** |
| Property, plant and equipment | 3,000 | - | ( 7,653,000) | ( 7,858,000) | ( 7,650,000) | ( 7,858,000) |
| Fair value adjustments on business combinations | - | - | ( 797,745) | ( 812,322) | ( 797,745) | ( 812,322) |
| Allowances for impairment loss | 194,000 | 158,000 | - | - | 194,000 | 158,000 |
| Others | 19,000 | 120,000 | - | - | 19,000 | 120,000 |
| Tax assets/(liabilities) | 216,000 | 278,000 | ( 8,450,745) | ( 8,670,322) | ( 8,234,745) | ( 8,392,322) |
| Set off of tax | ( 194,000) | ( 278,000) | 194,000 | 278,000 | - | - |
| Net tax assets/(liabilities) | 22,000 | - | ( 8,256,745) | ( 8,392,322) | ( 8,234,745) | ( 8,392,322) |

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## 12. Deferred taxation

### *12.2 Recognised deferred tax assets and liabilities – net movements during the year*

| | At 1.1.2014 RM | Recognised in profit or loss RM | At 31.12.2014/ 1.1.2015 RM | Recognised in profit or loss RM | At 31.12.2015 RM |
|---|---|---|---|---|---|
| Property, plant and equipment | 8,131,000 | ( 273,000) | 7,858,000 | ( 208,000) | 7,650,000 |
| Fair value adjustments on business combinations | 788,643 | 23,679 | 812,322 | ( 14,577) | 797,745 |
| Allowance for impairment losses | ( 111,000) | ( 47,000) | ( 158,000) | ( 36,000) | ( 194,000) |
| Others | ( 22,000) | ( 98,000) | ( 120,000) | 101,000 | ( 19,000) |
| | 8,786,643 | ( 394,321) | 8,392,322 | ( 157,577) | 8,234,745 |
| | | (Note 17) | | (Note 17) | |

### *12.3 Unrecognised deferred tax assets*

Deferred tax assets of the Group of RM21,000 (2014: RM53,000) 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 concerned can utilise the benefits therefrom:

| | 2015 RM | 2014 RM |
|---|---|---|
| Property, plant and equipment | 90,000 | 44,000 |
| Unabsorbed capital allowances carry-forwards | - | 17,000 |
| Unutilised tax losses carry-forwards | - | 158,000 |
| Total gross temporary differences | 90,000 | 219,000 |

Unabsorbed capital allowances carried forward and unutilised tax losses carried forward do not expire under the current tax legislation except that in the case of a dormant company, such allowances and losses will not be available to the company if there is a substantial change of 50% or more in the shareholdings thereof.

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## 13. Trade and other payables

| | Group | | Company | |
|---|---|---|---|---|
| | 2015 RM | 2014 RM | 2015 RM | 2014 RM |
| Trade payables | 10,516,822 | 7,535,384 | - | - |
| Other payables and accruals | 1,084,215 | 4,764,915 | 117,729 | 81,366 |
| | 11,601,037 | 12,300,299 | 117,729 | 81,366 |

Other payables of the Group include an amount of RM Nil (2014: RM2,732,185), being land premium payable for two parcels of land alienated by the State Government of Sarawak to a subsidiary in earlier financial years. The premium has been fully settled during the year.

## 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 | |
|---|---|---|---|---|
| | 2015 RM | 2014 RM | 2015 RM | 2014 RM |
| **Results from operating activities is arrived at after charging:** | | | | |
| Allowance for impairment losses on doubtful receivables | 344,326 | 196,000 | - | - |
| Amortisation of prepaid lease payments (Note 4) | 228,954 | 228,954 | - | - |
| Auditors' remuneration | | | | |
| - statutory audit | | | | |
| - current year | 94,000 | 94,000 | 15,000 | 15,000 |
| - prior year | 2,000 | ( 4,500) | - | ( 2,500) |
| - non-audit | 11,000 | 21,000 | 11,000 | 21,000 |

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## 15. Results from operating activities (continued)

| | Group | | Company | |
|---|---|---|---|---|
| | 2015 RM | 2014 RM | 2015 RM | 2014 RM |
| **Results from operating activities is arrived at after charging:** (continued) | | | | |
| Depreciation of property, plant and equipment (Note 3) | 9,136,830 | 9,994,431 | - | - |
| Directors' fees | 733,800 | 638,800 | 50,000 | 33,000 |
| Foreign exchange loss | | | | |
| - realised | 558,796 | - | - | - |
| - unrealised | - | 499,333 | - | - |
| Interest on bankers' acceptances | 672,946 | 440,198 | - | - |
| Personnel expenses (including key management personnel) | | | | |
| - contributions to state plan | 354,262 | 352,974 | - | - |
| - wages, salaries and others | 7,971,137 | 6,517,783 | 5,900 | - |
| Rental of premises | 79,800 | 49,000 | - | - |
| | ====== | ====== | ====== | ====== |
| **and after crediting:** | | | | |
| Foreign exchange gain | | | | |
| - realised | - | 934,056 | - | - |
| - unrealised | 548,140 | - | - | - |
| Rental of premises | 92,710 | 88,750 | - | - |
| | ======= | ======= | ======= | ======= |

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## 16. Finance income and finance costs

***Recognised in profit or loss***

| | Group | | Company | |
|---|---|---|---|---|
| | **2015 RM** | **2014 RM** | **2015 RM** | **2014 RM** |
| ***Interest income of financial assets that are not at fair value through profit or loss*** | | | | |
| - Fixed deposit and cash funds | 4,545 | 66 | - | - |
| - Subsidiary | - | - | 410,980 | 406,821 |
| | 4,545 | 66 | 410,980 | 406,821 |
| ***Interest expense of financial liabilities that are not at fair value through profit or loss*** | | | | |
| - Loans and borrowings | 2,051,689 | 1,659,523 | - | - |
| - Land premium payable | 841,948 | 841,954 | - | - |
| | 2,893,637 | 2,501,477 | - | - |

## 17. Tax expense

***Recognised in profit or loss***

| | Group | | Company | |
|---|---|---|---|---|
| | **2015 RM** | **2014 RM** | **2015 RM** | **2014 RM** |
| Current tax expense | | | | |
| Malaysian - current year | 1,691,000 | 2,471,000 | 83,000 | 83,000 |
| - prior year | 38,117 | ( 83,917) | 5,564 | ( 7,488) |
| | 1,729,117 | 2,387,083 | 88,564 | 75,512 |
| Deferred tax income (Note 12) | | | | |
| - current year | ( 115,577) | ( 394,321) | - | - |
| - prior year | ( 42,000) | - | - | - |
| | ( 157,577) | ( 394,321) | - | - |
| Total tax expense | 1,571,540 | 1,992,762 | 88,564 | 75,512 |

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## 17. Tax expense (continued)

| | Group | | Company | |
|---|---|---|---|---|
| | 2015 RM | 2014 RM | 2015 RM | 2014 RM |
| ***Reconciliation of tax expense*** | | | | |
| Profit for the year | 2,911,081 | 4,980,093 | 115,010 | 191,008 |
| Total tax expense | 1,571,540 | 1,992,762 | 88,564 | 75,512 |
| Profit excluding tax | 4,482,621 | 6,972,855 | 203,574 | 266,520 |
| Income tax calculated using Malaysian tax rate of 25% (2014: 25%)* | 1,121,000 | 1,743,000 | 51,000 | 67,000 |
| Non-deductible expenses | 443,423 | 352,679 | 32,000 | 16,000 |
| Movements of unrecognised deferred tax assets | ( 32,000) | ( 19,000) | - | - |
| Recognition of previously unrecognised deferred tax assets | 43,000 | - | - | - |
| | 1,575,423 | 2,076,679 | 83,000 | 83,000 |
| (Over)/Under-provided in prior years | ( 3,883) | ( 83,917) | 5,564 | ( 7,488) |
| | 1,571,540 | 1,992,762 | 88,564 | 75,512 |

* *In the Malaysian Budget 2014, it has announced that corporate income tax rate will be reduced to 24% for year of assessment 2016 ("YA 2016") onwards. Consequently, any temporary differences expected to be reversed in the YA 2016 onwards are measured using this rate.*

## 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 2015 was based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding, calculated as follows:

| | Group | |
|---|---|---|
| | 2015 RM | 2014 RM |
| Profit attributable to ordinary shareholders | 2,911,081 | 4,980,093 |
| 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)

| *In Sen* | Group 2015 | 2014 |
|---|---|---|
| Basic and diluted earnings per ordinary share | 1.62 | 2.77 |

## 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 distributions 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 (the chief operating decision maker). 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.

| **2015** | **Manufacturing RM** | **Marketing RM** | **Total RM** |
|---|---|---|---|
| **Segment profit** | 2,859,553 | 1,488,565 | 4,348,118 |

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## 19. Operating segments (continued)

***Segment assets, liabilities and capital expenditure*** (continued)

| **2015** (continued) | **Manufacturing RM** | **Marketing RM** | **Total RM** |
|---|---|---|---|
| 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 Executive Chairman are:* | | | |
| Tax expense | ( 1,128,523) | ( 369,030) | ( 1,497,553) |
| **2014** | | | |
| **Segment profit** | 5,476,301 | 1,136,796 | 6,613,097 |
| Included in the measure of segment profit are: | | | |
| Revenue from external customers | 84,749,175 | 26,664,669 | 111,413,844 |
| Inter-segment revenue | 18,285,590 | - | 18,285,590 |
| Amortisation | ( 228,954) | - | ( 228,954) |
| Depreciation | ( 9,721,399) | ( 173,665) | ( 9,895,064) |
| Finance costs | ( 2,875,171) | ( 33,127) | ( 2,908,298) |
| *Not included in the measure of segment profit but provided to Executive Chairman are:* | | | |
| Tax expense | ( 1,641,416) | ( 252,155) | ( 1,893,571) |

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## 19. Operating segments (continued)

**Reconciliations of reportable segment profit or loss**

| | 2015 RM | 2014 RM |
|---|---|---|
| **Profit or loss** | | |
| Total profit or loss for reportable segments | 4,348,118 | 6,613,097 |
| Elimination of inter-segment profits/(losses) | 168,640 | 198,662 |
| Additional depreciation | ( 99,367) | ( 99,367) |
| Net unallocated income/(expenses) | 65,230 | 260,463 |
| Consolidated profit before tax | 4,482,621 | 6,972,855 |

**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**

| | 2015 | | 2014 | |
|---|---|---|---|---|
| | Revenue RM | Non-current assets RM | Revenue RM | Non-current assets RM |
| Malaysia | 53,048,244 | 88,603,737 | 54,629,707 | 93,775,948 |
| Sultanate of Oman | 28,475,338 | - | 22,272,079 | - |
| Others | 30,024,884 | - | 34,512,058 | - |
| | 111,548,466 | 88,603,737 | 111,413,844 | 93,775,948 |

**Major customers**

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

| | Revenue | | Segment |
|---|---|---|---|
| | 2015 RM | 2014 RM | |
| Customer A | 28,475,338 | 22,272,079 | 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").

| 2015 | Carrying amount RM | L&R/ (FL) RM |
|---|---|---|
| **Group** | | |
| ***Financial assets/(liabilities)*** | | |
| Trade and other receivables | 38,984,908 | 38,984,908 |
| Cash and cash equivalents | 11,946,841 | 11,946,841 |
| Loans and borrowings | (65,594,116) | (65,594,116) |
| Trade and other payables | (11,601,037) | (11,601,037) |
| Amount due to a Director | ( 58,839) | ( 58,839) |
| **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) |
| **2014** | | |
| **Group** | | |
| ***Financial assets/(liabilities)*** | | |
| Trade and other receivables | 46,012,128 | 46,012,128 |
| Cash and cash equivalents | 3,680,330 | 3,680,330 |
| Loans and borrowings | (49,646,696) | (49,646,696) |
| Trade and other payables | (12,300,299) | (12,300,299) |
| Amount due to a Director | ( 29,553) | ( 29,553) |

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## 20. Financial instruments (continued)

### 20.1 Categories of financial instruments (continued)

| **2014** (continued) | **Carrying amount** | **L&R/ (FL)** |
|---|---|---|
| | **RM** | **RM** |
| **Company** | | |
| ***Financial assets/(liabilities)*** | | |
| Amount due from subsidiaries | 11,738,916 | 11,738,916 |
| Cash and cash equivalents | 8,085 | 8,085 |
| Trade and other payables | ( 81,366) | ( 81,366) |

### 20.2 Net gains and losses arising from financial instruments

| | **Group** | | **Company** | |
|---|---|---|---|---|
| | **2015** | **2014** | **2015** | **2014** |
| | **RM** | **RM** | **RM** | **RM** |
| Net (losses)/gains on: | | | | |
| Loans and receivables | 2,845,050 | 1,027,619 | 410,980 | 406,821 |
| Financial liabilities measured at amortised cost | ( 6,716,342) | ( 3,847,947) | - | - |
| | ( 3,871,292) | ( 2,820,328) | 410,980 | 406,821 |

### 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 and cash and bank balances placed with licensed financial institutions. The Company's exposure to credit risk arises principally from loans and advances to subsidiaries.

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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. Sales to overseas customers are mostly settled via letters of credit, advance payments and bankers' acceptances.

***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 | |
|---|---|---|
| | **2015** | **2014** |
| | **RM** | **RM** |
| Amount due from three (2014: three) trade receivables | 18,775,964 | 20,796,121 |

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***

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

| | Group | |
|---|---|---|
| | **2015** | **2014** |
| | **RM** | **RM** |
| Malaysia | 33,002,828 | 37,870,133 |
| Sultanate of Oman | 2,527,213 | 2,501,624 |
| Brunei | 49,542 | 476,483 |
| Singapore | 636,573 | 1,072,266 |
| Nigeria | 786,399 | 670,791 |
| India | 557,844 | 1,848,515 |
| Others | 582,896 | 1,539,151 |
| | 38,143,295 | 45,978,963 |

***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** |
|---|---|---|---|---|
| **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 more than 180 days | 6,006,531 | ( 87,941) | ( 918,000) | 5,000,590 |
| | 39,149,236 | ( 87,941) | ( 918,000) | 38,143,295 |

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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 |
|---|---|---|---|---|
| **2014** | | | | |
| Not past due | 30,104,864 | - | - | 30,104,864 |
| Past due 0-30 days | 3,830,372 | - | - | 3,830,372 |
| Past due 31-120 days | 4,529,904 | - | - | 4,529,904 |
| Past due 121-180 days | 1,603,876 | - | - | 1,603,876 |
| Past due more than 180 days | 6,571,562 | ( 3,870) | ( 657,745) | 5,909,947 |
| | 46,640,578 | ( 3,870) | ( 657,745) | 45,978,963 |

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

| | Group | |
|---|---|---|
| | 2015 RM | 2014 RM |
| At beginning of year | 661,615 | 465,615 |
| Impairment loss recognised | 344,326 | 196,000 |
| At end of year | 1,005,941 | 661,615 |

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.

## 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 guarantee 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 RM48,623,566 (2014: nil) 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** |
|---|---|---|---|---|---|---|---|
| **2015** | | | | | | | |
| Term loans | 16,985,879 | 4.90 - 7.15 | 18,044,290 | 1,915,261 | 5,130,120 | 8,255,542 | 2,743,367 |
| Bankers' acceptances | 25,829,190 | 1.91 - 4.64 | 25,835,390 | 25,835,390 | - | - | - |
| Revolving credit | 9,000,000 | 6.15 | 9,046,125 | 9,046,125 | - | - | - |
| Finance lease liabilities | 154,013 | 3.77 - 6.54 | 162,403 | 87,126 | 48,471 | 26,806 | - |
| Bank overdrafts | 13,625,034 | 3.95 - 7.85 | 13,709,825 | 13,709,825 | - | - | - |
| Amount due to a Director | 58,839 | - | 58,839 | 58,839 | - | - | - |
| Trade payables | 10,516,822 | - | 10,516,822 | 10,516,822 | - | - | - |
| Other payables | 1,084,215 | - | 1,084,215 | 1,084,215 | - | - | - |
| | 77,253,992 | | 78,457,909 | 62,253,603 | 5,178,591 | 8,282,348 | 2,743,367 |

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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** |
|---|---|---|---|---|---|---|
| **2014** | | | | | | |
| Term loans | 3,436,330 | 7.15 - 7.60 | 3,605,239 | 3,103,254 | 490,124 | 11,861 |
| Bankers' acceptances | 29,635,384 | 1.90 - 3.93 | 29,635,384 | 29,635,384 | - | - |
| Finance lease liabilities | 232,666 | 3.77 - 6.54 | 251,045 | 88,692 | 87,076 | 75,277 |
| Bank overdrafts | 16,342,316 | 7.60 | 16,445,818 | 16,445,818 | - | - |
| Amount due to a Director | 29,553 | - | 29,553 | 29,553 | - | - |
| Trade payables | 7,535,384 | - | 7,535,384 | 7,535,384 | - | - |
| Other payables (excluding land premium payable) | 2,032,736 | - | 2,041,209 | 2,041,209 | - | - |
| Land premium payable | 2,732,179 | 8.00 | 3,574,133 | 3,574,133 | - | - |
| | 61,976,548 | | 63,117,765 | 62,453,427 | 577,200 | 87,138 |

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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 |
|---|---|---|---|---|
| **2015** | | | | |
| Other payables | 117,729 | - | 117,729 | 117,729 |
| Financial guarantees | - | - | 117,270,000 | 117,270,000 |
| | ======= | | ======== | ======== |
| **2014** | | | | |
| Other payables | 81,366 | - | 81,366 | 81,366 |
| Financial guarantees | - | - | 65,270,000 | 65,270,000 |
| | ======= | | ======== | ======== |

#### (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"), Japanese Yen ("JPY") and Great Britain Pound ("GBP").

***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.

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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:

| | 2015 *Denominated in* | | 2014 *Denominated in* | |
|---|---|---|---|---|
| **Group** | **USD** | **SGD** | **USD** | **SGD** |
| **Balances recognised in the statement of financial position** | | | | |
| ***In RM*** | | | | |
| Trade receivables | 4,563,553 | 322,426 | 7,317,807 | 329,544 |
| Bankers' acceptances | ( 2,146,189) | - | (21,824,384) | - |
| Trade payables | ( 8,854,909) | - | ( 6,020,076) | - |
| Other payables | ( 48,070) | - | - | - |
| Cash and cash equivalents | 7,960,471 | 1,495,528 | 344,337 | 647,482 |
| **Net exposure** | 1,474,856 | 1,817,954 | (20,182,316) | 977,026 |
| | ======= | ======== | ======== | ======== |

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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% (2014: 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) | |
|---|---|---|
| | 2015 | 2014 |
| **Group** | **RM** | **RM** |
| USD | ( 111,000) | 1,514,000 |
| SGD | ( 136,000) | ( 73,000) |
| | ( 247,000) | 1,441,000 |

A 10% (2014: 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.

***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.

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## 20. Financial instruments (continued)

### 20.3 Financial risk management (continued)

#### (c) Market risk (continued)

***Interest rate risk*** (continued)

***Exposure to interest rate risk***

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

| | 2015 | 2014 |
|---|---|---|
| **Group** | **RM** | **RM** |
| **Fixed rate instruments** | | |
| Financial liabilities | ( 34,983,203) | ( 32,600,235) |
| **Floating rate instruments** | | |
| Financial liabilities | ( 30,610,913) | ( 19,778,646) |
| | ( 65,594,116) | ( 52,378,881) |
| **Company** | | |
| **Fixed rate instruments** | | |
| Financial assets | 11,830,104 | 11,738,916 |

***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 | |
|---|---|---|
| | **100bp increase** | **100bp decrease** |
| **Group** | **RM** | **RM** |
| Floating rate instruments | | |
| - 2015 | ( 230,000) | 230,000 |
| - 2014 | ( 148,000) | 148,000 |

***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 below 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

| Group | Fair value of financial instruments not carried at fair value | | | | Total fair value | Carrying amount |
|---|---|---|---|---|---|---|
| | Level 1 RM | Level 2 RM | Level 3 RM | Total RM | RM | RM |
| **2015** | | | | | | |
| ***Financial liabilities*** | | | | | | |
| Term loans | - | - | 14,870,549 | 14,870,549 | 14,870,549 | 16,985,879 |
| Finance lease liabilities | - | - | 149,230 | 149,230 | 149,230 | 154,013 |
| | - | - | 15,019,779 | 15,019,779 | 15,019,779 | 17,139,892 |
| **2014** | | | | | | |
| ***Financial liabilities*** | | | | | | |
| Term loans | - | - | 3,402,591 | 3,402,591 | 3,402,591 | 3,436,330 |
| Finance lease liabilities | - | - | 225,116 | 225,116 | 225,116 | 232,666 |
| | - | - | 3,627,707 | 3,627,707 | 3,627,707 | 3,668,996 |

## 20. Financial instruments (continued)

### 20.4 Fair value information (continued)

***Policy on transfer between levels***

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

***Level 1 fair value***

Level 1 fair value is derived from quoted price (unadjusted) in active markets for identical financial assets or liabilities that the entity can access at the measurement date.

***Level 2 fair value***

Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the financial assets or liabilities, either directly or indirectly.

***Non-derivative financial liabilities***

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period.

***Transfers between Level 1 and Level 2 fair values***

There has been no transfer between Level 1 and 2 fair values during the financial year (2014: no transfer in either directions).

***Level 3 fair value***

Level 3 fair value is estimated using unobservable inputs for the financial assets and liabilities.

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.

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## 20. Financial instruments (continued)

### 20.4 Fair value information (continued)

| 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. 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 | |
|---|---|---|
| | 2015 RM | 2014 RM |
| Corporate guarantees for banking facilities granted to a subsidiary | 117,270,000 | 65,270,000 |

## 22. 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.

The Group's strategy, which was unchanged from 2014 was to maintain the debt-to-equity ratio close to 0.5:1. The debt-to-equity ratio at 31 December 2015 and at 31 December 2014 were as follows:

***Debt-to-equity ratio***

| | Group | |
|---|---|---|
| | 2015 RM | 2014 RM |
| Total loans and borrowings (Note 11) | 65,594,116 | 49,646,696 |
| Less: Cash and cash equivalents (Note 9) | ( 11,946,841) | ( 3,680,330) |
| **Net debts** | 53,647,275 | 45,966,366 |

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**22. Capital management** (continued)

***Debt-to-equity ratio*** (continued)

| | Group | |
|---|---|---|
| | **2015** | **2014** |
| | **RM** | **RM** |
| **Total equity** | 143,739,563 | 140,828,482 |
| **Debt-to-equity ratio** | 0.37 | 0.33 |

There was no change in the Group's approach to capital management during the financial year. In prior year, the Group was also required to maintain a maximum debt-to-equity ratio of 2.0:1 and shareholders' funds ratio of 6.0:1 to comply with certain bank covenants, failing which the bank may call an event of default. The Group had not breached these covenants.

During the year, the Group is required to comply with new bank covenant of maintaining net assets of not less than RM130 million, failing which the bank may call an event of default. The Group has not breached the covenant.

| | **2015** |
|---|---|
| | **RM** |
| ***Tangible net worth*** | |
| Total equity | 143,739,563 |

**23. Capital expenditure commitments**

| | Group | |
|---|---|---|
| | **2015** | **2014** |
| | **RM** | **RM** |
| ***Plant and equipment*** | | |
| Approved and contracted for | 1,571,512 | 1,448,000 |
| Approved but not contracted for | 1,991,988 | - |
| Total | 3,563,500 | 1,448,000 |

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## 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.

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.

| | Group | |
|---|---|---|
| | **2015** | **2014** |
| | **RM** | **RM** |
| ***Key management personnel*** | | |
| Directors | | |
| - fees | 350,000 | 333,000 |
| - other short term employee benefits | 999,654 | 993,354 |
| | 1,349,654 | 1,326,354 |
| ***Other key management personnel*** | | |
| - fees | 383,800 | 338,800 |
| - short-term employee benefits | 1,091,638 | 1,057,879 |
| | 1,475,438 | 1,396,679 |
| Total | 2,825,092 | 2,723,033 |

| | Company | |
|---|---|---|
| | **2015** | **2014** |
| | **RM** | **RM** |
| ***Subsidiary*** | | |
| Interest income on loans | 410,980 | 406,821 |

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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 | |
|---|---|---|---|---|
| | **2015** | **2014** | **2015** | **2014** |
| | **RM** | **RM** | **RM** | **RM** |
| Total retained earnings/ (accumulated losses) of the Company and its subsidiaries | | | | |
| - realised | 57,471,683 | 55,705,549 | ( 1,747,011) | ( 1,862,021) |
| - unrealised | ( 6,888,860) | ( 8,079,333) | - | - |
| | 50,582,823 | 47,626,216 | ( 1,747,011) | ( 1,862,021) |
| Less: Consolidation adjustments | ( 2,509,904) | ( 2,464,378) | - | - |
| Total retained earnings/ (accumulated losses) | 48,072,919 | 45,161,838 | ( 1,747,011) | ( 1,862,021) |

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 169(15) of the Companies Act, 1965

In the opinion of the Directors,

a) the financial statements set out on pages 6 to 72 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 2015 and of their financial performance and cash flows for the financial year then ended, and

b) the information set out in Note 25 on page 73 to the financial statements has been compiled in accordance with the 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**

.....
**Dato' Tay Tze How**

Kuching,

Date:

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

## Statutory declaration pursuant to Section 169(16) of the Companies Act, 1965

I, **Jong An Nee**, 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 73 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the above named

in Kuching in the State of Sarawak

on 7 April 2016 ……..

**Jong An Nee**

Before me:

**Evelyn Lau Sie Jiong**
Commissioner For Oaths
No. Q137

# Independent Auditors' Report To The Members Of ABM Fujiya Berhad

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

## Report on the Financial Statements

We have audited the financial statements of ABM Fujiya Berhad, which comprise the statements of financial position as at 31 December 2015 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 6 to 72.

*Directors' Responsibility for the Financial Statements*

The Directors of the Company are responsible for the preparation of financial statements so as to 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 they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

*Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of the financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

*Opinion*

In our opinion, the financial statements give a true and fair view of the financial position of the Group and the Company as of 31 December 2015 and of their financial performance and 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.

**Report on Other Legal and Regulatory Requirements**

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

(a) In our opinion the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries have been properly kept in accordance with the provisions of the Act.

(b) We are satisfied that the accounts of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

(c) Our audit reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174 (3) of the Act.

**Other Reporting Responsibilities**

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The information set out in Note 25 on page 73 to the financial statements has been compiled by the Company as required by the Bursa Malaysia Securities Berhad Listing Requirements and is not required by the Malaysian Financial Reporting Standards. We have extended our audit procedures to report on the process of compilation of such information. In our opinion, the information has been properly compiled, in all material respects, in accordance with the 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.

**Other Matters**

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

**KPMG**
Firm Number: AF 0758
Chartered Accountants

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

Kuching,

Date: 7 April 2016