KPS Consortium Berhad (143816-V)

2016
ANNUAL REPORT

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KPS CONSORTIUM BERHAD
(Company No. 143816-V)
Incorporated in Malaysia

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Thirty-First Annual General Meeting of the Company will be held at Klang Executive Club, Persiaran Bukit Raja 2, Bandar Baru Klang, 41150 Klang, Selangor Darul Ehsan on Saturday, 10 June 2017 at 11.00 am for the following purposes:-

AGENDA

AS ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial year ended 31 December 2016 together with the Reports of the Directors and Auditors thereon. (Please refer to Note 1).

2. To re-elect the following Directors retiring in accordance with Article 80 of the Company's Articles of Association:-

   i. Datuk Chua Hock Gee **Ordinary Resolution 1**
   ii. Mr. Faun Chee Yarn **Ordinary Resolution 2**

3. To approve the payment of Directors' fees for the financial year ended 31 December 2016 amounting to RM30,000.

   Ordinary Resolution 3

4. To re-appoint Messrs. SJ Grant Thornton as Auditors of the Company and to hold office until the conclusion of the next Annual General Meeting and to authorize the Directors to fix the Auditors' remuneration.

   Ordinary Resolution 4

AS SPECIAL BUSINESS

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

5. **AUTHORITY TO ALLOT SHARES PURSUANT TO SECTIONS 75 AND 76 OF THE COMPANIES ACT, 2016**

   "THAT pursuant to Sections 75 and 76 of the Companies Act, 2016, and subject to the approval from other relevant governmental/regulatory authorities, the Directors be and are hereby empowered to allot shares in the Company from time to time and upon such terms and conditions and for such purposes as the Directors may deem fit provided that the aggregate number of shares allotted pursuant to this resolution does not exceed 10% of the total number of issued shares of the Company at the time of submission to the authority and that such authority shall continue in force until the conclusion of the next annual general meeting of the Company AND THAT the Directors be and are hereby also empowered to obtain the approval from Bursa Malaysia Securities Berhad for the listing of and quotation of the additional shares so allotted."

   Ordinary Resolution 5

6. **RETENTION OF MR. FAUN CHEE YARN AS INDEPENDENT DIRECTOR**

   "THAT subject to the passing of Ordinary Resolution 2, Mr. Faun Chee Yarn is hereby retained as Independent Non-Executive Director pursuant to the Malaysian Code on Corporate Governance 2012."

   Ordinary Resolution 6

7. To transact any other business which may properly be transacted at an Annual General Meeting for which due notice shall have been given.

By order of the Board

LIM SECK WAH (MAICSA 0799845)
M. CHANDRASEGARAN A/L S.MURUGASU (MAICSA 0781031)
Company Secretaries

Selangor Darul Ehsan

Dated this 28th day of April 2017

NOTES:-

1. The Audited Financial Statements are for discussion only as the Company's Articles of Association provides that the audited financial statements are to be laid in the general meeting but does not require a formal approval of shareholders.

2. For the purpose of determining a member who shall be entitled to attend, speak and vote at the Annual General Meeting, the Company shall be requesting the Record of Depositors as at 6 June 2017. Only a depositor whose name appears on the Record of Depositors as at 6 June 2017 shall be entitled to attend the said meeting or appoint proxies to attend, speak and vote on his/her stead.

3. A member shall be entitled to appoint more than one (1) proxy to attend and vote in his place. All voting will be conducted by way of poll.

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

5. i) Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.

   ii) Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

6. If the appointer is a corporation, the proxy form must be executed under its Common Seal or under the hand of its attorney.

7. The instrument appointing a proxy and the power of attorney, if any, under which it is signed or a certified copy thereof must be deposited at the Company's registered office at Level 15-2, Bangunan Faber Imperial Court, Jalan Sultan Ismail, 50250 Kuala Lumpur not less than forty-eight (48) hours before the time set for holding the Meeting or any adjournment thereof.

8. Explanatory notes on the Special Business

   8.1 The proposed Ordinary Resolution 5 is primarily to give flexibility to the Board of Directors to allot shares not more than 10% of the total number of issued shares at any time in their absolute discretion and for such purposes as they consider would be in the interest of the Company without convening a general meeting. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next annual general meeting of the Company.

The Company continues to consider opportunities to broaden its earnings potential. If any of the expansion/diversification proposals involves the allotment of new shares, the Directors, under certain circumstance when the opportunity arises, would have to convene a general meeting to approve the allotment of new shares even though the number involved may be less than 10% of the total number of issued shares.

In order to avoid any delay and costs involved in convening a general meeting to approve such allotment of shares, it is thus considered appropriate that the Directors be empowered to allot shares in the Company, up to any amount not exceeding in total 10% of the total number of issued shares of the Company at the time of submission to the authority, for such purposes. The renewed authority for allotment of shares will provide flexibility to the Company for the allotment of shares for the purpose of funding future investment, working capital and/or acquisitions.

No shares have been issued and allotted by the Company since obtaining the said authority from its shareholders at the last Annual General Meeting on 11 June 2016.

8.2 The proposed Ordinary Resolution 6, if passed, will allow the Director, Mr. Faun Chee Yarn who has served the Company for a consecutive term of nearly 9 years, to continue to act as Independent Non-Executive Director of the Company. The Board supports the re-appointment of Mr. Faun Chee Yarn as Independent Director for:-

i. He understands the business nature and office culture
ii. He provides the Board valuable advice and insight
iii. He actively participates in Board deliberations and decision making in an objective manner
iv. He upholds independent decision and challenges the management objectively.

CORPORATE INFORMATION

DIRECTORS	Datuk Chua Hock Gee (Executive Chairman) Lau Fook Meng (Executive Director) Faun Chee Yarn (Independent and Non-Executive Director) Tan Kong Ang (Independent and Non-Executive Director) Lim Choon Liat (Independent and Non-Executive Director)
AUDIT COMMITTEE	
Chairman	Faun Chee Yarn (Independent and Non-Executive Director)
Members	Tan Kong Ang (Independent and Non-Executive Director) Lim Choon Liat (Independent and Non-Executive Director)
NOMINATION COMMITTEE	
Chairman	Faun Chee Yarn (Independent and Non-Executive Director)
Members	Tan Kong Ang (Independent and Non-Executive Director) Lim Choon Liat (Independent and Non-Executive Director)
REMUNERATION COMMITTEE	
Chairman	Faun Chee Yarn (Independent and Non-Executive Director)
Members	Tan Kong Ang (Independent and Non-Executive Director) Lim Choon Liat (Independent and Non-Executive Director)
SECRETARIES	Lim Seck Wah (MAICSA 0799845) M. Chandrasegaran A/L S. Murugasu (MAICSA 0781031)

CORPORATE INFORMATION (CONT'D)

AUDITORS	SJ Grant Thornton (AF:0737) (Member Firm of Grant Thornton International Ltd.) Chartered Accountants Level 11, Sheraton Imperial Court Jalan Sultan Ismail 50250 Kuala Lumpur Tel: (603) 2692 4022 Fax: (603) 2732 5119 Website: www.grantthornton.com.my
REGISTERED OFFICE	Level 15-2, Bangunan Faber Imperial Court Jalan Sultan Ismail 50250 Kuala Lumpur Tel: (603) 2692 4271 Fax: (603) 2732 5388
PRINCIPAL PLACE OF BUSINESS	Lot 622, Jalan Lapis Dua, Kampung Sementa Batu 6, Jalan Kapar 42200 Klang Selangor Darul Ehsan Tel: (603) 3291 5566 Fax: (603) 3291 4489
BANKER	AmBank (Malaysia) Berhad
SOLICITOR	Lee Ong & Partners
REGISTRAR	Mega Corporate Service Sdn. Bhd. Level 15-2, Bangunan Faber Imperial Court Jalan Sultan Ismail 50250 Kuala Lumpur Tel: (603) 2692 4271 Fax: (603) 2732 5388 Website: www.megacorp.com.my
STOCK EXCHANGE LISTING	Bursa Malaysia Securities Berhad, Main Market Stock code: 9121
WEBSITE	http://www.kpscb.com.my
E-MAIL ADDRESS	enquiry@kpscb.com.my

PROFILE OF THE BOARD OF DIRECTORS

The Board of Directors of KPS Consortium Berhad ("KPSCB" or "the Company") comprising the Executive Chairman, one (1) Executive Director and three (3) Independent and Non-Executive Directors.

The Board meets quarterly and additional Board Meetings are held as and when required. The Board met four (4) times during the financial year ended 31 December 2016.

Particulars of the Directors are as follows:

DATUK CHUA HOCK GEE, male, Malaysian, age 56, was appointed as an Executive Director of KPSCB on 24 May 2014. He was re-designated to Executive Chairman with effective from 19 January 2015. He obtained Diploma in Electrical Engineering from a Polytechnic.

From 1982 to 1984, he worked as Production cum Engineering Superintendent in United Malaysia Timber Products Sdn Bhd in Kemaman, Terengganu. He was in charge of planning of raw material, manpower requirements and monitoring all the maintenance and up-keep factory machineries.

Between 1985 and 1991, he joined Lion Group Bhd as Senior Project Executive and as Project Coordinator at Mechanical (M&E) Department. He was involved in vast projects including aquaculture project in Puchong, Selangor Darul Ehsan; Kuala Sedili, Johor; Kota Belut and Tawau, Sabah. He was also responsible in planning and executing overall M&E renovation in Parkson Sg Wang and Keramunsing, Sabah. He later engaged in setting up preventive maintenance system in ASM Steel Mill Sdn Bhd, Bukit Raja, Klang, Selangor Darul Ehsan.

From 1992 to 2004, he was appointed as an Executive Director of Syarikat CHG Plywood Sdn Bhd, Syarikat Cheng Hin Timber Industry, Syarikat Galas Setia and OSK Timber Concession Sdn Bhd. He was responsible in overall planning of the above companies operations which involved raw material, manufacturing and marketing. He was also assigned the development of new products and explore into a new market sector. He was also in charge in planning, searching and developing of alternative source of materials and mechanisation of process manufacturing.

From 2007 till to-date, he is an active member and directly involves in the Palm Plywood Project Phase 1 and 2 funded by Levy Fund of Ministry of Plantation Industries and Commodity. This project involved Malaysian Timber Industry Board (MTIB), Forest Research Institute Malaysia (FRIM), Malaysia Palm Oil Board (MPOB) and Universiti Putra Malaysia (UPM).

From 2011 until present, he is a consultant for JES Development Ptd Ltd, Singapore involving in international timber products trading.

LAU FOOK MENG, male, Malaysian, age 65, was appointed as an Executive Director of KPSCB on 19 September 2002. He is a chartered accountant who has obtained his Fellowship from the Institute of Chartered Accountant of England & Wales. Upon graduation, he joined Asiatic Development Bhd in 1981 as an Accountant until 1983. In 1984, he joined Unico Holdings Bhd as the Group Accountant and left in 1992. From 1993 to 2002, he was the General Manager of Nichmurni Sdn Bhd.

FAUN CHEE YARN, male, Malaysian, age 57, was appointed as an Independent and Non-Executive Director of KPSCB on 1 November 2008. He is a Fellow Member of the Malaysian Institute of Accountants and certified member of the Financial Planning Association of Malaysia.

He has many years of working experiences as an Auditor, Accountant, Finance Manager and General Manager in various industries including software, insurance agency, recycling and vehicle fleet management. He was the Finance Manager of a renowned recycling company in Malaysia before re-designated as Financial Controller since 2009.

He is a Chairman of the Audit Committee, Nomination Committee and Remuneration Committee.

PROFILE OF THE BOARD OF DIRECTORS (CONT'D)

TAN KONG ANG, male, Malaysian, age 57 was appointed as an Independent and Non-Executive Director of KPSCB on 26 May 2009. He has been a Member of Chartered Institute of Marketing UK for more than 20 years.

He has more than 26 years of working experiences in sales, marketing, purchasing, operation, administration and management. He possesses extensive working experiences in the textile industry, electrical and electronic, agencies house, wholesaler, retailer, distributor, oil and gas, hardware, building material, chemical, steel industry, financial products, life and general insurance organizations.

He is a member of the Audit Committee, Nomination Committee and Remuneration Committee.

LIM CHOON LIAT, male, Malaysian, age 56 was appointed as an Independent and Non-Executive Director of KPSCB on 26 May 2009. He has a Bachelor of Science (Forestry) degree from Faculty of Forestry, Universiti Pertanian Malaysia (now known as UPM), Serdang, Selangor Darul Ehsan.

Between 1986 and 1991, he worked as a Technical Training Officer at Malaysian Timber Industry Board (MTIB), Ministry of Primary Industries. Subsequently, he was appointed as the Executive Director in Furnicom Machinery Sdn Bhd, Camycom Sdn Bhd and Camycom Engineering Sdn Bhd from 1991 to 1995.

From 1995 to present, he is the Managing Director of Bonaprimo Resources Sdn Bhd, a woodworking machinery business and consultancy services in the furniture industries. He is also an Associate Senior Consultant of Sage Forestry & Timber Consultants Sdn Bhd. He is involved in providing consultancy services for Pengurusan Danaharta, in assessing the assets of failed furniture companies with non- performing loans and in the study for MIDA on the Impact of AFTA and AIA on the wood/cane/ bamboo-based industry in Malaysia.

He is a member of the Audit Committee, Nomination Committee and Remuneration Committee.

Note:

All the above-named Directors of the Company have no family relationship with any director or major shareholder of the Company; and have not been convicted of any offences within the past five (5) years (other than traffic offences, if any) and do not have any conflict of interest in the Company.

PROFILE OF KEY SENIOR MANAGEMENT

LOW TECK CHEONG
Malaysian, male, age 54
Qualification: Diploma in Business Administration
Mr Low has been working with KPSCB group for more than 25 years. He was appointed asdirectors of the subsidiaries of KPSCB namely, Hai Ming Industries Sdn Bhd, Hai Ming Marketing Sdn Bhd and Hai Ming Paper Mills Sdn Bhd on 13 January 2016 where he is in charge of paper converting division and other trading divisions.
He does not have any family relationship with any director or major shareholder of KPSCB group.
He has not been convicted of any offences within the past 5 years (other than traffic offences, if any) and does not has any conflict of interest in the Company.

KOH KOK HOOR
Malaysian, male, age 32
Qualification: Secondary school education
Mr. Koh has been working with KPSCB group for more than 15 years and was appointed as directors of subsidiaries of KPSCB on 28 April 2004. He is in charge of purchasing and marketing in the building materials division.
Mr Koh is the son of the major shareholder of KPSCB group.
He has not been convicted of any offences within the past 5 years (other than traffic offences, if any) and does not has any conflict of interest in the Company.

YEO SI JOO
Malaysian, male, age 60
Qualification: LCCI Diploma
Mr. Yeo joined the subsidiary of KPSCB, I'Kranji Industries Sdn Bhd since 2008. He is currently the General Manager of the Company and is involved in the manufacturing and trading of printed laminated plywood.
He does not have any family relationship with any director or major shareholder of KPSCB group.
He has not been convicted of any offences within the past 5 years (other than traffic offences, if any) and does not has any conflict of interest in the Company.

CHUAH KEAN HENG
Malaysian, male, age 53
Qualification: Diploma in Mechanical and Automotive Engineering
Mr. Chuah is the General Manager of the subsidiary of KPSCB, Paragon Paper Mill Sdn Bhd since 2011. Prior to joining KPSCB group, he had worked for Hitachi Electronic Devices (Singapore) Pte Ltd, Dindings Poultry Sdn Bhd, Rusch (M) Sdn Bhd. Taiping Paper Mills (M) Sdn Bhd and Yeong Chaur Shing Paper Mill Sdn Bhd.
He does not have any family relationship with any director or major shareholder of KPSCB group.
He has not been convicted of any offences within the past 5 years (other than traffic offences, if any) and does not has any conflict of interest in the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

On behalf of the Board of Directors, we are pleased to present the Annual Report and Audited Accounts of the Group and of the Company for the financial year ended 31 December 2016.

Financial Performance Review

Operating Results

For the financial year ended 31 December 2016, Group's turnover was RM557.5 million (2015:RM525.6 million). We recorded a pre-tax profit of RM12.8 million as compared to RM34.6 million in the previous year.

At Company level, turnover was RM192,000 and profit before tax of RM32,462 due to management fees from subsidiaries.

Business Review by Operating Segments

The Group's performances are explained under the various activity reports below:-

Paper Milling

The Group's operations registered external revenue of RM25.8 million (2015:RM22.0 million) and profit after tax of RM1.4 million (2015:RM2.4 million).

Profit in the year 2016 was lower than previous year was due to lower profit margins and higher raw material costs.

The factory at Chemor, Perak is in the process of upgrading its production capacity by adding another line for tissue making machine, pulp and deinking machine. Estimated capital expenditures amounted to RM13.2 million and expected to be ready in 2017.

Paper Converting and Trading of Woodfree Paper

This division recorded turnover of RM96.8 million as compared to RM126.7 million previously. This division recorded a profit after tax of RM1.2 million as compared to a profit of RM15.4 million in the previous year 2015.

Profit in the previous year includes profit of RM13.6 million on the sale of factory building and land.

Plywood and Building Materials Trading and Timber Manufacturing

The Plywood and Building Materials Division registered higher turnover of RM427.6 million (2015:RM367 million) and operating profit after tax of RM10.1 million compared with operating profit of RM19.6 million.

Profit margins achieved were lower in 2016 compared to 2015. The 2015 results include mutual termination of Sale and Purchase Agreements with vendor, Shanghai City Sdn Bhd, a reversal of bad debt provision of RM2.8 million under non-trade receivables and RM3.1 million for compensation.

This sector is susceptible to economic cycle to housing activities. Management continues to be on cautious positive view for the coming year but market expected to slow down due to tightening of finance for purchase of properties by financial institutions.

Others – trading of paper products and general household products

Turnover for this division was RM7.3 million in the year 2016 compared with RM9.5 million in 2015. This division made a loss after taxation of RM0.91 million compared with RM0.33 million in the year 2015.

This sector is affected by loss of our major supplier of paper due to temporary stoppage. Efforts are made to source supplies from outside countries.

Property Development

During the last financial year, the Group entered into a Development Agreement with Nautical Wealth Sdn Bhd as project manager for the construction and sale of semi-detached factories in Rawang, Selangor Darul Ehsan. The said development is expected to be completed in the year 2017.

Sales of the semi-detached factories are expected to be slow and difficult in the coming year due to tightening of financing by Financial Institutions and uncertain economic growth in Malaysia.

Dividend

The Board does not recommend for dividend payment.

Outlook and Prospects

The future outlook for the Malaysian economy is expected to be weaker than previous year. The Board shall strive on every avenue to improve revenue and profitability.

Acknowledgement

The last few years have proven the resilience of the Company and I would like to thank the shareholders for their unwavering support so far.

We accord gratitude to our customers and business associates for their unwavered support throughout the difficult times of the last few years.

Finally and above all, the Board wishes to offer out heartfelt thanks to all our staff for their dedication and loyalty over the past year and their steadfastness and resilience in facing the new challenges.

Datuk Chua Hock Gee
Executive Chairman

CORPORATE GOVERNANCE STATEMENT

The Board acknowledges that good governance provides a solid foundation for a company to achieve sustainable growth as well as engenders trust and infuses confidence among its shareholders and stakeholders. Strong business ethics, sound policies and procedures and good internal control systems with proper checks and balances are the ingredients of good corporate governance.

As such, the Board of Directors of KPS Consortium Berhad ("the Company") ("the Board") remains committed towards governing, guiding and monitoring the direction of the Company with the objective of enhancing long term sustainable value creation aligned to the interests of shareholders and stakeholders. The Board strives and advocates good corporate governance and views this as a fundamental part of discharging its roles and responsibilities. Observance of good corporate governance is also critical to safeguard against unethical conduct, mismanagement and fraudulent activities. The Board continues to implement the eight (8) principles set out in the Malaysian Code on Corporate Governance 2012 ("the MCCG 2012") to its particular circumstances, having regard to the recommendations stated under each principle.

This statement sets out the extent of how the Company and its group of companies ("the Group") have applied and complied with the principles and recommendations of the Code and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Malaysia") ("MMLR").

Principle 1 – Establish Clear Roles and Responsibilities

The Board recognizes the key role it plays in charting the strategic direction of the Company and has assumed the following principal responsibilities in discharging its fiduciary and leadership functions:

- Reviewing and adopting a strategic plan for the Company, addressing the sustainability of the Group's business;
- Overseeing the conduct of the Group's business and evaluating if its businesses are being properly managed;
- Identify principal business risks faced by the Group and ensuring the implementation of appropriate internal controls and mitigating measures to address such risks;
- Ensuring that all candidates appointed to senior management positions are of sufficient caliber, including the orderly succession of senior management personnel;
- Overseeing the development and implementation of shareholder communications policy; and
- Reviewing the adequacy and integrity of the Group's internal control and management information systems.

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

Board Charter

The Board has established the Board Charter to provide clarity and guidance on the duties and responsibilities of the Board, Board Committees and the Management. The Board Charter will be reviewed periodically to ensure their relevance and compliance.

The Board Charter addresses, among others, the following matters:-

- Objectives
- The Board
- Executive Chairman and Managing Director
- Board Committees
- General Meetings
- Investor Relations and Shareholder Communication
- Relationship with other Stakeholders
- Company Secretary

The Board Charter, which serves as a reference for the Board's activities enable Directors to carry out their stewardship role and discharge their fiduciary duties towards the Company, also seeks to include a formal schedule of matters reserved to the Board for deliberation and decision so that the control and direction of the Company are in its hands. The Board Charter is made publicly available on the Company's website at www.kpscb.com.my.

Code of Conduct and Whistle-Blower Policy

The Board recognizes the importance of formalizing a Code of Conduct, setting out the standards of conduct expected from Directors and employees, to engender good corporate behavior. It will allow the whistle-blower the opportunity to raise concern outside the Management line. The Directors have always conducted themselves in an ethical manner while executing their duties and function.

Sustainability of Business

The Board is mindful of the importance of business sustainability and, in conducting the Group's business, the impact on the environmental, social and governance aspects is taken into consideration. It is an ongoing process that the Board reviews the Group's business plan for diversification, to keep the business relevant and sustainable. In respect of paper converting segment, the Company continuously explore into technology in conserving environment by converting, recycling the waste papers into tissue papers, toiletries and other paper products for good usage.

Supply of, and Access to, Information

The Board is supplied with relevant information and reports on financial, operational, corporate, regulatory, business development and audit matters, by way of Board reports or upon specific requests, for decisions to be made on an informed basis and effective discharge of Board's responsibilities.

Good practices have been observed for timely dissemination of meeting agenda, including the relevant Board and Board Committee papers to all Directors prior to the Board and Board Committee meetings, to give effect to Board decisions and to deal with matters arising from such meetings. The Executive Directors and/or other relevant Board members furnish comprehensive explanation on pertinent issues and recommendations by the Management. The issues are then deliberated and discussed thoroughly by the Board prior to decision making.

In addition, the Board members are updated on the Company's activities and its operations on a regular basis. All Directors have accessed to all information of the Company on a timely basis in an appropriate manner and quality necessary to enable them to discharge their duties and responsibilities.

Directors have unrestricted access to the advice and services of the Company Secretary to enable them to discharge their duties respectively. The Board is regularly updated and advised by the Company Secretary who is qualified, experienced and competent on statutory and regulatory requirements, and the resultant implications of any changes therein to the Company and Directors in relation to their duties and responsibilities. The removal of Company Secretary, if any, is a matter for the Board, as a whole, to decide.

Principle 2 – Strengthen Composition of the Board

During the financial year under review, the Board consisted of five (5) members, comprising one (1) Executive Chairman, one (1) Executive Director and three (3) Independent and Non-Executive Directors. This composition fulfills the requirements as set out under MMLR, which stipulates that at least two (2) Directors or one-third of the Board, whichever is higher, must be Independent. The profile of each Director is set out in this Annual Report. The Directors, with their differing backgrounds and specializations, collectively bring with them a wide range of experience and expertise in areas such as finance; accounting and audit; marketing and operations.

Nomination Committee – Selection and Assessment of Directors

A Nomination Committee has been established, with specific terms of reference, by the Board, comprising exclusively Independent Non-Executive Directors as follows:-

1. Faun Chee Yarn - Chairman (Independent and Non-Executive Director)
2. Tan Kong Ang - Member (Independent and Non-Executive Director)
3. Lim Choon Liat - Member (Independent and Non-Executive Director)

The Nomination Committee is primarily responsible for recommending suitable appointments to the Board, taking into consideration the Board structure, size, composition and the required mix of expertise and experience which the Director should bring to the Board. It assesses the effectiveness of the Board as a whole, the Board Committees and the contribution of each Director, including Non-Executive Directors.

The final decision on the appointment of a candidate recommended by the Nomination Committee rests with the whole Board. The Board is entitled to the services of the Company Secretary who would ensure that all appointments are properly made upon obtaining all necessary information from the Directors.

In accordance with the Articles of Association of the Company, at least one-third of the Directors shall retire by rotation at each Annual General Meeting ("AGM") and offer themselves for re-election at AGM. Directors who are appointed by the Board to fill casual vacancies or as additional directors during the financial year are subject to re-election by shareholders at the next AGM following their appointment. All Directors shall retire from office at least once in every three years, but shall be eligible for re-election.

During the financial year ended 31 December 2016, the Nomination Committee has assessed the balance composition of Board members based on merits, Directors' contribution and Board effectiveness. There is no policy on gender diversity.

The Nomination Committee concluded that each Board member is competent and committed in discharging his duties and responsibilities. All assessments and evaluations carried out by the Nomination Committee were properly documented.

The Board through the Nomination Committee's annual appraisal believes that the current composition of the Board brings the required mix of skills and core competencies required for the Board to discharge its duties effectively.

There is no appointment of new Board member during the year.

Directors' Remuneration

A Remuneration Committee has been established by the Board, comprising a majority of Non-Executive Directors as follows:-

1. Faun Chee Yarn - Chairman (Independent and Non-Executive Director)
2. Tan Kong Ang - Member (Independent and Non-Executive Director)
3. Lim Choon Liat - Member (Independent and Non-Executive Director)

The Remuneration Committee has been entrusted by the Board to determine that the levels of remuneration are sufficient to attract and retain Directors of quality required to manage the business of the Group. The Remuneration Committee is entrusted under its term of reference to assist the Board, amongst others, to recommend to the Board the remuneration of the Executive Directors. In the case of Non-Executive Directors, the level of remuneration shall reflect the experience and level of responsibilities undertaken by abstaining the Non-Executive Directors concerned from discussion on their individual remuneration. During the financial year under review, the Committee met once attended by all members.

Details of Directors' remuneration for the financial year ended 31 December 2016 are as follows:

	Executive Directors (RM)	Non-Executive Directors (RM)
Directors' fees	281,000.00	30,000.00
Salaries & other emoluments	334,687.00	-
Total	**615,687.00**	**30,000.00**

The number of Directors whose remuneration falls into the following bands is as follows:

Range of Remuneration (RM)	Executive	Non-Executive
50,000 and below	2	3
50,001 – 100,000	3	-
100,001 – 150,000	2	-
150,000 and above	1	-

Principle 3 – Reinforce Independence of the Board

The Company's Chairman is an Executive Director but majority of the Board are Independent Directors.

The Independent and Non-Executive Directors bring to bear objective and independent views, advice and judgment on interests, not only of the Group, but also of shareholders and stakeholders. Independent and Non-Executive Directors are essential for protecting the interests of shareholders and can make significant contributions to the Company's decision making by bringing in the quality of detached impartiality. In the opinion of the Board, the appointment of a Senior Independent and Non-Executive Director to whom any concerns should be conveyed is not necessary. The Board operates in an open environment in which opinions and information are freely exchanged and in these circumstances any concerns need not be focused on a single director as all members of the Board fulfill this role individually and collectively.

The Board recognises the importance of establishing criteria on independence to be used in the annual assessment of its Independent and Non-Executive Directors. Although the definition on independence according to MMLR is used, the Board will take pertinent measures to formalize such independence criteria to, inter-alia, include the nine (9)-year tenure for Independent and Non-Executive Directors. Procedures on the extension for Independent and Non-Executive Directors to serve beyond the nine (9)-year limit will also formalized in line with the Recommendation of MCCG 2012 limit. The independent Director, Mr. Faun Chee Yarn who has served the Board for nearly nine (9) years. The Board is of the view that Mr. Faun Chee Yarn has been contributing to the success of the Group and would recommend him to continue office as Independent Non-Executive Director at the forthcoming AGM.

Principle 4 – Foster Commitment of Directors

The Board ordinarily meets at least four (4) times a year, scheduled well in advance before the end of the preceding financial year to facilitate the Directors in planning their meeting schedule for the year. Additional meetings are convened when urgent and important decisions need to be made between scheduled meetings. Board and Board Committee papers which are prepared by the Management, provide the relevant facts and analysis for the convenience of Directors. The meeting agenda, the relevant reports and Board papers are furnished to Directors and Board Committee members well before the meeting to allow the Directors have sufficient time to peruse for effective discussion and decision making during meetings. At the quarterly Board meetings, the Board reviews the business performance of the Group and discusses major operational and financial issues. The Chairman of the Audit Committee informs the Directors at each Board meetings of any salient matters noted by the Audit Committee and which require the Boards' attention or direction. All pertinent issues discussed at Board meetings in arriving at the decisions and conclusions are properly recorded by way of minutes of meetings.

Board Meetings

There were four (4) Board meetings held during the financial year ended 31 December 2016, with details of Directors' attendance set out below:-

	Name of Directors	Attendance
(a)	Datuk Chua Hock Gee	3/4
(b)	Lau Fook Meng	4/4
(c)	Faun Chee Yarn	4/4
(d)	Tan Kong Ang	4/4
(e)	Lim Choon Liat	4/4

It is the practice of the Company for the Directors to devote sufficient time and efforts to carry out their responsibilities. All Board members are required to notify the Chairman before accepting any new directorships notwithstanding that MMLR allows a Director to sit on the boards of five (5) listed issuers. Such notification is expected to include an indication of time that will be spent on the new appointment.

Directors' Training – Continuing Education Programmes

The Board is mindful of the importance for its members to undergo continuous training to be apprised on changes to regulatory requirements and the impact such regulatory requirements have on the Group.

During the financial year, all Board Members have attended various training programmes as follows:-

Datuk Chua Hock Gee

Corporate Governance

- Corporate Governance & Risk Management - by IA Essential Sdn Bhd

Lau Fook Meng

Corporate Governance, Finance, Business Management and Tax

- Focus Group Series: Corporate Governance Disclosures "What Makes Good, Bad and Ugly Corporate
- Governance Reporting" - by Malaysian Directors Academy (MINDA)
- Tax & Business Conference - Highlighting Challenges & Opportunities - by SJ Grant Thornton
- Corporate Governance & Risk Management - by IA Essential Sdn Bhd

Faun Chee Yarn

Corporate Governance, Finance, Business Management and Tax

- GST Accounting Treatment & GST-03 in Simple Application - by MIA
- Focus Group Series: Corporate Governance Disclosures "What Makes Good, Bad and Ugly Corporate Governance Reporting" - by Malaysian Directors Academy (MINDA)
- Understanding ISO9001:2015 With Built in Risk Assessment Tool Training - by TT Training & Consulting
- Corporate Directors Onboarding Programme (CDOP) 2016: Updates on Companies Bill 2015 and Its Implications to Directors - by Malaysian Directors Academy (MINDA)
- 2017 Budget Seminar: Comprehensive Updates for Corporate Accountants - by MIA
- Corporate Governance & Risk Management - by IA Essential Sdn Bhd

Tan Kong Ang

Corporate Governance, Finance, Business Management and Tax

- GST Updates, Tax Planning and Contentious Implementing Issues - by MIA
- Nomination Committee Programme Part 2: Effective Board Evaluations - by The Iclif Leadership and Governance Centre
- Corporate Directors Training Programme Intermediate (CDTP Intermediate) - by Suruhanjaya Syarikat Malaysia (SSM)
- Corporate Governance & Risk Management - by IA Essential Sdn Bhd

Lim Choon Liat

Corporate Governance

- Corporate Governance & Risk Management - by IA Essential Sdn Bhd

Throughout the year, the Directors also received updates and briefings, particularly on regulatory, industry and legal developments, including information on significant changes in business and procedures instituted to mitigate such risks.

The External Auditors also briefed the Board members on any changes to the Malaysian Financial Reporting Standards that would affect the Group's financial statements during the financial year under review. The Directors continue to undergo relevant training programmes to further enhance their skills and knowledge in the discharge of their stewardship role.

Principle 5 – Uphold Integrity in Financial Reporting by the Company

It is the Board's commitment to present a balanced and meaningful assessment of the Group's financial performance and prospects at the end of each reporting period and financial year, primarily through the quarterly announcement of Group's financial results to Bursa Malaysia, the annual financial statements of the Group and the Company as well as the Chairman's statement and review of the Group's operations in the Annual Report, where relevant. A statement by the Directors of their responsibilities in the preparation of financial statements is set out in the ensuing paragraph.

Statement of Directors' Responsibility for Preparing Financial Statements

The Board is responsible to ensure that the financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and approved accounting standards in Malaysia so as to give a true and fair view of the state of affairs of the Group as at the end of the financial year and of the results and cash flow of the Group for the financial year then ended.

The Directors are satisfied that in preparing the financial statements of the Group for the financial year ended 31 December 2016, the Group has adopted suitable accounting policies and applied them consistently, prudently and reasonably. The Directors also consider that all applicable approved accounting standards have been followed in the preparation of the financial statements, subject to any material departures being disclosed and explained in the notes to the financial statements. The financial statements have been prepared on the going concern basis.

The Directors are responsible for ensuring that the Group keeps sufficient accounting records to disclose with reasonable accuracy, the financial position of the Group and which enable them to ensure that the financial statements comply with the Companies Act, 1965.

Audit Committee

In assisting the Board to discharge its duties on financial reporting, the Board has established an Audit Committee, comprising wholly Independent and Non-Executive Directors, with Mr Faun Chee Yarn as the Audit Committee Chairman. The composition of the Audit Committee, including its roles and responsibilities, are set out in the Audit Committee Report of this Annual Report. One of the key responsibilities of the Audit Committee in its specific terms of reference is to ensure that the financial statement of the Group and Company comply with applicable financial reporting standards in Malaysia. Such financial statements comprise the quarterly financial report announced to Bursa and the annual statutory financial statements.

As the Board understands its role in upholding the integrity of financial reporting by the Company, it will take steps to revise the Audit Committee's terms of reference by formalizing a policy on the types of non-audit services permitted to be provided by the external auditors of the Company so as not to compromise their independence and objectivity, including the need for the Audit Committee's approval in writing before such services can be provided by the External Auditors.

In assessing the independence of External Auditors, the Audit Committee will in future require written assurance by the External Auditors, confirming that they are, and have been, independent throughout the conduct of the audit engagement with the Company in accordance with the independence criteria set out by the International Federation of Accountants and the Malaysian Institute of Accountants.

Principle 6 – Recognise and Manage Risks of the Group

During the financial year under review, the Board has yet to establish a structured risk management framework to manage business risks, although Management has an informal process to identify and evaluate significant risks faced by the Group. This represents a departure from Recommendation 6.1 of MCCG 2012 which stipulates the need for the Board to establish a sound framework to actively identify, assess and monitor key business risks faced by the Group to safeguard shareholder's investment and the Group's assets. The Board is aware of the importance of such a framework and will take measures to formalise one, which is expected to consider the risk appetite of various companies in the Group as well as the Group itself.

The internal audit function of the Group is outsourced to an independent professional firm, whose work is performed with impartially, proficiency and due professional care, and in accordance with the International Professional Practices Framework of the Institute of Internal Auditors, Incorporated, which sets out professional standards on internal audit. It undertakes regular reviews of the adequacy and effectiveness of the Group's system of internal controls and risk management process, as well as appropriateness and effectiveness of the corporate governance practices. The Internal Audit reports directly to the Audit Committee. Further details on the internal audit function can be seen in the Audit Committee Report and the Internal Control Statement in this Annual Report.

Principle 7 - Ensure Timely and High Quality Disclosure

The Board is aware of the need to establish corporate disclosure policies and procedures to enable comprehensive, accurate and timely disclosures relating to the Company and its subsidiaries to be made to the regulators, shareholders and stakeholders. On this basis, the Board is not only to comply with the disclosure requirements as stipulated in MMLR, but also setting out the persons authorized and responsible to approve and disclose material information to regulators, shareholders and stakeholders.

Principle 8 – Strengthen Relationship between the Company and its Shareholders

Shareholder participation at general meeting

AGM, which is the principal forum for shareholder dialogue, allows shareholders to review the Group's performance via the Company's Annual Report and pose questions to the Board for clarification. At the AGM, shareholders participate in deliberating resolutions being proposed or on the Group's operations in general. At the last AGM, a question and answer session was held where all shareholders were given the opportunity to raise questions with responses from the Board.

The Notice of AGM is circulated at least twenty-one (21) days before the date of the meeting to enable shareholders to go through this Annual Report and papers supporting the resolutions proposed. Shareholders are invited to ask questions both about the resolutions being proposed before putting a resolution to vote as well as matters relating to the Group's operations in general. All the resolutions set out in the Notice of the last AGM were put to vote by shows of hands and duly passed.

With effect from 1 July 2016, Paragraph 8.29A of MMLR provides that all resolutions set out in the notice of any general meeting shall be voted by poll where every one share has one vote. It also provides that a scrutineer independent of the polling process shall be appointed to validate the votes cast. The outcome of AGM and any other general meetings of the shareholders are announced to Bursa Malaysia on the same day the meeting is held. The Company will ensure that all resolutions in the general meeting be voted by way of poll and the process and results be verified by the independent scrutineers.

Communication and engagement with shareholders

The Board recognizes the importance of being transparent and accountable to the Company's investors and, as such, has various channels to maintain communication with them. The various channels of communications are through the quarterly announcements on financial results to Bursa, relevant announcements and circulars, when necessary, the Annual and Extraordinary General Meetings and through the Group's website at where shareholders can access pertinent information concerning the Group.

OTHER INFORMATION REQUIRED PURSUANT TO PART A, APPENDIX 9C OF THE BMSB LISTING REQUIREMENTS

In conformance with the Bursa Malaysia Securities Berhad Listing Requirements, the following information is provided:-

- **Utilisation of Proceeds**
  No proceeds were raised from any corporate proposal during the financial year.

- **Audit Fee**
  The amount of audit fee payable to the external auditors by the Company and its subsidiaries for the financial year ended 31 December 2016 is RM313,500.

- **Non-Audit Fee**
  The amount of non-audit fee payable to the external auditors by the Company and its subsidiaries for the financial year ended 31 December 2016 is RM7,000.

- **Material Contracts**
  There were no material contracts (not being contracts entered into in the ordinary course of business) subsisting as at or entered into since the end of the previous financial year, by the Company or its subsidiaries, which involved the interests of the Directors and major shareholders.

- **Recurrent Related Party Transactions of a Revenue Nature**
  There were no recurrent related party transactions of a revenue nature during the year.

- **Corporate Social Responsibility**
  The Group looks after the welfare of the employees such as providing lodging and food for the employees. The Group heeds save the environment by involving in recycling of papers for the production of jumbo toilet rolls and serviette. The factories preserve environment and nature by make good use of waste paper wood, oil palm waste (bio-slab) and sawdust.

  The Group emphasizes on Environment, Health and Safety and provides safety measurements to the factory members.

AUDIT COMMITTEE REPORT

1. Members

The current members of the Committee and their respective designations are as follows:

- Mr Faun Chee Yarn
  Chairman/Independent and Non-Executive Director

- Mr Tan Kong Ang
  Member/Independent and Non-Executive Director

- Mr Lim Choon Liat
  Member/Independent and Non-Executive Director

The Audit Committee consists of three (3) members all of whom are Independent and Non-Executive Directors. The Company has complied with Paragraph 15.09(1) (b) of MMLR, which requires the Audit Committee members to be Non-Executive Directors, with a majority of them being Independent Directors.

2. Terms of Reference

The Terms of Reference of the Audit Committee is made publicly available on the Company's website at www.kpscb.com.my

Composition

The Audit Committee shall be appointed from among their members and should consist of no fewer than three (3) members and must be all Non-Executive Directors of whom the majority must be Independent Directors.

At least one (1) member of the Committee:-

i. must be a member of the Malaysian Institute of Accountants ("MIA"); or

ii. if he is not a member of the MIA, he must have at least 3 years' working experience and:-

   - he must have passed the examinations specified in Part 1 of the 1st Schedule of the Accountants Act, 1967; or

   - he must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act, 1967; or

iii. fulfills such other requirements as prescribed or approved by the Exchange.

No alternate director shall be appointed as a member of the Committee.

The Chairman of the Committee shall be an independent and non-executive director appointed by the Board.

In the event of any vacancy in the Audit Committee resulting in the number of members being reduced to below three, the Company must fill the vacancy within three (3) months.

3. Audit Committee Meetings Attendance

The Audit Committee had conducted four (4) meetings for the financial year ending 31 December 2016. Details of attendance of the Audit Committee members during this financial period are set out as below:-

Name of Committee Member	No. of meetings attended/ held during member's tenure
Faun Chee Yarn	4/4
Tan Kong Ang	4/4
Lim Choon Liat	4/4

Attendance at Meetings
The Committee shall meet at least four (4) times a year and such additional meetings as the Chairman shall decide in order to fulfill its duties. In addition, the Chairman may call a meeting of the Audit Committee if a request is made by any committee member, any Executive Director, or the External Auditors.

In order to form a quorum, the majority of members present must be Independent Directors.

Frequency of Meetings
Meetings shall be held not less than four (4) times a year to review the quarterly results and year-end financial statements. Other meetings may be held as and when required.

4. Summary of work of the Audit Committee

The work carried out by the Audit Committee during the financial year were summarized as follows:-

(a) Reviewed the quarterly financial results and announcements for the financial quarters prior to the Board of Directors for consideration and approval;

(b) Reviewed the audited financial statements for the financial year ended 31 December 2016;

(c) Reviewed the external auditors' reports for the financial year ended 31 December 2016 in relation to audit and accounting issues arising from the audit;

(d) Reviewed the external auditors' audit plan for the year ended 31 December 2016;

(e) Considered the nomination of external auditors for recommendation to the Board for re-appointment;

(f) Reviewed the internal audit plan, findings, reports and management implementation of audit recommendations; and

(g) Reviewed the Statement on Risk Management and Internal Control and recommended to the Board for adoption.

5. Internal Audit Function

The internal audit function is essential in assisting the Audit Committee in reviewing the state of the system of internal control maintained by the Management.

The Company outsourced its internal audit function to an internal audit consulting company. The audit team members are independent of the activities audited by them. The internal auditors review and assess the Group's system of internal control and report to the Committee functionally.

The Committee approves the annual internal audit plan before the commencement of the internal audit reviews for each financial year. During the financial year, the internal auditors conducted reviews on the operations of the Group focus on sales, credit control, inventory management and petty cash and the general evaluation was meant for some improvements on procedures and thereafter presented their reports to the Audit Committee. Areas of weakness were identified and communicated to the Audit Committee and the management for improvement.

6. Authority

The Committee is authorized by the Board:-

i. To investigate any matter within its terms of reference;

ii. To have the resources which required to perform its duties;

iii. TTo have full and unrestricted access to any information pertaining to the Company;

iv. To have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity (if any);

v. To obtain independent professional or other advice; and

vi. To convene meetings with the external auditors, the internal auditors or both excluding the attendance of other directors and employees, whenever deemed necessary.

7. Functions

The functions of the Committee are as follows:-

(a) The Committee shall review, appraise and report to the Board on:

- the discussion with the external auditors, prior to the commencement of audit, the audit plan which states the nature and scope of the audit and to ensure co-ordination of audit where more than one audit firm is involved;

- the review with the external auditors, his evaluation of the system of internal controls, his management letter and management's response;

- the discussion of problems and reservations arising from the external audits, the audit report and any matters the external auditors may wish to discuss;

- the assistance given by the employees of the Group to the external and internal auditors; and

- any related party transaction and conflict of interest situation that may arise within the Group or Company, including any transaction, procedure or course of conduct that raises questions of management integrity.

(b) To review where appropriate whether there is a reason to believe that the Group's external auditors is not suitable for re-appointment;

(c) To consider any question of resignation or dismissal of the external auditors;

(d) To review quarterly reporting and year-end financial statements of the Group before submission to the Board, focusing particularly on:-

- changes in or implementation of major accounting policy;
- significant adjustments arising from the audit;
- the going concern assumption; and
- compliance with accounting standards and other legal requirements.

(e) To review the following in respect of internal audit function:-

- adequacy of the scope, functions, competency and resources of the Internal Audit Department and that it has the necessary authority to carry out its work;
- internal audit programmes;
- the major findings of internal audit investigations and management's responses, and ensure that appropriate actions are taken on the recommendations of the Internal Audit Department;
- appraisal or assessments of the performance of the senior staff of the Internal Audit Department;
- approval of any appointment or termination of senior staff member of the Internal Audit Department;
- resignations of senior internal audit staff member and providing the resigning staff member an opportunity to submit his/her reason for resignation.

(f) To consider the major findings of internal audit investigations and Management's response;

(g) To recommend the nomination and appointment of external auditors as well as the audit fee;

(h) To promptly report any matters resulting in breach of MMLR to the Board. Where the Committee is of the opinion that such matter reported by it to the Board has not been satisfactorily resolved, the Committee shall promptly report such matter to Bursa Malaysia; and

(i) Any other function that may be mutually agreed upon by the Committee and the Board, which would be beneficial to the Company and ensure the effective discharge of the Committee's duties and responsibilities.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The Board of Directors ("the Board") is pleased to present its Statement on Risk Management and Internal Control for the financial year ended 31 December 2016. This Statement is prepared pursuant to paragraph 15.26(b) of the Main Market Listing Requirements and guided by the "Statement on Risk Management and Internal Control – Guidelines for Directors of Listed Issuers" issued by the publication of Bursa on the issuance of internal control statement.

BOARD RESPONSIBILITY

The Board of Directors affirms its responsibility in maintaining a sound system of internal control and risk management procedures within the Group and constantly reviewing its adequacy and integrity. The Board also recognizes that reviewing of the Group's system of risk management and internal controls is a concerted and continuing process and the objective of risk management and systems of internal control is to manage rather than eliminate risk of failure to achieve business objectives. It shall be noted that all risk management and internal controls can only provide reasonable and not absolute assurance against material misstatement or loss. Nonetheless, in striving for continuous improvement, the Board will put in place appropriate action plans, when necessary, to further enhance the Group's systems of risk management and internal control.

RISK MANAGEMENT AND INTERNAL CONTROL

Functionally, the Group's risk management processes involve identifying, evaluating and managing significant risks in the organization. It is the responsibilities of all Executive Directors and the Management team to identify and manage in order to mitigate the business risks.

The internal control system is established to ensure there is a check and balance to facilitate the Audit Committee to discharge their duties and responsibilities. A good internal control system in place is to safeguard the interest of minority shareholders and stakeholders. The present key elements of the Group's system of internal controls are:

- The Group Management review of the financial results and forecasts for business units and formulation of action plans for operational and financial performance improvement;

- Board's reviews and discussions with the Management on significant financial and operating performances of the Group;

- Audit Committee reviews and consultation with the management on the integrity of the financial results, annual report and audited financial statements;

- Audit findings and reports on the review of the system of internal control from the Internal Auditors; and

- Management assurance that the Group's risk management and internal control systems have been in place and operating adequately at all time.

INTERNAL AUDIT

The Group has engaged an independent professional services firm to carry out the internal audit function. The objective of the internal audit function is to review the adequacy and integrity of the internal control systems of key business units.

The Audit Committee reviews and approves the annual internal audit plan before the Internal Auditors carry out their functions. All audit findings are reported to the Audit Committee and areas of improvement and audit recommendations identified are communicated to the Management for further action.

During the financial year, the Internal Auditors conducted internal control reviews on certain key operating functions and procedures and recommended actions plans for Management improvement. The audit reports containing audit findings and recommendations together with Management's responses thereto were circulated to all members of the Audit Committee. Areas of improvement identified were communicated to the Management for further action. All audit reports were reviewed by the Audit Committee and discussed at Audit Committee Meetings. Follow-up reviews are performed to ascertain the extent of Management's implementation of the recommended corrective action for improvements.

The cost incurred for the internal audit function in respect of the financial year ended 31 December 2016 was RM62,000.

MANAGEMENT RESPONSIBILITIES AND ASSURANCE

In accordance to the Bursa's Guidelines, Management is responsible to the Board for identifying risks relevant to the business of the Group's objectives and strategies implementing, maintaining sound systems of risk management and internal control and monitoring and reporting to the Board of significant control deficiencies and changes in risks that could significantly affect the Group achievement of its objective and performance.

Before producing this Statement, the Board has received assurance from the Executive Directors that, to the best of their knowledge that the Group's risk management and internal control systems are operating adequately and effectively, in all material aspects.

CONCLUSION

There is no significant breakdown or weaknesses in the system of internal control of the Group that have resulted material losses incurred by the Group for the financial year ended 31 December 2016. The Board believes that the current review framework and the systems of risk management and internal control are reasonable for the present level of operations. Nonetheless, the Group will continue to take the necessary measures to ensure that the systems of risk management and internal control are functioning effectively in line with the evolving business development in the Group.

The Board of Directors has approved this statement for issuance.

5-Year Group Financial Highlights

In RM '000	2016	2015	2014	2013	2012
Revenue from continuing operations	557,471	525,564	464,375	492,649	457,804
Profit/(Loss) from continuing operations before tax	12,751	34,561	33	15,073	13,646
Profit/(Loss) from continuing operations after tax	8,398	30,049	(896)	11,905	10,030
Total comprehensive income/(Loss) for the financial year	8,398	32,977	(897)	11,905	10,030
Total comprehensive income/(Loss) attributable to owners of the Company	8,084	32,803	(899)	11,638	10,223
Total assets	416,411	373,101	318,390	315,870	302,051
Equity attributable to owners of the parent	243,399	235,315	202,512	203,412	191,774
In RM Net assets per share	1.65	1.59	1.37	1.38	1.30
In Sen Earnings/(Loss) per share	5.47	20.21	(0.61)	7.87	6.92

REPORTS AND FINANCIAL STATEMENTS
31 DECEMBER 2016

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DIRECTORS' REPORT

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

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding.

The principal activities of its subsidiaries are disclosed in Note 8 to the Financial Statements.

There have been no significant changes in the nature of these activities of the Company and its subsidiaries during the financial year.

RESULTS

	Group RM	Company RM
Profit/(Loss) for the financial year	8,397,707	(7,017)
Attributable to:		
Owners of the Company	8,084,047	(7,017)
Non-controlling interests	313,660	-
	8,397,707	(7,017)

DIVIDENDS

There were no dividends proposed, declared or paid by the Company since the end of the previous financial year.

RESERVES AND PROVISIONS

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

DIRECTORS

The Directors in office since the date of the last report are:-

Datuk Chua Hock Gee
Lau Fook Meng
Faun Chee Yarn
Tan Kong Ang
Lim Choon Liat

In accordance with Article 80 of the Company's Articles of Association, Mr.Datuk Chua Hock Gee and Mr. Faun Chee Yarn will retire from the Board of Directors at the forthcoming Annual General Meeting and being eligible offers themselves for re-election.

DIRECTORS' INTERESTS

According to the Register of Directors' Shareholdings, there is no Director who is in office at the end of the financial year held any interest in shares of the Company and its related corporations.

DIRECTORS' BENEFITS

Since the end of the previous financial year, none of the Directors of the Company has received or 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 disclosed in the notes to the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, other than those disclosed in the notes to the financial statements.

During and at the end of the financial year, no arrangements subsisted to which the Company is a party whereby Directors of the Company might 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 no issuance of new shares or debentures during the financial year.

SHARE OPTIONS

No options have been granted by the Company to any parties during the financial year to take up unissued shares of the Company.

No shares have been issued during the financial year by virtue of the exercise of any option to take up unissued shares of the Company. As at the end of the financial year, there were no unissued shares of the Company under options.

OTHER STATUTORY INFORMATION

Before the statements of financial position and statements of profit or loss and other comprehensive income of the Group and of the Company were made out, the Directors took reasonable steps:-

(a) to ascertain that action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and adequate provision had been made for doubtful debts; and

(b) to ensure that any current assets which were unlikely to be realised in the ordinary course of business including their values as shown in the accounting records of the Group and of the Company have been written down to an amount which they might be expected so to realise.

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

(a) which would render the amounts written off for bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or

(b) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or

(c) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or

(d) not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements misleading.

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

(a) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liability of any other person; or

(b) any contingent liability of the Group and of the Company which has arisen since the end of the financial year.

OTHER STATUTORY INFORMATION (CONT'D)

In the opinion of the Directors:-

(a) no contingent liability or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, will or may affect the ability of the Group and of the Company to meet their obligations as and when they fall due;

(b) the results of operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and

(c) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of operations of the Group and of the Company for the current financial year in which this report is made.

SUBSEQUENT EVENT AFTER THE REPORTING PERIOD

The subsequent event after the reporting period is disclosed in Note 37 to the financial statements.

AUDITORS

The Auditors, Messrs SJ Grant Thornton, have indicated their willingness to continue in office.

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

....	)	
DATUK CHUA HOCK GEE	)	
	)	DIRECTORS
....	)	
LAU FOOK MENG	)	

Kuala Lumpur
18 April 2017

STATEMENT BY DIRECTORS AND STATUTORY DECLARATION

STATEMENT BY DIRECTORS

In the opinion of the Directors, the financial statements set out on pages 41 to 120 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 at 31 December 2016 and of their financial performance and cash flows for the financial year then ended.

In the opinion of the Directors, the supplementary information set out on page 121 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 in accordance with a resolution of the Directors.

....	....
DATUK CHUA HOCK GEE	LAU FOOK MENG

Kuala Lumpur
18 April 2017

STATUTORY DECLARATION

I, Lau Fook Meng, being the Director primarily responsible for the financial management of KPS Consortium Berhad, do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on pages 41 to 120 and the supplementary information set out on page 121 are 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 abovenamed at Kuala Lumpur in)
the Federal Territory this day of)
18 April 2017)

....
LAU FOOK MENG

Before me:

PESURUHJAYA SUMPAH
W.490
S.ARULSAMY
MALAYSIA

Commissioner for Oaths

16 - Tingkat Bawah Jalan Pudu,
55100 Kuala Lumpur.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of KPS Consortium Berhad, which comprise the statements of financial position as at 31 December 2016 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 41 to 120.

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

Basis for Opinion

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

Independence and Other Ethical Responsibilities

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

Key Audit Matters

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

Key Audit Matters (cont'd)

Goodwill on consolidation

The risk

The Group holds a goodwill on consolidation of RM43,151,039 on the statements of financial position, as detailed in Note 10 to the financial statements.

Goodwill on consolidation is subject to impairment review annually by comparing the carrying amount with its recoverable amount. The Group estimated the recoverable amount based on value in use method. Estimating the value in use involves judgement as small changes in the assumptions made, notably in respect of the future performance of the business and the discount rates applied to future cash flow projections can result in material different outcomes.

Our response

We evaluated the Directors' future cash flow projections, and the process of which they were drawn up, including testing the underlying calculations. We challenged the Directors' key assumptions for long term growth rates applied in the projections by comparing them to the historical results as well as economic and industry forecasts, and the discount rate used by assessing the cost of capital for the Group.

Allowance for doubtful debts

The risk

Refer to Note 33(a) to the financial statements. We focused on this area because the Group has material amount of trade receivables that are past due but not impaired amounted to RM82,149,779. The key associate risk was the recoverability of billed trade receivables as management judgement is required in determining the completeness of the trade receivables provision and in assessing its adequacy through considering the expected recoverability of the year-end trade receivables.

Our response

We have obtained an understanding on how the Group identifies and assesses the impairment of trade receivables and how the Group makes the accounting estimates for impairment. We have also reviewed the ageing analysis of the trade receivables and tested the reliability thereof and assessed the recoverability of the overdue trade receivables through examination of subsequent year end cash receipts.

Furthermore, we have challenged the management's justification on the sufficiency of impairment on doubtful trade receivables.

Inventory existence and valuation

The risk

Refer to Note 13 to the financial statements. The Group holds significant amount of inventory amounted to RM72,903,880 which is subject to a risk that the inventories become slow-moving or obsolete and rendering it not saleable or can only be sold for selling prices that are less than their carrying value. There is inherent subjectivity and estimation involved in determining the accuracy of inventory obsolescence provision and in making an assessment of its adequacy due to risk of inventory not stated at the lower of cost or market value.

Key Audit Matters (cont'd)

Inventory existence and valuation (cont'd)

Our response

We have obtained an understanding on how the Group makes the accounting estimates for inventories write-down. We also attended the year-end physical inventories count to validate counts performed by the Group. Besides that, we also tested a sample of inventories to ensure that they were held at the lower of cost and net realisable value and evaluated management judgement with regards to the application of provision to the inventories.

Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon, which is expected to be made available to us after the date of this auditors' report.

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

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

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

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Directors of the Company and take appropriate action.

Responsibilities of the Directors for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements (cont'd)

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

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

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 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) The 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

The supplementary information set out on page121 as Pertuis report is disclosed to meet the requirements of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

Other 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.

SJ GRANT THORNTON	**MOHAMAD HEIZRIN BIN SUKIMAN**
(NO. AF: 0737)	(NO: 03046/05/2019 J)
CHARTERED ACCOUNTANTS	CHARTERED ACCOUNTANT

Kuala Lumpur
18 April 2017

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016

	Note	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
ASSETS					
Non-current assets					
Property, plant and equipment	4	29,881,741	31,500,804	-	-
Capital work-in-progress	5	5,715,145	-	-	-
Prepaid land lease payments	6	1,835,799	1,908,030	-	-
Investment properties	7	25,462,500	25,622,500	-	-
Investment in subsidiaries	8	-	-	127,703,012	127,703,012
Investment in an associate	9	198,317	354,597	1	1
Goodwill on consolidation	10	43,151,039	43,151,039	-	-
Deferred tax assets	11	1,234,047	1,363,000	-	-
Total non-current assets		107,478,588	103,899,970	127,703,013	127,703,013
Current assets					
Property development cost	12	30,412,379	15,401,940	-	-
Inventories	13	72,903,880	61,352,770	-	-
Trade receivables	14	167,320,570	141,990,774	-	-
Other receivables	15	10,512,459	22,534,336	-	-
Amount due from subsidiaries	8	-	-	18,056,794	17,651,690
Tax recoverable		938,769	849,974	17,648	25,927
Deposits with licensed banks	16	7,275,179	7,374,196	-	-
Cash and bank balances		19,245,975	19,533,234	77,480	491,109
		308,609,211	269,037,224	18,151,922	18,168,726
Non-current assets classified as held-for-sale	17	323,623	163,623	-	-
Total current assets		308,932,834	269,200,847	18,151,922	18,168,726
TOTAL ASSETS		416,411,422	373,100,817	145,854,935	145,871,739
EQUITY AND LIABILITIES					
EQUITY					
Share capital	18	147,827,158	147,827,158	147,827,158	147,827,158
Share premium	19	5,400,842	5,400,842	5,400,842	5,400,842
Revaluation reserve	19	2,986,855	2,986,855	-	-
Retained earnings/(Accumulated losses)	19	87,184,503	79,100,456	(7,508,285)	(7,501,268)
		243,399,358	235,315,311	145,719,715	145,726,732
Non-controlling interests		570,507	280,854	-	-
Total equity		243,969,865	235,596,165	145,719,715	145,726,732
LIABILITIES					
Non-current liabilities					
Finance lease liabilities	20	3,149,300	203,104	-	-
Borrowings	21	4,043,247	5,802,744	-	-
Deferred tax liabilities	11	218,150	397,200	-	-
Total non-current liabilities		7,410,697	6,403,048	-	-
Current liabilities					
Trade payables	22	54,428,415	31,433,022	-	-
Other payables	23	23,510,042	10,602,675	135,220	145,007
Borrowings	21	86,276,743	88,200,508	-	-
Tax payable		815,660	865,399	-	-
Total current liabilities		165,030,860	131,101,604	135,220	145,007
Total liabilities		172,441,557	137,504,652	135,220	145,007
TOTAL EQUITY AND LIABILITIES		416,411,422	373,100,817	145,854,935	145,871,739

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

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Note	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
Revenue	24	557,471,422	525,564,233	192,000	229,500
Cost of sales		(526,196,000)	(491,863,448)	-	-
Gross profit		31,275,422	33,700,785	192,000	229,500
Other income		3,036,461	25,080,487	71,595	3,967,539
Selling and distribution expenses		(8,494,761)	(9,419,408)	-	-
Administrative expenses		(7,571,421)	(7,952,953)	(212,833)	(241,477)
Other expenses		(1,549,368)	(3,639,656)	(18,300)	(3,626,281)
Finance costs		(3,789,481)	(3,563,025)	-	-
Share of (loss)/profit of associate		(156,280)	354,596	-	-
Profit before tax	25	12,750,573	34,560,826	32,462	329,281
Tax expense	26	(4,352,866)	(4,512,034)	(39,479)	(4,015)
Profit/(Loss) for the financial year		8,397,707	30,048,792	(7,017)	325,266
Other comprehensive income, net of tax					
Items that will not be reclassified subsequently to profit or loss					
- changes in ownership in a subsidiary		-	(58,202)	-	-
- revaluation on land and building upon transfer to investment properties	27	-	2,986,855	-	-
		-	2,928,653	-	-
Total comprehensive income/(loss) for the financial year		8,397,707	32,977,445	(7,017)	325,266
Profit for the financial year attributable to:-					
- Owners of the Company		8,084,047	29,874,677	(7,017)	325,266
- Non-controlling interests		313,660	174,115	-	-
		8,397,707	30,048,792	(7,017)	325,266
Total comprehensive income attributable to:-					
- Owners of the Company		8,084,047	32,803,330	(7,017)	325,266
- Non-controlling interests		313,660	174,115	-	-
		8,397,707	32,977,445	(7,017)	325,266
Earnings per share attributable to owners of the Company (sen)	28				
- Basic		5.47	20.21		
- Diluted		-	-		

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

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	<---------- Attributable to owners of the Company				---------->		
		Non- distributable		Distributable			
	Share capital RM	Share premium RM	Revaluation reserve RM	Retained earnings/ (Accumulated losses) RM	Total RM	Non-controlling interests RM	Total equity RM
Group							
Balance at 1 January 2015	147,827,158	5,400,842	-	49,283,981	202,511,981	48,536	202,560,517
Transaction with owners :							
-changes in ownership interest in a subsidiary	-	-	-	-	-	58,203	58,203
Profit for the financial year	-	-					
Other comprehensive income for the financial year			-	29,874,677	29,874,677	174,115	30,048,792
-changes in ownership interest in a subsidiary	-	-	-	(58,202)	(58,202)	-	(58,202)
-revaluation on land and buildings upon transfer to investment properties	-	-	2,986,855	-	2,986,855	-	2,986,855
Total comprehensive income for the financial year	-	-	2,986,855	29,816,475	32,803,330	174,115	32,977,445
Balance at 31 December 2015	147,827,158	5,400,842	2,986,855	79,100,456	235,315,311	280,854	235,596,165
Transaction with owners :							
-disposal of subsidiary	-	-	-	-	-	(24,007)	(24,007)
Total comprehensive income for the financial year	-	-	-	8,084,047	8,084,047	313,660	8,397,707
Balance at 31 December 2016	147,827,158	5,400,842	2,986,855	87,184,503	243,399,358	570,507	243,969,865
Company							
Balance at 1 January 2015	147,827,158	5,400,842	-	(7,826,534)	145,401,466	-	145,401,466
Total comprehensive income for the financial year	-	-	-	325,266	325,266	-	325,266
Balance at 31 December 2015	147,827,158	5,400,842	-	(7,501,268)	145,726,732	-	145,726,732
Total comprehensive loss for the financial year	-	-	-	(7,017)	(7,017)	-	(7,017)
Balance at 31 December 2016	147,827,158	5,400,842	-	(7,508,285)	145,719,715	-	145,719,715

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

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

		Group		Company	
	Note	2016 RM	2015 RM	2016 RM	2015 RM
OPERATING ACTIVITIES					
Profit before tax		12,750,573	34,560,826	32,462	329,281
Adjustments for:-					
Amortisation of prepaid land lease payments		72,231	72,230	-	-
Inventories					
- written down		168,362	171,014	-	-
- written off		-	5,596	-	-
- reversal of written down		(200,643)	(399,186)	-	-
Bad debts written off		25,157	2,099,168	-	-
Depreciation of property, plant and equipment		2,239,459	2,211,713	-	-
(Gain)/Loss on disposal of					
- property, plant and equipment		(4,094)	(25,476)	-	-
- asset held-for-sale		-	(13,641,095)	-	-
- subsidiary		(3,988)	-	-	192,203
Fair value gain on investment properties		-	(532,697)	-	-
Interest expenses		3,789,481	3,563,025	-	-
Property, plant and equipment written off		3,456	4,777	-	-
Impairment on					
- trade receivables		1,344,566	1,316,464	-	-
- amount due from subsidiaries		-	-	18,300	3,434,078
Interest income		(360,186)	(540,070)	(49,395)	(37,149)
Reversal of impairment on					
- trade receivables		(678,145)	(2,482,657)	-	-
- other receivables		-	(2,796,544)	-	-
- amount due from subsidiaries		-	-	(22,200)	(3,738,186)
- investment in subsidiary		-	-	-	(192,204)
Share of loss/(profit) of associate		156,280	(354,596)	-	-
Operating profit/(loss) before working capital changes		19,302,509	23,232,492	(20,833)	(11,977)
Changes in working capital:-					
Inventories		(11,518,829)	(7,510,291)	-	-
Receivables		(14,056,938)	(31,710,591)	-	11
Payables		33,437,904	8,729,349	(9,787)	(8,796)
Property development cost		(15,010,439)	(15,401,940)	-	-
Bankers' acceptance		(2,626,607)	14,500,182	-	-
Cash generated from/(used in) operations		9,527,600	(8,160,799)	(30,620)	(20,762)
Interest received		61,894	342,919		
Interest paid		(3,317,136)	(3,063,737)	-	-
Tax refunded		516,413	965,969	-	13,332
Tax paid		(5,060,487)	(3,722,636)	(31,200)	(28,600)
Net cash from/(used in) operating activities		1,728,284	(13,638,284)	(61,820)	(36,030)

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONT'D)

	Note	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
INVESTING ACTIVITIES					
Capital work-in-progress incurred	A	(781,602)	-	-	-
Interest received		298,292	197,151	-	-
Net cash inflow from disposal of a subsidiary	8	40,000	-	-	-
Purchase of property, plant and equipment	B	(385,447)	(3,170,384)	-	-
Purchase of investment properties		-	(2,973,426)	-	-
Withdrawal/(Placement) of fixed deposit with licensed banks		99,017	(437,231)	-	-
Proceeds from disposal of property, plant and equipment		6,187	25,481	-	-
Proceeds from disposal of asset held-for-sale		-	22,000,000	-	-
Proceeds from change in stake		-	1	-	1
Net cash (used in)/from investing activities		(723,553)	15,641,592	-	1
FINANCING ACTIVITIES					
(Repayment to)/Advance fromsubsidiaries		-	-	(401,204)	62,658
Interest paid		(635,888)	(499,288)	-	-
Interest received		-	-	49,395	37,149
Repayment of term loan		(763,317)	(729,063)	-	-
Refinance of finance lease liabilities		3,018,123	-	-	-
Payment of multi-option loan		(960,318)	(1,000,008)	-	-
Payment of finance lease liabilities		(2,617,570)	(963,601)	-	-
Net cash (used in)/from financing activities		(1,958,970)	(3,191,960)	(351,809)	99,807
CASH AND CASH EQUIVALENTS					
Net changes		(954,239)	(1,188,652)	(413,629)	63,778
Brought forward		19,519,376	20,708,028	491,109	427,331
Carried forward	C	18,565,137	19,519,376	77,480	491,109

NOTES TO THE STATEMENTS OF CASH FLOWS

A. CAPITAL WORK-IN-PROGRESS INCURRED

	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
Total purchase	5,551,602	-	-	-
Purchase through finance lease arrangement	(4,770,000)	-	-	-
Cash payment	781,602	-	-	-

NOTES TO THE STATEMENTS OF CASH FLOWS (CONT'D)

B. PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Total purchase	625,946	3,276,384	-	-
Purchase through finance lease arrangement	(240,499)	(106,000)	-	-
Cash payment	385,447	3,170,384	-	-

C. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the statements of cash flows comprise the following items:-

	Note	Group		Company	
		2016 RM	2015 RM	2016 RM	2015 RM
Cash and bank balances		19,245,975	19,533,234	77,480	491,109
Deposits with licensed banks		7,275,179	7,374,196	-	-
Bank overdraft	21	(680,838)	(13,858)	-	-
		25,840,316	26,893,572	77,480	491,109
Less: Fixed deposits pledged as security for banking facilities granted to certain subsidiaries		(7,275,179)	(7,374,196)	-	-
		18,565,137	19,519,376	77,480	491,109

As disclosed in Note 16 to the financial statements, the fixed deposits have been pledged to licensed banks for banking facilities granted to certain subsidiaries and hence, are not available for general use.

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

1. GENERAL INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia and listed on the Main Market of the Bursa Malaysia Securities Berhad. The registered office of the Company is located at Level 15-2, Bangunan Faber Imperial Court, Jalan Sultan Ismail, 50250 Kuala Lumpur and the principal place of business is located at Lot 622, Jalan Lapis Dua, Kampung Sementa, Batu 6, Jalan Kapar, 42200 Klang, Selangor Darul Ehsan.

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are disclosed in Note 8 to the financial statements.

There have been no significant changes in the nature of these activities of the Company and its subsidiaries during the financial year.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 18 April 2017.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

2.1 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 ("IFRSs") and the requirements of the Companies Act, 1965 in Malaysia.

2.2 Basis of Measurement

The financial statements of the Group and of the Company are prepared under historical cost convention, except for certain properties that are measured at fair values at the end of each reporting period as indicated in the summary of significant accounting policies.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONT'D)

2.2 Basis of Measurement (cont'd)

Fair value is 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 fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible to by the Group and the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial market 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.

The Group and the Company use valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to their fair value measurement as a whole:

- Level 1 - Quoted (adjusted) market prices in active markets for the identical assets or liabilities.
- Level 2 - Valuation techniques for which the lowest level input that is significant to their fair value measurement is directly or indirectly observable.
- Level 3 - Valuation techniques for which the lowest level input that is significant to their fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group and the Company determine whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to their fair value measurement as a whole) at the end of each reporting period.

The Group and the Company have established control framework in respect of measurement of fair values of financial instruments. The Board has overall responsibility for overseeing all significant fair value measurements. The Board regularly reviews significant unobservable inputs and valuation adjustments.

For the purpose of fair value disclosures, the Group and the Company have determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of fair value hierarchy as explained above.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONT'D)

2.3 Functional and Presentation Currency

The financial statements are presented in Ringgit Malaysia ("RM") which is the Company's functional currency and all values are rounded to the nearest RM except otherwise stated.

2.4 MFRSs

2.4.1 **Adoption of New and Revised MFRSs**

The accounting policies adopted by the Group and by the Company are consistent with those of the prior financial year except for the new and revised MFRSs and IC Interpretations approved by Malaysian Accounting Standards Board ("MASB") and applicable for current financial year. Application of the new and revised MFRSs and interpretations has no material impact on financial statements of the Group and of the Company.

Several other amendments are effective for the first time in financial year ended 31 December 2016. However, they do not impact the annual financial statements of the Group and of the Company.

The nature and impact of the amendments to MFRSs with effective date on or after 1 January 2016 are described below:-

2.4.1.1 **Amendments to MFRS 10, MFRS 12 and MFRS 128 Investment Entities Applying the Consolidation Exception**

The amendments clarified that the exemption from presenting consolidated financial statement applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value. The amendments further clarify that only a subsidiary that is not an investment entity itself and provide support services to the investment entity is consolidated. In addition, the amendments also provides that if an entity that is not itself an investment entity, the entity may, when applying the equity method, retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interest in subsidiaries. The adoption of these amendments is not expected to have any financial impact on the Group and the Company.

2.4.1.2 **Amendments to MFRS 101 Disclosure Initiative**

The amendments aim to improve the presentation and disclosure in the financial statements and are designed to encourage companies to apply professional judgement in determining what information to disclose and how to structure it in their financial statements. Since the amendments only affect disclosures, the adoption of these amendments did not have any material impact on the Group and the Company.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONT'D)

2.4 MFRSs (cont'd)

2.4.1 **Adoption of New and Revised MFRSs (cont'd)**

2.4.1.3 **Amendments to MFRS 116 and MFRS 138 Clarification of Acceptable Methods of Depreciation and Amortisation**

The amendments clarified that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset forms part of the business) rather than the economic benefits that are consumed through the use of an asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The adoption of these amendments is not expected to have any financial impact on the Group and the Company.

2.4.1.4 **Amendments to MFRS 127 Equity Method in Separate Financial Statements**

The amendments allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associate in their separate financial statements. Entities which adopting MFRS and electing to change to the equity method in its separate financial statements will have to apply this change retrospectively. For first-time adopters of MFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to MFRS. The adoption of these amendments is not expected to have any financial impact on the Group and the Company.

2.4.1.5 **Annual Improvements to MFRSs 2012 — 2014 Cycle**

Amendments to MFRS 7 Financial Instruments Disclosure

The amendments provide additional guidance to clarify whether servicing contracts constitute continuing involvement for the purposes of applying the disclosure requirements of MFRS 7. The amendments also clarify the applicability of disclosures of offsetting financial assets and financial liabilities to condensed interim financial report. The adoption of these amendments is not expected to have any financial impact on the Group and the Company.

Amendment to MFRS 119 Employee Benefits

The amendments clarified that the high quality corporate bonds used to estimate the discount rate for post-employment benefit obligations should be denominated in the same currency as the liability and the depth of the market for high quality corporate bonds should be assessed at a currency level. The adoption of these amendments is not expected to have any financial impact on the Group and the Company.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONT'D)

2.4 MFRSs (cont'd)

2.4.1 **Adoption of New and Revised MFRSs (cont'd)**

2.4.1.5 **Annual Improvements to MFRSs 2012 — 2014 Cycle (cont'd)**

Amendment to MFRS 134 Interim Financial Reporting

The amendments required entities to disclose information in the notes to the interim financial statements if not disclosed elsewhere in the interim financial report. The amendments required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included with the greater interim financial report such as in the management commentary or risk report. The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. If users of the financial statements do not have access to the information incorporated by cross-reference on the same terms and at the same time, the interim financial report is incomplete. The information shall normally be reported on a financial year-to-date basis.

2.4.2 **Standards Issued but not yet Effective**

At the date of authorisation of these financial statements, MASB has approved certain new standards, amendments and interpretations to existing standards which are not yet effective, and have not been early adopted by the Group and the Company.

The management anticipates that all of the relevant pronouncements will be adopted in the Group's and the Company's accounting policies for the first period beginning after the effective date of the pronouncement. The initial application of the new standards, amendments and interpretations are not expected to have any material impacts to the financial statements of the Group and of the Company except as mentioned below:-

Amendment to MFRS 107 Disclosure Initiative

The amendment to MFRS 107 requires entity to provide disclosures on changes in liabilities arising from financing activities, including changes from cash flows and non-cash changes. The adoption of these amendments is not expected to have any financial impact on the Group and on the Company.

Amendment to MFRS 112 Recognition of Deferred Tax Assets for Unrealised Losses

The amendments to MFRS 112 clarified the accounting treatment of deferred tax assets for unrealised losses on fixed-rate debt instruments measured at fair value. The adoption of these amendments is not expected to have any financial impact on the Group and the Company.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONT'D)

2.4 MFRSs (cont'd)

2.4.2 **Standards Issued but not yet Effective (cont'd)**

Annual improvements to MFRSs 2014-2016 - Amendments to MFRS 12 Disclosure of Interest in Other Entities

The amendments to MFRS 12 clarifies the applicability of this Standard to an entity's interest in other entities which are classified as held for sale or discontinued operations.

Amendments to MFRS 140 Transfer of Investment Property

The amendment clarify that an entity is allowed to transfer a property to or from, investment property account only when there is a change in use. A change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. In isolation, a change in management's intentions for the use of the property does not provide evidence of a change in use.

MFRS 9 Financial Instruments

MFRS 9 replaces MFRS 139 Financial Instruments: Recognition and Measurement and all previous version of MFRS 9. The new standard introduces extensive requirements and guidance for classification and measurement of financial assets and financial liabilities which fall under the scope of MFRS 9, new "expected credit loss model" under the impairment of financial assets and greater flexibility has been allowed in hedge accounting transactions. Upon adoption of MFRS 9, financial assets will be measured at either fair value or amortised cost. It is also expected that investment in unquoted shares will be measured at fair value through other comprehensive income.

This standard will come into effect on or after 1 January 2018 with early adoption permitted. Retrospective application is required, but comparative information is not compulsory. The adoption of MFRS 9 will result in a change in accounting policy. The Group and the Company are currently assessing the financial impact of adopting MFRS 9.

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 current practices.

This standard will come into effect on or after 1 January 2018 with early adoption permitted. The adoption of MFRS 15 will result in a change in accounting policy. The Group and the Company are currently assessing the financial impact of adopting MFRS 15.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONT'D)

2.4 MFRSs (cont'd)

2.4.2 **Standards Issued but not yet Effective (cont'd)**

MFRS 16 Leases

MFRS 16 introduces a single accounting model for a lessee and eliminates the distinction between finance lease and operating lease. Lessee is now required to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Upon adoption of MFRS 16, the Group and the Company are required to account for major part of their operating leases in the statement of financial position by recognising the "right-of-use" assets and these lease liability, thus increasing the assets and liabilities of the Group and of the Company. The financial effect arising of this standard is still being assessed by the Group and the Company.

2.5 Significant Accounting Estimates and Judgements

Estimates, assumptions concerning the future and judgements are made in the preparation of the financial statements. They affect the application of the Group's and of the Company's accounting policies and reported amounts of assets, liabilities, income and expenses, and disclosures made. Estimates and underlying assumptions are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances. The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimates.

Information about significant judgements, estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses are discussed below.

2.5.1 **Key Sources of Estimation Uncertainty**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:-

<u>Depreciation of Property, Plant and Equipment</u>

Property, plant and equipment are depreciated on a straight-line basis over their useful life. However, significant judgement is involved in estimating the useful life and residual value of property, plant and equipment which are subjected to technological development and level of usage. Therefore residual values of these assets and future depreciation charges may vary.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONT'D)

2.5 Significant Accounting Estimates and Judgements (cont'd)

2.5.1 **Key Sources of Estimation Uncertainty (cont'd)**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below (cont'd):-

Impairment of Property, Plant and Equipment, Investment Properties and Prepaid Land Lease Payments

The Group carried out impairment tests where there are indications of impairment based on a variety of estimation including value-in-use of cash-generating unit to which the property, plant and equipment, investment properties and the prepaid land lease payments are allocated. Estimating the value-in-use requires the Group to make an estimate of the expected future cash flows from cash-generating unit and also to choose a suitable discount rate in order to calculate present value of those cash flows.

Impairment of Non-financial Assets

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. To determine the recoverable amount, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. In the process of measuring expected future cash flows, management make assumptions about future operating results. The actual results may vary, and may cause significant adjustments to the Group's assets within the next financial year.

In most cases, determining the applicable discount rate involves estimating the appropriate adjustment to market risk and the appropriate adjustment to asset-specific risk factors.

Further details of the carrying values, key assumptions applied in the impairment assessment of goodwill are disclosed in Note 10 to financial statements.

Impairment of Loans and Receivables

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired. Factors such as probability of insolvency or significant financial difficulties of the receivables and default or significant delay in payments are considered in determining whether there is objective evidence of impairment. Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. If the expectation is different from the estimation, such difference will impact the carrying value of receivables.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONT'D)

2.5 Significant Accounting Estimates and Judgements (cont'd)

2.5.1 **Key Sources of Estimation Uncertainty (cont'd)**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below (cont'd):-

Inventories

Inventories are measured at the lower of cost and net realisable value. In estimating net realisable values, management takes into account the most reliable evidence available at the time the estimates are made. The realisation of these inventories may be affected by market-driven changes that may occur in the future.

The carrying amount of the Group's inventories as at reporting date is disclosed in Note 13 to the financial statements.

Income Taxes/Deferred Tax Liabilities

Significant judgement is involved in determining the Group's provision for income taxes. There are certain transactions and computations for which the ultimate tax determation is uncertain during the ordinary course of business. The Group recognised tax liabilities based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred Tax Assets

Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which all the deductible temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Assumptions about generation of future taxable profits depend on the management's estimates of future cash flows. These depend on estimates of future production and sales volume, operating costs, capital expenditure, dividends and other capital management transactions. Judgement is also required about application of income tax legislation. These judgements and assumptions are subject to risks and uncertainties, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets recognised in the statements of financial position and the amount of unrecognised tax losses and unrecognised temporary differences.

The recognised deferred tax assets during the financial year of the Group have been fully described in Note 11 to the financial statements.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONT'D)

2.5 Significant Accounting Estimates and Judgements (cont'd)

2.5.1 Key Sources of Estimation Uncertainty (cont'd)

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below (cont'd):-

Fair Value Measurement and Valuation Processes

Some of the Group's assets and liabilities are measured at fair value for financial reporting. Significant judgment is involved in determining the appropriate valuation techniques and inputs for fair value measurements where active market quotes are not available.

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Management makes maximum use of market inputs, and uses estimates and assumptions that are, as far as possible, consistent with observable data that market participants would use in measuring the assets and liabilities. Where Level 1 inputs are not available, management uses its best estimate about the assumptions that market participants would make. These estimates may vary from the actual prices that would be achieved in an arm's length transaction at the end of the reporting date. For the valuation of land and buildings, the Group engages third party qualified valuers to perform the valuation.

Information about the valuation techniques and inputs used in determining the fair value of various assets are disclosed in Note 7 to financial statements.

2.5.2 Judgements Made in Applying Accounting Policies

The following are significant management judgements in applying the accounting policies of the Group that have the most significant effect on the financial statements.

Deferred Tax Assets

The assessment of the probability of future taxable income in which deferred tax assets can be utilised is based on the Group's latest approved budget forecast, which is adjusted for significant non-taxable income and expenses and specific limits to the use of any unused tax loss or credit. The tax rules in which the Group operates are also carefully taken into consideration. If a positive forecast of taxable income indicates the probable use of a deferred tax asset, especially when it can be utilised without a time limit, that deferred tax asset is usually recognised in full. The recognition of deferred tax assets that are subject to certain legal or economic limits or uncertainties is assessed individually by the management based on the specific facts and circumstances.

Leases

In applying the classification of leases in MFRS 117, management considers some of its leases of leasehold land as finance lease arrangements. The lease transaction is not always conclusive, and management uses judgement in determining whether the lease is a finance lease arrangement that transfers substantially all the risks and rewards incidental to ownership, whether the lease term is for the major part of the economic life of the asset even if title is not transferred and others in accordance with MFRS 117 Leases.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONT'D)

2.5 Significant Accounting Estimates and Judgements (cont'd)

2.5.2 Judgements Made in Applying Accounting Policies (cont'd)

Classification Between Investment Properties and Owner-Occupied Properties

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

The Group and the Company apply the significant accounting policies, as summarised below, consistently throughout all periods presented in the financial statements, unless otherwise stated.

3.1 Consolidation

3.1.1 Subsidiaries

Subsidiary companies are entities, including structured entities, controlled by the Group or the Company. Control exists when the Group or the Company 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. Besides, the Group or the Company 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.

Investment in subsidiary companies is stated at cost less any impairment losses in the Company's statement of financial position, unless the investment is held for sale or distribution. The cost of investments includes transaction costs. Where an indication of impairment exists, the carrying amount of the subsidiary companies is assessed and written down immediately to their recoverable amount.

Upon the disposal of investment in a subsidiary company, the difference between the net disposal proceeds and its carrying amount is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 Consolidation (cont'd)

3.1.2 Basis of Consolidation

The Group's financial statements consolidate the audited financial statements of the Company and all of its subsidiary companies, which have been prepared in accordance with the Group's accounting policies. Amounts reported in the financial statements of subsidiary companies have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group. The financial statements of the Company and its subsidiary companies are all drawn up to the same reporting period.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities of the Group (profits or losses resulting from intragroup transactions that are recognised in asset, such as inventory and property, plant and equipment) are eliminated in full in preparing the consolidated financial statements. Intragroup losses may indicate an impairment that requires recognition in the consolidated financial statements. Temporary differences arising from the elimination of profits and losses resulting from intragroup transactions will be treated in accordance to Note 3.13 of the financial statements.

Subsidiary companies are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases.

Changes in the Company owners' ownership interest in a subsidiary company that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary company. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

3.1.3 Business Combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether it measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received (for all the acquisition took place after 1 January 2011).

All the subsidiary companies within the Group are acquired before 1 January 2011. Thus, the cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 Consolidation (cont'd)

3.1.3 Business Combinations (cont'd)

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

If business combinations achieved in stages, previously held equity interests in the acquiree are re-measured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

The Group elects for each individual business combination, whether non-controlling interest in the acquiree, if any, is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree net identifiable assets.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes in the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with MFRS 139 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of MFRS 139, it is measured in accordance with the appropriate MFRSs.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of the non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill in the statement of financial position. The accounting policy for goodwill is set out in Note 3.1.4. For instances where the latter amount exceeds the former, the excess is recognised as a gain on bargain purchase in profit or loss on the acquisition date.

3.1.4 Goodwill

Goodwill represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of a subsidiary company at the date of acquisition.

Goodwill arising on the acquisition of subsidiary companies is presented separately in the statement of financial position.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying values may be impaired.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 Consolidation (cont'd)

3.1.4 Goodwill (cont'd)

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually and, whenever there is an indication that the unit may be impaired, by comparing the carrying amount of the unit, including goodwill, with the recoverable amount of the unit. Where the recoverable amount of the cash-generating unit (or group of cash-generating units) is less than the carrying amount, an impairment loss is recognised.

An impairment loss recognised for goodwill shall not be reversed in subsequent period.

Where goodwill forms part of a cash-generating unit (or group of cash-generating units) and part of the operations within that unit is disposed off, the goodwill associated with the operations disposed off is included in the carrying amount of the operations when determining the gain or loss on disposal of the operations. Goodwill disposed of in these circumstances is measured based on the relative values of the operations disposed of and portion of the cash-generating unit retained.

As part of its transition to MFRS framework, the Group elected not to restate those business combinations that occurred before the date of transition to MFRSs. Goodwill arising from acquisitions before 1 January 2011 has been carried forward from the previous FRS framework as at the date of transition.

3.1.5 Loss of Control

Upon the loss of control of a subsidiary company, the Group derecognises the assets and liabilities of the subsidiary company, any non-controlling interests and the other components of the equity related to the subsidiary company. Any surplus or deficit arising on the loss of control is recognised in profit or loss.

If the Group retains any interest in the previous 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 Consolidation (cont'd)

3.1.6 Non-controlling Interests

Non-controlling interests at the end of the reporting period, being the equity in a subsidiary company not attributable directly or indirectly to the equity holders of the Company, are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group is presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of the profit or loss and the comprehensive income for the financial year between non-controlling interests and the owners of the Company.

Losses applicable to the non-controlling interests in a subsidiary company are allocated to the non-controlling interests even if that results in a deficit balance.

3.1.7 Eliminations on consolidation

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated on consolidation.

3.1.8 Associates

Associates are entities in which the Group has significant influence, but no control, over their financial and operating policies.

The Group's investments in associates are accounted for using the equity method. Under the equity method, investment in an associate is carried in the statement of financial position at cost plus post acquisition changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The share of the result of an associate is reflected in profit or loss. This is the profit attributable to equity holders of the associate and therefore is the profit after tax and non-controlling interests in the subsidiaries of the associate. When the Group's share of losses exceeds its interest in an associate, the carrying amount of that interest including any long-term investment is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the associate.

Where there has been a change recognised directly in the equity of an associate, the Group recognises its share of any changes and discloses this, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 Consolidation (cont'd)

3.1.8 Associates (cont'd)

The financial statements of the associates are prepared as of the same reporting period as the Group. Where necessary, adjustments are made to bring the accounting policies of the associate companies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investments in its associates. The Group determines at each end of the reporting period whether there is any objective evidence that the investments in the associates are impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associates and their carrying value, then recognise the amount in the share of profit of an equity-accounted associate in profit or loss.

Upon loss of significant influence over an associate, the Group measures and recognises any retaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognised in profit or loss.

In the Company's separate financial statements, investments in associates are stated at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

3.2 Property, Plant and Equipment

All property, plant and equipment are measured at cost less accumulated depreciation and less any impairment losses. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Cost includes expenditures that are directly attributable to the acquisition of the assets and any other costs directly attributable to bring the asset to working condition for its intended use, cost of replacing component parts of the assets, and the present value of the expected cost for the decommissioning of the assets after their use. 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. All other repair and maintenance costs are recognised in profit or loss as incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.2 Property, Plant and Equipment (cont'd)

Depreciation is recognised on the straight-line method in order to write off the cost of each asset over its estimated useful life. Freehold land with an infinite life is not depreciated. Other property, plant and equipment are depreciated based on the estimated useful lives of the assets as follows:

Buildings	2% - 5%
Plant and machineries	6% - 10%
Motor vehicles	10% - 20%
Furniture, fittings and office equipment	10% - 33.3%

Capital work-in-progress consists of building, plant and machinery under construction/installation for intended use as production facilities. The amount is stated at cost and includes capitalisation of interest incurred on borrowings related to property, plant and equipment under construction/installation until the property, plant and equipment are ready for their intended use. Assets under construction/installation are not depreciated until it is completed and ready for their intended use.

The residual values, useful lives and depreciation method are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable, or at least annually to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

Property, plant and equipment are derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in profit or loss in the financial year in which the asset is derecognised.

3.3 Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or asset or the arrangement conveys a right to use the asset, even if that right is not explicitly specific in an arrangement.

<u>Finance Lease</u>

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance lease. 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.3 Leases (cont'd)

Finance Lease (cont'd)

Minimum lease payments made under finance leases are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the profit or loss. 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.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Leasehold land which in substance is a finance lease is classified as a property, plant and equipment.

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.

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 land lease payments.

The Group's prepaid land lease payments are amortised on a straight line basis over the lease term within 21 years to 51 years.

3.4 Investment Properties

Investment properties are properties which are owned or held under a leasehold interest to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.4 Investment Properties (cont'd)

Investment properties are initially measured at cost, including transaction cost. Cost includes expenditures that are directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs.

Subsequent to initial recognition, investment properties are measured at fair value and are revalued annually and are included in the statement of financial position at their open market values. Any gain or loss resulting from either a change in the fair value or the sale of an investment property is immediately recognised in profit or loss in the period in which they arise. The fair values are determined by external professional valuers with sufficient experience with respect to both the location and the nature of the investment property and supported by market evidence. Where the fair value of the investment property under construction is not reliably determinable, the investment property under construction is measured at cost until either its fair value becomes reliably determinable or construction is complete, whichever is earlier.

Investment properties are derecognised when either they are disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from the disposal. Any gain or loss on the retirement or disposal of an investment property is recognised in the profit or loss in the financial year of retirement or disposal.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change. When an item of property, plant and equipment is transferred to investment property following a change in its use, any difference arising at the date of transfer between the carrying amount of the item immediately prior to transfer and its fair value is recognised directly in equity as a revaluation of property, plant and equipment. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in profit or loss. Upon disposal of an investment property, any surplus previously recorded in equity is transferred to retained earnings; the transfer is not made through profit or loss.

3.5 Non-current Assets Held-for-Sale

Non-current assets comprising assets are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale.

Classification of the asset as held for sale occurs only when the asset is available for immediate sale in its present condition subject only to terms that are usual and customary and the sale must be highly probable. Management must be committed to a plan to sell the assets which are expected to qualify for recognition as a completed sale within one year from the date of classification. Action required to complete the plan should indicate that it is unlikely that significant changes to the plan will be made or the plan will be withdrawn.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.5 Non-current Assets Held-for-Sale (cont'd)

Immediately before classification as held for sale, the assets, are remeasured in accordance with the Group's accounting policies. Thereafter generally the assets are measured at the lower of their carrying amount and fair value less costs to sell. Any differences are recognised in profit or loss.

Property, plant and equipment once classified as held for sale are not amortised or depreciated.

3.6 Inventories

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

Inventories are determined by using the weighted average method. The costs of raw materials and consumables comprise costs of purchase plus the cost of bringing the inventories to their present condition and location. The cost of work-in-progress and finished goods comprises raw materials, direct labour, other direct costs and appropriate proportions of production overheads.

Net realisable value represents the estimated selling price in the ordinary course of business less selling and distribution costs and all other estimated costs to completion. Write-down to net realisable value and inventory losses are recognised as an expense when it occurred and any reversal is recognised in profit or loss in the period in which it occurs.

3.7 Financial Instruments

3.7.1 Initial Recognition and Measurement

Financial assets and financial liabilities are recognised when the Group or the Company become a party to the contractual provisions of the financial instrument.

Financial assets and financial liabilities are measured initially at fair value plus transactions costs, except for financial assets and financial liabilities carried at fair value through profit or loss, which are measured initially at fair value.

Financial assets and financial liabilities are measured subsequently as described below.

3.7.2 Financial Assets - Categorisation and Subsequent Measurement

For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments are classified into the following categories upon initial recognition:

a) financial assets at fair value through profit or loss;
b) loans and receivables;
c) held-to-maturity investments; and
d) available-for-sale financial assets.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.7 Financial Instruments (cont'd)

3.7.2 Financial Assets - Categorisation and Subsequent Measurement (cont'd)

The category determines subsequent measurement and whether any resulting income and expense is recognised in profit or loss or in other comprehensive income.

All financial assets except for those at fair value through profit or loss are subject to review for impairment at least at each end of the reporting period. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets.

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. 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.

At the reporting date, the Group and the Company have not designated any financial assets at fair value through profit or loss, held-to-maturity investments and available-for-sale financial assets. The Group and the Company carry only loans and receivables on their statement of financial position.

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. Gains or losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process. The Group's and the Company's cash and cash equivalents, trade and most of other receivables and amount due from subsidiaries fall into this category of financial instruments.

Loans and receivables are classified as current assets, except for those having maturity dates later than 12 months after the reporting date which are classified as non-current.

3.7.3 Financial Liabilities - Categorisation and Subsequent Measurement

After the initial recognition, financial liability is classified as financial liability at fair value through profit or loss, other financial liabilities measured at amortised cost using the effective interest method and financial guarantee contracts.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.7 Financial Instruments (cont'd)

3.7.3 **Financial Liabilities - Categorisation and Subsequent Measurement (cont'd)**

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or 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.

At the reporting date, the Group and the Company have not designated any financial liabilities at fair value through profit or loss. The Group and the Company carry only other financial liabilities measured at amortised cost on their statement of financial position.

<u>Other Financial Liabilities Measured at Amortised Cost</u>

The Group's and the Company's other financial liabilities include borrowings, trade and other payables and finance lease liabilities.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

<u>Financial Guarantee Contracts</u>

Financial guarantee contracts issued by the Company are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specific debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount recognised less cumulative amortisation.

3.7.4 **Offsetting of Financial Instruments**

Financial assets and financial liabilities are offset and the net amount reported in the statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

3.8 Interest in Joint Operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.8 Interest in Joint Operations (cont'd)

When a Group undertakes its activities under joint operations, the Group as a joint operator recognises in relation to its interest in a joint operation:-

· Its assets, including its share of any assets held jointly;
· Its liabilities, including its share of any liabilities incurred jointly;
· Its revenue from the sale of its share of the output arising from the joint operation;
· Its share of the revenue from the sale of the output by the joint operation; and
· Its expenses, including its share of any expenses incurred jointly.

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the MFRSs applicable to the particular assets, liabilities, revenues and expenses.

When the Group transacts with a joint operation in which a group is a joint operator (such as a sale or contribution of assets), the Group does not recognise its share of the gains and losses until the transfer of significant risks and rewards of ownership to the customer.

3.9 Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand, bank balances, deposits pledged to licensed financial institutions, bank overdraft and short term demand deposits which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Bank overdraft are shown in current liabilities in the statements of financial position.

For the purpose of the statements of cash flows, cash and cash equivalents are presented net of bank overdraft and pledged deposits.

3.10 Property Development

Where property is under development and agreement has been reached to sell such property when construction is complete, the Directors consider whether the contract comprises a contract to construct a property or a contract for the sale of a completed property.

Where a contract is judged to be for the construction of a property, revenue is recognised using the percentage of completion method as construction progresses.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.10 Property Development (cont'd)

Where the contract is judged to be for the sale of a completed property, revenue is recognised when the significant risks and rewards of ownership of the real estate have been transferred to the buyer. If, however, the legal terms of the contract are such that the construction represents the continuous transfer of work in progress to the purchaser, the percentage of completion method of revenue recognition is applied and revenue is recognised as work progresses. Continuous transfer of work in progress is applied when:-

a) The buyer controls the work in progress, typically when the land on which the development is taking place is owned by the final customer; and
b) All significant risks and rewards of ownership of the work in progress in its present state are transferred to the buyer as construction progresses, typically when buyer cannot put the incomplete property back to the Company.

In such conditions, the percentage of work completed is measured based on the costs incurred up until the end of the reporting period as a proportion of total costs expected to be incurred.

The aggregate of the costs incurred for the property development projects are reflected as property development cost in the statement of financial position, after set off against the property development cost qualified to be recognised in profit or loss upon completion of the projects.

3.11 Deferred Revenue

Deferred revenue is a liability related to revenue with property development activity for which revenue has not yet been recognised. Deferred revenue is recognised when the significant risks and rewards of ownership of property have not been transferred to the buyer.

3.12 Impairment of Assets

3.12.1 **Non-financial Assets**

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. 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. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.12 Impairment of Assets (cont'd)

3.12.1 Non-financial Assets (cont'd)

The Group bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Group's cash-generating units to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. For longer periods, a long term growth rate is calculated and applied to project future cash flows after the third year.

Impairment losses of continuing operations, including impairment on inventories, are recognised in the profit or loss in those expense categories consistent with the function of the impaired asset, except for a property previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for asset in prior years. Such reversal is recognised in the profit or loss unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

Goodwill is tested for impairment annually at the end of each reporting period, and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than their carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

3.12.2 Financial Assets

The Group and the Company assess at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable date indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.12 Impairment of Assets (cont'd)

3.12.2 Financial Assets (cont'd)

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continue to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate.

Financial Assets Carried at Amortised Cost

The carrying amount of the asset is reduced through the use of a provision account and the amount of the loss is recognised in the profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income in the profit or loss. Loans together with the associated provision are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent financial year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the provision account. If a future write-off is later recovered, the recovery is recognised in the profit or loss.

3.13 Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of the assets during the period of time that is necessary to complete and prepare the asset for its intended use or sale.

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.

All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that the Group and the Company incurred in connection with the borrowing of funds.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.14 Revenue Recognition

Revenue is recognised to the extent it is probable that the economic benefits associated with the transaction will flow to the enterprise and the amount of the revenue can be reliably measured. Revenue is measured at the fair value of consideration received or receivable.

Sale of goods

Revenue from sale of goods is recognised net of goods and services taxes and discounts upon the transfer of significant risks and rewards of ownership of the goods to the customer. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

Dividend income

Dividend income is recognised when the Group's right to receive payment is established.

Rental income

Rental income from investment properties is recognised on an accrual basis unless collectability is in doubt.

Interest income

Interest income is recognised on time proportion basis, taking into account the principal outstanding and the effective rate over the period to maturity, when it is determined that such income will accrue to the Group.

Management fee

Management fee is recognised when services are rendered.

Property development

Revenue is recognised as the significant risks and rewards of ownership of the real estate have been transformed to the buyer.

All significant intercompany revenues are eliminated on consolidation.

3.15 Tax Expense

Tax expense comprises current and deferred tax. Current tax and deferred tax is 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.15 Tax Expense (cont'd)

3.15.1 **Current Tax**

Current tax is the expected tax payable or receivable on the taxable income or loss for the financial 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.

Current tax, for current and prior periods is recognised in as a liability (or an asset) to the extent that it is unpaid (or refundable).

3.15.2 **Deferred Tax**

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 temporary differences arising from the initial recognition of goodwill, the initial recognition of assets and 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 date.

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, except for investment properties carried at fair value model. Where investment properties are carried at their fair value in accordance with the accounting policy set out in Note 3.4 to the financial statements, the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held with the objective to consume substantially all of the economic benefits embodied in the property over time, rather than through sale.

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 liabilities and assets 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 the unutilised tax incentive can be utilised.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.15 Tax Expense (cont'd)

3.15.3 Goods and Services Tax

Goods and Services Tax ("GST") is a consumption tax based on value-added concept. GST is imposed on goods and services at every production and distribution stage in the supply chain including importation of goods and services, at the applicable tax rate of 6%. Input GST that the Company paid on purchases of business inputs can be deducted from output GST.

Revenues, expenses and assets are recognised net of the amount of GST except:-

- Where the GST incurred in a purchase of assets or services is not recoverable from the authority, in which case the GST is recognised as part of the cost of acquisition of the assets or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of other receivables or other payables in the statement of financial position.

3.16 Employee Benefits Expense

Short term employee benefits

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

Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group and the Company pay fixed contributions into separate entities or funds and will have no legal or constructive obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years.

Such contributions are recognised as an expense in the profit or loss as incurred. As required by law, the companies in Malaysia make such contributions to the Employees Provident Fund ("EPF").

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.17 Foreign Currency

3.17.1 Foreign Currency Translation

The Group's consolidated financial statements are presented in RM, which is also the Company's functional currency.

3.17.2 Foreign Currency Transactions and Balances

Transactions in foreign currencies are initially recorded at the functional currency rates prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date.

All differences are taken to the profit or loss with the exception of all monetary items that forms part of a net investment in a foreign operation. These are recognised in other comprehensive income until the disposal of the net investment, at which time they are reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising in translation of non-monetary items is recognised in line with the gain or loss of the item that gave rise to the translation difference (translation differences on items whose gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss respectively).

3.18 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 revenue and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available. Additional disclosures on each of these segments are shown in Note 35 to the financial statements.

3.19 Equity, Reserves and Distribution to Owners

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Ordinary shares are equity instruments.

Share capital represents the nominal value of shares that have been issued.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.19 Equity, Reserves and Distribution to Owners (cont'd)

Share premium includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium, net of any related income tax benefits.

The revaluation reserve within equity comprises gains and losses due to the revaluation of property, plant and equipment.

Retained earnings or accumulated loss include all current and prior period retained earnings or accumulated loss.

Interim dividends are simultaneously proposed and declared, because the articles of association of the Company grants the Directors the authority to declare interim dividends. Consequently, interim dividends are recognised directly as a liability when they are proposed and declared.

Final dividends proposed by the Directors are not accounted for in shareholder's equity as an appropriation of retained earnings, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

The distribution of non-cash assets to owners is recognised as dividend payable when the dividend was approved by shareholders. The dividend payable is measured at the fair value of the shares to be distributed. At the end of the financial year, the Company reviews the carrying amount of the dividend payable, with any changes in the fair value of the dividend payable are recognised in equity. When the Company settles the dividend payable, the difference between the carrying amount of the dividend distributed and the carrying amount of the dividend payable is recognised as a separate line item in profit or loss.

All transactions with owners of the Company are recorded separately within equity.

3.20 Provisions

Provisions are recognised when there is a present legal or constructive obligation that can be estimated reliably, as a result of a past event, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses.

Any reimbursement that the Group can be virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision.

Provisions are reviewed at each end of the reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. Where the effect of the time value of money is material, provision are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.21 Contingencies

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably. A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs such that outflow is probable and can be measured reliably, they will then be recognised as a provision.

3.22 Related Parties

A related party is a person or entity that is related to the Group and the Company. A related party transaction is a transfer of resources, services or obligations between the Group and the Company and its related party, regardless of whether a price is charged.

(i) A person or a close member of that person's family is related to the Group if that person:-

a) Has control or joint control over the Group;
b) Has significant influence over the Group; or
c) Is a member of the key management personnel of the Group.

(ii) An entity is related to the Group if any of the following conditions applies:-

a) The entity and the Group are members of the same group.
b) The entity is an associate or joint venture of the Group.
c) Both the Group and the entity are joint ventures of the same third party.
d) The Group is a joint venture of a third entity and the other entity is an associate of the same third entity.
e) The entity is a post-employment benefit plan for the benefits of employees of either the Group or an entity related to the Group.
f) The entity is controlled or jointly-controlled by a person identified in (i) above.
g) A person identified in (i)(a) above has significant influence over the entity or is a member of the key management personnel of the ultimate holding company or the entity.
h) The entity, or any member of a group of which it is a party, provides key management personnel services to the Group.

3.23 Earnings per Ordinary Share

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

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

Diluted EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company over the weighted average number of shares outstanding, for the effects of all dilutive potential ordinary shares during the period.

4. PROPERTY, PLANT AND EQUIPMENT

	Freehold land RM	Buildings RM	Plant and machineries RM	Motor vehicles RM	Furniture,fittings and office equipment RM	Total RM
Group						
Cost						
At 1.1.2015	13,140,483	29,566,450	26,200,384	6,342,216	2,747,703	77,997,236
Additions	-	60,492	2,980,765	146,883	88,244	3,276,384
Disposals	-	-	-	(291,207)	-	(291,207)
Written off	-	-	-	-	(259,565)	(259,565)
Revaluation adjustment	1,171,243	1,638,126	-	-	-	2,809,369
Transfer to investment properties (Note 7)	(6,000,000)	(8,000,000)	-	-	-	(14,000,000)
At 31.12.2015	8,311,726	23,265,068	29,181,149	6,197,892	2,576,382	69,532,217
Additions	-	64,000	221,823	253,000	87,123	625,946
Disposals	-	-	-	(121,362)	(4,300)	(125,662)
Written off	-	-	-	(1,101)	(25,618)	(26,719)
Disposal of a subsidiary	-	-	-	(99,735)	-	(99,735)
At 31.12.2016	8,311,726	23,329,068	29,402,972	6,228,694	2,633,587	69,906,047
Accumulated depreciation						
At 1.1.2015	-	9,176,664	20,801,427	4,432,842	2,289,443	36,700,376
Charge for the financial year	-	560,260	861,927	647,146	142,380	2,211,713
Disposals	-	-	-	(291,202)	-	(291,202)
Written off	-	-	-	-	(254,788)	(254,788)
Revaluation adjustment	-	(334,686)	-	-	-	(334,686)
At 31.12.2015	-	9,402,238	21,663,354	4,788,786	2,177,035	38,031,413
Charge for the financial year	-	567,598	1,005,327	567,363	99,171	2,239,459
Disposals	-	-	-	(121,361)	(2,208)	(123,569)
Written off	-	-	-	(1,101)	(22,162)	(23,263)
Disposal of a subsidiary	-	-	-	(99,734)	-	(99,734)
At 31.12.2016	-	9,969,836	22,668,681	5,133,953	2,251,836	40,024,306
Net carrying amount						
At 31.12.2016	8,311,726	13,359,232	6,734,291	1,094,741	381,751	29,881,741
At 31.12.2015	8,311,726	13,862,830	7,517,795	1,409,106	399,347	31,500,804

4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Assets pledged as securities to financial institutions

The above land and buildings of the Group have been pledged to licensed banks for banking facilities granted to certain subsidiaries.

Assets held under finance lease

The net carrying amount of assets under finance lease are:-

	Group	
	2016	**2015**
	RM	**RM**
Motor vehicles	475,928	878,858
Plant and machineries	2,510,997	916,014
	2,986,925	1,794,872

Lease assets are pledged as security for the related finance lease liabilities.

5. CAPITAL WORK-IN-PROGRESS

Cost	Group Plant and machinery RM
At 1.1.2015/31.12.2015/1.1.2016	-
Additions	5,551,602
Borrowing costs capitalised at rate of 6.6% per annum	163,543
At 31.12.2016	5,715,145

Included in capital work-in-progress is an amount of RM5,252,374 (2015: Nil) under finance lease and has been pledged as security for the related finance lease liabilities.

6. PREPAID LAND LEASE PAYMENTS

	Short leasehold land RM	Long leasehold land RM	Total RM
Group			
Cost			
At 1.1.2015/31.12.2015/31.12.2016	3,105,877	450,191	3,556,068
Accumulated amortisation			
At 1.1.2015	1,398,541	177,267	1,575,808
Amortisation charged during the financial year	66,096	6,134	72,230
At 31.12.2015	1,464,637	183,401	1,648,038
Amortisation charged during the financial year	66,097	6,134	72,231
At 31.12.2016	1,530,734	189,535	1,720,269
Net carrying amount			
At 31.12.2016	1,575,143	260,656	1,835,799
At 31.12.2015	1,641,240	266,790	1,908,030

	2016 RM	2015 RM
Amount to be amortised		
Not later than one year	72,231	72,230
Later than one year but not later than five years	288,924	288,920
Later than five years	1,474,644	1,546,880
	1,835,799	1,908,030

Long leasehold land represents leasehold land with unexpired lease period of more than 50 years while short leasehold land represents leasehold land with unexpired lease period of less than 50 years.

Long leasehold land and short leasehold land have been pledged to licensed banks for banking facilities granted to certain subsidiaries.

7. INVESTMENT PROPERTIES

Group	Buildings RM	Freehold land RM	Total RM
Fair value			
At 1.1.2015	5,460,622	2,819,378	8,280,000
Additions	2,973,426	-	2,973,426
Transferred to asset held-for-sale (Note 17)	(163,623)	-	(163,623)
Transferred from property, plant and equipment (Note 4)	8,000,000	6,000,000	14,000,000
Fair value adjustment	850,197	(317,500)	532,697
At 31.12.2015	17,120,622	8,501,878	25,622,500
Transferred to asset held-for-sale (Note 17)	(160,000)	-	(160,000)
At 31.12.2016	16,960,622	8,501,878	25,462,500

Investment properties comprise of office shoplot that is leased to third party. Subsequent renewal is negotiated with the lease on an average renewal period of 2 (2015: 2) years. No contingent rents are charged.

Income and expenses recognised in profit or loss

	2016 RM	2015 RM
Rental generated from investment properties	1,438,970	1,421,592
Direct operating expenses for investment properties - revenue generating investment properties	89,590	82,008

Investment properties pledged as securities to financial institutions

The net carrying amount of freehold land and buildings which are pledged to licensed banks for banking facilities granted to subsidiaries amounted to RM20,010,000 (2015: RM20,010,000).

Strata title yet to issue

The strata title of certain freehold land and buildings of subsidiaries are yet to issue by relevant authorities with net carrying amount as disclosed below:-

	2016 RM	2015 RM
Freehold land	7,882,500	7,882,500
Buildings	14,130,000	14,290,000
	22,012,500	22,172,500

7. INVESTMENT PROPERTIES (CONT'D)

Fair value basis of investment properties

Investment properties are stated at fair value, which has been determined based on valuations at the end of the reporting period. As at 31 December 2016 and 2015, the fair values of the investment properties are based on valuations performed by accredited independent valuers with recent experience in the location and category of properties being valued. In estimating the fair value of the properties, the highest and best use of the properties is their current use. There has been no change to the valuation technique during the financial year.

Fair value measurement of the investment properties were categorised as follows:-

	Group Level 2	
	2016 RM	2015 RM
Recurring fair value measurement:		
Freehold land	8,501,878	8,501,878
Buildings	16,960,622	17,120,622

Level 2 fair value

Level 2 fair value of freehold land and buildings have been generally derived using the sales comparison approach. Sales price of comparable properties in close proximity are adjusted for differences in key attributes such as property size.

The most significant input into this valuation approach is price per square foot of comparable properties.

8. SUBSIDIARIES

Investment in subsidiaries

	Company	
	2016 RM	2015 RM
At cost		
Unquoted shares	131,453,640	131,453,640
Accumulated impairment losses	(3,750,628)	(3,750,628)
	127,703,012	127,703,012

The movement of accumulated impairment losses during the financial year is as follows:-

	Company	
	2016 RM	2015 RM
At 1 January	3,750,628	3,942,832
No longer required	-	(192,204)
At 31 December	3,750,628	3,750,628

8. SUBSIDIARIES (CONT'D)

Details of the subsidiaries are as follows:-

Name of Company	Principal place of business/ Country of incorporation	Effective ownership interest and voting interest 2016 %	2015 %	Principal activities
Hai Ming Development Sdn. Bhd.	Malaysia	100	100	Involving in general, reinsurance agency brokerage business and property development
Hai Ming Enterprise Sdn. Bhd.	Malaysia	100	100	Trading of plywood
Hai Ming Industries Sdn. Bhd.	Malaysia	100	100	Converting of paper into related products, trading in cements and other related products
Welley Enterprise Sdn. Bhd.	Malaysia	100	100	Distributing and retailing of plywood
Modern Steel Sdn. Bhd.	Malaysia	51	51	Trading in steel bar and cement
Hai Ming Paper Mills Sdn. Bhd.	Malaysia	100	100	Manufacturing of tissue paper and tissue related products
Hai Ming Trading Co. Sdn. Bhd.	Malaysia	100	100	Trading in paper products, stationery and general household products
Hai Ming Marketing Sdn. Bhd.	Malaysia	100	100	Trading in paper products
Paragon Paper Mill Sdn. Bhd.	Malaysia	99.9	99.9	Manufacturing of tissue paper and tissue related products
Paragon Marketing Sdn. Bhd.	Malaysia	100	100	Trading in tissue related products
KPS Plywood Sdn. Bhd.	Malaysia	100	100	Trading of plywood and investment holding
Akateak Sdn. Bhd.	Malaysia	100	100	Distributor and retailer of wooden doors, plywood and related building materials
I'Kranji Industries Sdn. Bhd.	Malaysia	100	100	Manufacturing and trading in printed laminated plywood
Vector Marketing Sdn. Bhd.	Malaysia	-	60	Trading in plywood and related products

8. SUBSIDIARIES (CONT'D)

Non-controlling interests in subsidiaries

The Group's subsidiary that has material non-controlling interests is as follows:-

	Modern Steel Sdn. Bhd.	
	2016	**2015**
Percentage of ownership interest and voting interest (%)	49%	49%
Carrying amount of non-controlling interest (RM)	552,742	236,999
Profit allocated to non-controlling interest (RM)	315,743	177,890

The summary of financial information before intra-group elimination for the Group's subsidiary, Modern Steel Sdn. Bhd., that has material non-controlling interests is as below:-

	2016 RM	**2015** RM
Financial position as at 31 December		
Non-current assets	2,407	31,677
Current assets	14,035,617	13,627,126
Current liabilities	(13,027,591)	(13,292,744)
Net assets	1,010,433	366,059
Financial performance for the financial year ended 31 December		
Profit for the financial year	644,374	363,040
Other comprehensive income	-	-
Total comprehensive income	644,374	363,040
Included in the total comprehensive income is:		
Revenue	55,393,547	31,882,810
Cash flows for the financial year ended 31 December		
Net cash inflow/(outflow) from operating activities	4,005,538	(4,865,041)
Net cash outflow from investing activities	-	(2,699)
Net cash (outflow)/inflow from financing activities	(4,040,568)	5,537,447
Net cash (outflow)/inflow	(35,030)	669,707
Other information		
Dividends paid to non-controlling interests	-	-

8. SUBSIDIARIES (CONT'D)

Significant restrictions

No significant restriction is imposed on the financial control of the subsidiaries.

Disposal of a subsidiary

On 10 October 2016, KPS Plywood Sdn. Bhd. disposed of its 60% equity interest in Vector Marketing Sdn. Bhd. for a cash consideration of RM40,000. The subsidiary was previously reported as part of the plywood segment.

The disposal of Vector Marketing Sdn. Bhd. give rise to a gain on disposal of RM3,988 in the Group's financial statements.

The effect of the disposal of Vector Marketing Sdn. Bhd. on the financial position of the Group as at the date of disposal was as follows:-

	2016 RM
Property, plant and equipment	1
Trade receivables	57,131
Other receivables	310
Tax recoverable	2,577
Net assets	60,019
Reversal of non-controlling interest	(24,007)
Gain on disposal	3,988
Proceed from disposal/Net cash inflows from disposal	40,000

Amount due from subsidiaries

	Group	
	2016 RM	2015 RM
Amount due from subsidiaries	22,779,433	22,378,229
Less: Allowance for impairment		
Brought forward	(4,726,539)	(5,030,647)
Recognised	(18,300)	(3,434,078)
Reversed	22,200	3,738,186
Carried forward	(4,722,639)	(4,726,539)
	18,056,794	17,651,690

8. SUBSIDIARIES (CONT'D)

Amount due from subsidiaries (cont'd)

The amount due from subsidiaries is non-trade related, unsecured, interest free and repayable on demand, except for RM1,170,000 (2015: RM675,429) of amount due from a subsidiary which bears interest at the rate of 5.50% (2015: 5.50%) per annum.

9. ASSOCIATE

Investment in an associate

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
At cost				
Unquoted share in Malaysia	1	1	1	1
Share of post-acquisition profit	198,316	354,596	-	-
	198,317	354,597	1	1

Details of associate are as follows:-

Name of Company	Principal place of business/ Country of incorporation	Effective ownership interest and voting interest 2016 %	2015 %	Principal activity
Hai Ming Exsim Development Sdn. Bhd.	Malaysia	40	40	Property development

Summarised financial information of material associate, not adjusted for the proportion of ownership interest held by the Group is as follows:-

	Group	
	2016 RM	2015 RM
Hai Ming Exsim Development Sdn. Bhd.		
Financial position as at 31 December		
Current assets	2,015,732	2,785,443
Current liabilities	(1,519,939)	(1,900,170)
Net assets	495,793	885,273

9. ASSOCIATE (CONT'D)

Investment in an associate (cont'd)

Summarised financial information of material associate, not adjusted for the proportion of ownership interest held by the Group is as follows (cont'd):-

	Group	
	2016 RM	**2015** RM
Hai Ming Exsim Development Sdn. Bhd. (cont'd)		
Financial performance for the financial year ended 31 December		
(Loss)/Profit for the financial year/Total comprehensive (loss)/income	(390,700)	1,207,763
Included in the total comprehensive income is:		
Revenue	-	75,843,600
Reconciliation of net assets to carrying amount as at 31 December		
Group's share of net assets	198,317	354,109
Elimination of unrealised profit	-	488
Carrying amount in the statement of financial position	198,317	354,597
Group's share of results for the financial year ended 31 December		
Group share of (loss)/profit	(156,280)	354,596
Group's share of other comprehensive income	-	-
Total	(156,280)	354,596
Other information		
Dividend received by the Group	-	-

Contingent liabilities and capital commitments

The associate has no contingent liabilities and capital commitments as at the reporting date.

10. GOODWILL ON CONSOLIDATION

	Group	
	2016 RM	2015 RM
Goodwill arising from business combination		
1 January/31 December	43,151,039	43,151,039

Goodwill has been allocated to the Group's CGU, being Akateak Sdn. Bhd. and KPS Plywood Sdn. Bhd., both of which are in the plywood business segment. No impairment loss was required for the goodwill on consolidation as its recoverable values was in excess of their carrying values.

Impairment test for goodwill

Key assumptions used in value-in-use calculations

The recoverable amount of a CGU is determined based on value-in-use calculations using cash flow projections based on financial budgets approved by management covering a five-years period. The values assigned to key assumptions is in respect of management's assessment of future trends in the industry.

The key assumptions used for value-in-use calculations are as follows:-

(i) Budgeted gross margin

The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budgeted year, increased for expected efficiency improvements. The average gross margin applied was 5.3% (2015: 6.0%).

(ii) Growth rate

The weighted average growth rates used are consistent with the long-term average growth rate anticipated for the entities based on its past performance and industry demand. The average growth rate applied was 5.0% (2015: 2.5%) per annum.

(iii) Discount rate

The discount rate used are pre-tax and reflect specific risks relating to the plywood segment. The discount rate applied was 8.2% (2015: 9%) per annum.

Sensitivity to changes in assumptions

With regard to the assessment of value-in-use of the CGU relating to trading in plywood products, management believes there are possible changes in key assumptions which could cause the carrying value of the CGU to exceed its recoverable amount. The estimated CGU relating to recoverable amount for the unit exceeds its carrying amount by approximately RM80 million (2015: RM29 million).

11. DEFERRED TAX ASSETS/LIABILITIES

(i) Deferred tax assets

	2016			2015		
	Assets RM	Liabilities RM	Net RM	Assets RM	Liabilities RM	Net RM
Group						
At 1 January	2,197,000	(834,000)	1,363,000	2,854,000	(904,000)	1,950,000
Recognised in profit or loss	(730,953)	602,000	(128,953)	(657,000)	70,000	(587,000)
At 31 December	1,466,047	(232,000)	1,234,047	2,197,000	(834,000)	1,363,000

The components of recognised deferred tax assets are made up of temporary difference arising from:-

	Group	
	2016 RM	2015 RM
Property, plant and equipment	(89,000)	(688,000)
Unutilised business losses	-	868,000
Unutilised capital allowances	4,000	30,000
Fair value gain on investment properties	(143,000)	(146,000)
Others	1,462,047	1,299,000
	1,234,047	1,363,000

Deferred tax assets have not been recognised in respect of the following items (stated at gross amount):-

	Group	
	2016 RM	2015 RM
Property, plant and equipment	(116,000)	-
Real property gain tax on investment properties	(14,000)	-
Unutilised business losses	1,182,000	232,000
Unutilised capital allowances	87,000	-
	1,139,000	232,000

The potential deferred tax assets of certain subsidiaries are not recognised in the financial statements as it is anticipated that the tax effects of such benefits will not be realised in the foreseeable future.

11. DEFERRED TAX ASSETS/LIABILITIES (CONT'D)

(ii) Deferred tax liabilities

	2016 Assets RM	2016 Liabilities RM	2016 Net RM	2015 Assets RM	2015 Liabilities RM	2015 Net RM
Group						
At 1 January	179,000	(576,200)	(397,200)	97,000	(211,550)	(114,550)
Recognised in profit or loss	478,700	(299,650)	179,050	82,000	(207,450)	(125,450)
Recognised in other comprehensive income	-	-	-	-	(157,200)	(157,200)
At 31 December	657,700	(875,850)	(218,150)	179,000	(576,200)	(397,200)

The components of recognised deferred tax liabilities are made up of temporary difference arising from:-

	Group 2016 RM	Group 2015 RM
Property, plant and equipment	(728,900)	(424,450)
Unutilised business losses	468,000	-
Unutilised capital allowances	4,800	11,000
Fair value gain on investment properties	(2,550)	(2,550)
Revaluation surplus on land and building	(157,200)	(157,200)
Others	197,700	176,000
	(218,150)	(397,200)

12. PROPERTY DEVELOPMENT COST

	Group 2016 RM	Group 2015 RM
At 1 January	15,401,940	-
Cost incurred during the financial year	15,010,439	15,401,940
At 31 December	30,412,379	15,401,940

13. INVENTORIES

	Group 2016 RM	Group 2015 RM
Raw materials	13,994,057	14,156,882
Consumables	410,117	595,218
Work-in-progress	49,293	112,949
Finished goods	13,280,204	9,663,114
Trading goods	45,170,209	36,824,607
At carrying amount	72,903,880	61,352,770
Recognised in profit or loss:-		
Inventories recognised in cost of sales	510,950,963	478,519,783
Inventories written down	168,362	171,014
Inventories written off	-	5,596
Reversal of inventories written down	(200,643)	(399,186)

The reversal of inventories written down was made and recognised in profit or loss when the related inventories were subsequently used or were sold above their carrying amount.

14. TRADE RECEIVABLES

	Group 2016 RM	Group 2015 RM
Trade receivables	174,989,952	149,408,593
Less: Allowance for impairment		
Brought forward	(7,417,819)	(8,584,012)
Recognised	(1,344,566)	(1,316,464)
Reversed	678,145	2,482,657
Written off	414,858	-
Carried forward	(7,669,382)	(7,417,819)
	167,320,570	141,990,774

Trade receivables are non-interest bearing and are recognised at their original invoice amounts which represent their fair values on initial recognition.

The Group's normal trade credit term granted to trade receivables ranges from cash term to 120 days (2015: 30 days to 120 days). Other credit terms are assessed and approved by management on a case-by-case basis.

15. OTHER RECEIVABLES

	Group 2016 RM	Group 2015 RM
Non-trade receivables	2,456,788	7,560,237
Less: Allowance for impairment		
Brought forward/Carried forward	(743,097)	(743,097)
	1,713,691	6,817,140

15. OTHER RECEIVABLES (CONT'D)

	Group	
	2016 RM	2015 RM
Deposits	6,516,070	10,711,713
Less: Allowance for impairment		
Brought forward	-	(2,796,544)
Reversed	-	2,796,544
Carried forward	-	-
	6,516,070	10,711,713
Advances to suppliers	175,078	3,592,284
Prepayments	1,239,225	843,258
GST recoverable	868,395	569,941
	10,512,459	22,534,336

16. DEPOSITS WITH LICENSED BANKS

Group

The deposits with licensed banks are pledged for banking facilities granted to certain subsidiaries.

The effective interest rates for deposits with licensed banks range from 2.95% to 4.20% (2015: 2.75% to 4.20%) per annum.

17. NON-CURRENT ASSETS CLASSIFIED AS HELD-FOR-SALE

Buildings

	Group	
	2016 RM	2015 RM
At 1 January	163,623	8,358,905
Transferred from investment properties	160,000	163,623
Disposal	-	(8,358,905)
At 31 December	323,623	163,623

On 30 December 2015 and 9 June 2016, a subsidiary had entered into a sale and purchase agreement to dispose off a building for a total cash consideration of RM223,000 and RM215,000. These transactions have been completed on 7 February 2017 and 23 January 2017.

On 8 October 2014, a subsidiary had enter into a sale and purchase agreement to dispose off the land and building together with machinery, for total consideration of RM22 million. This tansaction has been completed on 8 January 2015.

18. SHARE CAPITAL

	Group and Company			
	Number of Shares		Amount	
	2016	2015	2016	2015
	Unit	Unit	RM	RM
Authorised:-				
Ordinary shares at RM1.00 each				
At 1 January/31 December	200,000,000	200,000,000	200,000,000	200,000,000
Issued and fully paid:-				
Ordinary shares at RM1.00 each				
At 1 January/31 December	147,827,158	147,827,158	147,827,158	147,827,158

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions and rank equally with regard to the Company's residual assets.

19. SHARE PREMIUM, REVALUATION RESERVE AND RETAINED EARNINGS/(ACCUMULATED LOSSES)

Share premium

Group and Company

Share premium represents the excess of the consideration received over the nominal value of shares issued by the Company. It is not to be distributed by way of cash dividends and its utilisation should be in the manner as set out in Section 60(3) of the Companies Act, 1965.

Revaluation reserve

Group

The revaluation reserve represents increase in the fair value of freehold land and buildings, RM2,986,855, net of tax.

Retained earnings/(Accumulated losses)

Company

The Company adopted the Single Tier Income Tax System in which the Company may declare the payment of the dividends out of its entire retained earnings of which subject to the availability of profits.

20. FINANCE LEASE LIABILITIES

	Group	
	2016 RM	2015 RM
Future minimum lease payment:-		
- not later than 1 year	3,203,087	449,298
- later than 1 year but not later than 5 years	3,377,891	208,058
- later than 5 years	1,840	7,456
	6,582,818	664,812
Less: Future finance charges on finance lease	(561,606)	(54,652)
	6,021,212	610,160
Analysed as:-		
Present value of finance lease liabilities		
- not later than 1 year	2,871,912	407,056
- later than 1 year but not later than 5 years	3,147,478	195,891
- later than 5 years	1,822	7,213
	3,149,300	203,104
	6,021,212	610,160

The amounts payable within one year had been included in other payables.

The effective interest rates of finance lease liabilities range from 4.07% to 6.59% (2015: 4.07% to 6.09%) per annum.

The finance lease liabilities of the Group are secured by way of corporate guarantee by the Company and personal guarantee by a shareholder of the Company.

21. BORROWINGS

	Group	
	2016 RM	2015 RM
Current		
Secured:-		
Term loan	799,178	763,316
Multi-option loan	1,000,008	1,000,008
Bankers' acceptance	71,877,140	77,922,084
Bank overdraft	680,838	13,858
	74,357,164	79,699,266
Unsecured:-		
Bankers' acceptance	11,919,579	8,501,242
	86,276,743	88,200,508

21. BORROWINGS (CONT'D)

	Group	
	2016 RM	2015 RM
Non-current		
Secured:-		
Term loan	3,920,263	4,719,442
Multi-option loan	122,984	1,083,302
	4,043,247	5,802,744
Total borrowings		
Term loan	4,719,441	5,482,758
Multi-option loan	1,122,992	2,083,310
Bankers' acceptance	83,796,719	86,423,326
Bank overdraft	680,838	13,858
	90,319,990	94,003,252
Maturity of borrowings:-		
Within one year	86,276,743	88,200,508
More than 1 year and less than 5 years	3,713,228	4,512,438
After 5 years	330,019	1,290,306
	90,319,990	94,003,252

(a) The secured bankers' acceptance, bank overdraft, term loan and multi-option loan are secured in the following manner:-

(i) Charge and deeds of assignment over the landed properties of certain subsidiaries as disclosed in Notes 4, 6 and 7 to the financial statements;
(ii) Pledge of deposits with licensed banks of subsidiaries;
(iii) Personal guarantee by a shareholder of the Company and a director of subsidiary;
(iv) Corporate guarantee by the Company; and
(v) Pledged over quoted shares owned by a shareholder of the Company.

The repayment term for secured term loan is arranged for 120 monthly installments.

(b) The unsecured bankers' acceptance are guaranteed by the Company, a subsidiary, a director of subsidiary and a shareholder of the Company.

The borrowings are charged at effective interest rates range from 3.25% to 8.35% (2015: 3.66% to 8.35%) per annum.

22. TRADE PAYABLES

Group

The trade payables are non-interest bearing and the normal trade credit term granted by suppliers ranges from 30 days to 120 days (2015: 30 days to 120 days).

Included in trade payables are the retention sum and project management fees amounting to RM935,443 and Nil (2015: RM440,387 and RM5,973,380).

23. OTHER PAYABLES

	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
Non-trade payables	4,280,078	8,045,290	10,600	7,319
Accruals of expenses	1,283,506	1,346,222	124,620	137,688
Interest payable	-	3,358	-	-
Deposits received	296,907	547,062	-	-
Deferred revenue	14,657,145	-	-	-
Finance lease liabilities	2,871,912	407,056	-	-
GST payable	120,494	253,687	-	-
	23,510,042	10,602,675	135,220	145,007

The non-trade payables include amount due to director of subsidiaries and due to a shareholder of the Company amounting to RM894,696 and RM200,000 (2015: RM761,880 and RM200,000) respectively. The amount due is interest free, unsecured and repayable on demand.

24. REVENUE

	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
Sales of goods	557,471,422	525,564,233	-	-
Management fee received and receivable from subsidiaries	-	-	192,000	229,500
	557,471,422	525,564,233	192,000	229,500

25. PROFIT BEFORE TAX

Profit before tax is determined:-

	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
After charging:-				
Amortisation of prepaid land lease payments	72,231	72,230	-	-
Auditors' remuneration				
- statutory audit	313,500	298,500	63,000	58,000
- others	77,200	70,450	10,700	7,000
Bad debts written off	25,157	2,099,168	-	-
Depreciation of property, plant and equipment	2,239,459	2,211,713	-	-
Directors' remuneration (Note 29)	645,687	439,272	33,000	66,000

25. PROFIT BEFORE TAX (CONT'D)

Profit before tax is determined (cont'd):-

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
After charging (cont'd):-				
Interest expenses				
- bankers' acceptance	3,317,138	2,997,587	-	-
- finance lease liabilities	122,793	68,435	-	-
- term loan	236,247	270,500	-	-
- multi-option loan	85,354	153,482		
- overdraft	27,949	6,871	-	-
- letter of credit charges	-	66,150	-	-
Impairment on				
- trade receivables	1,344,566	1,316,464	-	-
- amount due from subsidiaries	-	-	18,300	3,434,078
Inventories written down	168,362	171,014	-	-
Inventories written off	-	5,596	-	-
Loss on disposal of partial equity of a subsidiary	-	-	-	192,203
Property, plant and equipment written off	3,456	4,777	-	-
Rental expenses				
- equipment	620	5,008	-	-
- warehouse	61,230	22,200	-	-
- office	1,275,000	865,700	-	-
- hostel	18,000	18,000	-	-
- factory and machinery	-	360,000	-	-
After crediting:-				
Reversal of inventories written down	(200,643)	(399,186)	-	-
Fair value gain on investment properties	-	(532,697)	-	-
Gain on disposal of				
- property, plant and equipment	(4,094)	(25,476)	-	-
- asset held-for-sale	-	(13,641,095)	-	-
- subsidiary	(3,988)	-	-	-
Interest income				
- fixed deposits	(298,292)	(197,151)	-	-
- overdue interest	(61,894)	(342,919)	-	-
- subsidiaries	-	-	(49,395)	(37,149)
Realised gain on foreign exchange	(180,401)	(73,342)	-	-
Rental income	(1,523,454)	(1,513,626)	-	-
Reversal of impairment on				
- trade receivables	(678,145)	(2,482,657)	-	-
- other receivables	-	(2,796,544)	-	-
- amount due from subsidiaries	-	-	(22,200)	(3,738,186)
- investment in subsidiary	-	-	-	(192,204)

26. TAX EXPENSE

	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
Current tax				
- current financial year	3,953,970	3,593,458	33,000	24,247
- under/(over) provision in prior financial year	448,993	206,126	6,479	(20,232)
	4,402,963	3,799,584	39,479	4,015
Deferred tax				
- origination and reversal of temporary differences	(214,447)	1,076,350	-	-
- under/(over) provision in prior financial year	164,350	(363,900)	-	-
	(50,097)	712,450	-	-
	4,352,866	4,512,034	39,479	4,015

A reconciliation of income tax expense applicable to profit before tax at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Company is as follows:-

	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
Profit before tax	12,750,573	34,560,826	32,462	329,281
Tax at statutory tax rate of 24% (2015: 25%)	3,060,138	8,640,206	7,791	82,320
Tax effects in respect of:				
Expenses not deductible for tax purposes	760,242	1,484,510	30,537	876,474
Income not subject to tax	(299,057)	(5,428,242)	(5,328)	(934,547)
Change in tax rates on deferred tax	-	(96,416)	-	-
Utilisation of previously unrecognised deferred tax assets	(22,800)	(11,650)	-	-
Movement in deferred tax assets not recognised	241,000	56,400	-	-

26. TAX EXPENSE (CONT'D)

A reconciliation of income tax expense applicable to profit before tax at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Company is as follows (cont'd):-

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Under/(Over) provision of tax expense in prior financial year	448,993	206,126	6,479	(20,232)
Under/(Over) provision of deferred tax in prior financial year	164,350	(363,900)	-	-
Additional deferred tax liabilities on real property gain tax	-	25,000	-	-
Effective tax expense	4,352,866	4,512,034	39,479	4,015

The Group has unutilised business losses and unutilised capital allowance which can be carried forward to offset against future taxable profit amounted to approximately RM3,149,000 (2015: RM3,957,600) and RM87,000 (2015: RM171,500) respectively.

The availability of the unutilised business losses and unutilised capital allowances for offsetting against future taxable profits on the respective subsidiaries are subject to no substantial changes in shareholdings of the respective subsidiaries under Section 44(5A) & 5B of Income Tax Act, 1967.

27. OTHER COMPREHENSIVE INCOME

	Group					
	2016			2015		
	Gross RM	Tax Expense RM	Net RM	Gross RM	Tax Expense RM	Net RM
Items that will not be reclassified subsequently to profit or loss						
Changes in ownership in a subsidiary	-	-	-	(58,202)	-	(58,202)
Revaluation of land and buildings	-	-	-	3,144,055	(157,200)	2,986,855
	-	-	-	3,085,853	(157,200)	2,928,653

28. EARNINGS PER SHARE

Basic earnings per ordinary share

The calculation of basic earnings per share was based on the profit attributable to ordinary equity holders of the Company and weighted average number of ordinary shares issued calculated as follows:-

	Group	
	2016	**2015**
	RM	**RM**
Profit for the financial year attributable to ordinary equity holders of the Company (RM)	8,084,047	29,874,677
Weighted average number of ordinary shares at 31 December	147,827,158	147,827,158
Basic earnings per share (sen)	5.47	20.21

Diluted earnings per share

Diluted earnings per share is not computed as there were no dilutive potential equity instruments in issue that gave diluted effect to the earning per share.

29. EMPLOYEE BENEFITS EXPENSE

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM	**RM**	**RM**	**RM**
Salaries and other emoluments	10,009,675	9,010,073	33,000	66,000
Defined contribution plans	822,012	836,320	-	-
Other staff related expenses	320,938	337,787	-	-
	11,152,625	10,184,180	33,000	66,000

The details of remuneration received/receivable by Directors of the Company and subsidiaries during the financial year are as follows:-

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM	**RM**	**RM**	**RM**
Executive Directors:				
Fee	159,000	153,000	3,000	36,000
Salaries and other emoluments	78,000	72,000	-	-
Non-Executive Directors:				
Fee	30,000	30,000	30,000	30,000
Directors of the subsidiary companies				
Fee	122,000	14,772	-	-
Salaries and other emoluments	256,687	169,500	-	-
	645,687	439,272	33,000	66,000

Included in the employee benefit expense is the benefit-in-kind for a subsidiary director amounted to RM5,770 (2015: Nil).

30. CAPITAL COMMITMENTS

	Group	
	2016 RM	2015 RM
Authorised and contracted for:		
- Purchase of property, plant and equipment	5,531,032	7,598,140

31. CONTINGENT LIABILITIES

	Company	
	2016 RM	2015 RM
Corporate guarantee given to financial institutions for credit facilities granted to subsidiaries (unsecured)		
- Limit	157,860,000	154,590,000
- Utilised	93,788,030	94,003,252

32. RELATED PARTY DISCLOSURES

The Group has related party relationship with its significant investors, subsidiaries, associate, Directors and key management personnel.

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 Company are as follows:

	Company	
	2016 RM	2015 RM
Interest charged to a subsidiary	49,395	37,149
Management fee charged to subsidiaries	192,000	229,500
Loan given to a subsidiary	499,561	6,200,000

Compensation of key management personnel

Key management personnel is 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 remuneration of key management personnel is same with the Directors' remuneration as disclosed in Notes 25 and 29 to the financial statements. The Group and the Company have no other members of key management personnel apart from the Board of Directors.

The outstanding balances arising from related party transactions were disclosed in Notes 8 and 23 to the financial statements.

33. FINANCIAL INSTRUMENTS

CATEGORIES OF FINANCIAL INSTRUMENTS

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

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

	Carrying amount RM	L&R RM	AC RM
Group			
2016			
Financial assets			
Trade receivables	167,320,570	167,320,570	-
Other receivables	8,404,839	8,404,839	-
Deposits with licensed banks	7,275,179	7,275,179	-
Cash and bank balances	19,245,975	19,245,975	-
Total	202,246,563	202,246,563	-
Financial liabilities			
Trade payables	54,428,415	-	54,428,415
Other payables	5,860,491	-	5,860,491
Finance lease liabilities	6,021,212	-	6,021,212
Borrowings	90,319,990	-	90,319,990
Total	156,630,108	-	156,630,108
2015			
Financial assets			
Trade receivables	141,990,774	141,990,774	-
Other receivables	21,121,137	21,121,137	-
Deposits with licensed banks	7,374,196	7,374,196	-
Cash and bank balances	19,533,234	19,533,234	-
Total	190,019,341	190,019,341	-
Financial liabilities			
Trade payables	31,433,022	-	31,433,022
Other payables	9,941,932	-	9,941,932
Finance lease liabilities	610,160	-	610,160
Borrowings	94,003,252	-	94,003,252
Total	135,988,366	-	135,988,366

33. FINANCIAL INSTRUMENTS (CONT'D)

CATEGORIES OF FINANCIAL INSTRUMENTS (CONT'D)

The table below provides an analysis of financial instruments categorised as follows (cont'd):-

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

	Carrying amount RM	L&R RM	AC RM
Company			
2016			
Financial assets			
Amount due from subsidiaries	18,056,794	18,056,794	-
Cash and bank balances	77,480	77,480	-
			-
Total	18,134,274	18,134,274	-
Financial liability			
Other payables	135,220	-	135,220
2015			
Financial assets			
Amount due from subsidiaries	17,651,690	17,651,690	-
Cash and bank balances	491,109	491,109	-
Total	18,142,799	18,142,799	-
Financial liability			
Other payables	145,007	-	145,007

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Financial Risks

The Group and the Company are exposed to financial risks arising from their operations and the use of financial instruments. Financial risk management policies are established to ensure that adequate resources are available for the development of the Group's and of the Company's business whilst managing their credit risk, liquidity risk, interest rate risk, foreign currency risk and market price risk. The Group and the Company operate within clearly defined policies and procedures that are approved by the Board of Directors to ensure the effectiveness of the risk management process. The Group and the Company do not engage in the trading of financial assets for speculative purpose nor does it write options. The Group and the Company do not apply hedge accounting.

The main areas of financial risks faced by the Group and the Company and the policy in respect of the major areas of treasury activity are set out as follows:-

(a) Credit risk

Credit risk is the risk of a financial loss to the Group and the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. It is the Group's policy to enter into financial instrument with a diversity of creditworthy counterparties. The Group and the Company do not expect to incur material credit losses on its financial assets or other financial instruments.

33. FINANCIAL INSTRUMENTS (CONT'D)

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

Financial Risks (cont'd)

The main areas of financial risks faced by the Group and the Company and the policy in respect of the major areas of treasury activity are set out as follows (cont'd):-

(a) Credit risk (cont'd)

Concentration of credit risk exists when changes in economic, industry and geographical factors similarly affect the group of counterparties whose aggregate credit exposure is significant in relation to the Group's total credit exposure. The Group's transactions are entered into with diverse creditworthy counterparties, thereby mitigate any significant concentration of credit risk.

It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. The Group and the Company do not offer credit terms without the approval of the management.

The Group's and the Company's maximum exposure to credit risk is represented by the carrying amount of trade and other receivables and amount due from subsidiaries in the statement of financial position.

The credit risk for cash and cash equivalents are considered negligible since the counterparties are reputable banks with high credit rating.

The areas where the Group and the Company are exposed to credit risk are as follows:-

<u>Receivables</u>

With a credit policy in place to ensure the credit risk is monitored on an ongoing basis, the 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 transacted with the Group. The Group uses ageing analysis to monitor the credit quality of the receivables. Any receivables having significant balances past due more than credit terms granted are deemed to have higher credit risk, and are monitored individually.

33. FINANCIAL INSTRUMENTS (CONT'D)

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

Financial Risks (cont'd)

The main areas of financial risks faced by the Group and the Company and the policy in respect of the major areas of treasury activity are set out as follows (cont'd):-

(a) Credit risk (cont'd)

Receivables (cont'd)

Concentration of credit risk

The credit risk concentration profile of the Group as at the reporting date is as follows:-

	Group	
	2016	**2015**
	RM	**RM**
By country:-		
Malaysia	167,320,570	141,990,774
By industry sector:-		
Paper milling	5,526,364	4,273,822
Paper converting	30,013,638	26,519,996
Building materials	126,135,169	110,040,621
Other trading	5,645,399	1,156,335
	167,320,570	141,990,774

Trade receivables ageing analysis

	Gross	**Individually impaired**	**Net**
	RM	**RM**	**RM**
Group			
2016			
Within credit terms	85,170,791	-	85,170,791
Past due 1 to 30 days	37,504,703	-	37,504,703
Past due 31 to 120 days	29,630,605	-	29,630,605
Past due more than 120 days	22,683,853	(7,669,382)	15,014,471
	174,989,952	(7,669,382)	167,320,570
2015			
Within credit terms	68,720,511	-	68,720,511
Past due 1 to 30 days	35,729,160	-	35,729,160
Past due 31 to 120 days	26,812,888	-	26,812,888
Past due more than 120 days	18,146,034	(7,417,819)	10,728,215
	149,408,593	(7,417,819)	141,990,774

33. FINANCIAL INSTRUMENTS (CONT'D)

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

Financial Risks (cont'd)

The main areas of financial risks faced by the Group and the Company and the policy in respect of the major areas of treasury activity are set out as follows (cont'd):-

(a) Credit risk (cont'd)

Receivables (cont'd)

Trade receivables ageing analysis (cont'd)

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group. None of the Group's trade receivables that are neither past due nor impaired have been renegotiated during the financial year.

As at financial year end, trade receivables of RM82,149,779 (2015: RM73,270,263) were past due but not impaired. The Directors are of the opinion that the receivables are collectable in view of long term business relationship with the customers and those related to a number of independent customers for them there is no recent history of default.

Trade receivables that are individually determined to be impaired at the reporting date relate to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

In respect of trade and other receivables, the Group and the Company are not exposed to any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics except for 10% (2015: Nil) of the Group's trade receivables was due from one (2015: Nil) major customer.

Financial guarantee/Corporate guarantee

The maximum exposure to credit risk amounting to RM93,788,030 (2015: RM94,003,252) representing the outstanding banking facilities of the subsidiaries as at end of the reporting period.

The Company provides unsecured financial guarantees to banks in respect of banking facilities granted to certain subsidiaries. The Company monitors on an ongoing basis the results of the subsidiaries and repayments made by the subsidiaries. As at end of the reporting period, there was no indication that any subsidiary would default on repayment.

The corporate guarantee does not have a determinable effect on the term of the credit facilities due to the bank requiring parent's guarantees as a pre-condition for approving the banking facilities granted to subsidiaries. The actual terms of the credit facilities are likely to be the best indicator of "at market" term and hence the fair value of the credit facilities are equal to the credit facilities amount received by the subsidiaries. As such, there is no value on the corporate guarantee to be recognised in the financial statements.

33. FINANCIAL INSTRUMENTS (CONT'D)

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

Financial Risks (cont'd)

The main areas of financial risks faced by the Group and the Company and the policy in respect of the major areas of treasury activity are set out as follows (cont'd):-

(a) Credit risk (cont'd)

Intercompany balances

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

As at the end of the reporting date, there was no indication that the carrying amount of advances to the subsidiaries are not recoverable.

(b) Liquidity risk

Liquidity risk is the risk that the Group and the Company will not be able to meet their financial obligations as and when they fall due as a result of shortage of funds.

In managing their exposures to liquidity risk, the Group and the Company maintain 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 their liabilities as and when they fall due.

The Group and the Company aim at maintaining a balance of sufficient cash and deposits and flexibility in funding by keeping diverse sources of committed and uncommitted credit facilities from various banks.

The liquidity risks arise principally from its payables, bank borrowings and finance lease liabilities. The maturity profile of the Group's and of the Company's financial liabilities based on contractual undiscounted cash flows is less than 1 year other than finance lease liabilities and borrowings which is disclosed in Notes 20 and 21 to the financial statements.

The summary of the maturity profile based on contractual undiscounted repayment obligations are as below:-

			Maturity			
			Current	**Non-current**		
	Carrying amount RM	**Total contractual Cash flows RM**	**On demand/ Less than 1 year RM**	**1 to 2 years RM**	**2 to 5 years RM**	**More than 5 years RM**
2016						
Group						
Non-derivative financial liabilities						
Secured :						
Bank overdraft	680,838	680,838	680,838	-	-	-
Bankers' acceptance	71,877,140	71,877,140	71,877,140	-	-	-
Term loan	4,719,441	5,331,002	999,563	999,563	2,998,688	333,188
Multi-option loan	1,122,992	1,167,769	1,043,017	124,752	-	-
Finance lease liabilities						
	6,021,212	6,582,818	3,203,087	2,806,184	571,707	1,840

33. FINANCIAL INSTRUMENTS (CONT'D)

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

Financial Risks (cont'd)

The main areas of financial risks faced by the Group and the Company and the policy in respect of the major areas of treasury activity are set out as follows (cont'd):-

(b) Liquidity risk

The summary of the maturity profile based on contractual undiscounted repayment obligations are as below (cont'd):-

			Maturity			
			Current	Non-current		
	Carrying amount RM	Total contractual Cash flows RM	On demand/ Less than 1 year RM	1 to 2 years RM	2 to 5 years RM	More than 5 years RM
2016						
Group (cont'd)						
Non-derivative financial liabilities (cont'd)						
Unsecured:						
Trade payables	54,428,415	54,428,415	54,428,415	-	-	-
Other payables	5,860,491	5,860,491	5,860,491	-	-	-
Bankers' acceptance	11,919,579	11,919,579	11,919,579	-	-	-
Total undiscounted financial liabilities	156,630,108	157,848,052	150,012,130	3,930,499	3,570,395	335,028
2015						
Group						
Non-derivative financial liabilities						
Secured:						
Bank overdraft	13,858	13,858	13,858	-	-	-
Bankers' acceptance	77,922,084	77,922,084	77,922,084	-	-	-
Term loan	5,482,758	6,247,275	999,563	999,563	2,998,694	1,249,455
Multi-option loan	2,083,310	2,223,462	1,098,236	1,040,735	84,491	-
Finance lease liabilities	610,160	664,812	449,298	155,800	52,258	7,456
Unsecured:						
Trade payables	31,433,022	31,433,022	31,433,022	-	-	-
Other payables	9,941,932	9,941,932	9,941,932	-	-	-
Bankers' acceptance	8,501,242	8,501,242	8,501,242	-	-	-
Total undiscounted financial liabilities	135,988,366	136,947,687	130,359,235	2,196,098	3,135,443	1,256,911

33. FINANCIAL INSTRUMENTS (CONT'D)

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

Financial Risks (cont'd)

The main areas of financial risks faced by the Group and the Company and the policy in respect of the major areas of treasury activity are set out as follows (cont'd):-

(b) Liquidity risk

The summary of the maturity profile based on contractual undiscounted repayment obligations are as below (cont'd):-

			Maturity			
				Non-current		
	Carrying amount RM	Total contractual Cash flows RM	Current On demand/ Less than 1 year RM	1 to 2 years RM	2 to 5 years RM	More than 5 years RM
2016						
Company						
Non-derivative financial liabilities						
Unsecured:						
Other payables	135,220	135,220	135,220	-	-	-
Total financial liability	135,220	135,220	135,220	-	-	-
Financial guarantee *	-	93,788,030	93,788,030	-	-	-
Total undiscounted financial liabilities	135,220	93,923,250	93,923,250	-	-	-
2015						
Non-derivative financial liabilities						
Unsecured:						
Other payables	145,007	145,007	145,007	-	-	-
Total financial liability	145,007	145,007	145,007	-	-	-
Financial guarantee *	-	94,003,252	94,003,252	-	-	-
Total undiscounted financial liabilities	145,007	94,148,259	94,148,259	-	-	-

*This exposure of liquidity risk is included for illustration purpose only as the related financial guarantee has not crystalised.

The above amounts reflect the contractual undiscounted cash flows, which may differ from the carrying values of financial liabilities at the reporting date.

33. FINANCIAL INSTRUMENTS (CONT'D)

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

Financial Risks (cont'd)

The main areas of financial risks faced by the Group and the Company and the policy in respect of the major areas of treasury activity are set out as follows (cont'd):-

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and of the Company's financial instruments will fluctuate because of changes in market interest rates.

The Group's investments in fixed rate instruments and its 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.

Interest rate sensitivity

The Group's interest rate management objective is to manage the interest expenses consistent with maintaining an acceptable level of exposure to interest rate fluctuation. In order to achieve this objective, the Group targets a mix of fixed and floating debt based on assessment of its existing exposure and desired interest rate profile.

The interest rate profile of the Group's significant interest-bearing financial instruments, based on carrying amounts as at the reporting date were:-

	2016 RM	2015 RM
Group		
Fixed rate instruments		
Financial asset		
- Deposits with licensed banks	7,275,179	7,374,196
Financial liabilities		
- Finance lease liabilities	(6,021,212)	(610,160)
- Bankers' acceptance	(83,796,719)	(86,423,326)
	(89,817,931)	(87,033,486)
Net financial liabilities	(82,542,752)	(79,659,290)
Floating rate instruments		
Financial liabilities		
- Term loan	(4,719,441)	(5,482,758)
- Multi-option loan	(1,122,992)	(2,083,310)
- Bank overdraft	(680,838)	(13,858)
Net financial liabilities	(6,523,271)	(7,579,926)
Company		
Floating rate instrument		
Financial asset		
- Amount due from a subsidiary	1,170,000	675,429

33. FINANCIAL INSTRUMENTS (CONT'D)

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

Financial Risks (cont'd)

The main areas of financial risks faced by the Group and the Company and the policy in respect of the major areas of treasury activity are set out as follows (cont'd):-

(c) Interest rate risk (cont'd)

Cash flow sensitivity analysis for variable rate instruments

The following table illustrates the sensitivity of profit to a reasonably possible change in interest rates of +/-25 (2015: +/-25) basis points ("bp"). These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on a change in the average market interest rate for each period, and the financial instruments held at each reporting date that are sensitive to changes in interest rates. All other variables are held constant.

	Increase/(Decrease) on profit/loss/equity of the year			
	Group		Company	
	RM	RM	RM	RM
2016 (+/- 25bp)	(16,308)	16,308	2,925	(2,925)
2015 (+/- 25 bp)	(18,950)	18,950	1,689	(1,689)

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 does not designate derivatives as hedging instruments under fair value hedge accounting model. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

(d) Foreign currency risks

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group incurs foreign currency risk on sales that are denominated in currency other than Ringgit Malaysia. The currency giving rise to this risk is primarily Singapore Dollar and US Dollar. However, the Group does not view the risk to be significant as the sale transactions denominated in these currency is minimal.

(e) Market price risk

Market price risk is the risk that the fair value or future cash flows of the Group's and of the Company's financial instruments will fluctuate because of changes in market prices (other than foreign exchange or interest rates).

The Group and the Company do not hold any quoted or marketable financial instrument, hence is not exposed to any movement in market prices.

33. FINANCIAL INSTRUMENTS (CONT'D)

FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts of financial assets and liabilities of the Group and of the Company at reporting date approximate their fair values due to their short-term nature, insignificant impact of discounting, or that they are floating rate instruments that are re-priced to market interest rates on or near the reporting date.

It was not practicable to estimate the fair value of the Group's investment in unquoted shares due to the lack of comparable quoted prices in active market. In addition, it is impracticable to use valuation technique to estimate the fair value reliably as a result of significant variability in the inputs of the valuation technique. The Group does not intend to dispose of these investments in the near future.

Fair value hierarchy

No fair value hierarchy has been disclosed as the Group and the Company do not have financial instruments measured at fair value other than disclosed in Note 7 to the financial statements.

34. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratio in order to support its business and maximise shareholder's value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new share capital. No changes were made in the objective, policies or processes during the financial year ended 31 December 2016 and financial year ended 31 December 2015.

The borrowings include finance lease liabilities, bankers' acceptance, bank overdraft, term loan and multi-option loan while owners' equity refers to the equity attributable to the owners of the Group.

	2016 RM	2015 RM
Total borrowings:		
- finance lease liabilities	6,021,212	610,160
- bankers' acceptance	83,796,719	86,423,326
- term loan	4,719,441	5,482,758
- multi-option loan	1,122,992	2,083,310
- bank overdraft	680,838	13,858
	96,341,202	94,613,412
Owners' equity	243,399,404	235,315,311
Debt-to-equity ratio	0.40	0.40

There were no changes in the Group's approach to capital management during the financial year.

The Group has complied with Practice Note No. 17/2005 of Bursa Malaysia Securities Berhad which requires the Group to maintain a consolidated shareholders' equity equal to or not less than 25% of the issued and paid-up capital of the Company and shareholders' equity of not less than RM37 million.

35. OPERATING SEGMENTS - GROUP

(i) Business segment

For management purposes, the Group is organised into five major business units based on their products and services, which comprises the following:-

Business segments		Business activities
Paper milling	:	Manufacture of various types of tissue paper and tissue related products.
Paper converting	:	Converting of paper into related products and trading in paper related products.
Building materials	:	Distributor and retailer of wooden doors, plywood and related building materials. This segment also deals with trading in tissue related products, plywood, printed laminated plywood, cement and steel bars.
Investment and management	:	Providing management services, investment holding and dormant companies.
Other trading	:	Trading in paper, paper products, stationery, general household products, and other unclassified companies of diversed activities.

The Group has aggregated certain operating segments to form a reportable segment due to the similar nature and operational characteristics of the products.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which, in certain respects as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

35. OPERATING SEGMENTS - GROUP (CONT'D)

(i) Business segment (cont'd)

	Note	Paper milling RM	Paper converting RM	Building materials RM	Investment and management RM	Other trading RM	Consolidation adjustments RM	Total consolidated RM
2016								
Revenue								
External revenue		25,799,572	96,775,216	427,568,784	-	7,327,850	-	557,471,422
Inter-segment revenue	(a)	594	7,161	-	192,000	-	(199,755)	-
Total revenue		25,800,166	96,782,377	427,568,784	192,000	7,327,850	(199,755)	557,471,422
Results								
IInterest income		48,500	712,026	1,770,622	49,395	-	(2,220,357)	360,186
Finance costs		(200,315)	(536,811)	(4,334,330)	-	(1,664)	1,283,639	(3,789,481)
Depreciation and amortisation		(1,006,288)	(180,220)	(1,028,513)	-	(96,669)	-	(2,311,690)
Other non-cash (expenses)/ income	(b)	(103,147)	(596,079)	101,268	-	(26,701)	(30,012)	(654,671)
Tax expense		(317,417)	(647,939)	(3,331,411)	(39,479)	(16,620)	-	(4,352,866)
Segment profit/(loss)	(c)	1,415,961	1,165,630	10,077,302	(56,412)	(91,569)	(527,630)	11,983,282
Assets								
Investment in an associate		-	-	-	1	-	198,316	198,317
Additions to non-current assets other than deferred tax assets	(d)	5,762,443	28,878	384,238	-	1,989	-	6,177,548
Segment assets	(e)	32,096,891	52,832,821	254,155,913	127,780,493	43,000,445	(95,627,957)	414,238,606
Liabilities								
Segment liabilities	(f)	8,381,405	32,149,002	73,510,596	135,220	41,458,133	(80,567,811)	75,066,545

35. OPERATING SEGMENTS - GROUP (CONT'D)

(i) Business segment (cont'd)

	Note	Paper milling RM	Paper converting RM	Building materials RM	Investment and management RM	Other trading RM	Consolidation adjustments RM	Total consolidated RM
2015								
Revenue								
External revenue		22,034,871	126,750,142	367,318,937	-	9,460,283	-	525,564,233
Inter-segment revenue	(a)	2,034,517	4,238,318	25,720,741	229,500	141,345	(32,364,421)	-
Total revenue		24,069,388	130,988,460	393,039,678	229,500	9,601,628	(32,364,421)	525,564,233
Results								
Interest income		4,656	274,862	1,360,922	37,149	12,355	(1,149,874)	540,070
Finance costs		(262,086)	(349,765)	(3,749,020)	-	(6,455)	804,301	(3,563,025)
Depreciation and amortisation		(1,044,405)	(187,156)	(929,342)	-	(123,040)	-	(2,283,943)
Other non-cash income/ (expenses)	(b)	(9,505)	13,328,057	3,860,430	(3,626,281)	15,126	2,712,809	16,280,636
Tax expense		(417,068)	(519,313)	(3,469,506)	(4,015)	(102,132)	-	(4,512,034)
Segment profit	(c)	2,393,574	15,376,092	19,016,449	362,415	33,453	(4,464,832)	32,717,151
Assets								
Investment in an associate		-	-	-	1	-	354,596	354,597
Additions to non-current assets other than deferred tax assets	(d)	102,160	2,203,432	3,930,791	-	13,427	-	6,249,810
Segment assets	(e)	25,066,387	43,912,489	239,480,156	128,194,122	28,675,650	(94,440,961)	370,887,843
Liabilities								
Segment liabilities	(f)	2,412,819	3,395,918	28,134,918	145,007	7,508,446	31,533	41,628,641

35. OPERATING SEGMENTS - GROUP (CONT'D)

(i) Business segment (cont'd)

Notes to the nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements:-

(a) Inter-segment revenues are eliminated on consolidation.

(b) Other non-cash income/(expenses) consist of the following item as presented in the respective notes to the financial statements:-

	2016 RM	**2015** RM
Bad debts written off	(25,157)	(2,099,168)
Gain on disposal of		
- property, plant and equipment	4,094	25,476
- asset held for sale	-	13,641,095
- subsidiary	3,988	-
Impairment loss on receivables	(1,344,566)	(1,316,464)
Inventories written down	(168,362)	(171,014)
Inventories written off	-	(5,596)
Property, plant and equipment written off	(3,456)	(4,777)
Fair value gain on investment properties	-	532,697
Reversal of inventories written down	200,643	399,186
Reversal of impairment on receivables	678,145	5,279,201
	(654,671)	16,280,636

(c) The following items are added to/(deducted from) segment profit to arrive at "Profit after tax" presented in the consolidated statement of profit or loss and other comprehensive income:-

	2016 RM	**2015** RM
Segment profit	11,983,282	32,717,151
Interest income	360,186	540,070
Finance costs	(3,789,481)	(3,563,025)
Share of (loss)/profit of associate	(156,280)	354,596
Profit after tax	8,397,707	30,048,792

35. OPERATING SEGMENTS - GROUP (CONT'D)

(i) Business segment (cont'd)

(d) Additions to non-current assets other than deferred tax assets consist of:-

	2016 RM	2015 RM
Investment properties	-	2,973,426
Property, plant and equipment	625,946	3,276,384
Capital work-in-progress	5,551,602	-
	6,177,548	6,249,810

(e) The following items are added to segment assets to arrive at total assets reported in the consolidated statement of financial position:-

	2016 RM	2015 RM
Segment assets	414,238,606	370,887,843
Deferred tax assets	1,234,047	1,363,000
Tax recoverable	938,769	849,974
Total assets	416,411,422	373,100,817

(f) The following items are added to segment liabilities to arrive at total liabilities reported in the consolidated statement of financial position:-

	2016 RM	2015 RM
Segment liabilities	75,066,545	41,628,641
Deferred tax liabilities	218,150	397,200
Finance lease liabilities	6,021,212	610,160
Borrowings	90,319,990	94,003,252
Tax payable	815,660	865,399
Total liabilities	172,441,557	137,504,652

35. OPERATING SEGMENTS - GROUP (CONT'D)

(ii) Geographical information

Non-current assets information by geographical segment is not presented as the Group's activities are conducted principally in Malaysia.

Non-current assets information mentioned above consist of the following items as presented in the statements of financial position:-

	2016 RM	2015 RM
Property, plant and equipment	29,881,741	31,500,804
Capital work-in-progress	5,715,145	-
Prepaid land lease payments	1,835,799	1,908,030
Investment properties	25,462,500	25,622,500
Goodwill on consolidation	43,151,039	43,151,039
	106,046,224	102,182,373

The following is an analysis of the Group's revenue by geographical market, irrespective of the origin of the goods:

	Revenue by geographical market	
	2016 RM	2015 RM
Malaysia *	551,189,703	523,593,508
Overseas #	6,281,719	1,970,725
	557,471,422	525,564,233

* Company's home country
\# less than 5% for each individual country

(iii) Information about major customers

The Group does not have any revenue from a single external customer which represents 10% or more of the Group's revenue.

36. INTEREST IN A JOINT OPERATION

The subsidiary has 75% share in the gross development values ("GDV") and has taken over the full project development cost start from the effective date 15 August 2014 onward.

37. SUBSEQUENT EVENT AFTER THE REPORTING PERIOD

The Companies Act, 2016 ("New Act") was enacted to replace the Companies Act, 1965 and was passed by Parliament on 4 April 2016. The New Act was subsequently gazetted on 15 September 2016. On 26 January 2017, the Minister of Domestic Trade, Co-operatives and Consumerism announced that the effective date of the New Act, except for section 241 and Division 8 of Part III of the New Act, to be 31 January 2017.

The adoption of the New Act is not expected to have any financial impact on the Group and the Company for the financial year ended 31 December 2016 as any accounting implications will only be applied prospectively, if applicable, and the effect of adoption mainly will be on the disclosures to the annual report, Directors' report and the financial statements of the Group and the Company for the financial year ending 31 December 2017.

DISCLOSURES OF REALISED AND UNREALISED PROFITS/(LOSSES)

Bursa Malaysia Securities Berhad has on 25 March 2010 and subsequently on 20 December 2010, issued directives which require all listed corporations to disclose the breakdown of retained earnings or accumulated losses into realised and unrealised on Group and Company basis in the annual audited financial statements.

The breakdown of retained earnings/(accumulated losses) as at the reporting date that has been prepared by the Directors in accordance with the directives from Bursa Malaysia Securities Berhad stated above and Guidance on Special Matter No. 1 issued on 20 December 2010 by the Malaysian Institute of Accountants are as follows:-

	Group	
	2016 RM	2015 RM
Total retained earnings of the Group		
- Realised	132,619,562	122,929,066
- Unrealised	4,218,255	4,062,355
	136,837,817	126,991,421
Less: Consolidation adjustments	(49,653,314)	(47,890,965)
Total retained earnings	87,184,503	79,100,456

	Company	
	2016 RM	2015 RM
Total accumulated losses of the Company		
- Realised	(7,508,285)	(7,501,268)

The disclosure of realised and unrealised profits or losses above is solely for complying with the disclosure requirements stipulated in the directive of Bursa Malaysia Securities Berhad and should not be applied for any other purposes.

LIST OF PROPERTIES

KPS CONSORTIUM BERHAD & GROUP OF COMPANIES
List of 10 Largest Properties in Terms of Net Book Value as at 31 December 2016

Location	Description	Tenure	Land Area (sq ft)	Approximate Age of Building (year)	Net Book Value (RM'000)	Year of Acquisition or Revaluation*
1. Lot 622, Tempat Sementah, 6th Mile Kapar Road, Mukim Kapar, Daerah Klang, Selangor Darul Ehsan	Office/residential building, factory and warehouse	Freehold	196,028	18	14,000	2012
2. Lot 14374, Bandar Kinrara Industrial Centre, Selangor Darul Ehsan	3-storey office block & 2-storey open warehouse	Freehold	186,590	20	7,691	2013
3. 22 Lots of Land @ Jalan 34/2, Seksyen 34, 40470 Shah Alam, Selangor Darul Ehsan	Vacant Land	Freehold	75,543	31	4,608	2014
4. Lot PT129942, Kawasan Perusahaan Kanthan, Chemor, Perak	Factory and office building	60-year lease to 14/03/2055	572,379	18	4,513	1992
5. Pangsapuri Bunga Raya Bukit Beruang, Daerah Melaka Tengah, Melaka	30 units apartment	99-year lease to 2076	837 - 953 (total of 27,002)	13 to14	4,360	2016
6. Lot 292 & 294, Block 36, Muara Tuang Land District, Sarawak	Factory, office building and warehouse	58-year lease to 30/01/2030	245,252	37 & 19	3,039	1992 & 1993*
7. Lot No.6, Jalan Bukit 3, Kawasan MIEL, Bandar Sri Alam, 81750 Masai, Johor	2-Storey office & store	Freehold	50,031	22	2,367	2012
8. Lot 3144C Agriculture Land, Batu 6½, Puchong, Selangor Darul Ehsan	Vacant Land	Freehold	15,700	N/A	1,882	2015
9. No.49, 49-01, 49-02, Jln Masai 1, Taman Masai Utama, 81750 Masai, Johor	3½-storey shop office	99-year lease to 26/11/2100	1,540	13	900	2016
10. Unit No.C-G01, Block C, Suria Shop, Jalan PJU 10/4C, Damansara Damai, 47820 Petaling Jaya, Selangor Darul Ehsan	Shop Unit	99-year lease to 5/3/2103	1,782	12	800	2016

SHAREHOLDINGS ANALYSIS
As at 31 March 2017

Share Capital	:	RM147,827,158 comprising of 147,827,158 Ordinary Shares
Class Of Shares	:	Ordinary Shares
Voting Rights	:	One vote per ordinary share
No Of Shareholders	:	2,920

Distribution of Shareholdings as at 31 March 2017

Size of Shareholdings	No. of Holders	Total Holdings	%
Less than 100 Shares	18	643	0.00
100 - 1,000 Shares	678	633,395	0.43
1,001- 10,000 Shares	1,410	7,310,408	4.94
10,001 - 100,000 Shares	681	22,938,200	15.52
100,001 - below 5% of issued Shares	130	60,358,500	40.83
5% and above of issued Shares	3	56,586,012	38.28
TOTAL	**2,920**	**147,827,158**	**100.00**

Substantial Shareholder as at 31 March 2017

	No. Of Shares Held		
Shareholder	Direct	Indirect	Percentage Holding
Koh Poh Seng	66,605,525	-	45.06

List of Thirty (30) Largest Shareholders as at 31 March 2017

No	Name Of Shareholders	No. Of Shares	Percentage Holding
1	Koh Poh Seng	28,815,122	19.49
2	Amsec Nominees (Tempatan) Sdn Bhd - Pledged Securities Account – Ambank Islamic Berhad for Koh Poh Seng	20,000,000	13.53
3	AllianceGroup Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Koh Poh Seng (100430)	7,770,890	5.26
4	CitiGroup Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Koh Poh Seng (473958)	4,811,000	3.25
5	Maybank Securities Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Ng Ah Chai (Margin)	2,500,000	1.69
6	Maybank Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Liau Thai Min	2,369,100	1.60
7	Yong Ah Pee	2,105,000	1.42
8	AllianceGroup Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Koh Poh Seng	1,971,000	1.33
9	RHB Capital Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Lee Shee (CEB)	1,800,000	1.22
10	RHB Nominees (Tempatan) Sdn Bhd - OSK Capital Sdn Bhd for Koh Poh Seng	1,700,000	1.15
11	HLIB Nominees (Tempatan) Sdn Bhd – Hong Leong Bank Bhd for Teh Shiou Cherng	1,666,000	1.13
12	RHB Capital Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Yong Ah Pee (CEB)	1,660,000	1.12
13	AllianceGroup Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Yong Ah Pee (7002857)	1,530,000	1.04

List of Thirty (30) Largest Shareholders as at 31 March 2017 (cont'd)

No	Name Of Shareholders	No. Of Shares	Percentage Holding
14	AllianceGroup Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Lee Shee (7002861)	1,530,000	1.04
15	Fizwah Pembinaan Sdn Bhd	1,429,800	0.97
16	Cimsec Nominees (Tempatan) Sdn Bhd – CIMB Bank for Liau Thai Min (MY0918)	1,207,400	0.82
17	Lee Shee	1,180,000	0.79
18	Tan Meng Hooi	1,079,100	0.73
19	Tee Ah Swee	1,062,300	0.72
20	Liau Choon Hwa & Sons Sdn Bhd	1,042,300	0.71
21	Lim Teik Hong	980,600	0.66
22	Liau Thai Min	895,300	0.61
23	Cimsec Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Teh Shiou Cherng (J D B Tunggal BR_CL)	800,000	0.54
24	Public Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Koh Poh Seng (E-KLC)	797,200	0.54
25	Fu Lai Chee	765,000	0.52
26	Koh Poh Seng	740,000	0.50
27	L.T.M Holdings Sdn Bhd	616,900	0.42
28	Yeam Sew Moy @ Nyiam Siew Moy	600,000	0.40
29	Yoong Hoi Yen	596,100	0.40
30	Liau Keen Yee	570,800	0.38

Directors' Shareholdings and Interest in Shares as at 31 March 2017

No	Name Of Shareholders	No. Of Shares	Percentage Holding
1	Datuk Chua Hock Gee	Nil	Nil
2	Mr Lau Fook Meng	Nil	Nil
3	Mr Faun Chee Yarn	Nil	Nil
4	Mr Tan Kong Ang	Nil	Nil
5	Mr Lim Choon Liat	Nil	Nil

KPS CONSORTIUM BERHAD
(Company No. 143816 V)
Incorporated in Malaysia

No. of ordinary shares held

PROXY FORM

(Before completing this form please refer to the notes below)

I/We ……………………………………………….… NRIC No./Passport No./ Company No…………………………………
(Full name in block letters)

CDS. A/C No …………………………………………… of ………………………………………………………………………
(Full address)

being a member/members of **KPS CONSORTIUM BERHAD** hereby appoint the following person(s):-

Name of proxy, NRIC No. & Address ***No. of shares to be represented by proxy***

1. ……………………………………………………………………………………………………… …………………………

2. ……………………………………………………………………………………………………… …………………………

or failing him/her, the Chairman of the Meeting as *my/our proxy/proxies to attend and vote for *me/us on my/our behalf at the Thirty-First Annual General Meeting of the Company to be held at Klang Executive Club, Persiaran Bukit Raja 2, Bandar Baru Klang, 41150 Klang, Selangor Darul Ehsan on Saturday, 10 June 2017 at 11:00 am and at any adjournment thereof to vote as indicated below:-

	FOR	***AGAINST***
Ordinary Resolution 1 – Re-election of Director, Datuk Chua Hock Gee		
Ordinary Resolution 2 – Re-election of Director, Mr. Faun Chee Yarn		
Ordinary Resolution 3 – Approval of Directors' fees		
Ordinary Resolution 4 – Re-appointment of the retiring auditors, Messrs. SJ Grant Thornton		
Ordinary Resolution 5 – Authority to Allot Shares		
Ordinary Resolution 6 – Retention of Mr. Faun Chee Yarn as Independent Director		

(Please indicate with an "X" in the space provided above on how you wish your vote to be cast. If you do not do so, the proxy will vote or abstain from voting at his/her discretion).

Dated this………………..day of……………………………2017

…………………………………………………
Signature/Common Seal of shareholder

*** Strike out whichever is not desired.**

Notes:

1. *For the purpose of determining a member who shall be entitled to attend, speak and vote at the Annual General Meeting, the Company shall be requesting the Record of Depositors as at 6 June 2017. Only a depositor whose name appears on the Record of Depositors as at 6 June 2017 shall be entitled to attend the said meeting or appoint proxies to attend, speak and vote on his/her stead.*
2. *A member shall be entitled to appoint more than one (1) proxy to attend and vote in his place. All voting will be conducted by way of poll.*
3. *Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportion of his holdings to be represented by each proxy.*
4. *i) Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.*
   ii) Where a member of the Company is an exempt authorized nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorized nominee may appoint in respect of each omnibus account it holds.
5. *If the appointer is a corporation, the proxy form must be executed under its Common Seal or under the hand of its attorney.*
6. *The instrument appointing a proxy and the power of attorney, if any, under which it is signed or a certified copy thereof must be deposited at the Company's registered office at Level 15-2, Bangunan Faber Imperial Court, Jalan Sultan Ismail, 50250 Kuala Lumpur not less than forty-eight (48) hours before the time set for holding the Meeting or any adjournment thereof.*

AFFIX STAMP

The Company Secretary,
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50250 Kuala Lumpur.

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