KPS Consortium Bhd (143816-V)

2017

ANNUAL REPORT

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NOTICE OF ANNUAL GENERAL MEETING

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

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Thirty-Second 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, 9 June 2018 at 11.00 am for the following purposes:-

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AGENDA

AS ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial year ended 31 December 2017 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. Mr. Lim Choon Liat **Ordinary Resolution 1**
   ii. Mr. Tan Kong Ang **Ordinary Resolution 2**

3. To approve the payment of Directors' fees and benefits for the financial year ended 31 December 2017 amounting to RM39,000. **Ordinary Resolution 3**

4. To approve the payment of Directors' fees and benefits up to RM49,000 from 9 June 2018 until next Annual General Meeting of the Company. **Ordinary Resolution 4**

5. To re-appoint Messrs Grant Thornton Malaysia (formerly known as SJ Grant Thornton) as Auditors of the Company and to hold office until the conclusion of the next Annual General Meeting and to authorise the Directors to fix the Auditors' remuneration. **Ordinary Resolution 5**

AS SPECIAL BUSINESS

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

6. **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 6**

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

   "THAT Mr. Faun Chee Yarn is hereby retained as Independent Non-Executive Director pursuant to the Malaysian Code on Corporate Governance." **Ordinary Resolution 7**

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

8. **RETENTION OF MR. LIM CHOON LIAT AS INDEPENDENT DIRECTOR**

   "THAT subject to the passing of Ordinary Resolution 1, Mr. Lim Choon Liat is hereby retained as Independent Non-Executive Director pursuant to the Malaysian Code on Corporate Governance."

   Ordinary Resolution 8

9. **RETENTION OF MR. TAN KONG ANG AS INDEPENDENT DIRECTOR**

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

   Ordinary Resolution 9

10. 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 30th day of April 2018

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 5 June 2018. Only a depositor whose name appears on the Record of Depositors as at 5 June 2018 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.

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

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 6 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 10 June 2017.

8.2 The proposed Ordinary Resolution 7 to 9, if passed, will allow the Directors, Mr. Faun Chee Yarn, Mr. Lim Choon Liat and Mr. Tan Kong Ang who have served the Company for a consecutive term of more than 9 years, to continue to act as Independent Non-Executive Director of the Company. The Board supports the re-appointment of the aforesaid Directors as Independent Directors for:-

i. They understand the business nature and office culture
ii. They provide the Board valuable advice and insight
iii. They actively participate in Board deliberations and decision making in an objective manner
iv. They uphold independent decision and challenge the management objectively

CORPORATE INFORMATION

BOARD OF DIRECTORS **Directors**	 Datuk Chua Hock Gee Non-Independent Non-Executive Chairman (Redesignated from Executive Chairman on 4.4.2018) 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
COMPANY SECRETARIES	Lim Seck Wah (MAICSA 0799845) M. Chandrasegaran a/l S. Murugasu (MAICSA 0781031)
AUDIT COMMITTEE **Chairman** **Members**	 Faun Chee Yarn Tan Kong Ang Lim Choon Liat
NOMINATION COMMITTEE **Chairman** **Members**	 Faun Chee Yarn Tan Kong Ang Lim Choon Liat
REMUNERATION COMMITTEE **Chairman** **Members**	 Faun Chee Yarn Tan Kong Ang Lim Choon Liat

CORPORATE INFORMATION (CONT'D)

REGISTERED OFFICE	Level 15-2, Bangunan Faber Imperial Court Jalan Sultan Ismail 50250 Kuala Lumpur Telephone No: (603) 26924271 Fax No: (603) 27325388
PRINCIPAL PLACE OF BUSINESS	Lot 622, Jalan Lapis Dua, Kampung Sementa Batu 6, Jalan Kapar 42200 Klang Selangor Darul Ehsan Telephone No: (603) 32915566 Fax No: (603) 32914489
REGISTRAR	Mega Corporate Services Sdn Bhd (187984 H) Level 15-2, Bangunan Faber Imperial Court Jalan Sultan Ismail 50250 Kuala Lumpur Telephone No: (603) 26924271 Fax No: (603) 27325388 Website: www.megacorp.com.my
AUDITORS	Grant Thornton Malaysia (AF:0737) (Member Firm of Grant Thornton International Ltd) Chartered Accountants Level 11, Sheraton Imperial Court Jalan Sultan Ismail 50250 Kuala Lumpur Telephone No: (603) 26924022 Fax No: (603) 27325119 Website: www.grantthornton.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

At the date of this report, The Board of Directors of KPS Consortium Berhad ("KPSCB" or "the Company") comprising the Non-Independent Non-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 2017.

Particulars of the Directors are as follows:

DATUK CHUA HOCK GEE, male, Malaysian, age 57, was appointed as an Executive Director of KPSCB on 24 May 2014 and re-designated to Executive Chairman on 19 January 2015. He was then re-designated to Non-Independent Non-Executive Chairman on 4 April 2018. 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 66, 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 58, 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 58 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 57 was appointed as an Independent and Non-Executive Director of KPSCB on 26 May 2009. He has a Bachelor of Science (Forestry) and M.Sc. (Wood Industries Management) from Faculty of Forestry of UPM in Serdang, Selangor Darul Ehsan.

Between 1986 and 1991, he worked as a Technical Training Officer at 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. Up to date, he has authored two books related to the supply of raw materials and wood-based panels industry in Malaysia, and also a series of articles in scientific and trade journals.

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 criminal 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

LAU FOOK MENG
Malaysian, male, age 66
As detailed on page 7 – Profile of The Board of Directors in this Annual Report.

LOW TECK CHEONG
Malaysian, male, age 55
Qualification: Diploma in Business Administration
Mr Low has been working with KPSCB group for more than 25 years. He was appointed as directors 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 33
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 (Resigned on 30 April 2017)
Malaysian, male, age 61
Qualification: LCCI Diploma
Mr Yeo joined the subsidiary of KPSCB, I'Kranji Industries Sdn Bhd since 2008. He was the General Manager of the Company and was involved in the manufacturing and trading of printed laminated plywood.

He did not had any family relationship with any director or major shareholder of KPSCB group.

He had not been convicted of any offences within the past 5 years (other than traffic offences, if any) and did not had any conflict of interest in the Company.

CHUAH KEAN HENG
Malaysian, male, age 54
Qualification: Diploma in Mechanical and Automotive Engineering
Mr Chuah is the General Manager of the subsidiary of KPSCB, Paragon Paper & Plywood Sdn Bhd (formerly known as 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 2017.

Financial Performance Review

Operating Results

For the financial year ended 31 December 2017, Group's turnover was RM616.9 million (2016: RM557.5 million). We recorded a pre-tax profit of RM17.6 million as compared to RM12.8 million in the previous year.

At Company level, turnover was RM232,800 and profit before tax of RM6.2 million due to management fees from subsidiaries and reversal of doubtful debt provisions of intercompany borrowings.

Business Review by Operating Segments

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

Paper Milling

This division's operations registered external revenue of RM27.0 million (2016: RM25.8 million) and loss after tax of RM0.2 million (2016: profit after tax of RM1.4 million).

The loss in the year 2017 was due to lower profit margins and higher operating costs and expenses incurred in the setting up of line 2 paper milling machine.

The second line for paper milling started trial runs on last quarter of 2017. The second line is expected to have higher production capacity and lower operating costs and the line1 machine shall be on stand by and in operations when required.

Paper Converting and Trading of Woodfree Paper

This division recorded turnover of RM106.3 million as compared to RM96.8 million previously. This division recorded a profit after tax of RM1.7 million as compared to a profit of RM1.2 million in the previous year 2016.

This division managed to have improve profit margins compared with previous year.

Plywood and Building Materials Trading and Timber Manufacturing

The Plywood and Building Materials Division registered higher turnover of RM477.1 million (2016: RM427.6 million) and operating profit after tax of RM15.0 million compared with operating profit of RM10.1 million.

Profit margins achieved were higher in 2017 compared to 2016.

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.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

Others – trading of paper products and general household products

Turnover for this division was RM6.6 million in the year 2017 compared with RM7.3 million in the year 2016. This division made a loss after taxation of RM0.3 million compared with a loss of RM0.9 million in the year 2016.

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

Property Development

The said joint-venture for the development of 40 units of semi-detached factories, 1 unit of detached factory and 13 units of terrace factories in Rawang is expected to be completed in the mid 2018.

Sales of the semi-detached factories have improved towards the completion period compared to 2016. Due to tightening of financing by Financial Institutions and uncertain economic growth for the property sector in Malaysia shall continue to affect the sales of the unsold units.

Dividend

The Board does not recommend for dividend payment.

Outlook and Prospects

The future outlook for the Malaysian economy is expected to be stronger than previous year with World Bank predicting a growth of 5.4 %. 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
Non-Independent Non-Executive Chairman

SUSTAINABILITY STATEMENT

KPSCB is committed to business sustainability and an undertaking of its responsibility to its stakeholders. The Group's motivation is to continuously improve its business with good sustainability practices.

WORKPLACE

The Group continuously endeavors to provide a healthy, safe, secure and environment friendly workplace for every employee. In addition the Group acknowledges that the human capital is the most valuable asset.

We continue to focus on recruiting and developing our talent pool to support the growth of our business. We try to upgrade our employees competency, skills and knowledge by sending employees for training courses and internally provide guidance to our employees with the aim to equip them with skills to support their career.

ENVIRONMENT

The Group applies the concept of reduce-recycle-reuse and encourages responsible environment protection among the employees and stakeholders.

Waste water in our manufacturing plant in Chemor is treated to ensure the water is free from chemicals and biological contaminants before it is released to the environment and also to be reused in our paper manufacturing operations. The schedule waste collected and dried is disposed by authorised solid waste disposal company.

We ensure a safe and healthy working environment through:

1. Setting policies and procedures to promote workplace health and safety and reduce accident/injury rates that could affect work performance;

2. Ensuring office security is strictly maintained at all times which might include access control, CCTV surveillance, security guards and etc. at different company's premises; and

3. Ensuring our office premises are equipped with relevant equipment in case of fire.

COMMUNITY

Although the Group do not contribute directly to various charitable institutions, our major shareholders and staff do contribute to old fork homes, provide financial assistance and donate building materials to certain schools requiring repairs and etc.

MARKETPLACE

The Group is committed to ensure the interest of all our important stakeholders, suppliers and customers are well taken care of. We ensure proper corporate governance practices are in place and are monitored and reviewed periodically. For our suppliers, we practice transparent and fair procurement policies. For our customers, we are committed to deliver quality products and meet their requirements through continuous upgrading our technology, process and services.

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.

This statement sets out the extent of how the Company and its group of companies ("the Group") have applied the three (3) main principles in the Malaysian Code on Corporate Governance ("MCCG") and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Malaysia") ("MMLR").

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS

I. Board Responsibilities

The Company is headed by the Board, which assumes responsibility for the Company's leadership and is collectively responsible for meeting the objectives and goals of the Company.

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.

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

I. Board Responsibilities (cont'd)

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

The Board recognises the importance of formalising a Code of Conduct, setting out the standards of conduct expected from Directors and employees, to engender good corporate behavior.

The Board shall review and set out a comprehensive code of conduct for future adoption.

Whistle Blowing Policy

The Board recognises the importance of whistleblowing. Going forward, the Board should define its whistleblowing policy and channel for whistleblowing where legitimate concerns can be objectively investigated and addressed without the risk of reprisal. This will encourage employees to report concerns in relation to breach of a legal obligation (including negligence, criminal activity, breach of contract and breach of law), miscarriage of justice, danger to health and safety or to the environment and the cover-up of any of these in the workplace.

Company Secretary

The Board is supported by qualified external Company Secretaries, who are members of the Malaysian Institute of Chartered Secretaries and Administrators, to provide sound governance advice, ensure adherence to rules and procedure and facilitate overall compliance with the MMLR. The removal of Company Secretary is at the purview of the Board.

CORPORATE GOVERNANCE STATEMENT(CONT'D)

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

I. Board Responsibilities (cont'd)

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. The Company had implemented a waste water recycling system towards the last quarter of the financial year under review and the recycled water could be reused for soaking used papers for tissue making.

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.

Upholding Integrity in Financial Reporting

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.

The Board is responsible to ensure that the financial statements are properly drawn up in accordance with the provisions of the Companies Act, 2016 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 2017, 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, 2016.

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

II. Board Composition

At the date of this statement, the Board consisted of five (5) members, comprising one (1) Non-Independent Non-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.

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.

Board Independence

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 formalise such independence criteria to, inter-alia, include the nine (9)-years tenure for Independent and Non-Executive Directors. Procedures on the extension for Independent and Non-Executive Directors to serve beyond the nine (9)-years limit will also be formalised in line with the recommendation of MCCG. The Board is of the view that, the three Independent Directors namely, Mr. Faun Chee Yarn, Mr. Tan Kong Ang and Mr. Lim Choon Liat who have served the Company for a cumulative of nine (9) years and have been contributing to the success of the Group, be recommended to continue office as Independent Non-Executive Director sat the forthcoming AGM.

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.

CORPORATE GOVERNANCE STATEMENT(CONT'D)

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

II. Board Composition (cont'd)

Board Meetings

There were four (4) Board meetings held during the financial year ended 31 December 2017, with details of Directors' attendance set out below:-

	Name of Directors	Attendance
(a)	Datuk Chua Hock Gee	4/4
(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.

Nomination Committee

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 2017, 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.

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

II. Board Composition (cont'd)

Nomination Committee (cont'd)

The Nomination Committee shall take into account women directors when appointment of additional or replacement arises.

Directors' Training

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 on areas relevant to Corporate Governance, Finance, Business Management and Tax as follows:-

Datuk Chua Hock Gee	
Trainer/Organiser	**Course Title**
IA Essential Sdn Bhd	Briefing on Board Policies & Matters

Lau Fook Meng	
Trainer/Organiser	**Course Title**
MIA	Are You Ready for the Companies Act 2016? - Key revamp updates with tax planning elements
IA Essential Sdn Bhd	Briefing on Board Policies & Matters
Grant Thornton Malaysia	Malaysian Code of Corporate Governance 2017 and Sustainability Reporting
MIA	2018 Budget Seminar: Encompassing TN50 Aspirations

Faun Chee Yarn	
Trainer/Organiser	**Course Title**
Grant Thornton Malaysia	Grant Thornton GST Training
IA Essential Sdn Bhd	Briefing on Board Policies & Matters
Grant Thornton Malaysia	Malaysian Code of Corporate Governance 2017 and Sustainability Reporting
MIA	2018 Budget Seminar: Encompassing TN50 Aspirations

CORPORATE GOVERNANCE STATEMENT(CONT'D)

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

II. Board Composition (cont'd)

Directors' Training (cont'd)

Tan Kong Ang	
Trainer/Organiser	**Course Title**
The Malaysian Current Law Journal	Companies Act 2016: New Dynamics & Impact
Grant Thornton Malaysia	Grant Thornton GST Training
IA Essential Sdn Bhd	Briefing on Board Policies & Matters
Suruhanjaya Syarikat Malaysia	SSM National Conference 2017 - Implementing Companies Act 2016: Moving Together. Greater Together
Grant Thornton Malaysia	Tax Seminar on Budget 2018 - Budget proposals and recent tax developments
MIDA	MNCs & SMEs Supply Chain - Development & Opportunities

Lim Choon Liat	
Trainer/Organiser	**Course Title**
IA Essential Sdn Bhd	Briefing on Board Policies & Matters
MIDA	MNCs & SMEs Supply Chain - Development & Opportunities
MIDA	National Investment Seminar 2017

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

III. 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 terms 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.

Directors' remuneration for the financial year ended 31 December 2017 are broadly categorised into the following bands:

Entity	Remuneration Bands	Current Directors	
		Executive (ED)	Non-Executive (NED)
The Company	RM50,000 and below		3
	RM50,001-RM100,000		
	RM100,001-RM150,000		
	RM150,001-RM200,000		
	RM450,001-RM500,000		
The Subsidiaries	RM50,000 and below	1	
	RM50,001-RM100,000		
	RM100,001-RM150,000		
	RM150,001-RM200,000		
	RM200,001-RM250,000	1	
	RM350,001-RM450,000		

CORPORATE GOVERNANCE STATEMENT(CONT'D)

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

III. Remuneration (cont'd)

Aggregate remuneration of Directors categorised into appropriate components are as follows:

Listed Issuer	Fees (RM)	Salaries (RM)	Bonuses (RM)	EPF (RM)	Benefits-in-Kind (RM)	Other (RM)	Total (RM)
Company **Independent Non-Executive Director**							
Faun Chee Yarn	10,000					3,000	13,000
Tan Kong Ang	10,000					3,000	13,000
Lim Choon Liat	10,000					3,000	13,000
Subtotal	30,000					9,000	39,000
Group **Executive Director**							
Datuk Chua Hock Gee	36,000						36,000
Lau Fook Meng	228,000		13,000			1,186	242,186
Subtotal	264,000		13,000			1,186	278,186
Total	294,000		13,000			10,186	317,186

The remuneration of key management personnel for the financial year ended 31 December 2017 are set out below:

Key Management Personnel	Number	Salary/Fees (RM)	Bonuses (RM)	EPF (RM)	Benefits-in-Kind (RM)	Other (RM)	Total (RM)
RM350,001- RM400,000	1	366,000		15,120		829	381,949
RM200,001- RM250,000	1	228,000	13,000			1,186	242,186
RM150,001- RM200,000	1	163,150		20,508		8,028	191,686
RM100,001- RM150,000	1	112,154		13,464		828	126,446
RM50,000- RM100,000							
RM50,000 and below	1	40,256		4,860		276	45,392

CORPORATE GOVERNANCE STATEMENT(CONT'D)

PRINCIPLE B : EFFECTIVE AUDIT AND RISK MANAGEMENT

I. 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.

The terms of reference of Audit Committee shall provide for the requirements that the former key audit partner is subject to observe a cooling-off period of at least 2 years before he or she could be appointed as a member of the Audit Committee.

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 formalising 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.

Collectively, the Audit Committee should possess a wide range of necessary skills to discharge its duties. All members should be financially literate and are able to understand matters under the purview of the Audit Committee including the financial reporting process.

All members of the Audit Committee should undertake continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules.

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.

CORPORATE GOVERNANCE STATEMENT(CONT'D)

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

II. Risk Management and Internal Control Framework

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 of MCCG 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.

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.

PRINCIPLE C : INTEGRITY IN CORPORATE REPORTING MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

I. Communication with Stakeholders

The Board recognises 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.

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.

CORPORATE GOVERNANCE STATEMENT(CONT'D)

PRINCIPLE C : INTEGRITY IN CORPORATE REPORTING MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS (CONT'D)

II. Conduct of General Meetings

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.

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 2017 is RM338,000.

- **Non-Audit Fee**
  There was no non-audit fee payable to the external auditors by the Company and its subsidiaries for the financial year ended 31 December 2017.

- **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 emphasises 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 required 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.

AUDIT COMMITTEE REPORT (CONT'D)

3. Audit Committee Meetings Attendance

The Audit Committee had conducted four (4) meetings for the financial year ending 31 December 2017. 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

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.

4. Summary of work of the Audit Committee

The work carried out by the Audit Committee during the financial year were summarised 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 2017;

(c) Reviewed the external auditors' reports for the financial year ended 31 December 2017 in relation to audit and accounting issues arising from the audit;

(d) Reviewed the external auditors' audit plan for the financial year ended 31 December 2017;

(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.

AUDIT COMMITTEE REPORT (CONT'D)

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. To 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.

AUDIT COMMITTEE REPORT (CONT'D)

7. Functions (cont'd)

The functions of the Committee are as follows (cont'd):-

(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 2017. 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 recognises that reviewing of the Group's systems of risk management and internal control 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 control 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 organisation. 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 systems of internal control 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 systems 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.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL(CONT'D)

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 2017 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 2017. 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	2017	2016	2015	2014	2013
Revenue from continuing operations	616,963	557,471	525,564	464,375	492,649
Profit/(Loss) from continuing operations before tax	17,591	12,751	34,561	33	15,073
Profit/(Loss) from continuing operations after tax	12,711	8,398	30,049	(896)	11,905
Total comprehensive income/(Loss) for the financial year	12,711	8,398	32,977	(897)	11,905
Total comprehensive income/(Loss) attributable to owners of the Company	12,447	8,084	32,803	(899)	11,638
Total assets	488,748	416,411	373,101	318,390	315,870
Equity attributable to owners of the parent	255,846	243,399	235,315	202,512	203,412
In RM Net assets per share	1.73	1.65	1.59	1.37	1.38
In Sen Earnings/(Loss) per share	8.42	5.47	20.21	(0.61)	7.87

REPORTS AND FINANCIAL STATEMENTS 31 DECEMBER 2017

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 2017.

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 for the financial year	12,710,501	6,154,786
Attributable to:-		
Owners of the Company	12,447,126	6,154,786
Non-controlling interests	263,375	-
	12,710,501	6,154,786

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' REPORT (CONT'D)

DIRECTORS

The Directors who held office during the financial year and up to the date of this report are as follows:-

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

* Directors of the Company and subsidiaries

The Directors of subsidiaries who held office during the financial year and up to the date of this report are as follows:-

Koh Kok Hoor
Low Teck Cheong
Yong Chee Wei
Lim Kok Teong

In accordance with Article 80 of the Company's Articles of Association, Lim Choon Liat and Tan Kong Ang 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 direct interest in shares of the Company and its related corporations.

DIRECTORS' EMOLUMENTS

During the financial year, the fees and other benefits received and receivable by the Directors of the Company are as follows:-

	Incurred by the Company RM	Incurred by the subsidiaries RM	Group RM
Directors' fees	30,000	264,000	294,000
Directors' other benefits	9,000	14,186	23,186
	39,000	278,186	317,186

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.

DIRECTORS' REPORT (CONT'D)

ISSUE OF SHARES AND DEBENTURES

There were no changes in the issued and paid up capital of the Company during the financial year except for the transfer of share premium pursuant to Section 618(2) of the Companies Act, 2016 in Malaysia amounting to RM5,400,842 and become part of the Company's share capital.

There was no issuances of 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.

DIRECTORS' REPORT (CONT'D)

OTHER STATUTORY INFORMATION (CONT'D)

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.

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.

INDEMNITY AND INSURANCE FOR DIRECTORS AND OFFICERS

There is no indemnity given to or insurance effected for the Directors and Officers of the Group and of the Company.

DIRECTORS' REPORT (CONT'D)

AUDITORS

The total amount of fees paid to or receivable by the Auditors, Messrs Grant Thornton Malaysia, as remuneration for their services as auditors of the Company and its subsidiaries for the financial year ended 31 December 2017 are amounted to RM74,000 and RM264,000 respectively.

There was no indemnity given to or insurance effected for the auditors of the Company.

The Auditors, Messrs Grant Thornton Malaysia, 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
20 April 2018

STATEMENT BY DIRECTORS AND STATUTORY DECLARATION

STATEMENT BY DIRECTORS

In the opinion of the Directors, the financial statements set out on the following pages are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017 and of their financial performance and cash flows for the financial year then ended.

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

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

Kuala Lumpur
20 April 2018

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 the following pages 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)
20 April 2018)

....
LAU FOOK MENG
(NO: 1627)
CHARTERED ACCOUNTANT

PESURUHJAYA SUMPAH
No.W 594
P.VALLIAMAH
MALAYSIA

Before me:

Commissioner for Oaths

No.4-13,4th Floor,Wisma Konwa
No.40 & 42,Jalan Tun Perak
(Lebuh Ampang)
50050 Kuala Lumpur

INDEPENDENT AUDITORS' REPORT

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 2017 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 the following pages.

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 2017, 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, 2016 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.

INDEPENDENT AUDITORS' REPORT (CONT'D)

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 35(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 RM123,827,613. 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.

INDEPENDENT AUDITORS' REPORT (CONT'D)

Key Audit Matters (cont'd)

Inventory existence and valuation

The risk

Refer to Note 13 to the financial statements. The Group holds significant amount of inventory amounted to RM69,142,997 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.

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.

There is no key audit matter to be communicated in respect of the audit of the financial statements of the Company.

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 Directors' Report, which we obtained prior to the date of this auditors' report, and the remaining annual report, which is expected to be made available to us after the date of this auditors' report. Other information does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the 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.

INDEPENDENT AUDITORS' REPORT (CONT'D)

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, 2016 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.

INDEPENDENT AUDITORS' REPORT (CONT'D)

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

We communicated 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 identified during our audit.

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

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current 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.

INDEPENDENT AUDITORS' REPORT (CONT'D)

Other Matters

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

GRANT THORNTON MALAYSIA
(NO. AF: 0737)
CHARTERED ACCOUNTANTS

KISHAN NARENDRA JASANI
(NO: 03223/12/19(J))
CHARTERED ACCOUNTANT

Kuala Lumpur
20 April 2018

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

	Note	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
ASSETS					
Non-current assets					
Property, plant and equipment	4	28,482,552	29,881,741	-	-
Capital work-in-progress	5	13,833,737	5,715,145	-	-
Prepaid land lease payments	6	1,763,570	1,835,799	-	-
Investment properties	7	26,462,500	25,462,500	-	-
Investment in subsidiaries	8	-	-	150,572,106	127,703,012
Investment in an associate	9	183,691	198,317	1	1
Goodwill on consolidation	10	43,151,039	43,151,039	-	-
Deferred tax assets	11	1,911,000	1,234,047	-	-
Total non-current assets		115,788,089	107,478,588	150,572,107	127,703,013
Current assets					
Property development cost	12	72,129,253	30,412,379	-	-
Inventories	13	69,142,997	72,903,880	-	-
Trade receivables	14	193,684,907	167,320,570	-	-
Other receivables	15	14,809,810	10,512,459	-	-
Amount due from subsidiaries	8	-	-	1,362,924	18,056,794
Tax recoverable		490,403	938,769	29,474	17,648
Deposits with licensed banks	16	-	7,275,179	-	-
Cash and bank balances	17	22,702,801	19,245,975	151,188	77,480
		372,960,171	308,609,211	1,543,586	18,151,922
Non-current assets classified as held-for-sale	18	-	323,623	-	-
Total current assets		372,960,171	308,932,834	1,543,586	18,151,922
TOTAL ASSETS		488,748,260	416,411,422	152,115,693	145,854,935
EQUITY AND LIABILITIES					
EQUITY					
Share capital	19	153,228,000	147,827,158	153,228,000	147,827,158
Share premium	20	-	5,400,842	-	5,400,842
Revaluation reserve	20	2,986,855	2,986,855	-	-
Retained earnings/(Accumulated losses)		99,631,629	87,184,503	(1,353,499)	(7,508,285)
		255,846,484	243,399,358	151,874,501	145,719,715
Non-controlling interests		794,682	570,507	-	-
Total equity		256,641,166	243,969,865	151,874,501	145,719,715
LIABILITIES					
Non-current liabilities					
Finance lease liabilities	21	1,984,789	3,149,300	-	-
Borrowings	22	4,450,205	4,043,247	-	-
Deferred tax liabilities	11	395,600	218,150	-	-
Total non-current liabilities		6,830,594	7,410,697	-	-
Current liabilities					
Trade payables	23	58,958,536	54,428,415	-	-
Other payables	24	56,077,123	20,569,380	141,632	135,220
Amount due to a subsidiary	8	-	-	99,560	-
Amount due to an associate	9	68,750	68,750	-	-
Amount due to a Director	25	418,167	-	-	-
Finance lease liabilities	21	1,372,251	2,871,912	-	-
Borrowings	22	106,522,785	86,276,743	-	-
Tax payable		1,858,888	815,660	-	-
Total current liabilities		225,276,500	165,030,860	241,192	135,220
Total liabilities		232,107,094	172,441,557	241,192	135,220
TOTAL EQUITY AND LIABILITIES		488,748,260	416,411,422	152,115,693	145,854,935

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 2017

	Note	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
Revenue	26	616,962,908	557,471,422	232,800	192,000
Cost of sales		(581,161,958)	(526,196,000)	-	-
Gross profit		35,800,950	31,275,422	232,800	192,000
Other income		4,509,116	3,036,461	7,675,799	71,595
Selling and distribution expenses		(8,582,310)	(8,494,760)	-	-
Administration expenses		(7,548,307)	(7,571,421)	(236,874)	(212,833)
Other expenses		(3,005,332)	(1,549,368)	(1,490,716)	(18,300)
Finance costs		(3,568,307)	(3,789,481)	-	-
Share of loss of associate		(14,626)	(156,280)	-	-
Profit before tax	27	17,591,184	12,750,573	6,181,009	32,462
Tax expense	28	(4,880,683)	(4,352,866)	(26,223)	(39,479)
Profit/(Loss) for the financial year		12,710,501	8,397,707	6,154,786	(7,017)
Other comprehensive income, net of tax		-	-	-	-
Total comprehensive income/(loss) for the financial year		12,710,501	8,397,707	6,154,786	(7,017)
Profit/(Loss) for the financial year attributable to:-					
- Owners of the Company		12,447,126	8,084,047	6,154,786	(7,017)
- Non-controlling interests		263,375	313,660	-	-
		12,710,501	8,397,707	6,154,786	(7,017)
Total comprehensive income/(loss) attributable to:-					
- Owners of the Company		12,447,126	8,084,047	6,154,786	(7,017)
- Non-controlling interests		263,375	313,660	-	-
		12,710,501	8,397,707	6,154,786	(7,017)
Earnings per share attributable to owners of the Company (sen)					
- Basic	29	8.42	5.47		
- Diluted		-	-		

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

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	<------------------ 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 2016	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 a 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
Transition to no-par value regime	5,400,842	(5,400,842)	-	-	-	-	-
Total comprehensive income for the financial year	-	-	-	12,447,126	12,447,126	263,375	12,710,501
Transaction with owners: - dividend paid to non-controlling interest	-	-	-	-	-	(39,200)	(39,200)
Balance at 31 December 2017	153,228,000	-	2,986,855	99,631,629	255,846,484	794,682	256,641,166
Company							
Balance at 1 January 2016	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
Transition to no-par value regime	5,400,842	(5,400,842)	-	-	-	-	-
Total comprehensive income for the financial year	-	-	-	6,154,786	6,154,786	-	6,154,786
Balance at 31 December 2017	153,228,000	-	-	(1,353,499)	151,874,501	-	151,874,501

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

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Note	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
OPERATING ACTIVITIES					
Profit before tax		17,591,184	12,750,573	6,181,009	32,462
Adjustments for:-					
Amortisation of prepaid land lease payments		72,229	72,231	-	-
Inventories					
- written down		206,995	168,362	-	-
- reversal of written down		(132,521)	(200,643)	-	-
- written off		1,299	-	-	-
Bad debts written off		-	25,157	-	-
Depreciation of property, plant and equipment		2,149,648	2,239,459	-	-
(Gain)/Loss on disposal of					
- property, plant and equipment		87	(4,094)	-	-
- assets held-for-sale		(109,917)	-	-	-
- subsidiary		-	(3,988)	-	-
Fair value gain on investment properties		(1,000,000)	-	-	-
Interest expenses		3,568,307	3,789,481	-	-
Property, plant and equipment written off		477	3,456	-	-
Impairment on					
- trade receivables		2,796,066	1,344,566	-	-
- amount due from subsidiaries		-	-	-	18,300
- investment in subsidiaries		-	-	1,490,716	-
Interest income		(284,751)	(360,186)	(64,350)	(49,395)
Reversal of impairment on					
- trade receivables		(452,995)	(678,145)	-	-
- amount due from subsidiaries		-	-	(4,722,639)	(22,200)
- investment in subsidiaries		-	-	(2,888,810)	-
Share of loss of associate		14,626	156,280	-	-
Operating profit/(loss) before working capital changes		24,420,734	19,302,509	(4,074)	(20,833)
Changes in working capital:-					
Inventories		3,685,110	(11,518,829)	-	-
Receivables		(33,004,759)	(14,056,938)	-	-
Payables		32,235,205	33,437,904	6,412	(9,787)
Property development cost		(41,716,874)	(15,010,439)	-	-
Bankers' acceptance		21,155,159	(2,626,607)	-	-
Subsidiaries		-	-	5,462,588	4,605,930
Cash generated from operations		6,774,575	9,527,600	5,464,926	4,575,310
Interest received		275,878	61,894	-	-
Interest paid		(3,187,636)	(3,345,085)	-	-
Tax refunded		427,207	516,413	4,051	-
Tax paid		(4,315,799)	(5,060,487)	(42,100)	(31,200)
Net cash (used in)/from operating activities		(25,775)	1,700,335	5,426,877	4,544,110

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONT'D)

	Note	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
INVESTING ACTIVITIES					
Capital work-in-progress incurred	A	(7,897,420)	(781,602)	-	-
Interest received		8,873	298,292	-	-
Net cash inflow from disposal of a subsidiary	8	-	40,000	-	-
Purchase of property, plant and equipment	B	(487,542)	(385,447)	-	-
Withdrawal of fixed deposit with licensed banks		7,275,179	99,017	-	-
Proceeds from disposal of property, plant and equipment		1,519	6,187	-	-
Proceeds from disposal of asset held-for-sale		433,540	-	-	-
Net cash used in investing activities		(665,851)	(723,553)	-	-
FINANCING ACTIVITIES					
Interest paid		(601,843)	(607,939)	-	-
Interest received		-	-	64,350	49,395
Repayment to subsidiaries		-	-	(5,417,519)	(5,007,134)
Advance from a Director		418,167	-	-	-
Advance from a shareholder of company		7,802,659	-	-	-
Repayment of term loan		(799,178)	(763,317)	-	-
Refinance of finance lease liabilities		-	3,018,123	-	-
Repayment of multi-option loan		(1,264,756)	(960,318)	-	-
Repayment of finance lease liabilities		(2,929,172)	(2,617,570)	-	-
Drawdown of multi-option loan		2,000,000	-	-	-
Dividend paid to non-controlling interests		(39,200)	-	-	-
Net cash from/(used in) financing activities		4,586,677	(1,931,021)	(5,353,169)	(4,957,739)
CASH AND CASH EQUIVALENTS					
Net changes		3,895,051	(954,239)	73,708	(413,629)
Brought forward		18,565,137	19,519,376	77,480	491,109
Carried forward	C	22,460,188	18,565,137	151,188	77,480

NOTES TO THE STATEMENTS OF CASH FLOWS

A. CAPITAL WORK-IN-PROGRESS INCURRED

	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
Total purchase	7,897,420	5,551,602	-	-
Purchase through finance lease arrangement	-	(4,770,000)	-	-
Cash payment	7,897,420	781,602	-	-

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONT'D)

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

B. PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Total purchase	752,542	625,946	-	-
Purchase through finance lease arrangement	(265,000)	(240,499)	-	-
Cash payment	487,542	385,447	-	-

C. CASH AND CASH EQUIVALENTS

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

		Group		Company	
	Note	2017 RM	2016 RM	2017 RM	2016 RM
Cash and bank balances		22,702,801	19,245,975	151,188	77,480
Deposits with licensed banks		-	7,275,179	-	-
Bank overdraft	22	(242,613)	(680,838)	-	-
		22,460,188	25,840,316	151,188	77,480
Less: Fixed deposits pledged as security for banking facilities granted to certain subsidiaries		-	(7,275,179)	-	-
		22,460,188	18,565,137	151,188	77,480

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.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017

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 20 April 2018.

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, 2016 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.

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.

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

2.2 Basis of Measurement (cont'd)

The fair value of an asset or a liability is measured on 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.

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

2.4 MFRSs

2.4.1 Adoption of Amendments/Improvements to MFRSs

The Group and the Company have consistently applied the accounting policies set out in Note 3 to all periods presented in these financial statements.

At the beginning of the current financial year, the Group and the Company adopted amendments/improvements to MFRSs which are mandatory for the financial periods beginning on or after 1 January 2017.

The initial application of the amendments/improvements to the standards did not have a material impact on the financial statements, except for:

2.4.1.1 Amendments to MFRS 107 Statement of Cash Flows: Disclosure Initiative

The Group and the Company have applied these amendments for the first time in the current year. The amendments require entities to provide disclosure of changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The information is provided in Note 35. Consistent with the transition provisions of the amendments, the Group and the Company have not disclosed comparative information for the prior period.

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:-

2.4.2.1 Amendments to MFRS 140 Transfer of Investment Property

The amendment clarifies 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. A change in management's intentions for the use of the property does not provide evidence of a change in use.

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)**

2.4.2.1 **Amendments to MFRS 140 Transfer of Investment Property (cont'd)**

This standard will come into effect on or after 1 January 2018 with early adoption permitted. The Group should apply the amendments prospectively to change in use that occurs on or after the beginning of the reporting period in which the Group first applies the amendments. The Group should reassess the classification of property held at that date and, if applicable, reclassify property to reflect the conditions that exists at that date.

Retrospective application in accordance with MFRS 140 is only permitted if it is possible without the use of hindsight. Overall, the Group expects no significant impact on its statements of financial position.

2.4.2.2 **IC Interpretation 22 Foreign Currency Transactions and Advance Consideration**

This interpretation addresses how to determine the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration in a foreign currency.

If there are multiple payments or receipts in advance, the entity shall determine a date of the transaction for each payment or receipt of advance consideration.

This standard will come into effect on or after 1 January 2018 with early adoption permitted. The adoption of IC Interpretation 22 will result in a change in accounting policy. Overall, the Group expects no significant impact on its statements of financial position.

2.4.2.3 **MFRS 9 Financial Instruments**

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

There is no change in the measurement of financial assets of the Group and of the Company based on assessment undertaken to date.

In respect of impairment of financial assets, MFRS 9 replaces the "incurred loss" model in MFRS 139 with an "expected credit loss" (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debts investments measured at fair value through other comprehensive income, but not to investments in equity instruments.

The Group and the Company have assessed the estimated impact that the initial application of ECL model will have on the financial statements as at 1 January 2018 and based on assessment undertaken to date, the Group and the Company do not expect the impact to be material.

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)

2.4.2.4 MFRS 15 Revenue from Contracts with Customers

MFRS 15 replaces the guidance in MFRS 111, Construction Contracts, MFRS 118, Revenue, IC Interpretation 13, Customers Loyalty Programmes, IC Interpretation 15, Agreements for Construction for 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. Overall, the Group and the Company expect no significant impact on its statements of financial position.

2.4.2.5 MFRS 16 Leases

MFRS 16 replaces MFRS 117 *Leases*, IC Interpretation 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases-Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under MFRS 117. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under MFRS 16 is substantially unchanged from today's accounting under MFRS 117. Lessors will continue to classify all leases using the same classification principle as in MFRS 117 and distinguish between two types of leases: operating and finance leases.

MFRS 16 also requires lessees and lessors to make more extensive disclosures than under MFRS 117.

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)

2.4.2.5 MFRS 16 Leases (cont'd)

This standard will come into effect on or after 1 January 2019 with early adoption permitted. The adoption of MFRS 16 will result in a change in accounting policy. The Group is currently assessing the financial impact of adopting MFRS 16.

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:-

Depreciation of Property, Plant and Equipment

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.

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 the 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 the present value of those cash flows.

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 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 and the Company assesses at each reporting date whether there is any objective evidence that a financial asset is impaired. Factors such as the 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.

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.

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):-

Income Taxes/Deferred Tax Liabilities

Significant judgement is involved in determining the Group's and the Company's provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group and the Company 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 the 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 the 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 has been fully described in Note 11 to the financial statements.

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.

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 (cont'd)

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.

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)**

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.

Classification of 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

Subsidiaries 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 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 is assessed and written down immediately to their recoverable amount.

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

3.1.2 Basis of Consolidation

Changes in the Company owners' ownership interest in a subsidiary 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. 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).

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 Consolidation (cont'd)

3.1.3 Business Combinations (cont'd)

All the subsidiary 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.

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 at the date of acquisition.

Goodwill arising on the acquisition of subsidiaries is presented separately in the statements of financial position.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 Consolidation (cont'd)

3.1.4 **Goodwill (cont'd)**

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.

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 MFRSs 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, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of the equity related to the subsidiary. 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 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 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 investment 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 associates 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, investment 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% - 33%
Plant and machinery	6% - 20%
Motor vehicles	10% - 20%
Furniture, fittings and office equipment	10% - 25%

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.

Finance Lease

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 is an operating lease structure 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 22 years to 51.5 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.4 Investment Properties (cont'd)

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 the 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.

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. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

The 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.

The category determines subsequent measurement and whether any resulting income and expense are 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 to each category of 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)**

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.

<u>Loans and Receivables</u>

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 the other receivables and the 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 a 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.7 Financial Instruments (cont'd)

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

Other Financial Liabilities Measured at Amortised Cost

The Group's and the Company's other financial liabilities include borrowings, trade and most of the other payables, amount due to a Director, an associate, a subsidiary 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.

Financial Guarantee Contracts

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.8 Interest in Joint Operations (cont'd)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.10 Property Development (cont'd)

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 costs 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.12 Impairment of Assets (cont'd)

3.12.1 **Non-financial Assets (cont'd)**

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 the 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 have 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.

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.12 Impairment of Assets (cont'd)

3.12.2 Financial Assets (cont'd)

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.

3.14 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 the consideration received or receivable.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.14 Revenue Recognition (cont'd)

Sale of goods

Revenue from the 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, which is generally when shareholders approve the dividend.

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 taxes. 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.

3.15.1 **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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.15 Tax Expense (cont'd)

3.15.1 **Current Tax (cont'd)**

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 the 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 statements 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 37 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)

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 a 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.

With the Companies Act, 2016 ("New Act") coming into effect on 31 January 2017, the credit standing in the share premium account has been transferred to the share capital account. Pursuant to subsection 618(3) and 618(4) of the New Act, the Company may exercise its right to use the amounts being transferred from share premium account within 24 months after the commencement of the New Act.

All transactions with the 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.20 Provisions (cont'd)

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 is 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.

3.21 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 are 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.

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

- i) Has control or joint control over the Group;
- ii) Has significant influence over the Group; or
- iii) Is a member of the key management personnel of the Group.

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

- i) The entity and the Group are members of the same group.
- ii) The entity is an associate or joint venture of the Group.
- iii) Both the Group and the entity are joint ventures of the same third party.
- iv) The Group is a joint venture of a third entity and the other entity is an associate of the same third entity.
- v) The entity is a post-employment benefit plan for the benefits of employees of either the Group or an entity related to the Group.
- vi) The entity is controlled or jointly-controlled by a person identified in (a) above.
- vii) A person identified in (a)(i) above has significant influence over the entity or is a member of the key management personnel of the ultimate holding company or the entity.
- viii) The entity, or any member of a group of which it is a part, 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 machinery RM	Motor vehicles RM	Furniture,fittings and office equipment RM	Total RM
Group						
Cost						
At 1.1.2016	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
Additions	-	-	151,775	563,691	37,076	752,542
Disposals	-	-	-	(28,800)	(4,225)	(33,025)
Written off	-	-	-	(390,568)	(2,499)	(393,067)
At 31.12.2017	8,311,726	23,329,068	29,554,747	6,373,017	2,663,939	70,232,497
Accumulated depreciation						
At 1.1.2016	-	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
Charge for the financial year	-	561,612	1,007,568	494,128	86,340	2,149,648
Disposals	-	-	-	(28,799)	(2,620)	(31,419)
Written off	-	-	-	(390,566)	(2,024)	(392,590)
At 31.12.2017	-	10,531,448	23,676,249	5,208,716	2,333,532	41,749,945
Net carrying amount						
At 31.12.2017	8,311,726	12,797,620	5,878,498	1,164,301	330,407	28,482,552
At 31.12.2016	8,311,726	13,359,232	6,734,291	1,094,741	381,751	29,881,741

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	
	2017 RM	2016 RM
Motor vehicles	476,739	475,928
Plant and machinery	-	2,510,997
	476,739	2,986,925

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

5. CAPITAL WORK-IN-PROGRESS

	Group Equipment, tools, plant and machinery RM
Cost	
At 1.1.2016	-
Additions	5,551,602
Borrowing costs capitalised at the rate of 6.60% per annum	163,543
At 31.12.2016	5,715,145
Additions	7,897,420
Borrowing costs capitalised at the rate at 6.60% per annum	221,172
At 31.12.2017	13,833,737

Included in plant and machinery is an amount of RM5,475,174 (2016: RM5,252,374) 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 1.1.2016/31.12.2016/31.12.2017	3,105,877	450,191	3,556,068
Accumulated amortisation			
At 1.1.2016	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
Amortisation charged during the financial year	66,097	6,132	72,229
At 31.12.2017	1,596,831	195,667	1,792,498
Net carrying amount			
At 31.12.2017	1,509,046	254,524	1,763,570
At 31.12.2016	1,575,143	260,656	1,835,799

	2017 RM	2016 RM
Amount to be amortised		
Not later than one year	72,229	72,231
Later than one year but not later than five years	288,916	288,924
Later than five years	1,402,425	1,474,644
	1,763,570	1,835,799

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 1.1.2016	17,120,622	8,501,878	25,622,500
Transferred to assets held-for-sale (Note 18)	(160,000)	-	(160,000)
At 31.12.2016	16,960,622	8,501,878	25,462,500
Fair value adjustment	-	1,000,000	1,000,000
At 31.12.2017	16,960,622	9,501,878	26,462,500

Investment properties comprise of office shoplot that is leased to third parties. Subsequent renewal is negotiated with the lease on an average renewal period of 2 (2016: 2) years. No contingent rents are charged.

Income and expenses recognised in profit or loss

	2017 RM	2016 RM
Rental generated from investment properties	1,146,960	1,134,026
Direct operating expenses for investment properties - revenue generating investment properties	106,616	89,590

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 RM21,010,000 (2016: 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:-

	Group 2017 RM	2016 RM
Freehold land	8,882,500	7,882,500
Buildings	14,130,000	14,130,000
	23,012,500	22,012,500

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 2017 and 2016, 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 2017 RM	2016 RM
Recurring fair value measurement:		
Freehold land	9,501,878	8,501,878
Buildings	16,960,622	16,960,622

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 2017 RM	2016 RM
At cost		
Unquoted shares	152,924,640	131,453,640
Accumulated impairment losses	(2,352,534)	(3,750,628)
	150,572,106	127,703,012

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

	Company 2017 RM	2016 RM
At 1 January	3,750,628	3,750,628
Impairment loss during the financial year	1,490,716	-
Reversal of impairment loss during the financial year	(2,888,810)	-
At 31 December	2,352,534	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 2017 %	2016 %	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 & Plywood Sdn. Bhd. (formerly known as 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

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.	
	2017	2016
Percentage of ownership interest and voting interest (%)	49%	49%
Carrying amount of non-controlling interest (RM)	552,742	552,742
Profit allocated to non-controlling interest (RM)	264,495	315,743

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:-

	2017 RM	2016 RM
Financial position as at 31 December		
Non-current assets	2,834	2,407
Current assets	24,973,433	14,035,617
Current liabilities	(23,506,049)	(13,027,591)
Net assets	1,470,218	1,010,433
Financial performance for the financial year ended 31 December		
Profit for the financial year	539,785	644,374
Other comprehensive income	-	-
Total comprehensive income	539,785	644,374
Included in the total comprehensive income is:		
Revenue	63,950,443	55,393,547
Cash flows for the financial year ended 31 December		
Net cash inflow from operating activities	5,321,186	4,005,538
Net cash outflow used in investing activities	(753)	-
Net cash outflow used in financing activities	(2,098,862)	(4,040,568)
Net cash inflow/(outflow)	3,221,571	(35,030)
Other information		
Dividends paid to non-controlling interests	(39,200)	-

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/(to) subsidiaries

	Company 2017 RM	Company 2016 RM
Amount due from subsidiaries	1,362,924	22,779,433
Less: Allowance for impairment		
Brought forward	(4,722,639)	(4,726,539)
Recognised	-	(18,300)
Reversed	4,722,639	22,200
Carried forward	-	(4,722,639)
	1,362,924	18,056,794

8. SUBSIDIARIES (CONT'D)

Amount due from/(to) subsidiaries (cont'd)

Amount due from/(to) subsidiaries are trade and non-trade balances as below:-

	Company 2017 RM	Company 2016 RM
Amount due from subsidiaries		
Trade balance	163,497	1,513,731
Non-trade balance	1,199,427	16,543,063
	1,362,924	18,056,794
Amount due to a subsidiary		
Non-trade balance	(99,560)	-

The amount due from/(to) subsidiaries are unsecured, interest free and repayable on demand, except for RM1,170,000 (2016: RM1,117,000) of amount due from a subsidiary which bears interest at the rate at 5.50% (2016: 5.50%) per annum.

9. ASSOCIATE

Investment in an associate

	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
At cost				
Unquoted share in Malaysia	1	1	1	1
Share of post-acquisition profit	183,690	198,316	-	-
	183,691	198,317	1	1

Details of associate are as follows:-

Name of Company	Principal place of business/ Country of incorporation	Effective ownership interest and voting interest 2017 %	Effective ownership interest and voting interest 2016 %	Principal activity
Hai Ming Exsim Development Sdn. Bhd.	Malaysia	40	40	Property development

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:-

	Group 2017 RM	Group 2016 RM
Hai Ming Exsim Development Sdn. Bhd.		
Financial position as at 31 December		
Current assets	1,975,778	2,015,732
Current liabilities	(1,516,550)	(1,519,939)
Net assets	459,228	495,793
Carrying amount of the proportion of the Groups' ownership	183,691	198,317
Financial performance for the financial year ended 31 December		
Loss for the financial year/Total comprehensive loss	(36,565)	(390,700)
Group's share of results for the financial year ended 31 December		
Group share of loss	(14,626)	(156,280)
Group's share of other comprehensive income	-	-
Total	(14,626)	(156,280)

Contingent liabilities and capital commitments

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

Amount due to an associate

The amount due to an associate is non-trade in nature, unsecured, interest free and repayable on demand.

10. GOODWILL ON CONSOLIDATION

	Group 2017 RM	Group 2016 RM
Goodwill arising from business combination		
1 January/31 December	43,151,039	43,151,039

10. GOODWILL ON CONSOLIDATION (CONT'D)

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 6.00% (2016: 5.30%).

(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 5.00% (2016: 5.00%) 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 8.20% (2016: 8.20%) 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 RM100 million (2016: RM80 million).

11. DEFERRED TAX ASSETS/LIABILITIES

(i) Deferred tax assets

	2017 Assets RM	2017 Liabilities RM	2017 Net RM	2016 Assets RM	2016 Liabilities RM	2016 Net RM
Group						
At 1 January	1,466,047	(232,000)	1,234,047	2,197,000	(834,000)	1,363,000
Recognised in profit or loss	696,953	(20,000)	676,953	(730,953)	602,000	(128,953)
At 31 December	2,163,000	(252,000)	1,911,000	1,466,047	(232,000)	1,234,047

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

	Group 2017 RM	Group 2016 RM
Property, plant and equipment	(109,000)	(89,000)
Real property gain tax on investment properties	(143,000)	(143,000)
Unutilised capital allowances	4,000	4,000
Others	2,159,000	1,462,047
	1,911,000	1,234,047

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

	Group 2017 RM	Group 2016 RM
Property, plant and equipment	(2,197,000)	(119,000)
Real property gain tax on investment properties	(116,000)	(65,000)
Unutilised business losses	3,379,000	769,000
Unutilised capital allowances	478,000	29,000
Others	70,000	-
	1,614,000	614,000

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

	2017			2016		
	Assets RM	Liabilities RM	Net RM	Assets RM	Liabilities RM	Net RM
Group						
At 1 January	657,700	(875,850)	(218,150)	179,000	(576,200)	(397,200)
Recognised in profit or loss	(490,200)	312,750	(177,450)	478,700	(299,650)	179,050
At 31 December	167,500	(563,100)	(395,600)	657,700	(875,850)	(218,150)

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

	Group 2017 RM	Group 2016 RM
Property, plant and equipment	(311,100)	(728,900)
Unutilised business losses	-	468,000
Unutilised capital allowances	-	4,800
Real property gain tax on investment properties	(102,800)	(2,550)
Revaluation surplus on land and building	(157,200)	(157,200)
Others	175,500	197,700
	(395,600)	(218,150)

12. PROPERTY DEVELOPMENT COST

	Group 2017 RM	Group 2016 RM
At 1 January	30,412,379	15,401,940
Cost incurred during the financial year	41,716,874	15,010,439
At 31 December	72,129,253	30,412,379

13. INVENTORIES

	Group 2017 RM	Group 2016 RM
Raw materials	10,433,638	13,994,057
Consumables	234,371	410,117
Work-in-progress	62,144	49,293
Finished goods	13,854,212	13,280,204
Trading goods	44,558,632	45,170,209
At carrying amount	69,142,997	72,903,880
Recognised in profit or loss:-		
Inventories recognised in cost of sales	565,926,430	510,950,963
Inventories written down	206,995	168,362
Inventories written off	1,299	-
Reversal of inventories written down	(132,521)	(200,643)

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 2017 RM	Group 2016 RM
Trade receivables	203,515,094	174,989,952
Less: Allowance for impairment		
Brought forward	(7,669,382)	(7,417,819)
Recognised	(2,796,066)	(1,344,566)
Reversed	452,995	678,145
Written off	182,266	414,858
Carried forward	(9,830,187)	(7,669,382)
	193,684,907	167,320,570

Trade receivables are unsecured, non-interest bearing except for an amount of RM310,015 (2016: RM371,916) due from third parties which is interest bearing at the rate of 0.75% (2016: 0.75%) per month. Trade receivables 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 range from cash term to 120 days (2016: cash term to 120 days). Other credit terms are assessed and approved by management on a case-by-case basis.

15. OTHER RECEIVABLES

	Group 2017 RM	Group 2016 RM
Non-trade receivables	1,361,827	2,456,788
Less: Allowance for impairment		
Brought forward	(743,097)	(743,097)
Written off	733,187	-
Carried forward	(9,910)	(743,097)
	1,351,917	1,713,691
Deposits	4,123,434	6,516,070
Deposit for purchase of land and buildings	3,485,000	-
Deposit for purchase of plant and machinery	220,868	-
Deposits for purchase of inventories	3,229,625	175,078
Prepayments	994,587	1,239,225
GST recoverable	1,404,379	868,395
	14,809,810	10,512,459

The foreign currency exposure profile of other receivables is as follows:-

	Group 2017 RM	Group 2016 RM
US Dollar	511,363	-

16. DEPOSITS WITH LICENSED BANKS

Group

In prior year, 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 3.10% (2016: 2.95% to 4.20%) per annum.

17. CASH AND BANK BALANCES

The foreign currency exposure profile of cash and bank balances is as follows:-

	Group 2017 RM	Group 2016 RM
US Dollar	6,813	6,813

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

Buildings

	Group 2017 RM	Group 2016 RM
At 1 January	323,623	163,623
Transferred from investment properties	-	160,000
Disposal	(323,623)	-
At 31 December	-	323,623

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

19. SHARE CAPITAL

	Group and Company			
	Number of Shares		Amount	
	2017 Unit	2016 Unit	2017 RM	2016 RM
Issued and fully paid:-				
At 1 January	147,827,158	147,827,158	147,827,158	147,827,158
Transition to no-par value regime on 31 January 2017	-	-	5,400,842	-
At 31 December	147,827,158	147,827,158	153,228,000	147,827,158

* The new Companies Act, 2016, which came into operation on 31 January 2017 abolished the concept of authorised share capital, par value of share capital and share premium.

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.

20. SHARE PREMIUM AND REVALUATION RESERVE

Share premium

Group and Company

With the new Companies Act, 2016 ("New Act") coming into effect on 31 January 2017, the credit standing in the share premium account of the Company of RM5,400,842 have been transferred to the share capital accounts pursuant to the transitions provisions set out in the Section 618(2) of Act. Notwithstanding this provision, the Company may within 24 months form the commencement of the Act, use the amount standing to the credit of its share premium account for purposes as set out in Section 618(3). There is no impact on the numbers of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition.

Revaluation reserve

Group

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

21. FINANCE LEASE LIABILITIES

	Group	
	2017 RM	2016 RM
Future minimum lease payment:-		
- not later than 1 year	1,531,866	3,203,087
- later than 1 year but not later than 5 years	2,082,162	3,377,891
- later than 5 years	-	1,840
	3,614,028	6,582,818
Less: Future finance charges on finance lease	(256,988)	(561,606)
	3,357,040	6,021,212
Analysed as:-		
Present value of finance lease liabilities		
- not later than 1 year	1,372,251	2,871,912
- later than 1 year but not later than 5 years	1,984,789	3,147,478
- later than 5 years	-	1,822
	1,984,789	3,149,300
	3,357,040	6,021,212

21. FINANCE LEASE LIABILITIES (CONT'D)

The effective interest rates of finance lease liabilities range from 4.52% to 6.60% (2016: 4.07% to 6.59%) 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.

22. BORROWINGS

	Group 2017 RM	Group 2016 RM
Current		
Secured:-		
Term loan	836,725	799,178
Multi-option loan	491,569	1,000,008
Bankers' acceptance	81,095,120	71,877,140
Bank overdraft	242,613	680,838
	82,666,027	74,357,164
Unsecured:-		
Bankers' acceptance	23,856,758	11,919,579
	106,522,785	86,276,743
Non-current		
Secured:-	3,083,538	3,920,263
Term loan	1,366,667	122,984
Multi-option loan		
	4,450,205	4,043,247
Total borrowings	3,920,263	4,719,441
Term loan	1,858,236	1,122,992
Multi-option loan	104,951,878	83,796,719
Bankers' acceptance	242,613	680,838
Bank overdraft		
	110,972,990	90,319,990
Maturity of borrowings:-		
Within one year	106,522,785	86,276,743
More than 1 year and less than 5 years	4,450,205	3,713,228
After 5 years	-	330,019
	110,972,990	90,319,990

22. BORROWINGS (CONT'D)

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

2017

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) Personal guarantee by a shareholder of the Company and a director of subsidiary;
iii) Corporate guarantee by the Company;
iv) Pledged over quoted shares owned by a shareholder of the Company;
v) Debenture by way of fixed and floating charges over the entire assets of a subsidiary; and
vi) Assignment of Life Assurance Policy by a director of subsidiary.

2016

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 a subsidiary;
iii) Personal guarantee by a shareholder of the Company and a director of subsidiary;
iv) Corporate guarantee by the Company;
v) Pledged over quoted shares owned by a shareholder of the Company;
vi) Debenture by way of fixed and floating charges over the entire assets of a subsidiary; and
vii) Assignment of Life Assurance Policy by a director of subsidiary.

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 3.28% to 8.56% (2016: 3.25% to 8.35%) per annum.

23. TRADE PAYABLES

Group

The trade payables are non-interest bearing and the normal trade credit term granted by suppliers ranges from cash term to 120 days (2016: 30 days to 120 days).

Included in trade payables are the retention sum amounting to RM1,663,890 (2016: RM935,443).

23. TRADE PAYABLES (CONT'D)

The foreign currency exposure profile of trade payables is as follows:-

	Group	
	2017	2016
	RM	RM
US Dollar	89,866	-

24. OTHER PAYABLES

	Group		Company	
	2017	2016	2017	2016
	RM	RM	RM	RM
Non-trade payables	14,565,790	4,211,328	9,667	10,600
Accruals of expenses	1,569,427	1,283,506	131,965	124,620
Deposits received	217,046	296,907	-	-
Deferred revenue	39,667,682	14,657,145	-	-
GST payable	57,178	120,494	-	-
	56,077,123	20,569,380	141,632	135,220

Included in non-trade payables consist of amount due to a shareholder of the Company amounted RM8,002,659 (2016: RM200,000). The amount due is unsecured, interest free and repayable on demand.

25. AMOUNT DUE TO A DIRECTOR

Group

The amount due to a Director is non-trade in nature, unsecured, interest free and repayable on demand.

26. REVENUE

	Group		Company	
	2017	2016	2017	2016
	RM	RM	RM	RM
Sales of goods	616,962,908	557,471,422	-	-
Management fee received and receivable from subsidiaries	-	-	192,000	192,000
Dividend income received and receivable from a subsidiary	-	-	40,800	-
	616,962,908	557,471,422	232,800	192,000

27. PROFIT BEFORE TAX

Profit before tax is determined:-

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
After charging:-				
Bad debts written off	-	25,157	-	-
Interest expenses				
- bankers' acceptance	3,168,512	3,317,136	-	-
- finance lease liabilities	107,620	122,795	-	-
- term loan	200,385	236,247	-	-
- multi-option loan	72,666	85,354	-	
- overdraft	19,124	27,949	-	-
Rental expenses				
-equipment	8,419	620	-	-
- warehouse	60,000	61,230	-	-
- office	1,276,800	1,275,000	-	-
- hostel	18,800	18,000	-	-
After crediting:-				
Interest income				
- fixed deposits	(8,873)	(298,292)	-	-
- overdue interest	(111,759)	(61,894)	-	-
- subsidiaries	-	-	(64,350)	(49,395)
- others	(164,119)	-	-	-
Realised gain on foreign exchange	(383,010)	(180,401)	-	-
Rental income	(1,605,808)	(1,523,454)	-	-

28. TAX EXPENSE

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Current tax				
- current financial year	5,377,668	3,953,970	31,600	33,000
- under/(over) provision in prior financial year	2,518	448,993	(5,377)	6,479
	5,380,186	4,402,963	26,223	39,479
Deferred tax				
- origination and reversal of temporary differences	(398,250)	(214,447)	-	-
- (over)/under recognised in prior financial year	(101,253)	164,350	-	-
	(499,503)	(50,097)	-	-
	4,880,683	4,352,866	26,223	39,479

28. 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 are as follows:-

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Profit before tax	17,591,184	12,750,573	6,181,009	32,462
Tax at statutory tax rate of 24%	4,221,884	3,060,138	1,483,442	7,791
Tax effects in respect of:				
Expenses not deductible for tax purposes	2,589,801	760,242	384,698	30,537
Income not subject to tax	(2,081,957)	(299,057)	(1,836,540)	(5,328)
Utilisation of previously unrecognised deferred tax assets	-	(22,800)	-	-
Movement in deferred tax assets not recognised	249,690	241,000	-	-
Under/(Over) provision of tax expense in prior financial year	2,518	448,993	(5,377)	6,479
(Over)/Under recognised of deferred tax in prior financial year	(101,253)	164,350	-	-
Effective tax expense	4,880,683	4,352,866	26,223	39,479

29. 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	
	2017	2016
Profit for the financial year attributable to ordinary equity holders of the Company (RM)	12,447,126	8,084,047
Weighted average number of ordinary shares at 31 December	147,827,158	147,827,158
Basic earnings per share (sen)	8.42	5.47

29. EARNINGS PER SHARE (CONT'D)

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.

30. EMPLOYEE BENEFITS EXPENSE

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Salaries and other emoluments	10,410,325	9,976,675	9,000	-
Defined contribution plan	859,633	843,514	-	-
Other staff related expenses	287,755	313,608	-	-
	11,557,713	11,133,797	9,000	-

31. DIRECTORS' REMUNERATION

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

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Executive Directors:				
Fee	228,000	159,000	-	3,000
Salaries and other emoluments	14,186	78,000	-	-
Non-Executive Directors:				
Fee				
-current financial year	66,000	30,000	30,000	30,000
-underprovision in prior financial year	33,000	-	-	-
Salaries and other emoluments	9,000	-	9,000	-
	350,186	267,000	39,000	33,000

32. COMMITMENTS

(a) Capital commitments

	Group 2017 RM	Group 2016 RM
Authorised and contracted for:		
- Land and buildings	31,365,000	-
- Plant and machinery	4,573,194	5,531,032
	35,938,194	5,531,032

(b) Rental commitment

Minimum rental payable under the non-cancellable operating lease in the future is as follows:-

	Group 2017 RM	Group 2016 RM
Not later than 1 year	408,000	1,224,000
Later than 1 year but not later than 5 years	-	408,000
	408,000	1,632,000

33. CONTINGENT LIABILITIES

	Company 2017 RM	Company 2016 RM
Corporate guarantee given to financial institutions for credit facilities granted to subsidiaries (unsecured):		-
- Limit	193,220,000	157,860,000
- Utilised	109,088,417	93,788,030

34. 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 Group and of the Company are as follows:-

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Interest charged to a subsidiary	-	-	64,350	49,395
Management fee charged to subsidiaries	-	-	192,000	192,000
Dividend income received from a subsidiary	-	-	40,800	-
Dividend paid to non-controlling interest	39,200	-	-	-
Loan given to a subsidiary	-	-	-	499,561

The outstanding balances arising from related party transactions were disclosed in Notes 8, 9, 24 and 25 to the financial statements.

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 of the Group other than the Board of Directors as disclosed in Notes 31 are as follows:-

	Group	
	2017 RM	2016 RM
Fee	240,000	60,000
Salaries and other emoluments	451,521	535,362
Defined contribution plan	53,952	64,008
Benefit-in-kind	-	5,770
	745,473	665,140

35. 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").

Group	Carrying amount RM	L&R RM	AC RM
2017			
Financial assets			
Trade receivables	193,684,907	193,684,907	-
Other receivables	12,410,844	12,410,844	-
Cash and bank balances	22,702,801	22,702,801	-
Total	228,798,552	228,798,552	-
Financial liabilities			
Trade payables	58,958,536	-	58,958,536
Other payables	16,352,263	-	16,352,263
Amount due to an associate	68,750	-	68,750
Amount due to a Director	418,167	-	418,167
Finance lease liabilities	3,357,040	-	3,357,040
Borrowings	110,972,990	-	110,972,990
Total	190,127,746	-	190,127,746
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	5,791,741	-	5,791,741
Amount due to an associate	68,750	-	68,750
Finance lease liabilities	6,021,212	-	6,021,212
Borrowings	90,319,990	-	90,319,990
Total	156,630,108	-	156,630,108

35. 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").

Company	Carrying amount RM	L&R RM	AC RM
2017			
Financial assets			
Amount due from subsidiaries	1,362,924	1,362,924	-
Cash and bank balances	151,188	151,188	-
Total	1,514,112	1,514,112	-
Financial liabilities			
Other payables	141,632	-	141,632
Amount due to a subsidiary	99,560	-	99,560
Total	241,192	-	241,192
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

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.

35. FINANCIAL INSTRUMENTS (CONT'D)

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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:-

(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.

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.

35. 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 2017 RM	Group 2016 RM
By country:-		
Malaysia	193,684,907	167,320,570
By industry sector:-		
Paper milling	6,186,632	5,526,364
Paper converting	38,809,587	30,013,638
Building materials	145,748,501	126,135,169
Other trading	2,940,187	5,645,399
	193,684,907	167,320,570

Trade receivables ageing analysis

Group	Gross RM	Individually impaired RM	Net RM
2017			
Within credit terms	69,857,294	-	69,857,294
Past due 1 to 30 days	44,739,379	(19,511)	44,719,868
Past due 31 to 120 days	64,211,404	(13,077)	64,198,327
Past due more than 120 days	24,707,017	(9,797,599)	14,909,418
	203,515,094	(9,830,187)	193,684,907

35. 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)

Group (cont'd)	Gross RM	Individually impaired RM	Net RM
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

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 has been renegotiated during the financial year.

As at financial year end, trade receivables of RM123,827,613 (2016: RM82,149,779) were past due but not impaired. The Directors are of the opinion that the receivables are collectable in view of the 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.

35. 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)**

Financial guarantee/Corporate guarantee

The maximum exposure to credit risk amounting to RM109,088,417 (2016: RM93,788,030) representing the outstanding banking facilities of the subsidiaries as at the 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 the 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.

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.

35. 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 (cont'd)**

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
2017						
Group						
Non-derivative financial liabilities						
Secured :						
Bank overdraft	242,613	242,613	242,613	-	-	-
Bankers' acceptance	81,095,120	81,095,120	81,095,120	-	-	-
Term loan	3,920,263	4,331,439	999,563	999,563	2,332,313	-
Multi-option loan	1,858,236	2,092,177	584,040	468,620	1,039,517	-
Finance lease liabilities	3,357,040	3,614,028	1,531,866	1,447,794	634,368	-
Unsecured:						
Trade payables	58,958,536	58,958,536	58,958,536	-	-	-
Other payables	16,352,263	16,352,263	16,352,263	-	-	-
Amount due to an associate	68,750	68,750	68,750	-	-	-
Amount due to a Director	418,167	418,167	418,167	-	-	-
Bankers' acceptance	23,856,758	23,856,758	23,856,758	-	-	-
Total	190,127,746	191,029,851	184,107,676	2,915,977	4,006,198	-

35. 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 (cont'd)**

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						
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
Unsecured:						
Trade payables	54,428,415	54,428,415	54,428,415	-	-	-
Other payables	5,791,741	5,791,741	5,791,741	-	-	-
Amount due to an associate	68,750	68,750	68,750	-	-	-
Bankers' acceptance	11,919,579	11,919,579	11,919,579	-	-	-
Total	156,630,108	157,848,052	150,012,130	3,930,499	3,570,395	335,028
2017						
Company						
Non-derivative financial liabilities						
Unsecured:						
Other payables	141,632	141,632	141,632	-	-	-
Amount due to a subsidiary	99,560	99,560	99,560	-	-	-
Total financial liabilities	241,192	241,192	241,192	-	-	-
Financial guarantee *	-	109,088,417	109,088,417	-	-	-
Total	241,192	109,329,609	109,329,609	-	-	-

35. 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 (cont'd)**

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						
Company (cont'd)						
Non-derivative financial liability						
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	135,220	93,923,250	93,923,250	-	-	-

*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.

(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.

35. 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)**

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:-

	2017 RM	2016 RM
Group		
Fixed rate instruments		
Financial assets		
- Trade receivables	310,015	371,916
- Deposits with licensed banks	-	7,275,179
	310,015	7,647,095
Financial liabilities		
- Finance lease liabilities	(3,357,040)	(6,021,212)
- Bankers' acceptance	(104,951,878)	(83,796,719)
	(108,308,918)	(89,817,931)
Net financial liabilities	(107,998,903)	(82,170,836)
Floating rate instruments		
Financial liabilities		
- Term loan	(3,920,263)	(4,719,441)
- Multi-option loan	(1,858,236)	(1,122,992)
- Bank overdraft	(242,613)	(680,838)
Net financial liabilities	(6,021,112)	(6,523,271)
Company		
Floating rate instrument		
Financial asset		
- Amount due from a subsidiary	1,170,000	1,170,000

35. 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 (2016: +/-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
2017 (+/- 25bp)	(15,053)	15,053	2,925	(2,925)
2016 (+/- 25 bp)	(16,308)	16,308	2,925	(2,925)

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 US Dollar. However, the Group does not view the risk to be significant as the sale transactions denominated in these currency is minimal.

The carrying amount of the Group's exposure to foreign currency risk as at reporting date is disclosed in Notes 15, 17 and 23 to the financial statements.

35. 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):-

(d) **Foreign currency risks (cont'd)**

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's profit net of tax to a reasonably possible change in the USD exchange rate against RM, with all other variables held constant.

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

	Effect for the profit of the year/equity RM
2017	
USD/RM	
- strengthened 5%	21,416
- weakened 5%	(21,416)
2016	
USD/RM	
- strengthened 5%	341
- weakened 5%	(341)

Exposures to foreign exchange rates vary during the financial year depending on the volume of overseas transactions. Nonetheless, the analysis above is considered to be representative of the Group's exposure to currency risk.

(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.

35. FINANCIAL INSTRUMENTS (CONT'D)

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

Reconciliation of liabilities arising from financing activities

	1 January 2017 RM	Cash flows RM	Finance leases RM	31 December 2017 RM
Group				
Loans and borrowings				
- Finance lease liabilities	6,021,212	(2,929,172)	265,000	3,357,040
- Borrowings				
- Term loan	4,719,441	(799,178)	-	3,920,263
- Multi-option loan	1,122,992	735,244	-	1,858,236
	5,842,433	(63,934)	-	5,778,499
Amount due to a Director	-	418,167	-	418,167
Amount due to a shareholder of the company	200,000	7,802,659	-	8,002,659
Total liabilities from financing activities	12,063,645	5,227,720	265,000	17,556,365
Company				
Amount due to a subsidiary	-	99,560	-	99,560
Total liabilities from financing activities	-	99,560	-	99,560

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.

35. FINANCIAL INSTRUMENTS (CONT'D)

FAIR VALUE OF FINANCIAL INSTRUMENTS (CONT'D)

Fair value hierarchy

No fair value hierarchy has been disclosed as the Company does not have financial instruments measured at fair value.

36. 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 2017 and financial year ended 31 December 2016.

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.

	2017 RM	2016 RM
Total borrowings:		
- finance lease liabilities	3,357,040	6,021,212
- bankers' acceptance	104,951,878	83,796,719
- term loan	3,920,263	4,719,441
- multi-option loan	1,858,236	1,122,992
- bank overdraft	242,613	680,838
	114,330,030	96,341,202
Owners' equity	255,846,484	243,399,358
Debt-to-equity ratio	0.45	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 RM40 million.

37. 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.

37. 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
2017								
Revenue								
External revenue		26,974,523	106,267,401	477,133,973	-	6,587,011	-	616,962,908
Inter-segment revenue	(a)	-	9,056	-	232,800	-	(241,856)	-
Total revenue		26,974,523	106,276,457	477,133,973	232,800	6,587,011	(241,856)	616,962,908
Results								
Interest income		77,912	689,931	1,520,080	64,350	491	(2,068,013)	284,751
Finance costs		(328,587)	(663,640)	(3,663,440)	-	-	1,087,360	(3,568,307)
Depreciation and amortisation		(1,000,438)	(158,467)	(989,395)	-	(73,577)	-	(2,221,877)
Other non-cash (expenses)/ income	(b)	(97,214)	297,332	(1,478,960)	-	(30,649)	-	(1,309,491)
Tax expense		(172,835)	(631,130)	(3,847,595)	(26,223)	(202,900)	-	(4,880,683)
Segment (loss)/profit	(c)	(187,902)	1,701,475	14,976,818	6,090,436	(254,787)	(6,317,357)	16,008,683
Assets								
Investment in an associate		-	-	-	1	-	183,690	183,691
Additions to non-current assets other than deferred tax assets	(d)	7,957,809	3,918	683,184	-	5,051	-	8,649,962
Segment assets	(e)	38,821,754	63,123,844	270,390,062	150,723,294	82,780,233	(119,676,021)	486,163,166
Liabilities								
Segment liabilities	(f)	12,072,115	17,107,144	53,459,637	241,192	77,317,877	(44,675,389)	115,522,576

37. 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								
Interest 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	127,780,492	43,000,445	(95,826,273)	414,040,289
Liabilities								
Segment liabilities	(f)	8,381,405	32,149,002	73,510,596	135,220	41,458,133	(80,567,811)	75,066,545

37. 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 items as presented in the respective notes to the financial statements:-

	2017 RM	2016 RM
Bad debts written off	-	(25,157)
(Loss)/Gain on disposal of		
- property, plant and equipment	(87)	4,094
- subsidiary	-	3,988
- assets held for sales	109,917	-
Impairment loss on receivables	(2,796,066)	(1,344,566)
Inventories written down	(206,995)	(168,362)
Inventories written off	(1,299)	-
Fair value gain on investment properties	1,000,000	-
Property, plant and equipment written off	(477)	(3,456)
Reversal of inventories written down	132,521	200,643
Reversal of impairment on receivables	452,995	678,145
	(1,309,491)	(654,671)

(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:-

	2017 RM	2016 RM
Segment profit	16,008,683	11,983,282
Interest income	284,751	360,186
Finance costs	(3,568,307)	(3,789,481)
Share of loss of associate	(14,626)	(156,280)
Profit after tax	12,710,501	8,397,707

37. 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 (cont'd):-

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

	2017 RM	2016 RM
Property, plant and equipment	752,542	625,946
Capital work-in-progress	7,897,420	5,551,602
	8,649,962	6,177,548

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

	2017 RM	2016 RM
Segment assets	486,163,166	414,040,289
Investment in an associate	183,691	198,317
Deferred tax assets	1,911,000	1,234,047
Tax recoverable	490,403	938,769
Total assets	488,748,260	416,411,422

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

	2017 RM	2016 RM
Segment liabilities	115,522,576	75,066,545
Deferred tax liabilities	395,600	218,150
Finance lease liabilities	3,357,040	6,021,212
Borrowings	110,972,990	90,319,990
Tax payable	1,858,888	815,660
Total liabilities	232,107,094	172,441,557

37. 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:-

	2017 RM	2016 RM
Property, plant and equipment	28,482,552	29,881,741
Capital work-in-progress	13,833,737	5,715,145
Prepaid land lease payments	1,763,570	1,835,799
Investment properties	26,462,500	25,462,500
Goodwill on consolidation	43,151,039	43,151,039
	113,693,398	106,046,224

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

	Revenue by geographical market	
	2017 RM	2016 RM
Malaysia *	613,159,568	551,189,703
Overseas #	3,803,340	6,281,719
	616,962,908	557,471,422

* 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 15% or more of the Group's revenue.

38. 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 2015 onward.

LIST OF PROPERTIES

KPS CONSORTIUM BERHAD & GROUP OF COMPANIES
List of 10 Largest Properties in Terms of Net Book Value as at 31 December 2017

	Location	Brief Description and Existing Use	Tenure/Date of Expiry of Leasehold Land	Approximate 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 for own use	Freehold	196,028	19	15,000	2017
2	Lot 14374, Bandar Kinrara Industrial Centre, Selangor Darul Ehsan	3-storey office block & 2-storey open warehouse for own use	Freehold	186,590	21	7,572	2013
3	22 Lots of Land @ Jalan 34/2, Seksyen 34, 40470 Shah Alam, Selangor Darul Ehsan	Vacant Land for development/ sale	Freehold	75,543	32	4,608	2014
4	Lot PT129942, Kawasan Perusahaan Kanthan, Chemor, Perak	Factory and office building for own use	60-year lease to 14/03/2055	572,379	19	4,374	1992
5	Pangsapuri Bunga Raya Bukit Beruang, Daerah Melaka Tengah, Melaka	30 units apartment for rent	99-year lease to 2076	837 - 953 (total of 27,002)	14 to15	4,360	2017
6	Lot 292 & 294, Block 36, Muara Tuang Land District, Sarawak	Factory, office building and warehouse for own use	58-year lease to 30/01/2030	245,252	38 & 20	2,800	1992 & 1993*
7	Lot No.6, Jalan Bukit 3, Kawasan MIEL, Bandar Sri Alam, 81750 Masai, Johor	2-Storey office & store for own use	Freehold	50,031	23	2,313	2017
8	Lot 3144C Agriculture Land, Batu 6½, Puchong, Selangor Darul Ehsan	Vacant Land for rent	Freehold	15,700	N/A	1,882	2017
9	No.49, 49-01, 49-02, Jln Masai 1, Taman Masai Utama, 81750 Masai, Johor	3½-storey shop office for rent	99-year lease to 26/11/2100	1,540	14	900	2017
10	Unit No.C-G01, Block C, Suria Shop, Jalan PJU 10/4C, Damansara Damai, 47820 Petaling Jaya, Selangor Darul Ehsan	Shop Unit for rent	99-year lease to 5/3/2103	1,782	13	800	2017

SHAREHOLDINGS ANALYSIS

As at 30 March 2018

Total number of issued shares : 147,827,158 ordinary shares
Class of shares : Ordinary shares
Voting rights : One vote per ordinary share

Distribution of Shareholdings as at 30 March 2018

Size of Shareholdings	No. of Holders	Total Holdings	%
Less than 100 shares	19	654	0.00
100 - 1,000 shares	641	593,884	0.40
1,001- 10,000 shares	1,369	6,933,308	4.69
10,001 - 100,000 shares	623	20,175,112	13.65
100,001 - below 5% of issued shares	105	53,634,200	36.28
5% and above of issued shares	2	66,490,000	44.98
TOTAL	**2,759**	**147,827,158**	**100.00**

Substantial Shareholder as at 30 March 2018

	No. of Shares Held		
Shareholder	Direct	Indirect	%
Koh Poh Seng	66,556,825	-	45.02

List of Thirty (30) Largest Shareholders as at 30 March 2018

No	Name of Shareholders	No. of Shares Held	%
1	RHB Nominees (Tempatan) Sdn Bhd - OSK Capital Sdn Bhd for Koh Poh Seng	46,490,000	31.45
2	AMSEC Nominees (Tempatan) Sdn Bhd - Pledged Securities Account - AmBank Islamic Berhad for Koh Poh Seng	20,000,000	13.53
3	Lee Shee	3,900,000	2.64
4	Yeoh Huan Sui @ Yeoh Phuay	3,750,000	2.54
5	Yong Ah Pee	3,690,000	2.50
6	Maybank Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Ng Ah Chai	2,500,000	1.70
7	Maybank Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Liau Thai Min	2,322,200	1.57
8	RHB Capital Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Yong Ah Pee (CEB)	1,800,000	1.22
9	RHB Capital Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Lee Shee (CEB)	1,800,000	1.22
10	AllianceGroup Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Yong Ah Pee (7002857)	1,600,000	1.08
11	AllianceGroup Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Lee Shee (7002861)	1,600,000	1.08
12	Fizwah Pembinaan Sdn Bhd	1,515,800	1.02

SHAREHOLDINGS ANALYSIS (CONT'D)

List of Thirty (30) Largest Shareholders as at 30 March 2018 (cont'd)

No	Name of Shareholders	No. of Shares Held	%
13	CIMB Group Nominees (Asing) Sdn Bhd - Exempt an for DBS Bank Ltd (SFS)	1,500,000	1.01
14	CIMSEC Nominees (Tempatan) Sdn Bhd - CIMB Bank for Liau Thai Min (MY0918)	1,266,900	0.86
15	Liau Choon Hwa & Sons Sdn Bhd	1,042,300	0.70
16	HLIB Nominees (Tempatan) Sdn Bhd - Hong Leong Bank Bhd for Teh Shiou Cherng	966,000	0.65
17	AllianceGroup Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Ling Wing Kee (6000139)	960,000	0.65
18	Tan Meng Hooi	924,100	0.62
19	CIMSEC Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Teh Shiou Cherng (J D B Tunggal BR-CL)	800,000	0.54
20	Lim Teik Hong	769,600	0.52
21	L.T.M Holdings Sdn Bhd	616,900	0.42
22	Yeam Sew Moy @ Nyiam Siew Moy	600,000	0.40
23	Liau Keen Yee	570,800	0.39
24	Fu Lai Chee	558,000	0.38
25	Yeam Sew Moy @ Nyiam Siew Moy	550,000	0.37
26	HLIB Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Goh Ee Lik @ Goey Mee Pheng	542,000	0.37
27	Yoong Hoi Yen	526,100	0.35
28	Lee Fuan Pean	500,000	0.34
29	TA Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Liau Thai Min	450,200	0.30
30	Swissound Organization Sdn Bhd	434,700	0.29

Directors' Shareholdings and Interest in Shares as at 30 March 2018

No	Name of Shareholders	No. of Shares Held	%
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-Second 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, 9 June 2018 at 11:00 am and at any adjournment thereof to vote as indicated below:-

	FOR	***AGAINST***
Ordinary Resolution 1 - Re-election of Director, Mr. Lim Choon Liat		
Ordinary Resolution 2 - Re-election of Director, Mr. Tan Kong Ang		
Ordinary Resolution 3 - Approval of Directors' fees and benefits for financial year ended 31 December 2017 amounting to RM39,000		
Ordinary Resolution 4 - Approval of Directors' fees and benefits up to RM49,000 from 9 June 2018 until next Annual General Meeting		
Ordinary Resolution 5 - Re-appointment of the retiring auditors, Messrs Grant Thornton Malaysia		
Ordinary Resolution 6 - Authority to Allot Shares		
Ordinary Resolution 7 - Retention of Mr. Faun Chee Yarn as Independent Director		
Ordinary Resolution 8 - Retention of Mr. Lim Choon Liat as Independent Director		
Ordinary Resolution 9 - Retention of Mr. Tan Kong Ang 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……………………………2018

……………………………………………………
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 5 June 2018. Only a depositor whose name appears on the Record of Depositors as at 5 June 2018 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,

KPS CONSORTIUM BERHAD (143816-V)

Level 15-2, Bangunan Faber Imperial Court,

Jalan Sultan Ismail,

50250 Kuala Lumpur.

KPS Consortium Berhad **(143816-V)**
Lot 622, Jalan Lapis Dua, Kampung Sementa,
Batu 6, Jalan Kapar, 42200 Klang,
Selangor Darul Ehsan, Malaysia.

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