2015
ANNUAL REPORT

KPS Consortium Berhad (143816-V)

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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 Thirtieth 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, 11 June 2016 at 11.00 am for the following purposes:-

AGENDA

AS ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial year ended 31 December 2015 together with the Reports of the Directors and Auditors thereon. (Please refer to Note 1).

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

   Lau Fook Meng (Article 80) **Ordinary Resolution 1**

3. To approve the payment of Directors' fees for the financial year ended 31 December 2015.

   Ordinary Resolution 2

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

   Ordinary Resolution 3

AS SPECIAL BUSINESS

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

5. **AUTHORITY TO ISSUE SHARES PURSUANT TO SECTION 132D OF THE COMPANIES ACT, 1965**

   "THAT pursuant to Section 132D of the Companies Act, 1965, and subject to the approval from other relevant governmental/regulatory authorities, the Directors be and are hereby empowered to issue 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 issued pursuant to this resolution does not exceed 10% of the issued capital 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 issued."

   Ordinary Resolution 4

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

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

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 29th day of April 2016

NOTES:-

1. The Agenda No. 1 is meant 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. Hence, is not put forward for voting.

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 7 June 2016. Only a depositor whose name appears on the Record of Depositors as at 7 June 2016 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. A proxy needs not be a member of the Company and the provision of Section149(1)(b) of the Companies Act, 1965 shall not apply to the Company.

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

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

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

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

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

8. Explanatory notes on the Special Business

   8.1 The proposed Ordinary Resolution 4 is primarily to give flexibility to the Board of Directors to issue and allot shares not more than 10% of the issued capital 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.

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

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

In order to avoid any delay and costs involved in convening a general meeting to approve such issue of shares, it is thus considered appropriate that the Directors be empowered to issue shares in the Company, up to any amount not exceeding in total 10% of the issued share capital 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 27 June 2015.

CORPORATE INFORMATION

BOARD OF DIRECTORS **Directors**	 Datuk Chua Hock Gee Executive Chairman Lau Fook Meng Executive Director Faun Chee Yarn Independent and Non-Executive Director Tan Kong Ang Independent and Non-Executive Director Lim Choon Liat Independent and Non-Executive Director
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
REGISTERED OFFICE	Level 15-2, Bangunan Faber Imperial Court Jalan Sultan Ismail 50250 Kuala Lumpur Telephone No: (603) 26924271 Fax No: (603) 27325388

CORPORATE INFORMATION (CONT'D)

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
AUDITORS	SJ Grant Thornton (AF:0737) (Member Firm of Grant Thornton International Ltd) Level 11, Bangunan Sheraton Imperial Court Jalan Sultan Ismail 50250 Kuala Lumpur Telephone No: (603) 26924022 Fax No: (603) 27325119 Website: www.gt.com.my
PRINCIPAL BANKER	AmBank (Malaysia) Berhad
SOLICITOR	Lee Ong & Partners
STOCK EXCHANGE LISTING	Bursa Malaysia Securities Berhad, Main Market Stock code: 9121
WEBSITE	http://www.kpscb.com.my
E-MAIL ADDRESS	enquiry@kpscb.com.my

PROFILE OF THE BOARD OF DIRECTORS

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

The Board meets quarterly and additional Board Meetings are held as and when required. The Board met four (4) times during the financial year ended 31 December 2015.

Particulars of the Directors are as follows:

DATUK CHUA HOCK GEE, Malaysian, age 55, was appointed as an Executive Director of KPSCB on 24 May 2014. He was re-designated to Executive Chairman with effective from 19 January 2015. He obtained Diploma in Electrical Engineering from a Polytechnic.

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

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

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

From 2007 till to-date, he is an active member and directly involves in the Palm Plywood Project Phase 1 and 2 funded by Levy Fund of Ministry of Plantation Industries and Commodity. This project involved Malaysian Timber Industry Board (MTIB), Forest Research Institute Malaysia (FRIM), Malaysia Palm Oil Board (MPOB) and University 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, Malaysian, age 64, 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, Malaysian, age 56, 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 experiences in private sector as an Auditor, Accountant, Finance Manager and General Manager in various sectors 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, Malaysian, age 56 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 is a professional manager with 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, Malaysian, age 55 was appointed as an Independent and Non-Executive Director of KPSCB on 26 May 2009. He has a Bachelor of Science (Forestry) degree from Faculty of Forestry, University Pertanian Malaysia, Serdang, Selangor Darul Ehsan.

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

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

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

Note:

All the above-named Directors of the Company have no family relationship with any director or major shareholder of the Company; and have not been convicted of any criminal offences within the past ten (10) years (other than traffic offences, if any) and do not have any conflict of interest in the Company.

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors, I am pleased to present the Annual Report and Audited Accounts of the Group and of the Company for the financial year ended 31 December 2015.

Overview of Group Results

Operating Results

For the financial year ended 31 December 2015, Group's turnover was RM526.0 million (2014:RM464.4 million). We recorded a pre-tax profit of RM34.5 million as compared to RM33,000 in the previous year.

At Company level, turnover was RM229,500 and profit before tax of RM329,281 due to management fees from subsidiaries.

Review of Operations

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

Paper Milling

The Group's operations registered external revenue of RM22.0 million (2014:RM15.6 million) and profit after tax of RM2.4 million (2014:RM3.4 million).

Profit in the year 2015 was lower than previous year was due to lower profit margins and profit in the year 2014 included a waiver of intercompany debt of RM1.1 million.

Paper Converting and Trading of Woodfree Paper

This division recorded turnover of RM126.7 million as compared to RM117.6 million previously. This division recorded a profit after tax of RM15.4 million as compared to a loss of RM0.44 million in the previous year 2014.

Profit margin was higher than previous year and current year results include a profit of RM13.6 million on the sale of factory building and land.

Plywood and Building Materials Trading and Timber Manufacturing

The Plywood and Building Materials Division registered higher turnover of RM367 million (2014:RM314 million) and operating profit after tax of RM19.6 million compared with operating profit of RM1.6 million.

This division results include in respect of mutual termination of Sale and Purchase Agreements with vendor, Shanghai City Sdn Bhd, a reversal of bad debt provision of RM2.8 million under non-trade receivables and RM3.1 million for compensation.

Two subsidiaries, namely Modern Steel Sdn Bhd (formerly known as Hai Ming Paper Products Sdn Bhd) and Welley Enterprise Sdn Bhd (formerly known as Hai Ming Management Sdn Bhd) were reactivated in the second quarter and trading under building materials division and contributed to increase in revenue.

Others – trading of paper products and general household products

Turnover for this division was RM9.5 million in the year 2015 compared with RM17 million for the previous year. This division made a profit after taxation of RM0.33 million compared with RM0.23 million in the year 2014.

CHAIRMAN'S STATEMENT (CONT'D)

Dividend

The Board does not recommend for payment of dividend .

Corporate Developments

During the financial year, the Group entered into a Development Agreement with Nautical Wealth Sdn Bhd as project manager for the construction and sale of semi-detached factories in Rawang, Selangor Darul Ehsan. Refer to account Notes 35 and 36 for further details. The said development is expected to be completed in the year 2017.

Outlook and Prospects

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

Acknowledgement

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

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

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

Datuk Chua Hock Gee
Executive Chairman

CORPORATE GOVERNANCE STATEMENT

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

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

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

Principle 1 - Establish Clear Roles and Responsibilities

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

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

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

Board Charter

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

CORPORATE GOVERNANCE STATEMENT (CONT'D)

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

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

The Board Charter, which serves as a referencing point for 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 Charter is made publicly available on the Company's website at www.kpscb.com.my.

Code of Conduct and Whistle-Blower Policy

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

Sustainability of Business

The Board is mindful of the importance of business sustainability and, in conducting the Group's business, the impact on the environmental, social and governance aspects is taken into consideration. It is an ongoing process that the Board reviews the Group's business plan for diversification, to keep the business relevant and sustainable.

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 Management. The issues are then deliberated and discussed thoroughly by the Board prior to decision making.

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

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

Principle 2 – Strengthen composition of the Board

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

Nomination Committee – Selection and Assessment of Directors

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

1. Faun Chee Yarn – Chairman (Independent Non-Executive Director)
2. Tan Kong Ang – Member (Independent Non-Executive Director)
3. Lim Choon Liat – Member (Independent 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 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 and offer themselves for re-election at the Annual General Meeting ("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 (3) years, but shall be eligible for re-election.

During the financial year ended 31 December 2015, 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 is competent and committed in discharging his duties and responsibilities. All assessments and evaluations carried out by the Nomination Committee were properly documented.

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

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

Directors' Remuneration

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

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

CORPORATE GOVERNANCE STATEMENT (CONT'D)

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

Details of Directors' remuneration for the financial year ended 31 December 2015 are as follows:-

	Executive Directors (RM)	Non-Executive Directors (RM)
Directors' fees	153,000.00	30,000.00
Salaries & other emoluments	241,872.00	-
Total	**394,872.00**	**30,000.00**

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

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

Principle 3 – Reinforce independence of the Board

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

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

The Board recognises the importance of establishing criteria on independence to be used in the annual assessment of its Independent and Non-Executive Directors. Although the definition on independence according to the Listing Requirements of Bursa Malaysia Securities Berhad is used, the Board will take pertinent measures to formalize such independence criteria to, inter-alia, include the nine (9)-year tenure for Independent and Non-Executive Directors. Procedures on the extension for Independent and Non-Executive Directors to serve beyond the nine(9)-year limit will also formalized in line with the Recommendation of the MCCG 2012 even though at the date of this Statement, all the Company's Independent and Non-Executive Directors have not reached the nine (9)-year limit.

Principle 4 – Foster commitment of Directors

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

Board Meetings

There were four (4) Board meetings held during the financial year ended 31 December 2015, with details of Directors' attendance set out below:-

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

It is the practice of the Company for 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 the Listing Requirements of Bursa allow a Director to sit on the boards of five (5) listed issuers. Such notification is expected to include an indication of time that will be spent on the new appointment.

Directors' Training – Continuing Education Programmes

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

During the financial year, except for Datuk Chua Hock Gee who was unavailable to attend the Directors continuous training programmes due to his tight business schedules and commitment, all other Board Members have attended various training programmes as follows:

Mr. Lau Fook Meng

Corporate Governance, Finance, Business Management and Tax
- Accounting for GST – A Complete Guide To Accounting For GST In Malaysia – MIA
- Enhanced Understanding Of Risk Management & Internal Control – Bursa Malaysia Berhad
- Tax Seminar On Malaysia Budget 2016 – SJ Grant Thornton

Mr Faun Chee Yarn

Corporate Governance, Finance, Business Management and Tax
- 2016 Budget Seminar: Summary & Highlights For Corporate Accountants - MIA

Mr Tan Kong Ang

Corporate Governance, Finance, Business Management and Tax

- 2016 Budget Seminar – Everything You Need To Know – MIA
- CG Breakfast Series With Directors: Board Reward & Recognition – Bursa Malaysia Berhad

Mr Lim Choon Liat

Corporate Governance, Finance, Business Management and Tax

- CG Breakfast Series With Directors: Board Reward & Recognition – Bursa Malaysia Berhad

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

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

Principle 5 – Uphold integrity in financial reporting by Company

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

Statement of Directors' Responsibility for Preparing Financial Statements

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

The Directors are satisfied that in preparing the financial statements of the Group for the year ended 31 December 2015, the Group has adopted suitable accounting policies and applied them consistently, prudently and reasonably. The Directors also consider that all applicable approved accounting standards have been followed in the preparation of the financial statements, subject to any material departures being disclosed and explained in the notes to the financial statements. The financial statements have been prepared on the going concern basis.

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

Audit Committee

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

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

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

Principle 6 – Recognise and manage risks of the Group

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

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

Principle 7 – Ensure timely and high quality disclosure

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

Principle 8 – Strengthen relationship between the Company and its shareholders

Shareholder participation at general meeting

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

The Notice of AGM is circulated at least twenty one (21) days before the date of the meeting to enable shareholders to go through the 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. Going forward, the Board will adopt poll voting for related party transactions, if any, which require specific approvals, including the announcement of the detailed results showing the number of votes cast for and against each resolution.

CORPORATE GOVERNANCE STATEMENT (CONT'D)

Communication and engagement with shareholders

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

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

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

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

- **Share Buy-backs**
  During the financial year, there were no share buy-backs by the Company.

- **Option, Warrants and Convertible Securities**
  The Company has not issued any options, warrants or convertible securities during the financial year.

- **American Depository Receipt ("ADR") / Global Depository Receipt ("GDR")**
  During the financial year, the Company did not sponsor any ADR or GDR programme.

- **Sanctions and/or Penalties**
  There were no sanctions and/or penalties imposed on the Company and its subsidiaries, Directors or management staff by the relevant regulatory bodies during the financial year.

- **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 2015.

- **Variance from Profit Forecast or Unaudited Results Previously Made**
  There were no variances exceeding 10% from the unaudited results previously released by the Company.

- **Profit Guarantee**
  During the financial year, there were no profit guarantees received by the Company.

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

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

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

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

AUDIT COMMITTEE REPORT

1. Members

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

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

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

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

The Audit Committee consists of three (3) members all of whom are Independent and Non-Executive Directors. The Company has complied with paragraph 15.09(1) (b) of Bursa Malaysia Securities Berhad's Listing Requirements, which requires the Audit Committee members must be Non-Executive Directors, with a majority of them being Independent Directors.

2. Terms of Reference

The terms of reference of the Audit Committee had been revised to conform to the Main Market Listing Requirements.

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 1968; 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

   - fulfils 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 2015. 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
Mr Faun Chee Yarn	4/4
Mr Tan Kong Ang	4/4
Mr Lim Choon Liat	4/4

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

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

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

4. Activities of The Audit Committee

The principal activities undertaken by the Audit Committee during the financial year were summarized as follows:

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

(b) Reviewed the audited financial statements for the financial year ended 31 December 2015;

(c) Reviewed the external auditors' reports for the financial year ended 31 December 2015 in relation to audit and accounting issues arising from the audit;

(d) Reviewed the external auditors' audit plan for the year ended 31 December 2015;

(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;

(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 Management for improvement.

6. **Authority**

The Committee is authorised 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;

- 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)

(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 the Bursa Securities Listing Requirements 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 Securities; 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 2015. This Statement is prepared pursuant to paragraph 15.26(b) of the Main Market Listing Requirements and guided by the "Statement on Risk Management and Internal Control – Guidelines for Directors of Listed Issuers" issued by the publication of Bursa on the issuance of internal control statement.

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

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

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

- The Group Management review of the financial results and forecasts for business units and formulation of action plans for operational and financial performance improvement;
- Board's reviews and discussions with the Management on significant financial and operating performances of the Group;
- Audit Committee reviews and consultation with the Management on the integrity of the financial results, annual report and audited financial statements;
- Audit findings and reports on the review of the system of internal control from the Internal Auditors; and
- Management assurance that the Group's risk management and internal control systems have been in place and operating adequately at all time.

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

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

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

The cost incurred for the internal audit function in respect of the financial year ended 31 December 2015 was RM60,000.

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

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 2015. 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	**2015**	**2014**	**2013**	**2012**	**2011**
Revenue from continuing operations	525,564	464,375	492,649	457,804	379,428
Profit/(Loss) from continuing operations before tax	34,561	33	15,073	13,646	16,491
Profit/(Loss) from continuing operations after tax	30,049	(896)	11,905	10,030	13,802
Total comprehensive income/(Loss) for the financial year	32,977	(897)	11,905	10,030	13,802
Total comprehensive income/(Loss) attributable to owners of the Company	32,803	(899)	11,638	10,223	13,857
Total assets	373,101	318,390	315,870	302,051	261,077
Equity attributable to owners of the parent	235,315	202,512	203,412	191,774	181,551
In RM Net assets per share	1.59	1.37	1.38	1.30	1.23
In Sen Earnings/(Loss) per share	20.21	(0.61)	7.87	6.92	9.38

REPORTS AND FINANCIAL STATEMENTS 31 DECEMBER 2015

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 2015.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding.

The principal activities of its subsidiaries are disclosed in Note 7 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	30,048,792	325,266
Attributable to:		
Owners of the Company	29,874,677	325,266
Non-controlling interests	174,115	-
	30,048,792	325,266

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 other than as disclosed in the Note to the financial statements.

DIRECTORS

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

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

In accordance with Article 80 of the Company's Articles of Association, Mr. Lau Fook Meng will retire from the Board of Directors at the forthcoming Annual General Meeting and being eligible offers himself for re-election.

DIRECTORS' INTERESTS

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

DIRECTORS' REPORT (CONT'D)

DIRECTORS' BENEFITS

During and at the end of the financial year, no arrangements subsisted to which the Company is a party, with the object or objects of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Since the end of the previous financial year, no Director has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in the Notes to the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, other than those disclosed in the Notes to the financial statements.

ISSUE OF SHARES AND DEBENTURES

There was no issuance of new shares or debentures during the financial year.

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 amount written off for bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or

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

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

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

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

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

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

DIRECTORS' REPORT (CONT'D)

OTHER STATUTORY INFORMATION (CONT'D)

In the opinion of the Directors:-

(a) no contingent 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, in the opinion of the Directors, 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.

SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

The significant event during the financial year is disclosed in Note 36 to the financial statements.

DIRECTORS' REPORT (CONT'D)

AUDITORS

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

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

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

Kuala Lumpur
19 April 2016

STATEMENT BY DIRECTORS AND STATUTORY DECLARATION

STATEMENT BY DIRECTORS

In the opinion of the Directors, the financial statements set out on pages 35 to 113 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2015 and of their financial performance and cash flows for the financial year then ended.

In the opinion of the Directors, the supplementary information set out on page 114 has been compiled in accordance with the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

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

DATUK CHUA HOCK GEE

LAU FOOK MENG

Kuala Lumpur
19 April 2016

STATUTORY DECLARATION

I, Lau Fook Meng, being the Director primarily responsible for the financial management of KPS Consortium Berhad, do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on pages 35 to 113 and the supplementary information set out on page 114 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)
19 April 2016)

LAU FOOK MENG

Before me:

PESURUHJAYA SUMPAH
W.490
S.ARULSAMY
MALAYSIA

Commissioner for Oaths

16 - Tingkat Bawah Jalan Pudu,
55100 Kuala Lumpur.

INDEPENDENT AUDITORS' REPORT

Report on the Financial Statements

We have audited the financial statements of KPS Consortium Berhad, which comprise statements of financial position as at 31 December 2015 of the Group and of the Company, and statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 35 to 113.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2015 and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

INDEPENDENT AUDITORS' REPORT (CONT'D)

Report on Other Legal and Regulatory Requirements

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

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

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

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

Other Reporting Responsibilities

The supplementary information set out on page 114 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

Other Matters

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

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

MOHAMAD HEIZRIN BIN SUKIMAN
(NO: 3046/05/17(J))
CHARTERED ACCOUNTANT

Kuala Lumpur
19 April 2016

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2015

	Note	Group 2015 RM	Group 2014 RM	Company 2015 RM	Company 2014 RM
ASSETS					
Non-current assets					
Property, plant and equipment	4	31,500,804	41,296,860	-	-
Prepaid land lease payments	5	1,908,030	1,980,260	-	-
Investment properties	6	25,622,500	8,280,000	-	-
Investment in subsidiaries	7	-	-	127,703,012	127,703,012
Investment in an associate	8	354,597	1	1	1
Goodwill on consolidation	9	43,151,039	43,151,039	-	-
Deferred tax assets	10	1,363,000	1,950,000	-	-
Total non-current assets		103,899,970	96,658,160	127,703,013	127,703,013
Current assets					
Property development cost	11	15,401,940	-	-	-
Inventories	12	61,352,770	53,619,903	-	-
Trade receivables	13	141,990,774	109,911,039	-	-
Other receivables	14	22,534,336	21,039,911	-	11
Amount due from subsidiaries	7	-	-	17,651,690	23,749,545
Tax recoverable		849,974	1,156,675	25,927	14,674
Deposits with licensed banks	15	7,374,196	6,936,965	-	-
Cash and bank balances		19,533,234	20,708,028	491,109	427,331
		269,037,224	213,372,521	18,168,726	24,191,561
Non-current assets classified as held for sale	16	163,623	8,358,905	-	-
Total current assets		269,200,847	221,731,426	18,168,726	24,191,561
TOTAL ASSETS		373,100,817	318,389,586	145,871,739	151,894,574
EQUITY AND LIABILITIES					
EQUITY					
Share capital	17	147,827,158	147,827,158	147,827,158	147,827,158
Share premium	18	5,400,842	5,400,842	5,400,842	5,400,842
Revaluation reserve	18	2,986,855	-	-	-
Retained earnings	18	79,100,456	49,283,981	(7,501,268)	(7,826,534)
		235,315,311	202,511,981	145,726,732	145,401,466
Non-controlling interests	7	280,854	48,536	-	-
Total equity		235,596,165	202,560,517	145,726,732	145,401,466
LIABILITIES					
Non-current liabilities					
Finance lease liabilities	19	203,104	555,008	-	-
Borrowings	20	5,802,744	7,566,067	-	-
Deferred tax liabilities	10	397,200	114,550	-	-
Total non-current liabilities		6,403,048	8,235,625	-	-
Current liabilities					
Trade payables	21	31,433,022	23,132,272	-	-
Other payables	22	10,602,675	10,679,773	145,007	153,803
Amount due to subsidiaries	7	-	-	-	6,339,305
Borrowings	20	88,200,508	73,652,216	-	-
Tax payable		865,399	129,183	-	-
Total current liabilities		131,101,604	107,593,444	145,007	6,493,108
Total liabilities		137,504,652	115,829,069	145,007	6,493,108
TOTAL EQUITY AND LIABILITIES		373,100,817	318,389,586	145,871,739	151,894,574

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 2015

	Note	Group 2015 RM	Group 2014 RM	Company 2015 RM	Company 2014 RM
Revenue	23	525,564,233	464,374,985	229,500	216,000
Cost of sales		(491,863,448)	(437,403,390)	-	-
Gross profit		33,700,785	26,971,595	229,500	216,000
Other income		25,080,487	3,532,786	3,967,539	1,680
Selling and distribution expenses		(9,419,408)	(9,223,434)	-	-
Administration expenses		(7,291,633)	(6,539,644)	(241,477)	(238,987)
Other expenses		(3,639,656)	(10,736,379)	(3,626,281)	(1,152,015)
Operating profit/(loss)		38,430,575	4,004,924	329,281	(1,173,322)
Finance costs		(4,224,345)	(3,972,272)	-	-
Share of profit of associate		354,596	-	-	-
Profit/(Loss) before tax	24	34,560,826	32,652	329,281	(1,173,322)
Tax expense	25	(4,512,034)	(928,947)	(4,015)	(25,550)
Profit/(Loss) for the financial year		30,048,792	(896,295)	325,266	(1,198,872)
Other comprehensive income/(loss), net of tax					
Items that will not be reclassified subsequently to profit or loss					
- changes in ownership in a subsidiary		(58,202)	(895)	-	-
- revaluation on land and building upon transfer to investment properties	26	2,986,855	-	-	-
Total comprehensive income/(loss) for the financial year		32,977,445	(897,190)	325,266	(1,198,872)
Profit/(Loss) for the financial year attributable to:-					
- Owners of the Company		29,874,677	(898,916)	325,266	(1,198,872)
- Non-controlling interests		174,115	2,621	-	-
		30,048,792	(896,295)	325,266	(1,198,872)
Total comprehensive income/(loss) attributable to:-					
- Owners of the Company		32,803,330	(899,811)	325,266	(1,198,872)
- Non-controlling interests		174,115	2,621	-	-
		32,977,445	(897,190)	325,266	(1,198,872)
Earnings/(loss) per share attributable to owners of the Company (sen)	27				
- Basic		20.21	(0.61)		
- Diluted		20.21	(0.61)		

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

STATEMENTS OF CHANGES IN EQUITY
For the Financial Year Ended 31 December 2015

	<------ 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 2014	147,827,158	5,400,842	-	50,183,792	203,411,792	45,009	203,456,801
Transaction with owners :							
Change in stake	-	-	-	-	-	906	906
Total transaction with owners	-	-	-	-	-	906	906
Loss for the financial year	-	-	-	(898,916)	(898,916)	2,621	(896,295)
Other comprehensive loss for the financial year	-	-	-	(895)	(895)	-	(895)
Total comprehensive loss for the financial year	-	-	-	(899,811)	(899,811)	2,621	(897,190)
Balance at 31 December 2014	147,827,158	5,400,842	-	49,283,981	202,511,981	48,536	202,560,517
Transaction with owners :							
Profit for the financial year	-	-	-	29,874,677	29,874,677	174,115	30,048,792
Other comprehensive income for the financial year							
- changes in ownership interest in a subsidiary	-	-	-	(58,202)	(58,202)	58,203	1
- revaluation on land and building upon transfer to investment properties	-	-	2,986,855	-	2,986,855	-	2,986,855
Total comprehensive income for the financial year	-	-	2,986,855	29,816,475	32,803,330	232,318	33,035,648
Balance at 31 December 2015	147,827,158	5,400,842	2,986,855	79,100,456	235,315,311	280,854	235,596,165
Company							
Balance at 1 January 2014	147,827,158	5,400,842	-	(6,627,662)	146,600,338	-	146,600,338
Total comprehensive loss for the financial year	-	-	-	(1,198,872)	(1,198,872)	-	(1,198,872)
Balance at 31 December 2014	147,827,158	5,400,842	-	(7,826,534)	145,401,466	-	145,401,466
Total comprehensive income for the financial year	-	-	-	325,266	325,266	-	325,266
Balance at 31 December 2015	147,827,158	5,400,842	-	(7,501,268)	145,726,732	-	145,726,732

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

STATEMENTS OF CASH FLOWS

For the Financial Year Ended 31 December 2015

	Group		Company	
	2015	**2014**	**2015**	**2014**
	RM	**RM**	**RM**	**RM**
OPERATING ACTIVITIES				
Profit/(Loss) before tax	34,560,826	32,652	329,281	(1,173,322)
Adjustments for:-				
Amortisation of prepaid land lease payments	72,230	72,230	-	-
Inventories				
- written down	171,014	647,930	-	-
- written off	5,596	18,770	-	-
- written back	(399,186)	(496,404)	-	-
Bad debts written off				
- trade receivables	2,099,168	287,214	-	-
- other receivables	-	14,999	-	14,999
- subsidiary company	-	-	-	1,660
Impairment loss on property, plant and equipment	-	5,755,076	-	-
Depreciation of property, plant and equipment	2,211,713	3,206,875	-	-
(Gain)/Loss on disposal of				
- property, plant and equipment	(25,476)	10,930	-	-
- asset held for sale	(13,641,095)	-	-	-
- subsidiary company	-	-	192,203	433,531
Fair value gain on investment properties	(532,697)	(208,610)	-	-
Interest expenses	3,563,025	3,320,131	-	-
Property, plant and equipment written off	4,777	25,141	-	-
Impairment on				
- trade receivables	1,316,464	1,406,421	-	-
- other receivables	-	2,796,544	-	-
- amount due from subsidiaries	-	-	3,434,078	10,800
- investment in subsidiaries	-	-	-	691,025
Interest income	(540,070)	(382,828)	(37,149)	-
Reversal of impairment on				
- trade receivables	(2,482,657)	(1,117,254)	-	-
- other receivables	(2,796,544)	-	-	-
- amount due from subsidiaries	-	-	(3,738,186)	(1,660)
- investment in subsidiary	-	-	(192,204)	-
Share of profit of associate	(354,596)	-	-	-
Operating profit/(loss) before working capital changes	23,232,492	15,389,817	(11,977)	(22,967)
Changes in working capital:-				
Inventories	(7,510,291)	2,999,864	-	-
Receivables	(31,367,672)	(1,754,666)	11	15,724
Payables	8,717,954	12,013,172	(8,796)	15,831
Property development cost	(15,401,940)	-	-	-
Bankers' acceptance	14,500,182	(4,630,602)	-	-
Cash (used in)/generated from operations	(7,829,275)	24,017,585	(20,762)	8,588
Interest paid	(3,063,737)	(2,623,607)	-	-
Tax refund	965,969	226,450	13,332	9,166
Tax paid	(3,722,636)	(3,492,399)	(28,600)	(38,100)
Net cash (used in)/from operating activities	(13,649,679)	18,128,029	(36,030)	(20,346)

STATEMENTS OF CASH FLOWS

For the Financial Year Ended 31 December 2015 (CONT'D)

	Note	Group 2015 RM	Group 2014 RM	Company 2015 RM	Company 2014 RM
INVESTING ACTIVITIES					
Interest received		197,151	62,875	-	-
Purchase of property, plant and equipment	A	(3,170,384)	(5,397,067)	-	-
Purchase of investment properties		(2,973,426)	-	-	-
Placement of fixed deposit with licensed banks		(437,231)	(5,476,749)	-	-
Proceeds from disposal of property, plant and equipment		25,481	27,500	-	-
Proceeds from disposal of asset held for sale		22,000,000	500,000	-	-
Proceeds from change in stake		1	11	1	11
Net cash from/(used in) investing activities		15,641,592	(10,283,430)	1	11
FINANCING ACTIVITIES					
Subsidiaries		-	-	99,807	328,720
Interest paid		(476,498)	(696,353)	-	-
Repayment of term loan		(1,729,071)	(1,696,355)	-	-
Payment of finance lease creditors		(974,996)	(1,891,823)	-	-
Net cash (used in)/from financing activities		(3,180,565)	(4,284,531)	99,807	328,720
CASH AND CASH EQUIVALENTS					
Net (decrease)/increase		(1,188,652)	3,560,068	63,778	308,385
Brought forward		20,708,028	17,147,960	427,331	118,946
Carried forward	B	19,519,376	20,708,028	491,109	427,331

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

STATEMENTS OF CASH FLOWS

For the Financial Year Ended 31 December 2015 (CONT'D)

NOTES TO THE STATEMENTS OF CASH FLOWS

A. PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Total purchase	3,276,384	6,376,665	-	-
Purchase through finance lease arrangement	(106,000)	(979,598)	-	-
Cash payment	3,170,384	5,397,067	-	-

B. CASH AND CASH EQUIVALENTS

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

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Cash and bank balances	19,533,234	20,708,028	491,109	427,331
Deposits with licensed banks	7,374,196	6,936,965	-	-
Bank overdraft (Note 20)	(13,858)	-	-	-
	26,893,572	27,644,993	491,109	427,331
Less: Fixed deposits pledged as security for banking facilities granted to the subsidiary companies	(7,374,196)	(6,936,965)	-	-
	19,519,376	20,708,028	491,109	427,331

As disclosed in Note 15 to the financial statements, the fixed deposits have been pledged to licensed banks for banking facilities granted to certain subsidiary companies and hence, are not available for general use.

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

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia and is 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 the subsidiaries are disclosed in Note 7 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 19 April 2016.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

2.1 Statement of Compliance

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

2.2 Basis of Measurement

The financial statements of the Group and of the Company are prepared under the 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.

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

A fair value measurement of a non-financial market takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

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

2.2 Basis of Measurement (cont'd)

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.
- 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 determines 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.

For the purpose of fair value disclosures, the Group has 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 when otherwise stated.

2.4 Malaysian Financial Reporting Standards ("MFRSs")

2.4.1 Adoption of Amendments/Improvements to MFRSs and IC Interpretations ("IC Int")

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

Several other amendments are effective for the first time in the financial year ended 31 December 2015. However, they do not impact the annual financial statements of the Group and of the Company.

The nature and impact of the amendments to MFRSs with effective date on or after 1 July 2014 are described below.

2.4.1.1 Annual Improvements to MFRSs 2010 – 2012 Cycle

Amendment to MFRS 3 Business Combinations

The amendment clarifies that all contingent consideration arrangements classified as liabilities (or assets) arising from a business combination should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of MFRS 9 (or MFRS 139, as applicable).

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

2.4 Malaysian Financial Reporting Standards ("MFRSs") (cont'd)

2.4.1 **Adoption of Amendments/Improvements to MFRSs and IC Interpretations ("IC Int") (cont'd)**

2.4.1.1 **Annual Improvements to MFRSs 2010 – 2012 Cycle (cont'd)**

Amendments to MFRS 8 Operating Segments

The amendments clarify that an entity must disclose the judgements made by management in applying the aggregation criteria to operating segments, including a brief description of operating segment that have been aggregated and the economic indicators assessed in determining whether the operating segments have similar economic characteristics. The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to chief operating decision maker, similar to the required disclosure for segment liabilities.

The amendments affected disclosures in the financial statements only and do not have material impact on the financial statements of the Group.

Amendment to MFRS 13 Fair Value Measurement

It clarifies that the Basis for Conclusion that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial.

Amendment to MFRS 116 Property, Plant and Equipment and MFRS 138 Intangibles Assets

The amendment clarifies in MFRS 116 and MFRS 138 that the asset may be revalued by reference to observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation and amortisation is the difference between the gross and carrying amounts and carrying amount after taking into account the accumulated impairment losses of the assets.

Amendment to MFRS 124 Related Party Disclosures

The amendment clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.

2.4.1.2 **Annual Improvements to MFRSs 2011 – 2013 Cycle**

Amendment to MFRS 3 Business Combinations

The amendment clarifies that MFRS 3 does not apply to the accounting for formation of all types of joint arrangement in the financial statements of the joint arrangement itself.

Amendment to MFRS 13 Fair Value Measurement

The amendment clarifies that the scope of the portfolio exception in MFRS 13 can be applied not only to the financial assets and financial liabilities, but also to other contracts within the scope of MFRS 9 (or MFRS 139, as applicable).

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

2.4 Malaysian Financial Reporting Standards ("MFRSs") (cont'd)

2.4.1 Adoption of Amendments/Improvements to MFRSs and IC Interpretations ("IC Int") (cont'd)

2.4.1.2 Annual Improvements to MFRSs 2011 – 2013 Cycle (cont'd)

Amendment to MFRS 140 Investment Property

The description of ancillary services in MFRS 140 differentiates between investment property and owner-occupied property (i.e. property, plant and equipment). The amendment clarifies that MFRSs, and not the description of ancillary services in MFRS 140, is used to determine if the transaction is the purchase of an asset or business combination.

2.4.2 Standards Issued But Not Yet Effective

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published by the MASB that are not yet effective, and have not been early adopted by the Group and the Company. Information on those expected to be relevant to the Group's and the Company's financial statements is provided below.

Management anticipates that all 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. New standards, amendments and interpretations to existing standard not either adopted or listed below are not expected to have a material impact on the Group's and the Company's financial statements.

MFRS 9 Financial Instruments

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

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

MFRS 15 Revenue from Contracts with Customers

MFRS 15 replaces the guidance in MFRS 111, Construction Contracts, MFRS 118, Revenue, IC Interpretation 13, Customer Loyalty Programmes, IC Interpretation 15, Agreements for Construction of Real Estate, IC Interpretation 18, Transfers of Assets from Customers and IC Interpretation 131, Revenue – Barter Transactions Involving Advertising Services. Upon adoption of MFRS 15, it is expected that the timing of revenue recognition might be different as compared with current practices.

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

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

2.5 Significant Accounting Estimates and Judgements

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

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

2.5.1 Key Sources of Estimation Uncertainty

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

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

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

<u>Impairment of Property, Plant and Equipment and Prepaid Land Lease Payments</u>

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

<u>Impairment of Non-financial Assets</u>

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 9 to 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):-

<u>Impairment of Loans and Receivables</u>

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

<u>Inventories</u>

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.

<u>Income Taxes/Deferred Tax Liabilities</u>

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

<u>Deferred Tax Assets</u>

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.

During the financial year, a subsidiary of the Company has recognised RM3,616,500 of unutilised tax losses on 31 December 2015 as management considered that it is probable that taxable profits will be available against which the losses can be utilised.

The carrying value of deferred tax assets of the Group as at 31 December 2015 was RM1,363,000 (2014: RM1,950,000) as disclosed in Note 10 to the financial statements. If the taxable profits of the subsidiary differ by 5% due to the change in estimates of the subsidiary's future results from operating activities, the Group's deferred tax assets will vary by RM68,150.

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):-

<u>Fair Value Measurement and Valuation Processes</u>
Some of the Group's assets and liabilities are measured at fair value for financial reporting. Significant judgement is involved in determining the appropriate valuation techniques and inputs for fair value measurements where active market quotes are not available.

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

Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities are disclosed in Note 6.

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.

<u>Deferred Tax Assets</u>

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

<u>Leases</u>

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

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

2.5 Significant Accounting Estimates and Judgements (cont'd)

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

The following are significant management judgements in applying the accounting policies of the Group that have the most significant effect on the financial statements (cont'd):-

<u>Classification Between Investment Properties and Owner-Occupied Properties</u>

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Consolidation

3.1.1 Subsidiaries

Subsidiary companies are entities, including structured entities, controlled by the Group or the Company. Control exists when the Group or the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. Besides, the Group or the Company considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 Consolidation (cont'd)

3.1.2 Basis of Consolidation

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

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

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

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

3.1.3 Business Combinations

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

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

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 Consolidation (cont'd)

3.1.3 Business Combinations (cont'd)

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 MFRS.

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

3.1.4 Goodwill

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

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

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

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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 Consolidation (cont'd)

3.1.4 Goodwill (cont'd)

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

3.1.5 Loss of Control

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

If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

3.1.6 Non-controlling Interests

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

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

3.1.7 Eliminations on consolidation

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

3.1.8 Associates

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 Consolidation (cont'd)

3.1.8 Associates (cont'd)

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.

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

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

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

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

3.2 Property, Plant and Equipment

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

Cost includes expenditures that are directly attributable to the acquisition of the assets and any other costs directly attributable to bring the asset to working condition for its intended use, cost of replacing component parts of the assets, and the present value of the expected cost for the decommissioning of the assets after their use. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. All other repair and maintenance costs are recognised in profit or loss as incurred.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.2 Property, Plant and Equipment (cont'd)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.3 Leases (cont'd)

Operating Lease

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

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

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

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

3.4 Investment Properties

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

3.6 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 goods-in-transit comprise costs of purchase plus the cost of bringing the inventories to their present condition and location. The cost of work-in-progress and finished goods comprises raw materials, direct labour, other direct costs and appropriate proportions of production overheads.

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

3.7 Financial Instruments

3.7.1 Initial Recognition and Measurement

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.7 Financial Instruments (cont'd)

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 is recognised in profit or loss or in other comprehensive income.

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

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in the profit or loss.

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

<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 other receivables, and amount due from subsidiary companies 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. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.7 Financial Instruments (cont'd)

3.7.3 Financial Liabilities - Categorisation and Subsequent Measurement

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

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.

Other Financial Liabilities Measured at Amortised Cost

The Group's and the Company's other financial liabilities include borrowings, trade and other payables, finance lease liabilities and amount due to subsidiary companies.

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. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

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

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

When a Group entity transacts with a joint operation in which a group is a joint operator (such as a sales or contribution of assets), the Group does not recognise its share of the gains and losses until the transfer of significant risk and rewards of ownership to 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 is shown in current liabilities in the statement of financial position.

For the purpose of the financial position, cash and cash equivalents restricted to be used to settle a liability of 12 months or more after the end of the reporting period are classified as non-current asset.

3.10 Impairment of Assets

3.10.1 Non-financial Assets

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.10 Impairment of Assets (cont'd)

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

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

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

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

Goodwill is tested for impairment annually as 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.

3.10.2 **Financial Assets**

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.10 Impairment of Assets (cont'd)

3.10.2 Financial Assets (cont'd)

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.

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 an 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.

3.11 Borrowing Costs

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.12 Revenue Recognition

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

Sale of goods

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

Dividend income

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

Rental income

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

Interest income

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

Management fee

Management fee is recognised when services are rendered.

Property development

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

All significant intercompany revenues are eliminated on consolidation.

3.13 Tax Expense

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

3.13.1 Current Tax

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.13 Tax Expense (cont'd)

3.13.2 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.

3.13.3 Goods and Services Tax

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

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

- Where the GST incurred in a purchase of assets or services is not recoverable from the authority, in which case the GST is recognised as part of the cost of acquisition of the assets or as part of the expense item as applicable; and

- Receivables and payables that are stated with the amount of GST included.

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.14 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").

3.15 Foreign Currency Translation

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

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).

3.16 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 34 to the financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.17 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.

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

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

Retained earnings or accumulated loss include all current and prior period retained profits 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 profits, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

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

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

3.18 Provisions

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.19 Contingencies

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

3.20 Related Parties

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

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

(a) Has control or joint control over the Group and the Company;
(b) Has significant influence over the Group and the Company; or
(c) Is a member of the key management personnel of the ultimate holding company of the Group or the Company.

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

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

3.21 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 based on 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 based on the weighted average number of shares outstanding, for the effects of all dilutive potential ordinary shares during the period.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

4. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings RM	Plant and machineries RM	Motor vehicles RM	Furniture, fittings and office equipment RM	Total RM
Group					
Cost					
At 1.1.2014	48,179,776	36,146,599	5,950,922	2,962,718	93,240,015
Additions	4,607,801	1,131,533	577,486	59,845	6,376,665
Disposals	-	(306,490)	(186,192)	(3,020)	(495,702)
Written off	-	(171,610)	-	(219,193)	(390,803)
Transfer to assets held for sale (Note 16)	(10,080,644)	(10,599,648)	-	(52,647)	(20,732,939)
At 31.12.2014	42,706,933	26,200,384	6,342,216	2,747,703	77,997,236
Additions	60,492	2,980,765	146,883	88,244	3,276,384
Disposals	-	-	(291,207)	-	(291,207)
Written off	-	-	-	(259,565)	(259,565)
Revaluation adjustment	2,809,369	-	-	-	2,809,369
Transfer to investment properties (Note 6)	(14,000,000)	-	-	-	(14,000,000)
At 31.12.2015	31,576,794	29,181,149	6,197,892	2,576,382	69,532,217
Accumulated depreciation					
At 1.1.2014	11,620,050	22,971,253	3,947,331	2,396,759	40,935,393
Charge for the financial year	789,880	1,630,985	645,339	140,671	3,206,875
Disposals	-	(295,679)	(159,828)	(1,765)	(457,272)
Written off	-	(147,155)	-	(218,507)	(365,662)
Transfer to assets held for sale (Note 16)	(3,233,266)	(3,357,977)	-	(27,715)	(6,618,958)
At 31.12.2014	9,176,664	20,801,427	4,432,842	2,289,443	36,700,376
Charge for the financial year	560,260	861,927	647,146	142,380	2,211,713
Disposals	-	-	(291,202)	-	(291,202)
Written off	-	-	-	(254,788)	(254,788)
Revaluation adjustment	(334,686)	-	-	-	(334,686)
At 31.12.2015	9,402,238	21,663,354	4,788,786	2,177,035	38,031,413
Accumulated Impairment loss					
At 1.1.2014	-	-	-	-	-
Charge for the financial year	1,513,405	4,241,671	-	-	5,755,076
Transferred to assets held for sale (Note 16)	(1,513,405)	(4,241,671)	-	-	(5,755,076)
At 31.12.2014/31.12.2015	-	-	-	-	-
Net carrying amount					
At 31.12.2015	22,174,556	7,517,795	1,409,106	399,347	31,500,804
At 31.12.2014	33,530,269	5,398,957	1,909,374	458,260	41,296,860

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

Analysis of land and buildings:-

	Freehold land RM	Buildings RM	Total RM
Group			
Cost			
At 1.1.2014	10,891,587	37,288,189	48,179,776
Additions	4,607,801	-	4,607,801
Transfer to asset held for sale	(2,358,905)	(7,721,739)	(10,080,644)
At 31.12.2014	13,140,483	29,566,450	42,706,933
Additions	-	60,492	60,492
Revaluation adjustment	3,171,243	(361,874)	2,809,369
Transfer to investment properties (Note 6)	(6,000,000)	(8,000,000)	(14,000,000)
At 31.12.2015	10,311,726	21,265,068	31,576,794
Accumulated depreciation			
At 1.1.2014	-	11,620,050	11,620,050
Charge for the financial year	-	789,880	789,880
Transfer to asset held for sale	-	(3,233,266)	(3,233,266)
At 31.12.2014	-	9,176,664	9,176,664
Charge for the financial year	-	560,260	560,260
Revaluation adjustment	-	(334,686)	(334,686)
At 31.12.2015	-	9,402,238	9,402,238
Accumulated impairment			
At 1.1.2014	-	-	-
Charge for the financial year	1,513,405	-	1,513,405
Transferred to asset held for sale	(1,513,405)	-	(1,513,405)
At 31.12.2014/31.12.2015	-	-	-
Net carrying amount			
At 31.12.2015	10,311,726	11,862,830	22,174,556
At 31.12.2014	13,140,483	20,389,786	33,530,269

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

Assets pledged as securities to financial institutions

Land and buildings of the Group with net carrying amount of RM22,174,556 (2014: RM33,530,269) have been pledged to licensed banks for banking facilities granted to certain subsidiary companies.

Assets held under finance leases

The details of assets under finance lease are:-

	Group	
	2015	**2014**
	RM	**RM**
Motor vehicles:-		
Additions during the financial year	106,000	979,598
Net carrying amount	878,858	1,696,056

	Group	
	2015	**2014**
	RM	**RM**
Plant and machineries:-		
Net carrying amount	916,014	1,253,327

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

5. PREPAID LAND LEASE PAYMENTS

	Short leasehold land RM	Long leasehold land RM	Total RM
Group			
Cost			
At 1.1.2014/31.12.2014/ 31.12.2015	3,105,877	450,191	3,556,068
Accumulated amortisation			
At 1.1.2014	1,332,445	171,133	1,503,578
Amortisation charged during the financial year	66,096	6,134	72,230
At 31.12.2014	1,398,541	177,267	1,575,808
Amortisation charged during the financial year	66,096	6,134	72,230
At 31.12.2015	1,464,637	183,401	1,648,038
Net carrying amount			
At 31.12.2015	1,641,240	266,790	1,908,030
At 31.12.2014	1,707,336	272,924	1,980,260

	2015 RM	2014 RM
Amount to be amortised		
Not later than one year	72,230	72,230
Later than one year but not later than five years	288,920	288,920
Later than five years	1,546,880	1,619,110
	1,908,030	1,980,260

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.

Short leasehold land and long leasehold land have been pledged to licensed banks for banking facilities granted to certain subsidiary companies.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

6. INVESTMENT PROPERTIES

	Buildings RM	Freehold lands RM	Total RM
Group			
Fair value			
At 1.1.2014	5,430,622	2,640,768	8,071,390
Fair value adjustment	30,000	178,610	208,610
At 31.12.2014	5,460,622	2,819,378	8,280,000
Additions	2,973,426	-	2,973,426
Transferred to asset held for sale (Note 16)	(163,623)	-	(163,623)
Transferred from property, plant and equipment (Note 4)	8,000,000	6,000,000	14,000,000
Fair value adjustment	850,197	(317,500)	532,697
At 31.12.2015	17,120,622	8,501,878	25,622,500

Investment property comprises of freehold office shoplot that is leased to third party. Subsequent renewal is negotiated with the lease on an average renewal period of 2 (2014: 2) years. No contingent rents are charged.

Income and expenses recognised in profit or loss

	2015 RM	2014 RM
Rental generated from investment properties	1,421,592	424,229
Direct operating expenses for investment properties	82,008	16,873

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 subsidiary companies amounted to RM19,220,000 (2014: RM5,220,000).

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 2015 and 2014, 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 2015 RM	 2014 RM
Recurring fair value measurement:		
Freehold lands	8,501,878	2,819,378
Buildings	17,120,622	5,460,622

Level 2 Fair Value

Level 2 fair values 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

7. SUBSIDIARIES

Investment in subsidiaries

	Company	
	2015	**2014**
	RM	**RM**
At cost		
Unquoted shares	131,645,844	132,079,386
Less: Disposal during the financial year	(192,204)	(433,542)
Accumulated impairment losses	(3,750,628)	(3,942,832)
	127,703,012	127,703,012

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

	Company	
	2015	**2014**
	RM	**RM**
At 1 January	3,942,832	3,251,807
Impairment loss during the year	-	691,025
Reversal of impairment loss during the financial year	(192,204)	-
At 31 December	3,750,628	3,942,832

Details of the subsidiaries are as follows:-

Name of Company	Principal place of business/ Country of incorporation	Effective ownership interest and voting interest 2015 %	Effective ownership interest and voting interest 2014 %	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	70	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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

7. SUBSIDIARIES (CONT'D)

Investment in subsidiaries (cont'd)

Details of the subsidiaries are as follows (cont'd):-

Name of Company	Principal place of business/ Country of incorporation	Effective ownership interest and voting interest 2015 %	2014 %	Principal activities
Paragon Paper Mill Sdn. Bhd.	Malaysia	99.9	99.9	Manufacturing of tissue paper and tissue related products
KPS Plywood Sdn. Bhd.	Malaysia	100	100	Trading of plywood and investment holding
Akateak Sdn. Bhd.	Malaysia	50	50	Distributor and retailer of wooden doors, plywood and related building materials
I'Kranji Industries Sdn. Bhd.	Malaysia	40	40	Manufacturing and trading in printed laminated plywood
Subsidiary of Paragon Paper Mill Sdn. Bhd.:-				
Paragon Marketing Sdn. Bhd.	Malaysia	100	100	Trading in tissue related products
Subsidiaries of KPS Plywood Sdn. Bhd.:-				
Akateak Sdn. Bhd.	Malaysia	50	50	Distributor and retailer of wooden doors, plywood and related building materials
I'Kranji Industries Sdn. Bhd.	Malaysia	60	60	Manufacturing and trading in printed laminated plywood
Vector Marketing Sdn. Bhd.	Malaysia	60	60	Trading in plywood and related products
Subsidiary of Hai Ming Paper Mills Sdn. Bhd.:-				
Hai Ming Marketing Sdn. Bhd.	Malaysia	100	100	Trading in paper products

Change in Group's ownership interest in a subsidiary

Modern Steel Sdn. Bhd.

On 14 September 2015, the Company had disposed off 66,500 ordinary shares of RM1.00 each, representing 19% from its total investment of 350,000 ordinary shares of RM1.00 each in the subsidiary company Modern Steel Sdn. Bhd. to Lim Kok Teong for a total consideration of RM1.00. As a result of the disposal, there will be an increase in the non-controlling interest for Modern Steel Sdn. Bhd..

7. SUBSIDIARIES (CONT'D)

Non-controlling interests in subsidiaries

	2015 RM	2014 RM
Balance at beginning of year	48,536	45,009
Share of profit for the year	174,115	2,621
Additional non-controlling interests arising on disposal of interest in Modern Steel Sdn. Bhd.	58,203	906
Balance at end of year	280,854	48,536

The Group's subsidiary companies that have material non-controlling interests are as follows:-

	2015			
	Vector Marketing Sdn. Bhd.	**Paragon Paper Mill Sdn. Bhd.**	**Modern Steel Sdn. Bhd.**	**Total**
Percentage of ownership interest and voting interest (%)	40%	0.1%	49%	
Carrying amount of non-controlling interests (RM)	26,776	17,079	236,999	280,854
(Loss)/Profit allocated to non-controlling interests (RM)	(5,038)	1,263	177,890	174,115

	2014		
	Vector Marketing Sdn. Bhd.	**Paragon Paper Mill Sdn. Bhd.**	**Total**
Percentage of ownership interest and voting interest (%)	40%	0.1%	
Carrying amount of non-controlling interests (RM)	31,814	15,816	47,630
Profit allocated to non-controlling interests (RM)	857	1,764	2,621

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

7. SUBSIDIARIES (CONT'D)

Non-controlling interests in subsidiaries (cont'd)

The summary of financial information before intra-group elimination for the Group's subsidiaries that have material non-controlling interests is as below:-

	2015			
	Vector Marketing Sdn. Bhd. RM	**Paragon Paper Mill Sdn. Bhd. RM**	**Modern Steel Sdn. Bhd. RM**	**Total RM**
Summary of financial position as at 31 December				
Non-current assets	1	7,797,071	31,677	7,828,749
Current assets	74,061	15,611,981	13,627,126	29,313,168
Non-current liabilities	-	(1,083,302)	-	(1,083,302)
Current liabilities	(7,121)	(5,246,644)	(13,292,744)	(18,546,509)
Net assets	66,941	17,079,106	366,059	17,512,106
Summary of financial performance for the financial year ended 31 December				
(Loss)/Profit for the financial year	(12,594)	1,263,323	363,040	1,613,769
Other comprehensive income	-	-	-	-
Total comprehensive (loss)/income	(12,594)	1,263,323	363,040	1,613,769
Included in the total comprehensive income is:				
Revenue	119,683	19,579,381	31,882,810	51,581,874
Summary of cash flows for the financial year ended 31 December				
Net cash inflow/(outflow) from operating activities	48,899	(3,721,093)	(4,865,041)	(8,537,235)
Net cash outflow from investing activities	-	(101,162)	(2,699)	(103,861)
Net cash (outflow)/inflow from financing activities	(1,500)	4,019,333	5,537,447	9,555,280
Net cash inflow	47,399	197,078	669,707	914,184
Other information				
Dividends paid to non-controlling interests	-	-	-	-

7. SUBSIDIARIES (CONT'D)

Non-controlling interests in subsidiaries (cont'd)

The summary of financial information before intra-group elimination for the Group's subsidiaries that have material non-controlling interests is as below (cont'd):-

	2014		
	Vector Marketing Sdn. Bhd. RM	**Paragon Paper Mill Sdn. Bhd. RM**	**Total RM**
Summary of financial position as at 31 December			
Non-current assets	1	8,672,646	8,672,647
Current assets	707,363	14,769,139	15,476,502
Non-current liabilities	-	(2,083,310)	(2,083,310)
Current liabilities	(627,829)	(5,542,692)	(6,170,521)
Net assets	79,535	15,815,783	15,895,318
Summary of financial performance for the financial year ended 31 December			
Profit for the financial year	2,144	1,398,825	1,400,969
Other comprehensive income	-	-	-
Total comprehensive income	2,144	1,398,825	1,400,969
Included in the total comprehensive income is:			
Revenue	523,387	21,135,080	21,658,467
Summary of cash flows for the financial year ended 31 December			
Net cash (outflow)/inflow from operating activities	(39,771)	18,988,734	18,948,963
Net cash outflow from investing activities	-	(602,440)	(602,440)
Net cash outflow from financing activities	(12,664)	(17,928,331)	(17,940,995)
Net cash (outflow)/inflow	(52,435)	457,963	405,528
Other information			
Dividends paid to non-controlling interests	-	-	-

Significant restrictions

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

Amount due from/(to) subsidiaries

Amount due from/(to) subsidiaries is unsecured, interest free and repayable on demand, except for RM6,200,000 (2014: RMNil) of amount due from subsidiary which bears interest at 5.50% (2014: Nil%) per annum and repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

7. SUBSIDIARIES (CONT'D)

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

Included in amount due from/(to) subsidiaries are trade and non-trade balance as below:-

	Company	
	2015	**2014**
	RM	**RM**
Amount due from subsidiaries		
Non trade balance due from	17,651,690	23,749,545
Amount due from subsidiaries	22,378,229	28,780,192
Less: Allowance for impairment		
Brought forward	(5,030,647)	(5,021,507)
Recognised	(3,434,078)	(10,800)
Written off	-	1,660
Reversed	3,738,186	-
Carried forward	(4,726,539)	(5,030,647)
	17,651,690	23,749,545
Amount due to subsidiaries		
Non trade balance due to	-	6,339,305

8. ASSOCIATE

Investment in an associate

	Group	
	2015	**2014**
	RM	**RM**
At cost		
Unquoted share in Malaysia	1	1
Share of post-acquisition profit	354,596	-
	354,597	1

	Company	
	2015	**2014**
	RM	**RM**
At cost		
Unquoted share in Malaysia	1	1

8. ASSOCIATE (CONT'D)

Investment in an associate (cont'd)

Details of associate are as follows:-

Name of Company	Principal place of business/ Country of incorporation	Effective ownership interest and voting interest 2015 %	2014 %	Nature of the relationship/ Principal activities
Hai Ming Exsim Development Sdn. Bhd.	Malaysia	40	40	Property development

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

	Group 2015 RM	2014 RM
Hai Ming Exsim Development Sdn. Bhd.		
Summary of financial position as at 31 December		
Non-current assets	-	554,324
Current assets	2,785,443	73,141,716
Current liabilities	(1,900,170)	(74,018,530)
Net assets/(liabilities)	885,273	(322,490)
Summary of financial performance for the financial year ended 31 December		
Profit/(Loss) for the financial year/Total comprehensive income/(loss)	1,207,763	(111,532)
Included in the total comprehensive income is:		
Revenue	75,843,600	-
Reconciliation of net assets/(liabilities) to carrying amount as at 31 December		
Group's share of net assets/liabilities	354,109	(128,996)
Elimination of unrealised profit/(loss)	531,164	(193,494)
Carrying amount in the statement of financial position	885,273	(322,490)
Group's share of results for the financial year ended 31 December		
Group share of profit/(loss)	483,105	(44,613)
Group's share of other comprehensive income	-	-
Total	483,105	(44,613)
Other information		
Dividend received	-	-

8. ASSOCIATE (CONT'D)

Investment in an associate (cont'd)

Unrecognised share of losses

The Group has not recognised losses related to Hai Ming Exsim Development Sdn. Bhd. amounting to RMNil (2014: RM44,613) and cumulatively RMNil (2014: RM128,509), since the Group has no obligation in respect of these losses.

However, the Company recognised cumulative profit amounting to RM354,596 during the current financial year.

Contingent liabilities and capital commitments

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

9. GOODWILL ON CONSOLIDATION

	Group	
	2015 RM	2014 RM
Goodwill arising from business combination		
1 January/31December	43,151,039	43,151,039

Impairment test for goodwill

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.

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 values assigned to cash flows within the five-years period are extrapolated using the growth rates stated below.

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% (2014: 6%).

(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 2.5% (2014: 2.5%) per annum.

(iii) Discount rate

The discount rates used are pre-tax and reflect specific risks relating to the plywood segment. The discount rate applied was 9% (2014: 9%) per annum.

9. GOODWILL ON CONSOLIDATION (CONT'D)

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 RM91 million (2014: RM117 million).

10. DEFERRED TAX ASSETS/LIABILITIES

(i) Deferred tax assets

		2015			2014	
	Assets RM	Liabilities RM	Net RM	Assets RM	Liabilities RM	Net RM
Group						
At 1 January	2,854,000	(904,000)	1,950,000	2,408,000	(956,000)	1,452,000
Recognised in profit or loss	(657,000)	70,000	(587,000)	446,000	52,000	498,000
At 31 December	2,197,000	(834,000)	1,363,000	2,854,000	(904,000)	1,950,000

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

	Group 2015 RM	2014 RM
Carrying amount of qualifying property, plant and equipment in excess of their tax base	(688,000)	(784,000)
Unabsorbed business losses	868,000	1,475,000
Unutilised capital allowances	30,000	196,000
Fair value gain on investment properties	(146,000)	(120,000)
Other temporary differences	1,299,000	1,183,000
	1,363,000	1,950,000

Deferred tax assets have not been recognised in respect of the following items:-

	Group 2015 RM	2014 RM
Unabsorbed business losses	341,000	202,400
Unutilised capital allowances	-	137,600
Other temporary differences	-	29,100
	341,000	369,100

The potential deferred tax assets of certain subsidiary companies 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.

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

(ii) Deferred tax liabilities

	2015 Assets RM	2015 Liabilities RM	2015 Net RM	2014 Assets RM	2014 Liabilities RM	2014 Net RM
Group						
At 1 January	97,000	(211,550)	(114,550)	550,500	(1,321,050)	(770,550)
Recognised in profit or loss	82,000	(207,450)	(125,450)	(453,500)	1,109,500	656,000
Recognised in other comprehensive income	-	(157,200)	(157,200)	-	-	-
At 31 December	179,000	(576,200)	(397,200)	97,000	(211,550)	(114,550)

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

	Group 2015 RM	Group 2014 RM
Carrying amount of qualifying property, plant and equipment in excess of their tax base	(424,450)	(211,000)
Unutilised capital allowances	11,000	-
Fair value gain on investment properties	(2,550)	(550)
Revaluation surplus on land and building	(157,200)	-
Other temporary differences	176,000	97,000
	(397,200)	(114,550)

The corporate tax will be reduced to 24% for the year assessment 2016 as announced in Malaysia Budget 2014. Consequently, deferred tax assets and liabilities are measured using this rate.

11. PROPERTY DEVELOPMENT COST

	Group 2015 RM	Group 2014 RM
At 1 January	-	-
Cost incurred during the financial year	15,401,940	-
At 31 December	15,401,940	-

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

12. INVENTORIES

	Group 2015 RM	Group 2014 RM
Raw materials	14,156,882	7,222,470
Consumables	595,218	259,794
Work-in-progress	112,949	93,962
Goods-in-transit	-	39,693
Finished goods	46,487,721	46,003,984
At carrying amount	61,352,770	53,619,903

	Group 2015 RM	Group 2014 RM
Recognised in profit or loss:-		
Inventories recognised in cost of sales	440,676,774	419,166,378
Inventories written down	171,014	647,930
Inventories written back	(399,186)	(496,404)
Inventories written off	5,596	18,770

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

13. TRADE RECEIVABLES

	Group 2015 RM	Group 2014 RM
Trade receivables	149,408,593	118,495,051
Less: Allowance for impairment		
Brought forward	(8,584,012)	(8,294,845)
Recognised	(1,316,464)	(1,406,421)
Reversed	2,482,657	1,117,254
Carried forward	(7,417,819)	(8,584,012)
	141,990,774	109,911,039

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

The Group's normal trade credit term granted to trade receivables ranged from 30 days to 120 days (2014: 30 days to 120 days). Other credit terms are assessed and approved by management on a case-by-case basis.

13. TRADE RECEIVABLES (CONT'D)

Offsetting of financial assets and financial liabilities

	Gross amount RM	Balances that are set off RM	Net carrying amount in the statement of financial position RM
2015			
Trade receivables	141,990,774	-	141,990,774
Trade payables	31,433,022	-	31,433,022
2014			
Trade receivables	109,967,597	(56,558)	109,911,039
Trade payables	23,188,830	(56,558)	23,132,272

Certain trade receivables and trade payables were set off for presentation purpose because they have enforceable right to set off and they intend either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

14. OTHER RECEIVABLES

	Group 2015 RM	Group 2014 RM
Non-trade receivables	7,551,237	8,338,426
Less: Allowance for impairment		
Brought forward/Carried forward	(743,097)	(743,097)
	6,808,140	7,595,329
Deposits	10,711,713	15,652,053
Less: Allowance for impairment		
Brought forward	(2,796,544)	-
Recognised	-	(2,796,544)
Reversed	2,796,544	-
Carried forward	-	(2,796,544)
	10,711,713	12,855,509
Staff loan	9,000	7,150
Advances to suppliers	3,592,284	-
Prepayments	843,258	581,923
GST receivables	569,941	-
Total other receivables	22,534,336	21,039,911

14. OTHER RECEIVABLES (CONT'D)

	Company	
	2015 RM	2014 RM
Non-trade receivables	-	11

Included in the deposits of the Group is an amount of RMNil (2014: RM14,547,880) paid for the acquisition of freehold land. This transaction has been cancelled.

15. DEPOSITS WITH LICENSED BANKS

Group

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

The effective interest rates for deposits with licensed banks ranged from 2.75% to 4.20% (2014: 2.75% to 3.30%) per annum.

16. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

	Group	
	2015 RM	2014 RM
At 1 January	8,358,905	500,000
Transferred from investment properties	163,623	-
Transferred from property, plant and equipment	-	8,358,905
Disposal	(8,358,905)	(500,000)
At 31 December	163,623	8,358,905

On 8 October 2014, a subsidiary company had enter into a sale and purchase agreement to dispose of the land and building together with machinery, for total consideration of RM22 million. This transaction has been completed during the current financial year.

On 30 December 2015, a subsidiary company had entered into a sale and purchase agreement to dispose off a building for a total cash consideration of RM223,000. This transaction has not been completed as at the reporting date.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

17. SHARE CAPITAL

	Group and Company			
	Number of Shares		Amount	
	2015 Unit	2014 Unit	2015 RM	2014 RM
Authorised:-				
Ordinary shares at RM1.00 each				
At 1 January/31 December	200,000,000	200,000,000	200,000,000	200,000,000
Issued and fully paid:-				
Ordinary shares at RM1.00 each				
At 1 January/31 December	147,827,158	147,827,158	147,827,158	147,827,158

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

18. SHARE PREMIUM, REVALUATION RESERVE AND RETAINED EARNINGS/ACCUMULATED LOSSES

Share premium

Group and Company

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

Revaluation reserve

Group

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

Retained earnings/Accumulated losses

Company

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

19. FINANCE LEASE LIABILITIES

	Group	
	2015	**2014**
	RM	**RM**
Future minimum lease payment:-		
- not later than 1 year	449,298	995,841
- later than 1 year but not later than 5 years	208,058	576,476
- later than 5 years	7,456	13,072
	664,812	1,585,389
Less: Future finance charges on finance lease	(54,652)	(117,628)
	610,160	1,467,761
Analysed as:-		
Present value of finance lease liabilities		
- not later than 1 year	407,056	912,753
- later than 1 year but not later than 5 years	195,891	542,661
- later than 5 years	7,213	12,347
	203,104	555,008
	610,160	1,467,761

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

The Group has finance leases for certain plant and machineries and motor vehicles. The agreements are non-cancellable but do not contain any further restrictions.

The effective interest rates of finance lease liabilities ranged from 1.57% to 6.09% (2014: 2.30% to 6.09%) per annum.

20. BORROWINGS

	Group 2015 RM	Group 2014 RM
Current		
Secured:-		
Term loan	1,763,324	1,729,071
Bankers' acceptance	78,066,326	69,780,145
Bank overdraft	13,858	-
	79,843,508	71,509,216
Unsecured:-		
Bankers' acceptance	8,357,000	2,143,000
	88,200,508	73,652,216
Non-current		
Secured:-		
Term loan	5,802,744	7,566,067
Total borrowings		
Term loan	7,566,068	9,295,138
Bankers' acceptance	86,423,326	71,923,145
Bank overdraft	13,858	-
	94,003,252	81,218,283
Maturity of borrowings:-		
Within one year	88,200,508	73,652,216
More than 1 year and less than 5 years	4,512,438	5,358,566
After 5 years	1,290,306	2,207,501
	94,003,252	81,218,283

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

(i) Charge and deeds of assignment over the landed properties of certain subsidiaries as disclosed in Note 4, 5 and 6 to the financial statements;
(ii) Pledge of deposits with licensed banks of subsidiaries;
(iii) Personal guarantee by a shareholder of the subsidiary;
(iv) Corporate guarantee by the Company; and
(v) Pledged over quoted shares owned by a shareholder of the Company.

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

(b) The unsecured bankers' acceptance are guaranteed by a shareholder.

The borrowings are charged at effective interest rates ranged from 3.66% to 8.35% (2014: 3.34% to 8.35%) per annum.

21. TRADE PAYABLES

Group

The trade payables are non-interest bearing and the normal trade credit term granted by suppliers ranged from 30 days to 120 days (2014: 30 days to 120 days).

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

22. OTHER PAYABLES

	Group	
	2015 RM	2014 RM
Non-trade payables	8,045,290	6,348,248
Accruals of expenses	1,346,222	982,118
Interest payable	3,358	171
Deposits received	547,062	2,436,483
Finance lease liabilities	407,056	912,753
GST payable	253,687	-
	10,602,675	10,679,773

The non-trade payables include amount due to director of a subsidiary amounting to RM734,000 (2014: RMNil). The amount due is interest free, unsecured and repayable on demand.

	Company	
	2015 RM	2014 RM
Non-trade payables	7,319	19,435
Accruals of expenses	137,688	134,368
	145,007	153,803

23. REVENUE

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Sales of goods	525,564,233	464,374,985	-	-
Management fee received and receivable from subsidiaries	-	-	229,500	216,000
	525,564,233	464,374,985	229,500	216,000

24. PROFIT/(LOSS) BEFORE TAX

Profit/(Loss) before tax is stated after charging/(crediting), amongst other items, the following:-

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
After charging:-				
Amortisation of prepaid land lease payments	72,230	72,230	-	-
Auditors' remuneration				
- statutory audit	298,500	289,500	58,000	58,000
- others	70,450	68,000	7,000	7,000
Bad debts written off				
- trade receivables	2,099,168	287,214	-	-
- other receivables	-	14,999	-	14,999
- subsidiaries	-	-	-	1,660
Depreciation of property, plant and equipment	2,211,713	3,206,875	-	-
Directors' remuneration (Note 28)	439,272	265,200	66,000	45,000
Interest expenses				
- bankers' acceptance	2,997,587	2,518,131	-	-
- finance lease liabilities	68,435	142,658	-	-
- term loan	423,982	530,633	-	-
- overdraft	6,871	23,233	-	-
- finance charges (LC)	66,150	105,476	-	-
Impairment on				
- trade receivables	1,316,464	1,406,421	-	-
- other receivables	-	2,796,544	-	-
- amount due from subsidiaries	-	-	3,434,078	10,800
- investment in a subsidiary	-	-	-	691,025
Inventories written down	171,014	647,930	-	-
Inventories written off	5,596	18,770	-	-
Impairment loss on property, plant and equipment	-	5,755,076	-	-
Loss on disposal of				
- partial equity for a subsidiary	-	-	192,203	433,531
- property, plant and equipment	-	10,930	-	-
Property, plant and equipment written off	4,777	25,141	-	-
Realised loss on foreign exchange	35,277	-	-	-
Rental expenses				
- equipment	5,008	2,292	-	-
- warehouse	22,200	23,200	-	-
- office	865,700	52,740	-	-
- hostel	18,000	10,000	-	-
- factory and machinery	360,000	-	-	-
After crediting:-				
Inventories written back	(399,186)	(496,404)	-	-
Bad debts recovered	-	(4,287)	-	-
Fair value gain on investment properties	(532,697)	(208,610)	-	-
Gain on disposal of				
- property, plant and equipment	(25,476)	-	-	-
- asset held for sale	(13,641,095)	-	-	-

24. PROFIT/(LOSS) BEFORE TAX (CONT'D)

Profit/(Loss) before tax is stated after charging/(crediting), amongst other items, the following (cont'd):-

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
After crediting (cont'd):-				
Interest income				
- fixed deposits	(197,151)	(62,875)	-	-
- overdue interest	(342,919)	(319,953)	-	-
- subsidiaries companies	-	-	(37,149)	-
Realised gain on foreign exchange	(108,619)	(5,088)	-	-
Rental income	(1,513,626)	(1,482,430)	-	-
Reversal of impairment on				
- trade receivables	(2,482,657)	(1,117,254)	-	-
- other receivables	(2,796,544)	-	-	-
- amount due from subsidiaries	-	-	(3,738,186)	(1,660)
- investment in subsidiary	-	-	(192,204)	-

25. TAX EXPENSE

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Current tax				
- current year	3,593,458	1,624,691	24,247	22,868
- under provision in prior years	206,126	458,256	(20,232)	2,682
	3,799,584	2,082,947	4,015	25,550
Deferred tax				
- origination and reversal of temporary differences	1,076,350	(843,000)	-	-
- over provision in prior year	(363,900)	(311,000)	-	-
	712,450	(1,154,000)	-	-
	4,512,034	928,947	4,015	25,550

Malaysian income tax is calculated at the statutory tax rate of 25% (2014: 25%) of the estimated assessable profits for the financial year.

25. TAX EXPENSE (CONT'D)

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

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Profit/(Loss) before tax	34,560,826	32,652	329,281	(1,173,322)
Tax at statutory tax rate of 25%	8,640,206	8,164	82,320	(293,331)
Tax effects in respect of:				
Expenses not deductible for tax purposes	1,484,510	1,299,099	876,474	316,614
Income not subject to tax	(5,428,242)	(535,846)	(934,547)	(415)
Change in tax rates on deferred tax	(96,416)	30,874	-	-
Utilisation of previously unrecognised deferred tax assets	(11,650)	(40,750)	-	-
Movement in deferred tax assets not recognised	56,400	(1,850)	-	-
Under/(Over) provision of tax expense in prior year	206,126	458,256	(20,232)	2,682
Over provision of deferred tax liabilities in prior year	(318,000)	(176,000)	-	-
Under provision of deferred tax assets in prior year	(45,900)	(135,000)	-	-
Additional deferred tax liabilities on real property gain tax	25,000	22,000	-	-
Effective tax expense	4,512,034	928,947	4,015	25,550

The Group has unabsorbed business losses and unutilised capital allowance which can be carried forward to offset against future taxable profit amounted to approximately RM3,957,600 (2014: RM6,347,400) and RM171,500 (2014: RM954,600) respectively.

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

26. OTHER COMPREHENSIVE INCOME

	Group					
	2015			2014		
	Gross RM	Tax (expense)/ benefit RM	Net RM	Gross RM	Tax (expense)/ benefit RM	Net RM
Items that will not be reclassified subsequently to profit or loss						
Changes on ownership in a subsidiary	(58,202)	-	(58,202)	-	-	-
Revaluation of land and buildings	3,144,055	(157,200)	2,986,855	-	-	-
	3,085,853	(157,200)	2,928,653	-	-	-

27. EARNINGS/(LOSS) PER SHARE

Basic earnings/(loss) per ordinary share

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

	Group	
	2015	**2014**
	RM	**RM**
Profit/(Loss) for the financial year attributable to ordinary equity holders of the Company (RM)	29,874,677	(898,916)
Weighted average number of ordinary shares at 31 December	147,827,158	147,827,158
Basic earnings/(loss) per share (sen)	20.21	(0.61)

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.

28. EMPLOYEE BENEFITS EXPENSE

	Group		Company	
	2015	**2014**	**2015**	**2014**
	RM	**RM**	**RM**	**RM**
Salaries and other emoluments	8,986,231	9,346,081	66,000	45,000
Defined contribution plans	836,320	793,930	-	-
Other staff related expenses	361,629	380,966	-	-
	10,184,180	10,520,977	66,000	45,000

Included in the employee benefit expense is the Director Remuneration.

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

	Group		Company	
	2015	**2014**	**2015**	**2014**
	RM	**RM**	**RM**	**RM**
Executive Directors:				
Fee	153,000	-	36,000	15,000
Salaries and other emoluments	206,400	188,400	-	-
Non-Executive Directors:				
Fee	30,000	30,000	30,000	30,000
Directors of the subsidiary companies				
Fee	14,772	-	-	-
Salaries and other emoluments	35,100	46,800	-	-
	439,272	265,200	66,000	45,000

29. COMMITMENTS

(a) Capital commitments

	Group	
	2015	**2014**
	RM	**RM**
Capital expenditure		
Authorised and contracted for:-		
- Purchase of property, plant and equipment	7,598,140	-

(b) Operating lease commitments - as lessor

The Group has entered into property leases on its investment properties. The cancellable leases are for lease terms of between 1 and 2 years. These leases include a market review clause to enable revision of the rental charge upon renewal of the lease based on prevailing market rates.

As at the reporting date, commitments in respect of cancellable operating leases of the Group's investment properties to third parties are as follows:-

	Group	
	2015	**2014**
	RM	**RM**
Not later than 1 year	554,924	516,608
Later than 1 year but not later than 5 years	25,900	39,960
	580,824	556,568

(c) Operating lease commitments - as lessee

Future lease payments in respect of cancellable operating leases as at the reporting date and payable:-

	Group	
	2015	**2014**
	RM	**RM**
Not later than 1 year	15,400	29,200
Later than 1 year but not later than 5 years	-	7,400
	15,400	36,600

Operating lease commitments represent rental payables for rent of the Group's buildings and offices. Leases are negotiated for terms of 1 to 3 years (2014: 1 to 3 years).

(d) Finance lease commitments

The future minimum lease payments under finance leases are disclosed in Note 19 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

30. CONTINGENT LIABILITIES

The Directors are of the opinion that provision are not required in respect of these matters, as it is not probably that a future sacrifice of economic benefits.

	Company	
	2015	**2014**
	RM	**RM**
Corporate guarantee given to financial institutions for credit facilities granted to subsidiary companies (unsecured)		
- Limit	154,590,000	129,590,000
- Utilised	94,003,252	81,218,283

31. RELATED PARTY DISCLOSURES

The Group has related party relationship with its holding companies, significant investors, subsidiaries and 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 the Company are as follows:

	Company	
	2015	**2014**
	RM	**RM**
Interest charged to a subsidiary	37,149	-
Management fee charged to subsidiary companies	229,500	216,000

Compensation of key management personnel

Key management personnel is defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly and entity that provides key management personnel services to the Group.

Key management includes all the Directors of the Company and its subsidiaries, joint venture and associates, and certain members of senior management of the Group.

The remuneration of key management personnel is same with the Directors' remuneration as disclosed in Note 28 to the financial statements. The Group and the Company have no other members of key management personnel apart from the Board of Directors.

The outstanding balances arising from related party transactions were disclosed in Note 7 to the financial statements.

32. FINANCIAL INSTRUMENTS

CATEGORIES OF FINANCIAL INSTRUMENTS

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

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

	Carrying amount RM	L&R RM	AC RM
Group			
2015			
Financial assets			
Trade receivables	141,990,774	141,990,774	-
Other receivables	21,691,078	21,691,078	-
Deposits with licensed banks	7,374,196	7,374,196	-
Cash and bank balances	19,533,234	19,533,234	-
Total	190,589,282	190,589,282	-
Financial liabilities			
Trade payables	31,433,022	-	31,433,022
Other payables	10,195,619	-	10,195,619
Finance lease liabilities	610,160	-	610,160
Borrowings	94,003,252	-	94,003,252
Total	136,242,053	-	136,242,053
2014			
Financial assets			
Trade receivables	109,911,039	109,911,039	-
Other receivables	20,457,988	20,457,988	-
Deposits with licensed banks	6,936,965	6,936,965	-
Cash and bank balances	20,708,028	20,708,028	-
Total	158,014,020	158,014,020	-
Financial liabilities			
Trade payables	23,132,272	-	23,132,272
Other payables	9,767,020	-	9,767,020
Finance lease liabilities	1,467,761	-	1,467,761
Borrowings	81,218,283	-	81,218,283
Total	115,585,336	-	115,585,336

32. 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") (cont'd).

	Carrying amount RM	L&R RM	AC RM
Company			
2015			
Financial assets			
Amount due from subsidiaries	17,651,690	17,651,690	-
Cash and bank balances	491,109	491,109	-
Total	18,142,799	18,142,799	-
Financial liability			
Other payables	145,007	-	145,007
Total	145,007	-	145,007
2014			
Financial assets			
Other receivables	11	11	-
Amount due from subsidiaries	23,749,545	23,749,545	-
Cash and bank balances	427,331	427,331	-
Total	24,176,887	24,176,887	-
Financial liabilities			
Other payables	153,803	-	153,803
Amount due to subsidiaries	6,339,305	-	6,339,305
Total	6,493,108	-	6,493,108

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, foreign currency risk and interest rate 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.

32 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:-

(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 of 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:-

Receivables

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 aging 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.

Concentration of credit risk

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

	Group	
	2015	**2014**
	RM	**RM**
By country:-		
Malaysia	141,990,774	109,911,039

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

32. FINANCIAL INSTRUMENTS (CONT'D)

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

Financial Risks (cont'd)

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

(a) Credit risk (cont'd)

Concentration of credit risk (cont'd)

The credit risk concentration profile of the Group as at the reporting date is as follows (cont'd):-

	Group	
	2015 RM	2014 RM
By industry sector:-		
Paper milling	4,273,822	23,342,909
Paper converting	26,519,996	2,588,614
Building materials	110,040,621	82,041,016
Investment and management	-	14,293
Other trading	1,156,335	1,924,207
	141,990,774	109,911,039

At the reporting date, the Group has no significant concentration of credit risk with any single counterparty or any group of counterparties having similar characteristics except for the prior financial year whereby 6% of the Group's trade receivable was due from one major customer.

Trade receivables ageing analysis

	Gross RM	Individually impaired RM	Net RM
Group			
2015			
Within credit terms	68,720,511	-	68,720,511
Past due 1 to 30 days	35,729,159	-	35,729,159
Past due 31 to 120 days	26,812,888	-	26,812,888
Past due more than 120 days	18,146,035	(7,417,819)	10,728,216
	149,408,593	(7,417,819)	141,990,774
2014			
Within credit terms	62,124,340	-	62,124,340
Past due 1 to 30 days	17,958,318	-	17,958,318
Past due 31 to 120 days	23,277,011	(11,303)	23,265,708
Past due more than 120 days	15,135,382	(8,572,709)	6,562,673
	118,495,051	(8,584,012)	109,911,039

32. 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)

<u>Trade receivables ageing analysis (cont'd)</u>

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

As of 31 December 2015, trade receivables of RM73,270,263 (2014: RM47,786,699) were past due but not impaired. The Directors are of the opinion that the receivables are collectible in view of long term business relationship with the customers and those related to a number of independent customers for them there is no recent history of default.

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

In respect of trade and other receivables, the Group and the Company are not exposed to any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. Trade receivables consist of a large number of customers in various industries and geographical areas.

<u>Financial guarantee/Corporate guarantee</u>

The maximum exposure to credit risk amounting to RM94,003,252 (2014: RM81,218,283) representing the outstanding banking facilities of the subsidiaries as at end of the reporting period.

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

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

<u>Intercompany balances</u>

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.

32. 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 risks

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

In managing their exposures to liquidity risk, the Group and the Company maintain a level of cash and cash equivalents and bank facilities deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet their liabilities as and when they fall due.

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

The liquidity risks arise principally from its payables, bank borrowings and finance lease liabilities. The maturity profile of the Group's and of the Company's financial liabilities based on contractual undiscounted cash flows is less than 1 year other than finance lease liabilities and borrowings which is disclosed in Notes 19 and 20 to the financial statements.

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

			Maturity			
			Current	Non-current		
	Carrying amount RM	Total contractual cash flows RM	On demand/ Less than 1 year RM	1 to 2 years RM	2 to 5 years RM	More than 5 years RM
2015						
Group						
Non-derivative financial liabilities						
Secured :						
Bank overdraft	13,858	13,858	13,858	-	-	-
Bankers' acceptance	78,066,326	78,066,326	78,066,326	-	-	-
Term loan	7,566,068	8,400,406	2,064,407	2,087,850	2,998,694	1,249,455
Finance lease liabilities	610,160	664,812	449,298	155,800	52,258	7,456
Unsecured :						
Trade payables	31,433,022	31,433,022	31,433,022	-	-	-
Other payables	10,195,619	10,195,619	10,195,619	-	-	-
Bankers' acceptance	8,357,000	8,357,000	8,357,000	-	-	-
Total undiscounted financial liabilities	136,242,053	137,131,043	130,579,530	2,243,650	3,050,952	1,256,911

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

32. 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 risks (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
2014						
Group						
Non-derivative financial liabilities						
Secured :						
Bankers' acceptance	69,780,145	69,780,145	69,780,145	-	-	-
Term loan	9,295,138	10,523,364	2,123,425	3,068,934	3,081,986	2,249,019
Finance lease liabilities	1,467,761	1,585,389	995,841	468,606	107,870	13,072
Unsecured :						
Trade payables	23,132,272	23,132,272	23,132,272	-	-	-
Other payables	9,767,020	9,767,020	9,767,020	-	-	-
Bankers' acceptance	2,143,000	2,143,000	2,143,000	-	-	-
Total undiscounted financial liabilities	115,585,336	116,931,190	107,941,703	3,537,540	3,189,856	2,262,091
2015						
Company						
Non-derivative financial liability						
Unsecured:						
Other payables	145,007	145,007	145,007	-	-	-
Total undiscounted financial liability	145,007	145,007	145,007	-	-	-

32. 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 risks (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
2014						
Company						
Non-derivative financial liabilities						
Unsecured:						
Other payables	153,803	153,803	153,803	-	-	-
Amount due to subsidiary companies	6,339,305	6,339,305	6,339,305	-	-	-
Total undiscounted financial liabilities	6,493,108	6,493,108	6,493,108	-	-	-

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.

<u>Interest rate sensitivity</u>

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.

32. 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 (cont'd)

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

	2015 RM	2014 RM
Group		
Fixed rate instruments		
Financial asset		
- Deposits with licensed banks	7,374,196	6,936,965
Financial liabilities		
- Finance lease liabilities	(610,160)	(1,467,761)
- Bankers' acceptance	(86,423,326)	(71,923,145)
	(87,033,486)	(73,390,906)
Net financial liabilities	(79,659,290)	(66,453,941)

	2015 RM	2014 RM
Group		
Floating rate instruments		
Financial liabilities		
- Term loan	(7,566,068)	(9,295,138)
- Bank overdraft	(13,858)	-
Net financial liabilities	(7,579,926)	(9,295,138)

32. 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)

The interest rate profile of the Group's significant interest-bearing financial instruments, based on carrying amounts as at the reporting date were (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 (2014: +/-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.

	2015 Effect for the profit of the year/equity +25bp RM	 -25bp RM
Group		
Floating rate instruments		
- Term loan	(18,915)	18,915
- Bank overdraft	(35)	35
	(18,950)	18,950

	2014 Effect for the profit of the year/equity +25bp RM	 -25bp RM
Group		
Floating rate instruments		
- Term loan	23,238	(23,238)
	23,238	(23,238)

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.

32. 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

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

(e) Market price risk

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

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

FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

Fair value hierarchy

No fair value hierarchy has been disclosed as the Group and the Company does not have financial instruments measured at fair value other than disclosed in Note 6 to the financial statements.

Non-derivatives financial liabilities

Fair value is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period. Interest rates applied to discount estimated cash flows, when applicable, are as follows:-

	2015 %	2014 %
Group		
Finance lease liabilities	1.57 – 6.09	2.30 – 6.09
Bankers' acceptance	3.66 – 6.23	3.34 – 5.42
Term loan	3.97 – 6.13	3.88 – 6.12
Bank overdraft	7.85 – 8.35	7.85 – 8.35

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

33. 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 2015 and financial year ended 31 December 2014.

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

	2015 RM	2014 RM
Total borrowings:		
- finances lease liabilities	610,160	1,467,761
- bankers' acceptance	86,423,326	71,923,145
- term loan	7,566,068	9,295,138
- bank overdraft	13,858	-
	94,613,412	82,686,044
Owners' equity	235,315,311	202,511,981
Debt-to-equity ratio	0.40	0.41

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 RM36 million.

34. OPERATING SEGMENTS - GROUP

(i) Business segment

For management purposes, the Group is organised into six 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.

34. OPERATING SEGMENTS - GROUP (CONT'D)

(i) Business segment (cont'd)

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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

34. 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	Eliminations RM	Total consolidated RM
2015								
Revenue								
External revenue		22,034,871	126,750,142	367,318,937	-	9,460,283	-	525,564,233
Inter-segment revenue	(a)	2,034,517	4,238,318	25,720,741	229,500	141,345	(32,364,421)	-
Total revenue		24,069,388	130,988,460	393,039,678	229,500	9,601,628	(32,364,421)	525,564,233
Results								
Interest income		4,656	274,862	1,360,922	37,149	12,355	(1,149,874)	540,070
Finance costs		(262,086)	(349,765)	(4,410,340)	-	(6,455)	804,301	(4,224,345)
Depreciation and amortisation		(1,044,405)	(187,156)	(929,342)	-	(123,040)	-	(2,283,943)
Other non-cash income/ (expenses)	(b)	(9,505)	13,328,057	3,860,430	(3,626,281)	15,126	2,712,809	16,280,636
Tax expense		(417,068)	(519,313)	(3,469,506)	(4,015)	(102,132)	-	(4,512,034)
Segment profit	(c)	2,393,574	15,376,092	19,677,769	362,415	33,453	(4,464,832)	33,378,471
Assets								
Investment in an associate	(d)	-	-	-	1	-	354,596	354,597
Additions to non-current assets other than deferred tax assets	(e)	102,160	2,203,432	3,930,791	-	13,427	-	6,249,810
Segment assets	(f)	25,066,387	43,912,489	239,480,156	128,194,122	28,675,650	(94,440,961)	370,887,843
Liabilities								
Segment liabilities	(g)	2,412,819	3,395,918	28,134,918	145,007	7,508,446	31,533	41,628,641

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

34. 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	Eliminations RM	Total consolidated RM
2014								
Revenue								
External revenue		15,611,981	117,624,067	314,081,771	19,343	17,037,823	-	464,374,985
Inter-segment revenue	(a)	11,144,043	7,396,447	58,821,913	859,759	1,463,721	(79,685,883)	-
Total revenue		26,756,024	125,020,514	372,903,684	879,102	18,501,544	(79,685,883)	464,374,985
Results								
Interest income		-	178,982	203,846	-	-	-	382,828
Finance costs		(349,796)	(501,350)	(3,102,992)	-	(18,134)	-	(3,972,272)
Depreciation and amortisation		(1,243,736)	(286,492)	(1,615,993)	-	(132,884)	-	(3,279,105)
Other non-cash income/ (expenses)	(b)	(21,338)	(1,971,034)	(6,874,079)	(1,148,722)	(29,267)	903,683	(9,140,757)
Tax expense		(633,448)	154,314	(287,103)	(39,153)	(123,557)	-	(928,947)
Segment profit	(c)	3,447,431	(448,996)	1,628,764	(2,288,561)	233,727	120,784	2,693,149
Assets								
Investment in an associate company	(d)	-	-	-	1	-	-	1
Additions to non-current assets other than deferred tax assets	(e)	810,250	360,469	5,173,008	-	32,938	-	6,376,665
Segment assets	(f)	20,913,695	48,346,587	205,500,171	128,345,760	6,759,319	(94,582,621)	315,282,911
Liabilities								
Segment liabilities	(g)	1,924,758	5,408,935	25,045,256	191,526	297,176	31,641	32,899,292

34. OPERATING SEGMENT - GROUP (CONT'D)

(i) Business segment (cont'd)

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

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

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

	2015 RM	2014 RM
Bad debts written off	(2,099,168)	(302,213)
Gain/(Loss) on disposal of		
- property, plant and equipment	25,476	(10,930)
- asset held for sale	13,641,095	-
Impairment loss on receivables	(1,316,464)	(4,202,965)
Inventories written down	(171,014)	(647,930)
Inventories written off	(5,596)	(18,770)
Impairment loss on property, plant and equipment	-	(5,755,076)
Property, plant and equipment written off	(4,777)	(25,141)
Fair value gain on investment properties	532,697	208,610
Inventories written back	399,186	496,404
Reversal of impairment on receivables	5,279,201	1,117,254
	16,280,636	(9,140,757)

(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:-

	2015 RM	2014 RM
Segment profit	33,378,471	2,693,149
Interest income	540,070	382,828
Finance costs	(4,224,345)	(3,972,272)
Share of profit of associate	354,596	-
Profit/(Loss) after tax	30,048,792	(896,295)

(d) The following item is added to segment assets to arrive at total assets reported in the consolidated statement of financial position:-

	2015 RM	2014 RM
Investment in an associate	354,597	1

34. OPERATING SEGMENT - GROUP (CONT'D)

(i) Business segment (cont'd)

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

	2015 RM	2014 RM
Investment porperties	2,973,426	-
Property, plant and equipment	3,276,384	6,376,665
	6,249,810	6,376,665

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

	2015 RM	2014 RM
Segment assets	370,887,843	315,282,911
Deferred tax assets	1,363,000	1,950,000
Tax recoverable	849,974	1,156,675
Total assets	373,100,817	318,389,586

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

	2015 RM	2014 RM
Segment liabilities	41,628,641	32,899,292
Deferred tax liabilities	397,200	114,550
Finance lease liabilities	610,160	1,467,761
Borrowings	94,003,252	81,218,283
Tax payable	865,399	129,183
Total liabilities	137,504,652	115,829,069

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

34. OPERATING SEGMENT - 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:-

	2015 RM	2014 RM
Property, plant and equipment	31,500,804	41,296,860
Prepaid land lease payments	1,908,030	1,980,260
Investment properties	25,622,500	8,280,000
Goodwill on consolidation	43,151,039	43,151,039
	102,182,373	94,708,159

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

	Revenue by geographical market	
	2015 RM	2014 RM
Malaysia *	523,593,508	463,826,697
Overseas #	1,970,725	548,288
	525,564,233	464,374,985

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

(iii) Information about major customers

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

35. INTEREST IN A JOINT OPERATION

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

36. SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

On 29 April 2015, a subsidiary company had entered into a development agreement with Nautical Wealth Sdn. Bhd. for the development of 40 units of semi-detached factories, 1 detached factory and 13 units of single storey low cost terraced factories on land held under individual title GRN 49845, Lot 928 Mukim Rawang, Daerah Gombak, Negeri Selangor.

37. MATERIAL LITIGATIONS

The following is the legal suit still outstanding as at 31 December 2015:-

Case 1

Plaintiff(s)	Defendant(s)	Suit No:-
Oxford Dragon Sdn. Bhd. Scenic Trends Sdn. Bhd. City Growth Sdn. Bhd. Diamond Selection Sdn. Bhd. Willowcrest Management Sdn. Bhd. Tee Yam	KPS Consortium Berhad Paragon Paper Mill Sdn. Bhd. Hai Ming Paper Mills Sdn. Bhd. I'Kranji Industries Sdn. Bhd. KPS Plywood Sdn. Bhd. Hai Ming Enterprise Sdn. Bhd. Akateak Sdn. Bhd. Hai Ming Trading Co. Sdn. Bhd. Koh Poh Seng	Kuala Lumpur High Court 22NCVC-491-11/2014

On 19 November 2014, the Plaintiffs had filed Write of Summons and Statement of Claims at the High Court of Malaya at Kuala Lumpur against the Defendants for the nullification of the Sale and Purchase Agreements and compensation damages which related to the agreements.

The Plaintiffs claimed to the Court to provide the following reliefs against all the Defendants jointly and severally:
(a) a declaration that the Sales and Purchase Agreements are void;
(b) payment of RM2,193,160 to Plaintiffs ;
(c) Interest at 5% on the sum of RM2,193,160 ; and
(d) RM14,200,000 paid to all the Defendants.

KPS Plywood Sdn. Bhd. and other Defendants filed an application to strike out the entire action as the law does not allow a litigant to use illegality as its cause of action.

The application of the strike off was brought to the Court hearing on 18 February 2015 and the High Court Judge had allowed the Defendant application to strike out the claim made by the Plaintiffs.

Current status of the cases

The legal case had been withdrawn with no order as to costs and no liberty to file afresh.

Case 2

Plaintiff(s)	Defendant(s)	Suit No:-
Shanghai City Sdn Bhd	KPS Plywood Sdn. Bhd.	Kuala Lumpur High Court 22NCVC-219-05/2014

In response to Shanghai City Sdn. Bhd.'s claims, the Defendant had filed counterclaim against the Plaintiff which are as follows:

(a) an amount of RM2,796,543 that had been paid as the interests from the Plaintiff, Koh Poh Seng and/or KPS Consortium Berhad;
(b) an amount of RM1,000,000 that had been paid on Deed of Settlement, Recession and Revocation from the Plaintiff, Koh Poh Seng and KPS Consortium Berhad; and
(c) an order that the private caveat that had been entered by the Plaintiff on the said land needs to be removed immediately.

37. MATERIAL LITIGATIONS (CONT'D)

The following is the legal suit still outstanding as at 31 December 2015 (cont'd):-

Case 2 (cont'd)

On 6 May 2014, the Plaintiffs had filed Write of Summons and Statement of Claim at the High Court of Malaya at Kuala Lumpur against the Defendants for the claim of specific performance of the Sales and Purchase Agreement dated 6 July 2012 pursuant to Clause 9 of the Deed of Settlement, Rescission and Revocation dated 29 November 2013 for the completion of the SPA and the purchase of the property without any payment of interest.

In addition to the specific performance claim, the Plaintiff also claimed rental of RM100,000 per month from Defendant from August 2012 until November 2013. Hence the total sum of the Plaintiff's claim is the specific performance for the transfer of the lands and RM1,600,000 as rental.

Current status of the case

On 19 October 2015, the legal case had been settled out of court wherein the Plaintiff agreed to pay and the Defendant agreed to accept the sum of RM12,650,000 as full and final settlement for the said specific performance claim for the revocation and rescission of the SPA dated 6 July 2012. Total sum received in respect of the transaction total up to RM19.45 million.

Case 3

Plaintiff(s)	Defendant(s)	Suit No:-
Ng Yau Meng	KPS Plywood Sdn. Bhd.	Kuala Lumpur High Court 22NCVC-523-11/2014

On 12th September 2014, KPS Plywood Sdn. Bhd. had received a letter of demand from the Plaintiff who was previously the Branch Manager of the Company for a total claims of RM22,030,791 which is 30% of allocation profit of KPS Plywood Sdn. Bhd.. By referring to the annual accounts of KPS Plywood Sdn. Bhd., there is a total net profit of RM74,004,125 from 1 January 1995 to 21 December 2012.

On 13th November 2014, the Defendant received the Write of Statement of Claim which was authorised by The High Court of Kuala Lumpur for the claim of RM22,031,207.

Subsequently, the Defendant had filed a counterclaim against the Plaintiff for the special damages in the sum of RM8,922,413.

Current status of the cases
On 28 March 2016, the High Court had made a decision to dismiss the Plaintiff's claim and also the Defendant's counter claim.

SUPPLEMENTARY INFORMATION

DISCLOSURES OF REALISED AND UNREALISED PROFIT/(LOSSES)

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

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

	Group	
	2015	**2014**
	RM	**RM**
Total retained earnings of the Group		
- Realised	122,929,066	91,624,600
- Unrealised	4,062,355	4,242,108
	126,991,421	95,866,708
Less: Consolidation adjustments	(47,890,965)	(46,582,727)
Total retained earnings	79,100,456	49,283,981

	Company	
	2015	**2014**
	RM	**RM**
Total accumulated losses of the Company		
- Realised	(7,501,268)	(7,826,534)
- Unrealised	-	-
	(7,501,268)	(7,826,534)
Less: Consolidation adjustments	-	-
Total accumulated losses	(7,501,268)	(7,826,534)

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

LIST OF PROPERTIES

KPS CONSORTIUM BERHAD & GROUP OF COMPANIES
List of 10 Largest Properties in Terms of Net Book Value as at 31 December 2015

Location	Description	Tenure	Land Area (sq ft)	Approximate Age of Building (year)	Net Book Value (RM'000)	Year of Acquisition or Revaluation*
1. Lot 622, Tempat Sementah, 6th Mile Kapar Road, Mukim Kapar, Daerah Klang, Selangor Darul Ehsan	Office/residential building, factory and warehouse	Freehold	196,028	17	14,000	2012
2. Lot 14374, Bandar Kinrara Industrial Centre, Selangor Darul Ehsan	3-storey office block & 2-storey open warehouse	Freehold	186,590	19	7,811	2013
3. 22 Lots of Land @ Jalan 34/2, Seksyen 34, 40470 Shah Alam, Selangor Darul Ehsan	Vacant Land	Freehold	75,543	30	4,607	2014
4. Lot PT129942, Kawasan Perusahaan Kanthan, Chemor, Perak	Factory and office building	60-year lease to 14/03/2055	572,379	17	4,593	1992
5. Pangsapuri Bunga Raya Bukit Beruang, Daerah Melaka Tengah, Melaka	30 units apartment	99-year lease to 2076	837 - 953 (total of 27,002)	12 to13	4,360	2015
6. Lot 292 & 294, Block 36, Muara Tuang Land District, Sarawak	Factory, office building and warehouse	58-year lease to 30/01/2030	245,252	36 & 18	3,274	1992 & 1993*
7. Lot No.6, Jalan Bukit 3, Kawasan MIEL, Bandar Sri Alam, 81750 Masai, Johor	2-Storey office & store	Freehold	50,031	21	2,421	2012
8. Lot 3144C Agriculture Land, Batu 6½, Puchong, Selangor Darul Ehsan	Vacant Land	Freehold	15,700	N/A	1,882	2015
9. No.49, 49-01, 49-02, Jln Masai 1, Taman Masai Utama, 81750 Masai, Johor	3½-storey shop office	99-year lease to 26.11.2100	1,540	12	900	2015
10. Lot 67, SEDCO Industrial Estate, Phase 2 Kota Kinabalu, Sabah	Office/residential building, factory and warehouse	60-year lease to 31/12/2034	60,624	29	833	1993*

SHAREHOLDINGS ANALYSIS
as at 31 March 2016

Authorised Share Capital	:	RM200,000,000
Issued And Fully Paid-Up Share Capital	:	RM147,827,158
Class Of Shares	:	Ordinary Shares of RM1.00 each fully paid
Voting Rights	:	One vote per ordinary share
No. Of Shareholders	:	3,293

Distribution of Shareholdings as at 31 March 2016

Size of Shareholdings	No. of Holders	Total Holdings	%
Less than 100 Shares	19	643	0.00
100 - 1,000 Shares	691	652,695	0.44
1,001- 10,000 Shares	1,599	8,418,908	5.70
10,001 - 100,000 Shares	840	29,100,800	19.69
100,001 - below 5% of issued Shares	141	53,068,100	35.90
5% and above of issued Shares	3	56,586,012	38.28
TOTAL	**3,293**	**147,827,158**	**100.00**

Substantial Shareholder as at 31 March 2016

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

List of Thirty (30) Largest Shareholders as at 31 March 2016

No	Name of Shareholders	No. of Shares	Percentage Holding
1	Koh Poh Seng	28,815,122	19.49
2	Amsec Nominees (Tempatan) Sdn Bhd - Pledged Securities Account - AmIslamic Bank Berhad for Koh Poh Seng	20,000,000	13.53
3	AllianceGroup Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Koh Poh Seng (100430)	7,770,890	5.26
4	CitiGroup Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Koh Poh Seng (473958)	4,811,000	3.25
5	Maybank Securities Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Ng Ah Chai (Margin)	2,500,000	1.69
6	Maybank Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Liau Thai Min	2,018,100	1.36
7	AllianceGroup Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Koh Poh Seng	1,971,000	1.33
8	RHB Nominees (Tempatan) Sdn Bhd - OSK Capital Sdn Bhd for Koh Poh Seng	1,700,000	1.15
9	Koon Woh	1,395,900	0.94
10	Tan Meng Hooi	1,079,100	0.73
11	Tee Ah Swee	1,062,300	0.72
12	Cimsec Nominees (Tempatan) Sdn Bhd - CIMB Bank for Liau Thai Min (MY0918)	1,015,600	0.69
13	Lim Teik Hong	930,500	0.63
14	Liau Choon Hwa & Sons Sdn Bhd	854,500	0.58
15	Chan Sia Yew	840,000	0.57

List of Thirty (30) Largest Shareholders as at 31 March 2016 (cont'd)

No	Name of Shareholders	No. of Shares	Percentage Holding
16	Liau Thai Min	837,000	0.57
17	Public Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Koh Poh Seng (E-KLC)	797,200	0.54
18	Koh Poh Seng	740,000	0.50
19	Fu Lai Chee	690,000	0.47
20	HLIB Nominees (Tempatan) Sdn Bhd - Hong Leong Bank Bhd for Teh Shiou Cherng	668,000	0.45
21	Choo Poi Kee	636,000	0.43
22	Lee Kok Hai	616,500	0.42
23	Yeam Sew Moy @ Nyiam Siew Moy	600,000	0.41
24	Maybank Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Lian Jiann Fwu	600,000	0.41
25	Cimsec Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Teh Shiou Cherng (J D B Tunggal BR-CL)	600,000	0.41
26	Yeam Sew Moy @ Nyiam Siew Moy	550,000	0.37
27	Public Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Ng Faai @ Ng Yoke Pei (SRB/PMS)	480,000	0.32
28	Siti Zarwanie Binti Zakaria	450,000	0.30
29	RHB Nominees (Tempatan) Sdn Bhd - RHB Asset Management Sdn Bhd for Shamsulbahrin Bin Salleh (EPF-SPA)	450,000	0.30
30	Yoong Hoi Yen	449,800	0.30

Directors' Shareholdings and Interest in Shares as at 31 March 2016

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

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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 Thirtieth 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, 11 June 2016 at 11:00 am and at any adjournment thereof to vote as indicated below:-

	FOR	***AGAINST***
Ordinary Resolution 1 - Re-election of Director, Mr Lau Fook Meng		
Ordinary Resolution 2 - Approval of Directors' Fees		
Ordinary Resolution 3 - Re-appointment of the retiring auditors, Messrs SJ Grant Thornton		
Ordinary Resolution 4 - Authority to Issue Shares		

(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).

In case of a vote taken by a show of hands, the First-named Proxy shall vote on *my/our behalf.

Dated this………………..day of……………………………2016

……………………………………………………
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 7 June 2016. Only a depositor whose name appears on the Record of Depositors as at 7 June 2016 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. A proxy needs not be a member of the Company and the provision of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.*
3. *Where a member appoints more than one (1) proxy, the appointments shall be invalid unless he specifies the proportions 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)

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