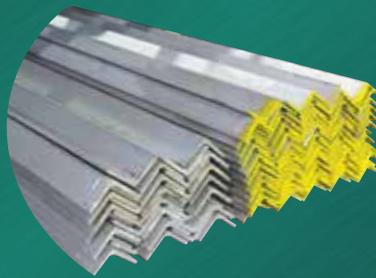
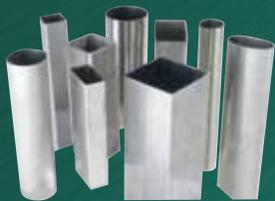


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K. SENG SENG CORPORATION BERHAD
(Company No.: 133427-W)



annual report **2016**

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Koh Seng Kar @ Koh Hai Sew
Chairman/Managing Director

Tsen Ket Shung @ Kon Shung
Executive Director

Zainal Rashid Bin Haji Mohd Eusoff
Independent Non-Executive Director

Koh Seng Lee
Deputy Managing Director

Lim Ho Kin
Senior Independent Non-Executive Director

Yap Siok Teng
Independent Non-Executive Director

AUDIT COMMITTEE

Chairman

Yap Siok Teng

Members

Zainal Rashid Bin Haji Mohd Eusoff

Lim Ho Kin

SHARE REGISTRAR

Mega Corporate Services Sdn Bhd (187984 H)

Level 15-2, Bangunan Faber Imperial Court

Jalan Sultan Ismail

50250 Kuala Lumpur

Tel : 03-2692 4271

Fax : 03-2732 5388

REMUNERATION COMMITTEE

Chairman

Zainal Rashid Bin Haji Mohd Eusoff

Members

Yap Siok Teng

Lim Ho Kin

Koh Seng Kar @ Koh Hai Sew

PRINCIPAL BANKERS

Citibank Berhad

Hong Leong Bank Berhad

Malayan Banking Berhad

NOMINATION COMMITTEE

Chairman

Lim Ho Kim

Members

Zainal Rashid Bin Haji Mohd Eusoff

Yap Siok Teng

SOLICITORS

Teh Cheng Aik & Co

AUDITORS

Baker Tilly AC (AF: 001826)

Chartered Accountants

COMPANY SECRETARIES

Lim Seck Wah

(MAICSA NO.: 0799845)

M. Chandrasegaran A/L S. Murugasu

(MAICSA NO.: 0781031)

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia

Securities Berhad

Stock Code: 5192

REGISTERED OFFICE

Level 15-2

Bangunan Faber Imperial Court

Jalan Sultan Ismail

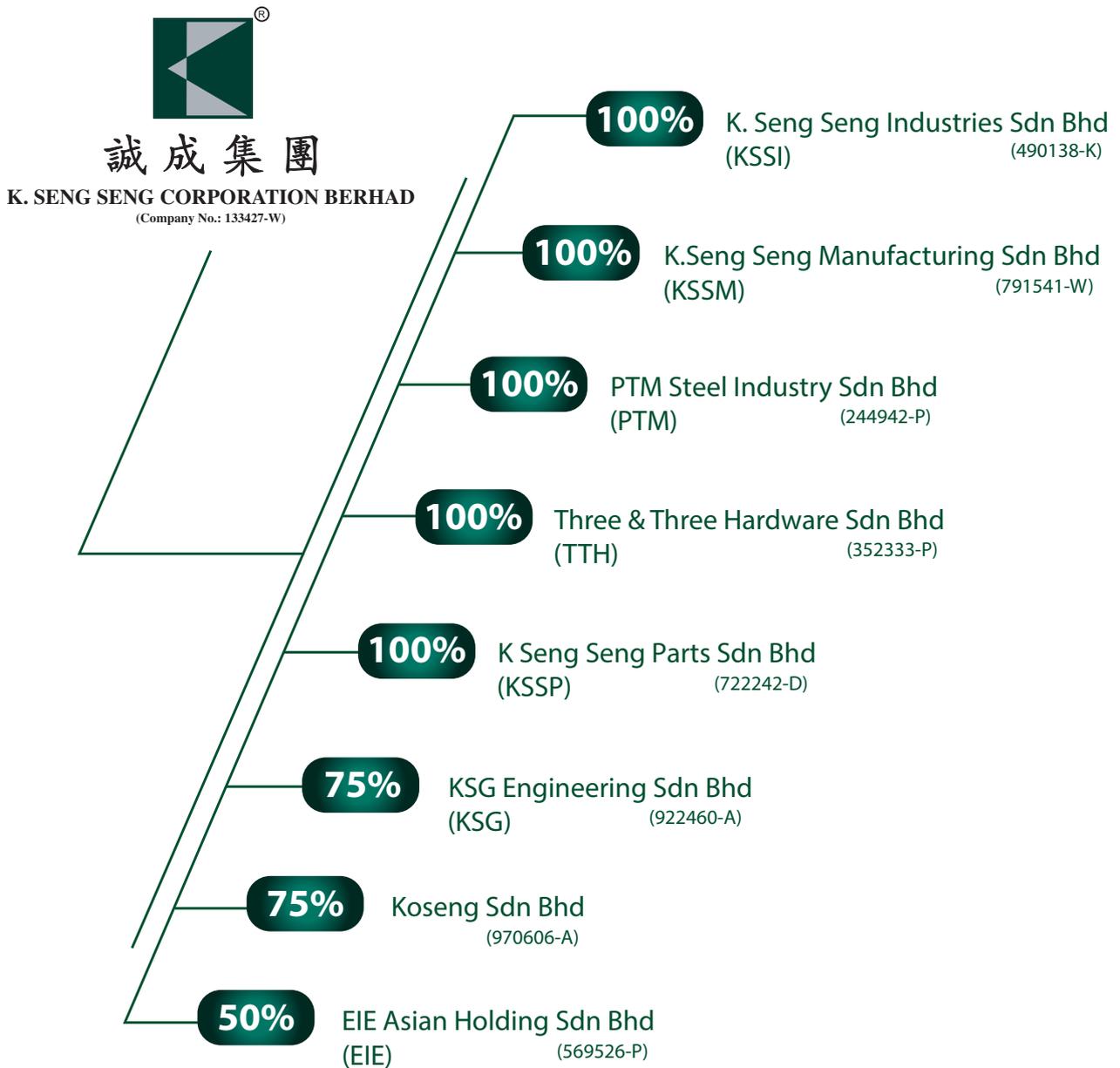
50250 Kuala Lumpur

Tel : 03-2692 4271

Fax : 03-2732 5388



CORPORATE STRUCTURE



誠成集團

K. SENG SENG CORPORATION BERHAD
(Company No.: 133427-W)

MANAGEMENT DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis ("MD&A") of our Group's financial conditions and results of operation should be read in conjunction with the Company's consolidated financial statements as well as forward-looking statements that involves risks and uncertainties. The discussion of results may differ significantly from those included in the forward-looking include, but are not limited to those discussed below.

Overview of the Business through the Eyes of Management

For management purposes, the Group is organised into business units based on their products and services, and has four reportable operating segments as follows:

- a) The stainless steel products segment is in the business of manufacture and sales of stainless steel tubes and pipes, and processing of stainless steel sheets products;
- b) The marine hardware & consumable segment is in the business of trading of marine hardware includes, amongst others, PP and PE ropes, stainless steel bars, stainless steel fasteners, GI wire, wire ropes and wire netting, nylon trammel and PE nets, copper tubes, chain, brass stern gland and propellers, square boat and shank spikes, packing and asbestos sheets, stainless steel electrode and rigging hardware such as zincked block, pulley, pin shaft, hooks and chain block;
- c) The other industrial hardware segment is in the business of trading of industrial hardware including, amongst others, bronze shaft, brass tubes, other steel industrial fasteners such as HT, MS and GI bolts and nuts, screws, washers and shackles, ductile iron pipe and fittings such as flange, valves, tapers, hose clips and clamps, industrial hoses such as spring hose, PVC hose, black rubber suction and water hose and PVC reinforced air hose, alloy chain, stainless steel wire mesh, colour cotton rag, rubber conveyor belt, industrial wipes, safety absorbent and fibre ceramic blanket; and
- d) The engineering works segment is in the business of manufacturing and installation of Double or Single former on-line chlorination nitrile glove dipping lines and Double or Single former rubber glove dipping lines, trading of dipping lines part sand consumable including, amongst others, conveyor chain and conveyor chain parts, former holder set, worm gear and motor, and engineering services including machining, cutting, dismantle and cleaning of conveyor chain.

MANAGEMENT DISCUSSION AND ANALYSIS

cont'd

The Group will continue to enhance the Group marketing strategy through expansion of the Engineering Works Segment and increase the Group products offering to increase revenue. Barring the economic uncertainty, the Board strives for the betterment.

Review of operating activities of each business segment of the Group

	Stainless steel products	Marine hardware & consumable	Other industrial hardware	Engineering Works	Total
<i>12 months ended 31/12/2016</i>	RM'000	RM'000	RM'000	RM'000	RM'000
Revenues from external customers	33,032	28,726	24,383	16,035	102,176
Reportable segment gross profit.	3,870	7,396	5,927	2,261	19,454
<i>12 months ended 31/12/2015</i>					
Revenues from external customers	32,221	23,397	19,175	22,170	96,963
Reportable segment gross profit	1,964	5,232	4,488	3,849	15,533

The Group revenue for the financial year 2016 had increased approximately by 5.38% from RM96.96 million as reported in the prior financial year 2015 to RM102.18 million.

Sales of our Stainless Steel Products segment accounted approximately 32.33% of total Group revenue. Marine Hardware & Consumable segment and Other Industrial Hardware constituted for approximately 28.11% and 23.86% respectively of total Group revenue. Engineering Works segment contributed only 15.7% of the Group revenue.

During the financial year under review, we recorded a lower revenue of RM16.03 million or decreased by 27.67% for our Engineering Works segment as compared to RM22.17 million obtained in the previous financial year. The decline in revenue was principally attributable to no new fabrication & installation of Double Former Glove Dipping Lines secured as compared to prior financial year in which two new Double Former Glove Dipping Lines were completed.

Despite the declined revenue in Engineering Works segment, our revenue from Marine Hardware & consumables grew by approximately 22.83% in 2016 from RM23.39 million to RM28.73 million. Other Industrial Hardware segment increased by 27.11% from RM19.17 million in the previous financial year to RM24.38 million. This was mainly due to our sales and marketing team secured existing customers with purchase orders for our new products and also increase in purchase orders from local customers and export to Oversea.

The revenue from stainless steel products improved by 2.5% but the gross profits surge by 96.85%.

The outlook for the global stainless steel market is disappointing, as purchasing activity remains weak and transaction values continue to slide. The downward price trend encourages buyers to delay placing orders, in the belief they may get a better deal if they wait. This adds to the usual, seasonal pattern and weak demand from stainless steel makers, whereby stockist and end-users reduce their purchase volumes, in order to minimise their year-end inventories. This was evidenced by our marginal increased in the stainless steel products revenue. The surge in the gross profit was attributed to the voluminous raw materials purchased at lower price during mid of the year.

The Group profit before tax for the year had improved from RM2.89 million achieved in the corresponding preceding year to RM5.39 million, representing an increase of 86.51% in profit before tax. This was mainly attributable to the higher profit margin due to lower cost of sales for Marine Hardware & Consumable and Stainless Steel products Segments. All the four main business segments contribute to the success of the Group. The Management will endeavours to expand the business in all the four segments, particular in Engineering Works.

MANAGEMENT DISCUSSION AND ANALYSIS

cont'd

Process of Accounts Receivable and Accounts Payable

The Group has established the process work flow on accounts receivables. There is a team of credit control personnel to closely monitor the accounts receivables. All sales orders and delivery orders were duly verified and billings are issued on timely basis. All these were carried out by three different departments to avoid any conflict of interest.

The accounts payable must be supported with purchase order and relevant invoices, verified by the respective heads of department before payment is made in accordance with the credit terms.

There is an internal audit regularly in place to check and control the flow of the work.

Manufacture of Stainless Products

The Management takes heed on the safety and health of the employees by adhering to regulations under Occupational Safety and Health Act 1994 and recommended actions from our internal audit. The workers are subject to relevant on job training and safety awareness.

We also expand our Stainless Steel Segment into market of Thailand in the beginning of 2017 and this will expect to increase our revenue in coming years.

General Overview

In 2016, the Malaysian economy recorded growth of 4.2% (2015 : 5.0%) despite considerable external and domestic headwinds. The global economic landscape was challenging given the subdued global demand and low commodity prices. Domestically, the economy continued to face headwinds from the higher cost of living amid soft employment conditions. Concurrently, business and consumer sentiments were affected by a confluence of global and domestic factors, including the heightened volatility in financial markets and the significant under performance of the ringgit. The strong fundamentals of the Malaysian economy have accorded Malaysia the ability to weather these external and domestic challenges. The diversified sources of growth in the economy have helped to contain the spill over effects of sector-specific shocks. On the supply side, all sectors of the economy recorded a modest expansion in 2016. Domestic demand continued to anchor growth, supported mainly by private sector spending (Source : Bank Negara Malaysian Annual report 2016).

Prospect of Our Group

With the strengthening of US dollar against Malaysia Ringgit couple with foreign labour wages, it affects the cost of doing business and erodes the margin of the Group.

The Board will continue to enhance the Group marketing strategy through expansion of the Engineering Works and Stainless Steel Segments in order to increase the Group products offering and thereby to increase Company's revenue. Barring the economic uncertainty, the Board strives for the betterment.

Dividend

Our Group has adopted Dividend Policy of 40% of the Distributable Profit. Our Group has been distributing Dividend since Listing.

The Board of Directors would like to reward the valued shareholders for their support by proposing a final single tier dividend of 1.5 sen per ordinary share for the financial year ended 31 December 2016. The proposed dividend, if approved by shareholders at the AGM, to be held on 31 May 2017, will be paid on 30 June 2017 to those registered as at 15 June 2017.

DIRECTORS' PROFILE



**KOH SENG KAR @
KOH HAI SEW**
Chairman/Managing Director



KOH SENG LEE
Deputy Managing Director



**TSEN KET SHUNG @
KON SHUNG**
Executive Director



**ZAINAL RASHID BIN
HAJI MOHD EUSOFF**
Independent Non-Executive Director



LIM HO KIN
*Senior Independent
Non-Executive Director*



YAP SIOK TENG
*Independent
Non-Executive Director*

DIRECTORS' PROFILE

cont'd

KOH SENG KAR @ KOH HAI SEW

*Male, Aged 73, Malaysian
Chairman/Managing Director*

Mr. Koh Seng Kar @ Koh Hai Sew is the Company's Chairman and Managing Director. He was appointed to our Board on 15 January 1985. He is also a member of our Remuneration Committee. He brings with him approximately thirty-two (32) years of experience in the trading of steel industrial fasteners, marine hardware and consumables, and industrial hardware as well as the manufacturing and processing of secondary stainless steel products. As our Managing Director and the founder of our Company, he has been instrumental in the development, growth and success of our Group.

Under his leadership and guidance, we have grown from a small marine hardware and consumable trading company to a one-stop supply centre for secondary stainless steel products. He is presently responsible for the overall operations of our Group with emphasis on strategic business planning and development. He implements and executes the Group's strategic plans.

He does not hold any directorships in any other public listed companies.

He holds 36,960,000 shares in KSSC. He is a sibling to Mr. Koh Seng Lee. He has no conflict of interest with the Group and has not been convicted for offences within the past five years. There were no sanctions and/or penalties imposed on him by any regulatory body during the financial year.

KOH SENG LEE

*Male, Aged 55, Malaysian
Deputy Managing Director*

Mr. Koh Seng Lee is the Company's Deputy Managing Director. He was appointed to our Board on 26 May 1986, subsequently he was re-designated to an Executive Director and Deputy Managing Director of KSSC on 24 March 2010 and 26 March 2010 respectively. He is not a member of any Board Committee.

He brings with him approximately thirty-one (31) years of experience in the trading of steel industrial fasteners, marine hardware and consumables, industrial hardware as well as the manufacturing and processing of secondary stainless steel products. As our Deputy Managing Director, his overall management and supervision has contributed significantly to the development, growth and success of our Group. He is currently responsible for overseeing our day-to-day manufacturing, processing and trading operations as well as the sales and marketing activities of our Group.

He does not hold any directorships in any other public listed companies.

He holds 15,840,000 shares in KSSC. He is a sibling to Mr. Koh Seng Kar @ Koh Hai Sew. He has no conflict of interest with the Group and has not been convicted for offences within the past five years. There were no sanctions and/or penalties imposed on him by any regulatory body during the financial year.

DIRECTORS' PROFILE

cont'd

TSEN KET SHUNG @ KON SHUNG

Male, Aged 46, Malaysian

Executive Director

Mr. Tsen Ket Shung is the Company's Executive Director. He was appointed to our Board on 19 June 2009. He is a Chartered Accountant, a member of the Malaysian Institute of Accountants (MIA) and a Fellow of the Association of Chartered Certified Accountant (FCCA). He is currently responsible for overseeing our Group's overall financial, corporate information and information technology. He is not a member of any Board Committee.

He does not hold any directorships in any other public listed companies.

He holds 714,400 shares in KSSC. He does not have any family relationship with any Director and/or major shareholder of the Company and does not have any conflict of interest with the Company. He has not been convicted for offences within the past five years. There were no sanctions and/or penalties imposed on him by any regulatory body during the financial year.

LIM HO KIN

Male, Aged 71, Malaysian

Senior Independent Non-Executive Director

Lim Ho Kin has been an Associate Member of The Chartered Institute of Bankers, London. He began his career at Bank Negara Malaysia in 1965 and served till 1978. Thereafter, he joined a commercial bank, and had held senior positions handling various areas of the bank's operations. He retired from the bank in 2001 as an Assistant General Manager. Later, he was engaged by Elken Sdn Bhd as Assistant Vice President and Head of Group Internal Audit on contract until April 2011.

He was appointed as an Independent Non-Executive Director of KSSC on 24 March 2010. He serves as the Chairman of Nomination Committee and is a member of Audit Committee and Remuneration Committee. He is the Senior Independent Non-Executive Director.

He does not hold any directorship in any other public listed companies.

He holds 60,000 shares in KSSC. He does not have any family relationship with any Director and/or major shareholder of the Company and does not have any conflict of interest with the Company. He has not been convicted for offences within the past five years. There were no sanctions and/or penalties imposed on him by any regulatory body during the financial year.

DIRECTORS' PROFILE

cont'd

ZAINAL RASHID BIN HAJI MOHD EUSOFF

Male, Aged 76, Malaysian

Independent Non-Executive Director

Tuan Haji Zainal Rashid Bin Haji Mohd Eusoff was appointed to our Board on 24 March 2010. He is a member in both Audit Committee and Nomination Committee, and the Chairman of the Remuneration Committee.

He has more than thirty (30) years experience working with the Royal Malaysian Customs Department ("RMCD") where he held various positions within the Department. He held the position of Senior Assistant Director in RMCD prior to his retirement in 1996.

He does not hold any directorships in any other public listed companies.

He holds 100,000 shares in KSSC. He does not have any family relationship with any Director and/or major shareholder of the Company and does not have any conflict of interest with the Company. He has not been convicted for offences within the past five years. There were no sanctions and/or penalties imposed on him by any regulatory body during the financial year.

YAP SIOK TENG

Female, Aged 57, Malaysian

Independent Non-Executive Director

Mdm. Yap Siok Teng is a Fellow member of the Association of Chartered Certified Accountant (FCCA), a member of Malaysian Institute of Accountant (MIA) and Chartered Tax Institute of Malaysia. Presently, she is a practicing accountant in Yap & Associates. She is also an audit partner in Cheong Lim & Associates.

She was appointed to our Board on 24 March 2010. She is the Chairperson to Audit Committee, and member of the Remuneration and Nomination Committees. She brings with her approximately twenty nine (29) years working experience in the field of audit, accountancy, general management and corporate advisory. Her qualifications and vast experience as an accountant will benefit our Group in the financial and corporate governance aspects.

She holds 50,000 shares in KSSC. She does not have any family relationship with any Director and/or major shareholder of the Company and does not have any conflict of interest with the Company. She has not been convicted for offences within the past five years. There were no sanctions and/or penalties imposed on her by any regulatory body during the financial year.

KEY SENIOR MANAGEMENT PROFILE

1. KOH SENG KAR @ KOH HAI SEW

Male, Chairman/Managing Director (Aged 73, Malaysian)

Please refer to his Director's Profile appearing in Page 8 of the Annual Report 2016.

2. KOH SENG LEE

Male, Deputy Managing Director (Aged 55, Malaysian)

Please refer to his Director's Profile appearing in Page 8 of the Annual Report 2016.

3. TSEN KET SHUNG @ KON SHUNG

Male, Executive Director (Aged 46, Malaysian)

Please refer to his Director's Profile appearing in Page 9 of the Annual Report 2016.

4. TAN LIAN CHOON

Female, Group Accountant (Aged 38, Malaysian)

Tan Lian Choon is the Company's Group Accountant. She is a Chartered Accountant, a member of the Malaysia Institute of Accountants (MIA) and Fellow of the Association of Chartered Certified Accountant (FCCA). She joined our Group in 2002 and was promoted to Group Accountant in early 2009. She is currently responsible for the accounting and finance function of our Group.

She holds 276,700 shares in KSSC. She does not have any family relationship with any Director and/or major shareholder of the Company and does not have any conflict of interest with the Company. She has not been convicted for offences within the past five years. There were no sanctions and/or penalties imposed on her by any regulatory body during the financial year.

5-YEAR FINANCIAL HIGHLIGHTS

QUARTERLY PERFORMANCE

2016	Q1	Q2	Q3	Q4	Full Year
Sales Revenue (RM'000)	22,915	27,619	24,820	26,822	102,176
Profit Before Taxation (RM'000)	323	1,541	1,226	2,259	5,349
Net Profit (RM'000)	251	1,150	918	1,651	3,969
Net Earnings Per Share (Sen)	0.17	1.15	0.96	1.61	3.89
Net Dividend Per Share (Sen)	-	-	-	1.50	1.50

2015	Q1	Q2	Q3	Q4	Full Year
Sales Revenue (RM'000)	30,936	20,016	21,802	24,209	96,963
Profit Before Taxation (RM'000)	1,580	(71)	490	887	2,886
Net Profit (RM'000)	1,189	(63)	369	679	2,174
Net Earnings Per Share (Sen)	1.0	(0.12)	0.41	0.68	1.97
Net Dividend Per Share (Sen)	-	-	-	0.80	0.80

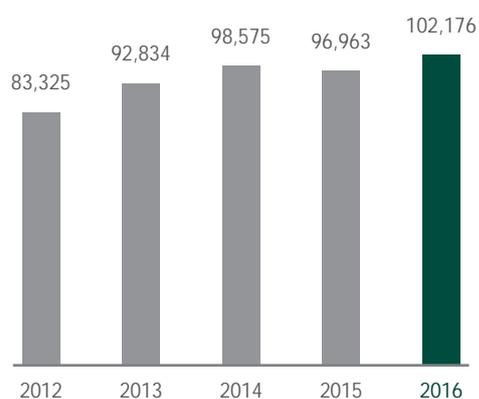
5-YEAR FINANCIAL HIGHLIGHTS

	2012	2013	2014	2015	2016
Sales Revenue (RM'000)	83,325	92,834	98,575	96,963	102,176
Profit Before Taxation (RM'000)	3,041	14,044	6,400	2,886	5,349
Net Profit (RM'000)	2,216	13,266	4,896	2,174	3,969
Net Earnings Per Share (Sen)	2.18	13.72	4.58	1.97	3.89
Net Dividend Per Share (Sen)	1.00	3.95	2.00	0.80	1.50
Net Assets Per Share (RM)	0.63	0.76	0.78	0.78	0.79

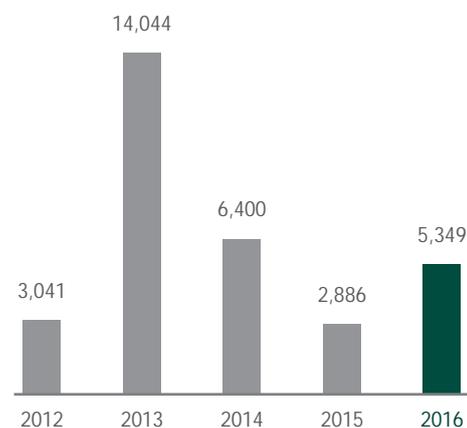
5-YEAR FINANCIAL HIGHLIGHTS

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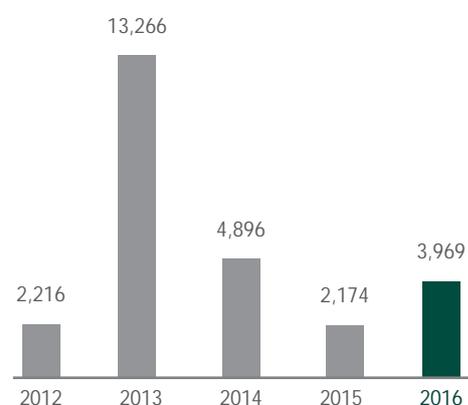
SALES REVENUE
(RM'000)



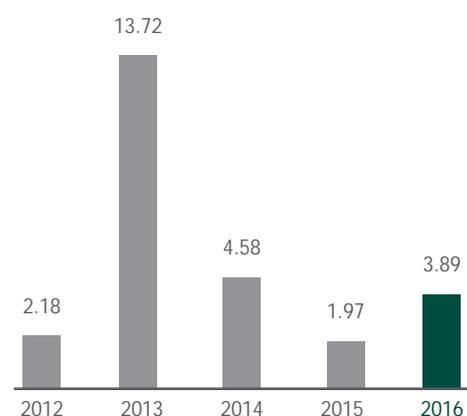
PROFIT BEFORE TAXATION
(RM'000)



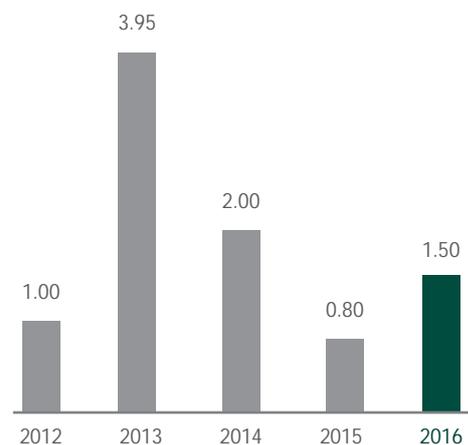
NET PROFIT
(RM'000)



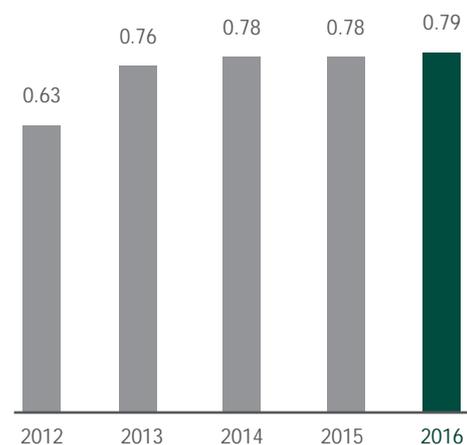
NET EARNINGS PER SHARE
(Sen)



NET DIVIDEND PER SHARE
(Sen)



NET ASSETS PER SHARE
(RM)



CORPORATE GOVERNANCE STATEMENT

The Board of K Seng Seng Corporation Berhad (the “Company”) is supportive of adopting high standards of corporate governance in the Company and its subsidiaries (“the Group”) in order to safeguard stakeholders’ interests as well as enhancing shareholders’ value.

The Board has embedded appropriate corporate governance framework in the Group to guide the Group towards good corporate governance practices, in line with the Malaysian Code on Corporate Governance 2012 (“MCCG 2012”) and Bursa Malaysia Securities Berhad (“Bursa Securities”) Main Market Listing Requirements (“Listing Requirements”). The framework provides direction for the Group and enables the Board to balance their oversight responsibilities in regulating business activities, resources, practices and internal control processes. The framework also provides a combination of self-assessment to give assurance that the management structure and function of the business remain on course to achieve the Group’s objectives of maximizing revenue, enhancing process efficiency and improving profitability to enhance shareholders’ value and also promote transparency and corporate accountability.

The Board is pleased to present the following statement, which describes the manner in which the Group has applied the principles and the extent of compliance with the recommendations of the MCCG 2012, throughout the financial year ended 31 December 2016.

PRINCIPLE 1 - ESTABLISH CLEAR ROLES AND RESPONSIBILITIES OF THE BOARD AND MANAGEMENT

1.1 The Board

The Board is fully responsible to protect, preserve and safeguard the assets of the Group, to enhance the long term value of its Group for the benefit of the shareholders and stakeholders. The Board in discharging its responsibilities, continuously provide strategic direction, implements policies and procedures, risk management frameworks and internal audit functions, to ensure the achievement of corporate objectives and goals, promote sustainable growth and protect the assets of its Group.

The Board’s principal functions and responsibilities, inter-alia, are the following:

- (a) Reviewing and adopting a strategic plan for the Group, as developed by Management, taking into account the sustainability of the Company’s business, with attention given to the environmental, social and governance aspects of the business;
- (b) Monitoring corporate performance and the conduct of the Group’s business and ensuring compliance to best practices and principles of corporate governance;
- (c) Identifying principal business risks faced by the Group and ensuring the implementation of appropriate internal controls and mitigating measures to manage such risks;
- (d) Succession planning - ensuring that all candidates appointed to senior management positions are of sufficient calibre and that there are programmes to provide for the orderly succession of senior management;
- (e) Developing and implementing an investor relation programme as well as a shareholders’ communication policy for the Group;
- (f) Reviewing the adequacy and integrity of the Group’s management information and internal control systems, ensuring there is a sound framework of reporting internal controls and regulatory compliance;
- (g) Overseeing the Group’s adherence to high standards of conduct/ethics and corporate behaviour, including the Code of Ethics for Directors set out in the Board Charter;

CORPORATE GOVERNANCE STATEMENT

cont'd

PRINCIPLE 1 - ESTABLISH CLEAR ROLES AND RESPONSIBILITIES OF THE BOARD AND MANAGEMENT *cont'd*

1.1 The Board *cont'd*

- (h) Appointment of directors and key managerial personnel;
- (i) Announcements including approval and releases of financial results, annual reports and key material announcements;
- (j) Reviewing business strategy including significant acquisition and disposal of subsidiaries or assets or liabilities;
- (k) Reviewing operating budgets, significant investments and capital expenditures; and
- (l) Corporate policies in keeping with good corporate governance and business practices.

In discharging the above responsibilities, Directors are expected to:

- (i) Be aware of the environment the Group is operating in;
- (ii) Exercise diligence and avoid undeclared conflict of interest situations;
- (iii) Understand their oversight role, including the exercise of independent and objective judgement in decision making;
- (iv) Commit and devote sufficient time and efforts in discharging their duties responsibilities;
- (v) Contribute actively in Board discussion and deliberations of issues by providing sound advice based on the Directors' experience and specific expertise they bring to the Board; and
- (vi) Attend regular training programmes in order to be apprised of changes in regulatory requirements the Group is subjected to.

To ensure the direction and control of the Company are in the hands of the Board, a formal schedule of matters reserved for the Board's deliberation and decision is set out in the Board Charter.

The Board delegate specific responsibilities and functions to various committees namely, Audit Committee, Nomination Committee, Remuneration Committee and Management Committee (collectively referred to as "Board Committees"). The function, roles and responsibilities of the Board Committees as well as, the authorities delegated by the Board are clearly defined in the respective Terms of Reference, which are reviewed and/or updated annually or as and when necessary. The Board receive regular status reports, updates and briefing pertaining to activities and recommendations from the Board Committees. The Board Committees are either empowered to act independently or under delegated authority from the Board, as set out in the respective Terms of Reference.

The Board has separated management oversight and operational executive functions in the Company. The operational executive functions are delegated to the Management Committee, which includes, amongst others, development and implementation of business strategies, policies and decision making on important matters regarding day-to-day business. The Management Committee on an ongoing basis, review the achievement of Business Divisions/Units against targets and budgets approved by the Board, to ensure the business remains on course to achieve Group's strategic objectives. The Management Committee led by the Managing Director, is supported by a management team with the requisite experience and skills.

CORPORATE GOVERNANCE STATEMENT

cont'd

PRINCIPLE 1 - ESTABLISH CLEAR ROLES AND RESPONSIBILITIES OF THE BOARD AND MANAGEMENT *cont'd*

1.1 The Board *cont'd*

The Management Committee through the Risk Management Committee identify potential critical risks that could potentially impact the ability of the Group to realise its objectives and evaluates the controls in place on an ongoing basis, to ensure the key risks of the Group are properly managed and mitigated.

The Board together with the Audit Committee, play a critical role in overseeing the enterprise-wide approach to risk management to protect the Group's assets. Through the risk oversight process, the Board understand the portfolio of inherent risks of the Group, considered the risks against the risk appetite of the Management and monitored the execution of the risk action plan by the Management to manage the risks. The Board is alerted on a timely basis of any new risks that could lead to excessive risk taking.

Succession planning is in place to ensure orderly management transition for upward or lateral movement and strategic continuity for every critical position in the Group.

1.2 Board Charter

The Board is aware of the need to clearly demarcate the duties and responsibilities of the Board, Board Committees and Management, including the limits of authority accorded, in order to provide clarity and guidance to Directors and Management. As such, it has adopted a Board Charter, setting out, inter-alia, the roles of the Board, Board Committees, Executive and Non-Executive Directors and Management.

The Board Charter will be reviewed periodically to ensure its relevance and compliance.

The Charter, which serves as a referencing point for Board's activities to enable Directors to carry out their stewardship role and discharge their fiduciary duties towards the Company, also contains a formal schedule of matters reserved to the Board for deliberation and decision so that the control and direction of the Company's businesses are in its hands. The Charter has been uploaded on the Company's website at www.kssc.com.my in line with Recommendation 1.7 of the MCCG 2012.

The Board has reviewed the Board Charter on 28 February 2017.

1.3 Code of Conduct and Whistle-Blower Policy

The Company has formalised a Code of Conduct/Ethics for adherence by Directors and employees in the Group. This Code has been uploaded on the Company's website. The Board also has formalised Whistle-Blowing Policies and Procedures to enable genuine concerns to be raised without fear of reprisal, about possible improprieties on matters pertaining to financial reporting, compliance, malpractices and unethical business conduct within the Group.

Code of Conduct and Whistle-Blower Policy were reviewed on 28 February 2017.

1.4 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 for an effective discharge of the Board's responsibilities.

CORPORATE GOVERNANCE STATEMENT

cont'd

PRINCIPLE 1 - ESTABLISH CLEAR ROLES AND RESPONSIBILITIES OF THE BOARD AND MANAGEMENT *cont'd*

1.4 Supply of, and Access to, Information *cont'd*

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 is observed. Board members are furnished with pertinent explanation and information on relevant issues and recommendations by Management. The issues are then deliberated and discussed thoroughly by the Board prior to decision making.

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

Senior Management of the Group and external advisers are invited to attend Board meetings to provide additional insights and professional views, advice and explanations on specific items on the meeting agenda. Besides direct access to Management, Directors may obtain independent professional advice at the Company's expense, if considered necessary, in furtherance of their duties. This procedure is formalized in the Company's Board Charter.

Directors have unrestricted access to the advice and services of the Company Secretary to enable them to discharge their duties effectively. The Board is regularly updated and advised by the Company Secretary, who is qualified, experienced and competent on statutory and regulatory requirements, on the resultant implications of any changes in regulatory requirements to the Company and Directors in relation to their duties and responsibilities. The Company Secretary, who oversees adherence with Board policies and procedures, briefs the Board on the proposed contents and timing of material announcements to be made to regulators. The Company Secretary attends all Board and Board Committee meetings and ensures that meetings are properly convened, and that accurate and proper records of the proceedings and resolutions passed are taken and maintained accordingly. The removal of the Company Secretary, if any, is a matter for the Board, as a whole, to decide.

1.5 Business Sustainability

The Group continuously strive for good performance and sustainability through implementing the following strategies or initiatives, to align with the Group's goals and objectives.

1. Community

- The Group focus on enriching lives of Community it serves by developing and organising communication program and initiatives for its industry stakeholders through various community charity.
- The Board provides accommodation to the foreign workers and segregate the location by nationality and religious/culture to avoid any ethnics' conflict and misunderstanding.
- The Group gives donation to the schools in need.

2. Workplace

- The Group focus on enhancing staff capabilities and maximizing staff performance; beef up the safety measures in the working place and to foster sense of belonging through employee engagement plan.
- The Group provides job training. Senior to lead the junior.

CORPORATE GOVERNANCE STATEMENT

cont'd

PRINCIPLE 1 - ESTABLISH CLEAR ROLES AND RESPONSIBILITIES OF THE BOARD AND MANAGEMENT *cont'd*

1.5 Business Sustainability *cont'd*

3. Marketplace

Adopt ISO certifications and standards with continuous review of current policies, processes and practices for improvement, standardization and simplification, to offer price competitiveness, reliability and quality service to our customers' satisfaction.

4. Environment

- The Group focus on integrating environmental knowledge into practices in its daily conducts of business which is demonstrated in the 'save the green' and no wastage program adopted by the Group.
- There is no wastage in the steel products, those obsoletes or non-marketable stocks will be sold as scrap.
- The Group encourages local labourers by providing them better benefits and welfare such as accommodation, allowance and incentives to their children education welfare who excel in their studies.
- The Group gives donations to the schools in need.

PRINCIPLE 2 – BOARD COMPOSITION AND BALANCE

During the financial year, the Board consisted of six (6) members, comprising three (3) Executive Directors and three (3) Independent Non-Executive Directors. This composition fulfills the requirements as set out under Bursa's Listing Requirements, 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 different backgrounds and specializations, collectively bring with them a wide range of experience and expertise in areas such as finance; accounting and audit; corporate affairs; and marketing and operations.

2.1 Boardroom Diversity

The Board has no specific policy on gender diversity or target, including ethnicity and age for its Directors, but believes that Directors should only be on-board or re-appointed/re-elected based on their merits, contributions and commitment to assist the Company realise its objectives. As at 31 December 2016, there is a woman Director on the Board.

2.2 Nomination Committee – Selection and Assessment of Directors

A Nomination Committee, established by the Board with specific terms of reference, comprises exclusively the following Independent Non-Executive Directors:

Lim Ho Kin – Chairman;
Zainal Rashid bin Haji Mohd Eusoff – Member; and
Yap Siok Teng – Member.

CORPORATE GOVERNANCE STATEMENT

cont'd

PRINCIPLE 2 – BOARD COMPOSITION AND BALANCE *cont'd*

2.2 Nomination Committee – Selection and Assessment of Directors *cont'd*

Assessment of Performance

The process of assessing Directors is an ongoing responsibility of the entire Board. During the financial year, the Nomination Committee had assessed the performance of all the Board members based on established criteria, which include:-

- (a) the compliance with attendance and qualification requirements of the position;
- (b) the ability to provide input relating to business, market outlook and management strategies;
- (c) the ability to keep the Board abreast with operational, business, regulatory, economic and environmental issues confronting the Company; and
- (d) whether sufficient level of importance has been accorded to governance issues to safeguard the integrity of the Company's activities, operations and improvement in the financial position of the Group.

The Company has also developed assessment criteria for the following:

i. Board

- (a) appropriateness of Board composition
- (b) mix of skills and experience
- (c) effectiveness of Board as a team
- (d) balance mix between Independent and Non-Independent Directors
- (e) adequacy of information supplied to the Board
- (f) effectiveness of Board in setting strategic plan
- (g) adequacy of Board in identifying and managing significant risks to the Group
- (h) effectiveness of Board in monitoring operational and financial performance

ii. Board Committees

- (a) terms of reference
- (b) skills and competencies
- (c) meeting administration
- (d) conduct of meeting
- (e) communication to the Board
- (f) areas of focus specific to each Board Committee

iii. Individual Directors

- (a) contribution of the Director in meetings
- (b) quality of input provided by the Director
- (c) the Director's understanding of his or her roles and responsibilities

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

CORPORATE GOVERNANCE STATEMENT

cont'd

PRINCIPLE 2 – BOARD COMPOSITION AND BALANCE *cont'd*

2.2 Nomination Committee – Selection and Assessment of Directors *cont'd*

Assessment of Performance *cont'd*

During the year, the Nomination Committee met once, attended by all members, to assess the balance composition of Board members based on merits, Directors' contribution and Board effectiveness. In assessing the composition, mix and size of the Board, including individual Directors, the Nomination Committee considered the mix of skills of the Directors, their integrity, time commitment, dedication, independence (where applicable) and gender diversity via the use of evaluation questionnaire which were scored for rating purpose. For the purpose of assessing the independence of the Independent Non-Executive Directors, the criteria set out in Paragraph 1.01 of Bursa's Listing Requirements were used.

The Nomination Committee had also assessed and recommended to the Board the retirement of Directors eligible for re-election or re-appointment having regard to the individual's experience, contributions and performance and the Board has endorsed the Nomination Committee's recommendations.

2.3 Directors' Remuneration

A Remuneration Committee, established by the Board with specific terms of reference, comprises the following Directors, the majority of whom are Independent Non-Executive Directors:

- Zainal Rashid bin Haji Mohd Eusoff - Chairman (Independent Non-Executive Director);
- Yap Siok Teng - Member (Independent Non-Executive Director);
- Lim Ho Kin - Member (Independent Non-Executive Director); and
- Koh Seng Kar @ Koh Hai Sew - Member (Chairman and Managing Director).

The Remuneration Committee has been entrusted by the Board to determine that the levels of remuneration are sufficient to attract and retain Directors of quality required to manage the business of the Company. The Remuneration Committee assists the Board to, inter-alia, recommend to the Board the remuneration of the Executive Directors, largely based on their performance against targets set, Group's performance as well as their contribution to the Group. In the case of Non-Executive Directors, the level of remuneration reflects the experience and level of responsibilities undertaken by the Non-Executive Directors concerned.

In all instances, the deliberations are conducted with the Directors concerned abstaining from discussions on their individual remuneration. During the year, the Committee met once attended by all members.

Aggregate of remuneration of Directors of the Company and Group for the financial year ended 31 December 2016 can be categorised into the following components:

Category	Directors' Fee (RM'000)		Salaries and other emoluments (RM'000)		Total (RM'000)	
	Company	Group	Company	Group	Company	Group
Executive Directors	1,618.4	1,618.4	238	238	1,856.4	1,856.4
Non-Executive Directors	134	134	7	7	141	141

CORPORATE GOVERNANCE STATEMENT

cont'd

PRINCIPLE 2 – BOARD COMPOSITION AND BALANCE *cont'd*

2.3 Directors' Remuneration *cont'd*

Directors' remuneration for the financial year ended 31 December 2016 are broadly categorized into the following bands:

Range of remuneration	Number of Directors	
	Executive Directors	Non-Executive Directors
Below RM50,000	-	2
RM50,001 to RM100,000	-	1
RM400,001 to RM500,000	1	-
RM500,001 to RM550,000	-	-
RM550,001 to RM600,000	-	-
RM600,001 to RM650,000	-	-
RM650,001 to RM700,000	-	-
RM700,001 to RM750,000	2	-

The remuneration of the individual director is not disclosed due to security and sensitivity reasons. The directors' fees are subject to the approval by shareholders at the forthcoming Annual General Meeting of the Company.

PRINCIPLE 3 – REINFORCE INDEPENDENCE OF THE BOARD

The roles of the Chairman and Group Managing Director are held by the same Director. This departs from Recommendation 3.4 of the MCG 2012 which stipulates that the positions of Chairman and Chief Executive Officer should be held by different individuals, and the Chairman must be a Non-Executive member of the Board. The current composition of the Independent Non-Executive Directors in the Board (i.e. half of the Board members) also departs from Recommendation 3.5 of the MCG 2012 which states that the Board must comprise a majority of Independent Directors where the Chairman of the Board is not an Independent Director.

The Board believes that for its current size, it is more expedient for the two (2) roles to be held by the same person as long as there are pertinent checks and balance to ensure no one person in the Board has unfettered powers to make major decisions for the Company. As such, the Board is of the view that the significant composition of Independent Non-Executive Directors, which is made up of half the current Board's size, provides for the relevant checks and balance.

The Chairman is responsible for ensuring the adequacy and effectiveness of the Board's governance process and acts as a facilitator at Board meetings to ensure that contributions from Directors are forthcoming on matters being deliberated and that no Board member dominates discussion. As the Group Managing Director, supported by fellow Executive Directors, he implements the Group's strategic initiatives, policies and decision adopted by the Board and oversees the operations and business development of the Group.

The Independent 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 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. The Board has appointed Mr. Lim Ho Kin as the Senior Independent Non-Executive Director to whom concerns may be conveyed by shareholders and other stakeholders.

CORPORATE GOVERNANCE STATEMENT

cont'd

PRINCIPLE 3 – REINFORCE INDEPENDENCE OF THE BOARD *cont'd*

The Board recognizes the importance of establishing criteria on independence to be used in the annual assessment of its Independent Non-Executive Directors. The definition on independence accords with the Bursa's Listing Requirements. At end of the financial year, none of the Independent Non-Executive Directors has served for a cumulative period exceeding nine (9) years.

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 Management, provide the relevant facts and analysis for the convenience of Directors. The meeting agenda, relevant reports and Board papers are furnished to Directors and Board Committee members well before the meeting to allow the Directors sufficient time to study 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 briefs the Directors at each Board meeting the salient matters noted by the Audit Committee and which require the Board's attention or direction. All pertinent issues discussed at Board meetings in arriving at decisions and conclusions are properly recorded by the Company Secretary by way of minutes of meetings.

4.1 Board Meetings

There were five (5) Board meetings held during the financial year ended 31 December 2016, with details of Directors' attendance set out below:

Name of Director	Attendance
(a) Koh Seng Kar @ Koh Hai Sew	4/5
(b) Koh Seng Lee	5/5
(c) Tsen Ket Shung @ Kon Shung	5/5
(d) Lim Ho Kin	4/5
(e) Yap Siok Teng	5/5
(f) Zainal Rashid bin Haji Mohd Eusoff	5/5

All the Directors holding office at the end of the financial year ended 31 December 2016 have complied with the minimum attendance at Board meetings as stipulated by the Listing Requirements of Bursa Malaysia Securities Berhad.

4.2 Appointments to the Board

The appointment of new Directors is under the purview of the Nomination Committee which is responsible for making recommendations to the Board on the suitable candidates for appointment.

There is no new appointment of Director during the financial year ended 31 December 2016.

CORPORATE GOVERNANCE STATEMENT

cont'd

PRINCIPLE 4 – FOSTER COMMITMENT OF DIRECTORS *cont'd*

4.3 Time Commitment

The Directors are fully aware of their responsibilities and dedicate sufficient time to carry out their responsibilities. Board Meeting dates are planned ahead of schedule with commitment of Directors. All Directors complied with the minimum attendance requirement of more than 50% of the total Board meetings held during the financial year.

The Board will ensure to obtain commitment from new Director at the time of appointment and also commitment from the Directors before they accept any new directorship of other company, on their resource and time contributions to focus on the affairs of the Group, towards discharging their duties effectively.

All Directors have complied with the restrictions on the number of directorships in public listed company as prescribed under the Listing Requirements.

4.4 Re-Election or Re-Appointment of Directors

The Board recommend directors for re-election and/or re-appointment by shareholders at every AGM pursuant to KSSC's Articles of Association and the Companies Act, 1965.

4.5 Directors' Training – Continuing Education Programmes

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

The Nomination Committee will review the Directors' Evaluation on the respective Directors' area of weaknesses and recommend for the relevant topic of training to suit their needs.

All the Directors of the Company have completed the Mandatory Accreditation Programmes and are supportive of the Continuous Education Programmes and seminars so as to keep abreast with the current developments in the industry as well as the current changes in laws and regulations.

During the financial year under review, all Directors have attended the following training/programmes mentioned below:

	Name of Director	Date	Training attended
(a)	Koh Seng Kar @ Koh Hai Sew	7 December 2016	Sustainability Training
(b)	Koh Seng Lee	7 December 2016	Sustainability Training
(c)	Tsen Ket Shung @ Kon Shung	7 December 2016	Sustainability Training
		19 & 20 December 2016	Comparative Analysis of the PERS, MPERS and MFRS Frameworks and Selected New Topics in the MPERS Framework
(d)	Yap Siok Teng	22 July 2016	Withholding Tax and Cross Border Transactions
		18 August 2016	Corporate Tax Issues for 2016 & 2017
		27 October 2016	Seminar Percukaian Kebangsaan 2016
		10 November 2016	The 2017 Budget Seminar
		29 November 2016	2017 Budget Seminar
		7 December 2016	Sustainability Training
(e)	Lim Ho Kin	7 December 2016	Sustainability Training
(f)	Tn Hj Zainal Rashid bin Haji Mohd Eusoff	7 December 2016	Sustainability Training

CORPORATE GOVERNANCE STATEMENT

cont'd

PRINCIPLE 4 – FOSTER COMMITMENT OF DIRECTORS *cont'd*

4.5 Directors' Training – Continuing Education Programmes *cont'd*

During the year, Directors also received updates and briefings, particularly on regulatory, industry and legal developments, including information on significant changes in business. 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 results to Bursa, the annual financial statements of the Group and Company as well as the Chairman's statement 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, Financial Reporting Standards and International Financial Reporting Standards so as to give a true and fair view of the financial position of the Group as at the end of the financial year and of the financial performance and cash flows 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 2016, the Group has adopted suitable accounting policies and applied them consistently, prudently and reasonably. The Directors also consider that all applicable approved accounting standards have been followed in the preparation of the financial statements. 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 Non-Executive Directors, with Madam Yap Siok Teng as the Committee Chairman. The composition of the Audit Committee, including its roles and responsibilities, are set out in the Audit Committee Report included in this Annual Report. One of the key responsibilities of the Audit Committee in its specific terms of reference is to ensure that the financial statements of the Group and Company comply with applicable financial reporting standards in Malaysia. Such financial statements comprise the quarterly financial report announced to Bursa and the annual statutory financial statements.

The terms of reference of the Audit Committee have been revised to include the setting of 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.

CORPORATE GOVERNANCE STATEMENT

cont'd

PRINCIPLE 5 – UPHOLD INTEGRITY IN FINANCIAL REPORTING BY COMPANY

External Auditors

The Company maintains an appropriate and transparent relationship with the external auditors in seeking their professional advice and towards ensuring compliance with the accounting standards. The Company's External Auditors play an essential role by enhancing the reliability of the Company's financial statements and giving assurance of that reliability to users of these financial statements.

The Audit Committee has explicit authority to communicate directly with the External Auditors. The Group's External Auditors are invited to attend the Audit Committee meeting as and when necessary. The Audit Committee meets the External Auditors without the presence of the Executive Director and Management to discuss any concerns including management's cooperation in the audit process, quality and competency in the financial reporting function, sharing of information and audit issues in relation to appropriate accounting treatment.

The effectiveness, independence and performance of the External Auditors are reviewed annually by the Audit Committee.

The external Auditors are required to declare their independence annually to the Audit Committee in accordance with the International Federation of Accountants' Code of Ethics for Professional Accountants and the Malaysian Institute of Accountants' By-Laws (On Professional Ethics, Conduct and Practice). The external Auditors had made the declaration in their annual audit plan presented to the Audit Committee that they were independent throughout the conduct of the audit engagement in accordance with the terms of the relevant professional and regulatory requirements.

The Audit Committee has assessed and is satisfied with the competence and independence of the external Auditors and had recommended the re-appointment of the external Auditors to the Board which the Board had accepted the Audit Committee's recommendation and thereafter to be tabled for the shareholders' approval at the upcoming Annual General Meeting.

The amount of audit fees and non-audit fees paid or payable to the external Auditors for the financial year ended 31 December 2016 were as follows:

Fee incurred	Audit Fee (RM)	Non-Audit Fee (RM)
The Company	57,000	9,000
The Group	153,000	18,000

The non-audit services rendered include review of quarterly financial statements of the Company and review of the statement on risk management and internal control.

PRINCIPLE 6 – RECOGNISE AND MANAGE RISKS OF THE GROUP

The Board had established an Enterprise Risk Management framework to identify, evaluate, control, report and monitor significant risks faced by the Group. Such a framework also includes pertinent risk management policies and guidelines to provide structured guidance to personnel across the Group in addressing risk management. The risk appetite of the Group is articulated via the use of risk parameters in the framework, covering financial and non-financial metrics, to assess the likelihood of risks occurring and the impact thereof should the risks crystallise. Internal controls deployed by Management are linked to, and mitigate, the business risks identified.

CORPORATE GOVERNANCE STATEMENT

cont'd

PRINCIPLE 6 – RECOGNISE AND MANAGE RISKS OF THE GROUP *cont'd*

The internal audit function of the Group is outsourced to an independent professional firm, whose work is performed in accordance with the International Professional Practices Framework of the Institute of Internal Auditors, Inc, which sets out professional standards on internal audit. It undertakes regular reviews of the adequacy and integrity of the Group's system of internal controls, as well as appropriateness and effectiveness of the corporate governance practices. The internal audit function reports directly to the Audit Committee.

Further details of the Enterprise Risk Management framework and the system of internal control of the Group are set out in the Statement on Risk Management and Internal Control in this Annual Report.

PRINCIPLE 7 – ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

The Board has established pertinent Corporate Disclosure Policy and Procedures in line with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. Such policy and procedures are aimed to streamline comprehensive, accurate and timely disclosures relating to the Company and its subsidiaries to be made to the regulators, shareholders and stakeholders.

The Company's website has a section dedicated to shareholders under Investor Relations where shareholders can check on the latest announcements of the Company, press release, media news, share and warrant prices and also to contact the designated person on investor relations matters. The shareholders are also encouraged to subscribe for any news alert of the Company.

7.1 Supply of Information

The Board has complete and unimpeded access to information relating to the Group in discharging their duties.

All Directors regularly receive comprehensive management reports or periodic updates on the Group operations and financial reports, for their perusal and monitoring of the Group business and operation. The Chairman of the respective Board Committees would report to the Board at Board meetings, of any pertinent matters for information or decision making and/or reports would be appended to the agenda of the Board meetings for Directors' notation.

For the purpose of informed decision making by the Board, Board papers on proposal together with supporting documents are attached to Directors' Circular Resolutions.

All Directors have unrestricted access to the management staff, to seek explanation or clarification on any operational issues in relation to the Group. The Directors and the Board Committees members have the right to seek independent professional advice from external experts and/or advisors in discharging their duties, at the expense of the Company.

All Directors and the Board Committees members also have unrestricted access to the advice and services of the Company Secretaries in the discharge of their duties. The Directors are regularly updated by the Company Secretaries of new statutory and regulatory requirements.

7.2 Company Secretary

The Company Secretary is a qualified chartered secretary from the prescribed body.

The Board is assisted by Company Secretaries whose appointment or removal is determined by the Board.

CORPORATE GOVERNANCE STATEMENT

cont'd

PRINCIPLE 7 – ENSURE TIMELY AND HIGH QUALITY DISCLOSURE *cont'd*

7.2 Company Secretary *cont'd*

The Company Secretaries carry out the instructions of the Board and Board Committees, advise the Board, Board Committees, individual Director and officers of the Group on relevant statutory and regulatory compliance obligation. The Company Secretaries recommend to the Company on institution of policies and procedures, to comply with relevant regulatory requirements, MCCG 2012 and legislations to promote a high standard of corporate governance.

The key roles of Company Secretaries include advisory to the Board, compliance officer, issuing notice and agenda of meeting together with relevant papers, to the Board and Board Committees ahead of each meeting and also ensure that deliberations and discussion at meetings are accurately minuted and kept in the minutes books.

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 and answer session was held where the Chairman invited shareholders 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 show of hands and duly passed. The outcome of the AGM was announced to Bursa on the same meeting day. Going forward, the Board will adopt poll voting for all resolutions in members’ meeting pursuant to the Bursa’s Listing Requirements. The outcome of the resolution will be verified by the Independent Scrutineers. The Company will release the outcome of the resolution with the detailed results showing the number of votes cast for and against each resolution.

Communication and engagement with shareholders

The Board recognises the importance of being transparent and accountable to the Company’s investors and, as such, has various channels to maintain communication with them. The various channels 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 where shareholders can access pertinent information concerning the Group.

This Statement is issued in accordance with a resolution of the Board dated 28 February 2017.

AUDIT COMMITTEE REPORT

1. COMPOSITION

The Audit Committee (the "Committee") was established by the Board on 26 March 2010. The Committee comprises the following three (3) members of the Board, who are all Independent Non-Executive Directors:

Chairperson	: MS YAP SIOK TENG (<i>member of the Malaysian Institute of Accountants</i>)	Independent Non-Executive Director
Members	: MR LIM HO KIN	Independent Non-Executive Director
	: TN HJ ZAINAL RASHID BIN HAJI MOHD EUSOFF	Senior Independent Non-Executive Director

2. MEETINGS

There were five (5) Audit Committee meetings held during the financial year 2016. The details of attendance of Committee members are as follows:-

Name of Committee Members	Designation	Attendance
MS YAP SIOK TENG	Chairperson	5/5
MR LIM HO KIN	Member	4/5
TN HJ ZAINAL RASHID BIN HAJI MOHD EUSOFF	Member	5/5

3. ROLE OF THE AUDIT COMMITTEE

The Audit Committee has been entrusted by the Board with the following responsibilities that encompass overseeing the financial reporting process and the audit processes:

- to review the Group's quarterly financial statements;
- to assess the Group's internal control system;
- to review the independence of the Group's internal and external auditors and the processes adopted by the auditors;
- to review the Recurrent Related Party Transactions to ensure they are not detrimental to the minority; and
- to review the Company's compliance of accounting system.

AUDIT COMMITTEE REPORT

cont'd

4. SUMMARY OF ACTIVITIES UNDERTAKEN BY THE AUDIT COMMITTEE DURING THE FINANCIAL YEAR

In line with the Terms of Reference of the Audit Committee, the following activities were carried out by the Audit Committee during the financial year ended 31 December 2016 in discharging its functions and duties :-

Financial Performance & Reporting

- Reviewed the unaudited quarterly financial announcements and annual financial statements of the Group prior to submission to the Board of Directors for their perusal and approval. This was to ensure compliance of the financial statements with the provisions of the Companies Act, 1965, Financial Reporting Standards, International Financial Reporting Standards and applicable Listing Requirements of Bursa Malaysia Securities Berhad.
- Reported to the Board on significant audit issues and concerns discussed during the AC meetings which have significant impact of the Group from time to time, for consideration and deliberation by the Board.
- Reviewed the Audit Committee Report and the Statement on Risk Management and Internal Control prior to submission of the same to the Board for consideration and inclusion in the Annual Report of the Company.

Oversight of External Auditors

- Discussed and reviewed the external auditors' audit planning memorandum for the financial year ended 31 December 2016 outlining their auditors' responsibilities, engagement team, background of the group, business highlights, materiality, audit risk assessment, significant risks and areas of audit focus, consideration of fraud, internal control plan and involvement of internal auditors, involvement of component auditors, timetable, engagement quality control, independence policies and procedures and audit fees.
- Deliberated on the external auditors' report at its meeting with regard to the relevant disclosures in the annual audited financial statement for financial year ended 31 December 2016.
- Reviewed the external auditors' findings arising from audits, particularly comments and response in management letters in order to be satisfied that appropriate action is being taken.
- Discussed and reviewed with the external auditors the applicability and the impact of the new accounting standards and new financial reporting regime issued by the Malaysian Accounting Standards Board.
- Dialogue session with the external auditors, without the presence of the Executive Director and management.
- Reviewed and evaluated the performance and effectiveness of the external auditors. The Audit Committee assessed the integrity, capability, professionalism and work ethics of the external auditors. The Audit Committee was satisfied with the external auditor's performance and therefore, the Audit Committee had recommended to the Board, the re-appointment of the external auditors at the Annual General Meeting.

Internal Audit

- Reviewed the Internal Audit Report for the financial year ended 31 December 2016 from Internal Auditors and assessed the internal audits' findings, recommendations together with the Management's comments.

AUDIT COMMITTEE REPORT

cont'd

4. SUMMARY OF ACTIVITIES UNDERTAKEN BY THE AUDIT COMMITTEE DURING THE FINANCIAL YEAR

cont'd

Internal Audit *cont'd*

- Reviewed and assessed Internal Auditors based on staff strength, resources, professional integrity, independence, familiarity with Group's operation as well as reputation and recommended to the Board the re-appointment of Internal Auditors.
- Reviewed the adequacy and performance of Internal Audit function and its comprehensiveness of the coverage of activities within the Group.

Related Party Transaction

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

The Audit Committee members were served with meeting agendas and relevant Board papers which were distributed before the meetings. The Company Secretary is the secretary of the Audit Committee.

The Audit Committee members have undergone relevant training during the financial year to be apprised of regulatory changes as well as to stay abreast with contemporary issues that may affect the Group. Details of the Audit Committee members' training are shown in the Company's Corporate Governance Statement included in this Annual Report.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Introduction

Paragraph 15.26 (b) of the Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa”) stipulates that a listed issuer must ensure that its board of directors makes a statement (“Risk Management and Internal Control Statement” or “Statement”) about the state of risk management internal control of the listed issuer as a group. Accordingly, the Board of Directors (the “Board”) is pleased to provide the Internal Control Statement, which outlines the nature and scope of the risk management and internal control system in the Group (comprising the Company and its subsidiaries) for the financial year ended 31 December 2016 and up to the date of approval of this Statement for inclusion in the Annual Report of the Company. For the purpose of disclosure, this Statement takes into consideration the “Statement on Risk Management and Internal Controls - Guidelines for Directors of Listed Issuers”, a publication of Bursa which provides guidance to boards of directors on the issuance of the Internal Control Statement.

The Board acknowledges its overall responsibility for the Group’s system of risk management and internal control to safeguard shareholders’ investment and the Group’s assets as well as reviewing its adequacy and integrity. The Board is mindful of the need to establish clear roles and responsibilities in discharging its fiduciary and leadership functions in line with Recommendation 1.2 of the Malaysian Code on Corporate Governance 2012 (“MCCG 2012”). Accordingly, the Board is aware that its principal responsibilities, as outlined in the Commentaries of the same Recommendation of the MCCG 2012, include, inter-alia, the following:

- identifying principal risks and ensuring the implementation of appropriate controls and mitigation measures; and
- reviewing the adequacy and integrity of the management information and internal controls system of the Company.

The Group has in place a risk management process to identify and evaluate significant risks, comprising strategic, financial and operational risks as well as a system of internal control to mitigate such risks. In view of the limitations inherent in any system of risk management and internal control, the system is designed to manage, rather than to eliminate, the risk of failure to achieve the Group’s business and corporate objectives. The system can therefore only provide reasonable, but not absolute assurance, against any material misstatement, financial loss or fraudulent practice.

Risk Management Process

The Board recognises the importance of risk management to safeguard shareholders’ investment and the Group’s assets. Accordingly, it has deployed a process to identify and evaluate significant business risks faced by the Group with a view to manage them during the financial year under review and up to the date of approval of this statement. Management is entrusted to identify such risks for onward reporting to the Board so that remedial measures may be taken to mitigate the risks as appropriate. For each risk identified, the risk management process includes assessing the likelihood of its occurrence and the impact thereof. The significant risks faced by the Group, including action plans to mitigate risks within acceptable levels, are reported by Management to the Board yearly.

The Board also had established an Enterprise Risk Management framework to identify, evaluate, control, report and monitor significant risks faced by the Group. Such a framework also includes pertinent risk management policies and guidelines to provide structured guidance to personnel across the Group in addressing risk management. The risk appetite of the Group is articulated via the use of risk parameters in the framework, covering financial and non financial metrics, to assess the likelihood of risks occurring and the impact thereof should the risks crystallise. Internal controls deployed by Management are linked to, and mitigate, the business risks identified.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

cont'd

Internal Control System

The Group has an established organisational structure with clearly defined lines of responsibilities and appropriate levels of delegation and authority. Key duties are segregated amongst different personnel for major operational functions such as sales and collections, procurement and payment, production, financial management and reporting, capital expenditure management and investments. A process of hierarchical reporting is established which provides for a documented and auditable trail of accountability.

The system of internal control entails, inter-alia, the proper delegation of duties and responsibilities from the Board to the Managing Director, Executive Directors and Senior Management (collectively, the "Management"), with specified limits of authority, in running the main operating functions of the Group. In this respect, Management essentially comprises personnel with many years of "hands-on" experience who are in a position to identify and manage business risks relevant to the Group and design appropriate internal controls to manage these risks.

Management also holds various management and operations discussion to discuss matters of concern in relation to the day-to-day activities, ageing of inventory and receivables and strategic marketing plan.

Internal Audit Function

The Group's internal audit function is outsourced to Messrs KPMG Management & Risk Consulting Sdn Bhd, an independent professional firm, which adopts the International Professional Practices Framework ("IPPF") in carrying out internal audit assignments on the Group. The IPPF includes, inter-alia, the attribute and performance standards for internal auditing promulgated by the Institute of Internal Auditors, a global professional body for internal auditors. The internal audit function, which reports directly to the Audit Committee, assists the Board in assessing the adequacy and integrity of the internal control system established by Management based on an agreed scope of work as outlined in an Internal Audit Plan tabled to, and approved by the Audit Committee. There is no restriction placed upon the scope of the Internal Audit function's work and the internal auditor is allowed full, free and unrestricted access to the records and relevant personnel of the Group.

During the financial year under review, the Audit Committee reviewed the work of the internal audit function, its observations and recommendations to ensure that it obtained the necessary level of assurance with respect to the adequacy and operating effectiveness of internal controls. The internal audit function reviewed the Group's system of internal controls and reported its observations, including Management's response and action plans thereof, directly to the Audit Committee. The internal audit function also followed up and reported to the Audit Committee the status of implementation by Management on the recommendations highlighted in its internal audit reports.

During the financial year under review, the internal audit function covered the following key processes of the Group to assess the adequacy and operating effectiveness of internal controls to address the business risks therein:

- corporate strategy and human resources;
- financial management;
- production and operations; and
- sales, marketing and delivery.

The costs incurred for the internal audit function for the financial year 2016 amounted to approximately RM70,000.

Assurance by the Executive Chairman/Group Managing Director and Executive Director, Finance on the adequacy and effectiveness of the risk management and internal control system

The Board has received assurance from the Managing Director and the Executive Director – Finance that the Group's risk management and internal control system is operating adequately and effectively, in all material aspects, for the financial year under review and up to the date of approval of this Statement for inclusion in the Annual Report.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

cont'd

Board's comments on the adequacy and effectiveness of the Group's risk management and internal control system

The Board, through its Audit Committee, has reviewed the adequacy and effectiveness of the risk management and internal control systems, and that relevant actions have been or are being taken, as the case may be, to remedy internal control weaknesses identified from the review, which was largely based on the outcome of observations raised by the internal auditors directly to the Audit Committee.

The Board is of the view that there have been no weaknesses in the system of internal control that resulted in material losses, contingencies or uncertainties that would require mention in the Company's Annual Report 2016. Management of the Group continues to take measures to strengthen the internal control environment from time to time based on recommendations of the internal audit function as well as the external auditors.

For the purpose of this Statement on Risk Management and Internal Control Statement, the associate of the Group has not been taken into account. The Group's interests in this associate are served through representation on the Board of the associate as well as through the review of management financial statements.

This statement is issued in accordance with a resolution of the Board dated 19 April 2017.

OTHER DISCLOSURE REQUIREMENTS PURSUANT TO THE LISTING REQUIREMENTS OF BURSA SECURITIES

1. UTILISATION OF PROCEEDS FROM CORPORATE EXERCISE

The details of the utilization of proceeds raised from its IPO as at 31 December 2016 are as follows:-

Details of the utilization of IPO proceeds	Proposed Utilization of IPO Proceeds (RM'000)	Actual Utilization of IPO Proceeds (RM'000)	Balance of Unutilized IPO Process (RM'000)	Initial Timeframe For Utilization of IPO Proceeds From Date of Listing (i.e. 19 January 2011)	1st Extension of Timeframe for Utilization of IPO Proceeds	2nd Extension of Timeframe for Utilization of IPO proceeds from date of listing	3rd Extension of Timeframe for Utilization of IPO proceeds from date of listing	4th Extension of Timeframe for Utilization of IPO proceeds from date of listing	5th Extension of Timeframe for Utilization of IPO proceeds from date of listing	6th Extension of Timeframe for Utilization of IPO Proceeds from the date of listing
a) Business Expansion and Capital Expenditures	3,310	(251)	3,059	Within 12 months (i.e. until 18 January 2012)	Within 24 months (i.e. until 18 January 2013)	Within 36 months (i.e. until 18 January 2014)	Within 48 months (i.e. until 18 January 2015)	Within 60 months (i.e. until 18 January 2016)	Within 72 months (i.e. until 18 January 2017)	within 84 months (i.e. until 18 January 2018)
b) Working Capital	6,260	6,260	-	-	-	-	-	-	-	-
c) Listing Expenses	1,900	1,900	-	Fully utilized. The balance RM77,000 was transferred to working capital.	-	-	-	-	-	-
Total	11,470	7,909	3,059							

2. MATERIAL CONTRACTS INVOLVING DIRECTORS, CHIEF EXECUTIVE OR MAJOR SHAREHOLDERS' INTEREST

There were no contracts relating to loan and material contracts of the Company and its subsidiaries involving the Directors and major shareholders interests during the financial year or since the end of the previous financial year.

3. NON-AUDIT FEES

A non-audit fee of RM18,000 paid to external auditor for the financial year ended 31 December 2016.

4. CORPORATE SOCIAL RESPONSIBILITY ("CSR")

The Company has improved workplace environment and commitment to staff training.

The Company donates to the schools in needs to help in the educational activities such as maintaining free tutorial class to the students of examination year.

The Company provides worker accommodation with hygienic living environment and accessible to basic utility.

OTHER DISCLOSURE REQUIREMENTS PURSUANT TO THE LISTING REQUIREMENTS OF BURSA SECURITIES

cont'd

5. RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE AND TRADING NATURE (“RRPT”)

The recurrent related party transaction of the Company during the year amounted to RM1,490,803 with details as stated in Note 27(b) of the financial statements.

The names of the related parties involved and their relationship with the Company are detailed in Section 2.2.1 of the Circular to Shareholders dated 28 April 2017.

DIRECTORS' REPORT

DIRECTORS' REPORT

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

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding.

The principal activities of the subsidiaries and its associate are set out in Notes 10 and 11 to the financial statements.

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

RESULTS

	Group RM	Company RM
Profit net of tax	4,039,805	290,817
Profit attributable to:		
Owners of the parent	3,807,394	290,817
Non-controlling interest	232,411	-
	4,039,805	290,817

DIVIDENDS

Since the end of the previous financial year, the Company paid a first and final single-tier dividend of 0.8 sen per share on 96,000,000 ordinary shares amounting to RM768,000 on 15 June 2016 in respect of the financial year ended 31 December 2015 as reported in the directors' report of that financial year.

The directors proposed a final single-tier dividend of 1.5 sen per share on 96,000,000 ordinary shares amounting to RM1,440,000 in respect of the financial year ended 31 December 2016 subject to shareholders' approval at the forthcoming Annual General Meeting. The financial statements for the current financial year do not reflect the first and final dividend. Such dividend will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2017.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than those disclosed in the financial statements.

DIRECTORS' REPORT

cont'd

BAD AND DOUBTFUL DEBTS

Before the statements of profit or loss and other comprehensive income and statements of financial position of the Group and of the Company were made out, the directors took reasonable steps 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 have satisfied themselves that there were no known bad debts and that adequate provision had been made for doubtful debts.

At the date of this report, the directors are not aware of any circumstances which would render it necessary to write off any bad debts or render the amount of provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent.

CURRENT ASSETS

Before the statements of profit or loss and other comprehensive income and statements of financial position of the Group and of the Company were made out, the directors took reasonable steps 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 had 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 which would render the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

VALUATION METHODS

At the date of this report, the directors are not aware of any circumstances 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.

CONTINGENT AND OTHER LIABILITIES

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

- (i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
- (ii) any contingent liability in respect of the Group or of the Company which has arisen since the end of the financial year.

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

CHANGE OF CIRCUMSTANCES

At the date of this report, the directors are not aware of any circumstances, not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

DIRECTORS' REPORT

cont'd

ITEMS OF MATERIAL AND UNUSUAL NATURE

In the opinion of the directors:

- (i) the results of the operations of the Group and of the Company for the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and
- (ii) 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 the operations of the Group and of the Company for the financial year in which this report was made.

ISSUE OF SHARES

During the financial year, no new issue of shares was made by the Company.

DIRECTORS OF THE COMPANY

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

KOH SENG KAR @ KOH HAI SEW
 KOH SENG LEE
 TSEN KET SHUNG @ KON SHUNG
 ZAINAL RASHID BIN HAJI MOHD EUSOFF
 LIM HO KIN
 YAP SIOK TENG

DIRECTORS' INTERESTS

According to the register of directors' shareholdings required to be kept by the Company under Section 134 of the Companies Act, 1965 in Malaysia, the interests of directors in office at the end of the financial year in shares in the Company during the financial year were as follows:-

(a) Shareholdings in the Company

	Number of Ordinary Shares of RM0.50 Each			
	At 1.1.2016	Bought	Sold	At 31.12.2016
Koh Seng Kar @ Koh Hai Sew	36,960,000	-	-	36,960,000
Koh Seng Lee	15,840,000	-	-	15,840,000
Tsen Ket Shung @ Kon Shung	714,400	-	-	714,400
Zainal Rashid Bin Haji Mohd Eusoff	100,000	-	-	100,000
Lim Ho Kin	60,000	-	-	60,000
Yap Siok Teng	50,000	-	-	50,000

DIRECTORS' REPORT

cont'd

DIRECTORS' INTERESTS *cont'd*

(b) Shareholdings in non-wholly owned subsidiaries

(i) KSG Engineering Sdn. Bhd.

	Number of Ordinary Shares of RM1.00 Each			
	At 1.1.2016	Bought	Sold	At 31.12.2016
Indirect interest				
Koh Seng Kar @ Koh Hai Sew	375,000	-	-	375,000

(ii) Koseng Sdn. Bhd.

	Number of Ordinary Shares of RM1.00 Each			
	At 1.1.2016	Bought	Sold	At 31.12.2016
Indirect interest				
Koh Seng Kar @ Koh Hai Sew	750,000	-	-	750,000

Koh Seng Kar @ Koh Hai Sew and Koh Seng Lee, by virtue of their interest in shares in the Company and pursuant to Section 6A of the Companies Act, 1965 in Malaysia, are also deemed interested in shares in the Company's subsidiaries to the extent the Company has an interest.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director of the Company has received or become entitled to receive any benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors of the Company as disclosed in 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.

Neither during nor at the end of the financial year, was the Company a party to any arrangement whose object is to enable the directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

SIGNIFICANT EVENT SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

Detail of significant event subsequent to the end of the financial year is disclosed in Note 33 to the financial statements.

DIRECTORS' REPORT

cont'd

AUDITORS

Messrs. Baker Tilly Monteiro Heng have indicated their willingness to accept appointment as auditors of the Company in place of the retiring auditors, Messrs. Baker Tilly AC.

This report was approved and signed on behalf of the Board of Directors in accordance with a resolution of the directors:

KOH SENG KAR @ KOH HAI SEW

KOH SENG LEE

Date: 19 April 2017

STATEMENT BY DIRECTORS

We, Koh Seng Kar @ Koh Hai Sew and Koh Seng Lee, being two of the directors of K. SENG SENG CORPORATION BERHAD, do hereby state that, in the opinion of the directors, the accompanying financial statements as set out on pages 47 to 106, are drawn up in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2016 and of their financial performance and cash flows for the financial year then ended.

The supplementary information set out on page 107 has been prepared in accordance with the 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 Requirement*, as issued by the Malaysian Institute of Accountants and presented based on the format as prescribed by Bursa Malaysia Securities Berhad.

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

.....
KOH SENG KAR @ KOH HAI SEW

.....
KOH SENG LEE

Date: 19 April 2017

STATUTORY DECLARATION PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT, 1965

I, Tsen Ket Shung @ Kon Shung, being the director primarily responsible for the financial management of K. SENG SENG CORPORATION BERHAD, do solemnly and sincerely declare that the financial statements as set out on pages 47 to 106 and the supplementary information set out on page 107 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

.....
TSEN KET SHUNG @ KON SHUNG

Subscribed and solemnly declared by the above named at Kuala Lumpur in the Federal Territory on 19 April 2017.

Before me,

YM TENGKU FARIDDUDIN BIN TENGKU SULAIMAN (NO. W533)
Commissioner for Oaths

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF K. SENG SENG CORPORATION BERHAD

(Incorporated In Malaysia)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of K. Seng Seng Corporation Berhad, which comprise the statements of financial position as at 31 December 2016 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 47 to 106.

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

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Inventories (Note 14 to the financial statements)

The Group's inventories are measure at the lower of cost or net realisable value. Judgement is required in estimating their net realisable values and identifying slow-moving inventories.

Our audit response:

Our audit procedures included, among others:

- evaluating the design and implementation of controls associated with monitoring, detection and write down of slow-moving inventories;
- attending year end physical inventory count to observe physical existence and condition of the inventories and reviews the design and implementation of controls during the count; and
- reviewing subsequent sales and evaluating Group's assessment on estimated net realisable value on selected samples of inventory items.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF K. SENG SENG CORPORATION BERHAD

(Incorporated In Malaysia)
cont'd

Report on the Audit of the Financial Statements *cont'd*

Key Audit Matters *cont'd*

Trade receivables (Note 15 to the financial statements)

We focused on this area because the Group made subjective judgements over both the events or changes in circumstances indicating that trade receivables are impaired and the estimation of the size of any such impairment. The trade receivables are monitored individually by the Group and therefore the impairment is assessed based on knowledge of each individual receivable.

Our audit response:

Our audit procedures included, among others:

- evaluating the design and implementation of controls associated with monitoring and impairment assessment of receivables that were either in default or significantly overdue;
- understanding of significant credit exposures which were significantly overdue or deemed to be in default through analysis of ageing reports and other collection reports prepared by the Group;
- obtaining confirmation of balances from selected samples of receivables;
- reviewing subsequent receipts, customer correspondence, and explanation on recoverability of significantly past due balances; and
- assessing the reasonableness of impairment charges for the identified credit exposures.

Information Other than the Financial Statements and Auditors' Report Thereon

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

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

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

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

Responsibilities of the Directors for the Financial Statements

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

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF K. SENG SENG CORPORATION BERHAD

(Incorporated In Malaysia)
cont'd

Responsibilities of the Directors for the Financial Statements *cont'd*

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

The directors of the Company are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF K. SENG SENG CORPORATION BERHAD

(Incorporated In Malaysia)
cont'd

Auditors' Responsibilities for the Audit of the Financial Statements *cont'd*

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

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

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

Report on Other Legal and Regulatory Requirements

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

- (a) In our opinion, the accounting and other records and the registers required by the Companies Act 1965 in Malaysia to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Companies Act 1965 in Malaysia.
- (b) We have considered the accounts and the auditors' report of the subsidiary of which we have not acted as auditors, which are indicated in Note 10 to the financial statements, being accounts that have been included in the consolidated accounts.
- (c) 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.
- (d) The auditors' reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Companies Act 1965 in Malaysia.

Other Reporting Responsibilities

The supplementary information set out on page 107 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.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF K. SENG SENG CORPORATION BERHAD
(Incorporated In Malaysia)
cont'd

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 contents of this report.

Baker Tilly AC
No. AF 001826
Chartered Accountants

Ng Boon Hiang
No. 2916/03/18(J)
Chartered Accountant

Kuala Lumpur

Date: 19 April 2017

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Note	Group		Company	
		2016 RM	2015 RM	2016 RM	2015 RM
Revenue	4	102,176,423	96,962,680	3,238,300	3,956,520
Cost of sales		(82,722,436)	(81,430,431)	-	-
Gross profit		19,453,987	15,532,249	3,238,300	3,956,520
Other income		535,613	749,251	1,335,020	1,160,768
Selling and distribution costs		(2,566,244)	(2,423,943)	(136,310)	(10,939)
Administrative costs		(8,373,390)	(7,455,070)	(2,678,863)	(2,532,241)
Other costs		(2,704,792)	(2,527,406)	(361,562)	(339,359)
		(13,644,426)	(12,406,419)	(3,176,735)	(2,882,539)
Profit from operations		6,345,174	3,875,081	1,396,585	2,234,749
Finance costs		(1,301,497)	(1,264,849)	(973,990)	-
Share of results of an associate		348,972	275,607	-	-
Profit before tax	5	5,392,649	2,885,839	422,595	2,234,749
Income tax expense	7	(1,352,844)	(711,870)	(131,778)	(370,176)
Profit net of tax, representing total comprehensive income for the financial year		4,039,805	2,173,969	290,817	1,864,573
Total comprehensive income attributable to:					
Owners of the parent		3,807,394	1,886,546	290,817	1,864,573
Non-controlling interest		232,411	287,423	-	-
		4,039,805	2,173,969	290,817	1,864,573
Earnings per share attributable to owners of the parent (sen per share)					
Basic	8	3.97	1.97		
Diluted	8	3.97	1.97		

The annexed notes form an integral part of, and should be read in conjunction with, these financial statements.

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2016

	Note	Group		Company	
		2016 RM	2015 RM	2016 RM	2015 RM
ASSETS					
Non-current assets					
Property, plant and equipment	9	11,564,411	12,199,169	6,581,242	6,702,631
Investments in subsidiaries	10	-	-	32,975,004	32,975,004
Investment in an associate	11	3,954,749	3,605,777	820,000	820,000
Deferred tax assets	13	402,600	721,950	-	-
		15,921,760	16,526,896	40,376,246	40,497,635
Current assets					
Inventories	14	50,721,028	43,206,298	-	-
Trade receivables	15	44,652,696	39,943,833	-	-
Other receivables, deposits and prepayments	16	1,866,667	1,581,479	166,313	178,663
Amounts due from subsidiaries	17	-	-	26,666,153	23,051,611
Tax recoverable		1,517,197	933,773	181,529	-
Deposits, cash and bank balances	18	12,430,417	5,045,999	4,233,114	1,016,845
		111,188,005	90,711,382	31,247,109	24,247,119
TOTAL ASSETS		127,109,765	107,238,278	71,623,355	64,744,754

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2016
cont'd

	Note	Group		Company	
		2016 RM	2015 RM	2016 RM	2015 RM
EQUITY AND LIABILITIES					
Share capital	19	48,000,000	48,000,000	48,000,000	48,000,000
Share premium	20	514,639	514,639	514,639	514,639
Retained earnings	21	27,751,070	24,711,676	1,417,535	1,894,718
Equity attributable to owners of the parent		76,265,709	73,226,315	49,932,174	50,409,357
Non-controlling interest		1,732,147	1,499,736	-	-
Total equity		77,997,856	74,726,051	49,932,174	50,409,357
Liabilities					
Non-current liabilities					
Bank borrowings	22	1,499,001	1,393,789	-	-
Deferred tax liabilities	13	145,865	189,647	121,840	120,827
		1,644,866	1,583,436	121,840	120,827
Current liabilities					
Trade payables	24	9,939,640	6,120,012	-	-
Other payables and accruals	25	6,498,090	4,010,383	1,156,889	1,111,819
Downpayment from customers		7,598,299	2,057,270	-	-
Bank borrowings	22	23,342,842	18,741,126	-	-
Amounts due to subsidiaries	17	-	-	20,412,452	13,011,438
Tax payable		88,172	-	-	91,313
		47,467,043	30,928,791	21,569,341	14,214,570
Total liabilities		49,111,909	32,512,227	21,691,181	14,335,397
TOTAL EQUITY AND LIABILITIES		127,109,765	107,238,278	71,623,355	64,744,754

The annexed notes form an integral part of, and should be read in conjunction with, these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

Group	Note	← Attributable to Owners of the Parent →			Total RM	Non- controlling Interest RM	Total Equity RM
		Share Capital RM	Share Premium RM	Distributable Retained Earnings RM			
At 1 January 2015		48,000,000	514,639	24,745,130	73,259,769	1,212,313	74,472,082
Profit net of tax, representing total comprehensive income for the financial year		-	-	1,886,546	1,886,546	287,423	2,173,969
Transactions with owners							
Dividend on ordinary shares	26	-	-	(1,920,000)	(1,920,000)	-	(1,920,000)
At 31 December 2015/ January 2016		48,000,000	514,639	24,711,676	73,226,315	1,499,736	74,726,051
Profit net of tax, representing total comprehensive income for the financial year		-	-	3,807,394	3,807,394	232,411	4,039,805
Transactions with owners							
Dividend on ordinary shares	26	-	-	(768,000)	(768,000)	-	(768,000)
At 31 December 2016		48,000,000	514,639	27,751,070	76,265,709	1,732,147	77,997,856

The annexed notes form an integral part of, and should be read in conjunction with, these financial statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Note	Share Capital RM	Share Premium RM	Distributable Retained Earnings RM	Total Equity RM
Company					
At 1 January 2015		48,000,000	514,639	1,950,145	50,464,784
Profit net of tax, representing total comprehensive income for the financial year		-	-	1,864,573	1,864,573
Transactions with owners					
Dividend on ordinary shares	26	-	-	(1,920,000)	(1,920,000)
At 31 December 2015/1 January 2016		48,000,000	514,639	1,894,718	50,409,357
Profit net of tax, representing total comprehensive income for the financial year		-	-	290,817	290,817
Transactions with owners					
Dividend on ordinary shares	26	-	-	(768,000)	(768,000)
At 31 December 2016		48,000,000	514,639	1,417,535	49,932,174

The annexed notes form an integral part of, and should be read in conjunction with, these financial statements.

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Note	Group		Company	
		2016 RM	2015 RM	2016 RM	2015 RM
Cash Flows from Operating Activities					
Profit before tax		5,392,649	2,885,839	422,595	2,234,749
Adjustments for:					
Depreciation of property, plant and equipment		1,869,080	1,837,889	135,677	131,446
Dividend income		-	-	-	(900,000)
Impairment loss on goodwill		-	140,455	-	-
Impairment loss on trade receivables		281,827	41,951	-	-
Interest expense		1,301,497	1,264,849	-	-
Loss/(Gain) on disposal of property, plant and equipment		2,200	(62,888)	-	-
Interest income		(306,757)	(585,301)	(1,335,020)	(1,160,768)
Reversal of impairment loss on trade receivables		(4,059)	(15,787)	-	-
Share of results of an associate		(348,972)	(275,607)	-	-
Unrealised gain on foreign exchange		(152,554)	-	-	-
Operating profit/(loss) before working capital changes		8,034,911	5,231,400	(776,748)	305,427
Change in working capital:					
(Increase)/Decrease in inventories		(7,514,730)	1,480,390	-	-
(Increase)/Decrease in receivables		(5,609,554)	(7,587,411)	163,550	(705,652)
Increase in payables		6,359,326	1,358,498	45,070	221,797
Downpayment from customers		6,176,640	2,057,270	-	-
Cash generated from/(used in) operations		7,446,593	2,540,147	(568,128)	(178,428)
Tax paid		(1,655,133)	(1,900,387)	(403,607)	(365,522)
Tax refunded		82,604	30,000	-	-
Interest received		117,457	174,369	1,335,020	1,160,768
Dividend received		-	-	-	900,000
Net cash from operating activities, balance carried down		5,991,521	844,129	363,285	1,516,818

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
cont'd

	Note	Group		Company	
		2016 RM	2015 RM	2016 RM	2015 RM
Balance brought down		5,991,521	844,129	363,285	1,516,818
Cash Flows from Investing Activities					
(Advances to)/Repayment from subsidiaries		-	-	(3,765,742)	2,884,843
Proceeds from disposal of property, plant and equipment		5,000	63,715	-	-
Purchase of property, plant and equipment	9	(365,535)	(435,814)	(14,288)	-
Net cash (used in)/from investing activities		(360,535)	(372,099)	(3,780,030)	2,884,843
Cash Flows from Financing Activities					
Net proceed/(repayment) of bankers' acceptances and trust receipts		4,854,815	(1,859,465)	-	-
Payment of finance lease		(1,023,874)	(1,118,321)	-	-
Advances from/(Repayment to) subsidiaries		-	-	7,401,014	(6,096,959)
Dividend paid		(768,000)	(1,920,000)	(768,000)	(1,920,000)
Interest paid		(1,309,509)	(1,333,186)	-	-
Net cash from/(used in) financing activities		1,753,432	(6,230,972)	6,633,014	(8,016,959)
Net increase/(decrease) in cash and cash equivalents		7,384,418	(5,758,942)	3,216,269	(3,615,298)
Cash and cash equivalents at beginning of the financial year		5,045,999	10,804,941	1,016,845	4,632,143
Cash and cash equivalents at end of the financial year	18	12,430,417	5,045,999	4,233,114	1,016,845

The annexed notes form an integral part of, and should be read in conjunction with, these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

1. CORPORATE INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia, 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.

The principal place of business of the Company is located at Lot 3707, Jalan 7/5, Taman Industri Selesa Jaya, 43300 Balakong, Selangor Darul Ehsan.

The principal activity of the Company is investment holding. The principal activities of the subsidiaries and its associate are set out in Notes 10 and 11. There have been no significant changes in the nature of these activities during the financial year.

The financial statements were authorised for issue in accordance with a Board of Directors' resolution dated 19 April 2017.

2. BASIS OF PREPARATION

(a) Statement of Compliance

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

The preparation of financial statements in conformity with MFRSs requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of the revenue and expenses during the reported period. It also requires Directors to exercise their judgement in the process of applying the Group's and the Company's accounting policies. Although these estimates and judgement are based on the Directors' best knowledge of current events and actions, actual results may differ.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 2(e).

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016
cont'd

2. BASIS OF PREPARATION *cont'd*

(b) New MFRSs, Amendments/Improvements to MFRSs and new IC Interpretation ("IC Int")

(i) *Adoption of Amendments/Improvements to MFRSs*

The Group and the Company have adopted the following amendments/improvements to MFRSs that are mandatory for the current financial year:-

Amendments/Improvements to MFRSs

MFRS 5	Non-current Assets Held for Sale and Discontinued Operations
MFRS 7	Financial Instruments: Disclosures
MFRS 10	Consolidated Financial Statements
MFRS 11	Joint Arrangements
MFRS 12	Disclosure of Interests in Other Entities
MFRS 101	Presentation of Financial Statements
MFRS 116	Property, Plant and Equipment
MFRS 119	Employee Benefits
MFRS 127	Separate financial statements
MFRS 128	Investment in Associates and Joint Ventures
MFRS 138	Intangible Assets
MFRS 141	Agriculture

The adoption of the above amendments/improvements to MFRSs did not have any significant effect on the financial statements of the Group and of the Company and did not result in significant changes to the Group's and the Company's existing accounting policies.

(ii) *New MFRSs, Amendments/Improvements to MFRSs and new IC Interpretation ("IC Int") that have been issued, but yet to be effective*

The Group and the Company have not adopted the following new MFRSs, amendments/improvements to MFRSs and new IC Int that have been issued, but yet to be effective:

		Effective for financial periods beginning on or after
<u>New MFRSs</u>		
MFRS 9	Financial Instruments	1 January 2018
MFRS 15	Revenue from Contracts with Customers	1 January 2018
MFRS 16	Leases	1 January 2019
<u>Amendments/Improvements to MFRSs</u>		
MFRS 1	First-time adoption of MFRSs	1 January 2018
MFRS 2	Share-based Payment	1 January 2018
MFRS 4	Insurance Contracts	1 January 2018

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

cont'd

2. BASIS OF PREPARATION *cont'd*

(b) New MFRSs, Amendments/Improvements to MFRSs and new IC Interpretation ("IC Int") *cont'd*

(ii) New MFRSs, Amendments/Improvements to MFRSs and new IC Interpretation ("IC Int") that have been issued, but yet to be effective *cont'd*

		Effective for financial periods beginning on or after
<u>Amendments/Improvements to MFRSs</u> <i>cont'd</i>		
MFRS 10	Consolidated Financial Statements	Deferred
MFRS 12	Disclosure of Interests in Other Entities	1 January 2017
MFRS 107	Statement of Cash Flows	1 January 2017
MFRS 112	Income Taxes	1 January 2017
MFRS 128	Investments in associates and Joint Ventures	1 January 2018/ Deferred
MFRS 140	Investment Property	1 January 2018
<u>New IC Int</u>		
IC Int 22	Foreign Currency Transactions and Advance Consideration	1 January 2018

A brief discussion on the above significant new MFRSs, amendments/improvements to MFRSs and new IC Int are summarised below. Due to the complexity of these new MFRSs, amendments/improvements to MFRSs and new IC Int, the financial effects of their adoption are currently still being assessed by the Group and the Company.

MFRS 9 Financial Instruments

Key requirements of MFRS 9:-

- MFRS 9 introduces an approach for classification of financial assets which is driven by cash flow characteristics and the business model in which an asset is held. The new model also results in a single impairment model being applied to all financial instruments.

In essence, if a financial asset is a simple debt instrument and the objective of the entity's business model within which it is held is to collect its contractual cash flows, the financial asset is measured at amortised cost. In contrast, if that asset is held in a business model the objective of which is achieved by both collecting contractual cash flows and selling financial assets, then the financial asset is measured at fair value in the statements of financial position, and amortised cost information is provided through profit or loss. If the business model is neither of these, then fair value information is increasingly important, so it is provided both in the profit or loss and in the statements of financial position.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

cont'd

2. BASIS OF PREPARATION *cont'd*

(b) New MFRSs, Amendments/Improvements to MFRSs and new IC Interpretation ("IC Int") *cont'd*

(ii) ***New MFRSs, Amendments/Improvements to MFRSs and new IC Interpretation ("IC Int") that have been issued, but yet to be effective*** *cont'd*

MFRS 9 Financial Instruments *cont'd*

Key requirements of MFRS 9:- *cont'd*

- MFRS 9 introduces a new, expected-loss impairment model that will require more timely recognition of expected credit losses. Specifically, this Standard requires entities to account for expected credit losses from when financial instruments are first recognised and to recognise full lifetime expected losses on a more timely basis. The model requires an entity to recognise expected credit losses at all times and to update the amount of expected credit losses recognised at each reporting date to reflect changes in the credit risk of financial instruments. This model eliminates the threshold for the recognition of expected credit losses, so that it is no longer necessary for a trigger event to have occurred before credit losses are recognised.
- MFRS 9 introduces a substantially-reformed model for hedge accounting, with enhanced disclosures about risk management activity. The new model represents a significant overhaul of hedge accounting that aligns the accounting treatment with risk management activities, enabling entities to better reflect these activities in their financial statements. In addition, as a result of these changes, users of the financial statements will be provided with better information about risk management and the effect of hedge accounting on the financial statements.

MFRS 15 Revenue from Contracts with Customers

The core principle of MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

An entity recognises revenue in accordance with the core principle by applying the following steps:

- (i) identify the contracts with a customer;
- (ii) identify the performance obligation in the contract;
- (iii) determine the transaction price;
- (iv) allocate the transaction price to the performance obligations in the contract; and
- (v) recognise revenue when (or as) the entity satisfies a performance obligation.

MFRS 15 also includes new disclosures that would result in an entity providing users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows from contracts with customers.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

cont'd

2. BASIS OF PREPARATION *cont'd*

(b) New MFRSs, Amendments/Improvements to MFRSs and new IC Interpretation ("IC Int") *cont'd*

(ii) *New MFRSs, Amendments/Improvements to MFRSs and new IC Interpretation ("IC Int") that have been issued, but yet to be effective cont'd*

MFRS 15 Revenue from Contracts with Customers *cont'd*

The following MFRSs and IC Interpretations will be withdrawn on the application of MFRS 15:

MFRS 111	Construction Contracts
MFRS 118	Revenue
IC Interpretation 13	Customer Loyalty Programmes
IC Interpretation 15	Agreements for the Construction of Real Estate
IC Interpretation 18	Transfers of Assets from Customers
IC Interpretation 131	Revenue – Barter Transactions Involving Advertising Services

MFRS 16 Leases

Currently under MFRS 117 Leases, leases are classified either as finance leases or operating leases. A lessee recognises on its statement of financial position assets and liabilities arising from the finance leases.

MFRS 16 eliminates the distinction between finance and operating leases for lessees. All leases will be brought onto its statement of financial position except for short-term and low value asset leases.

Amendments to MFRS 107 Statement of Cash Flows

Amendments to MFRS 107 require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including changes from cash flows and non-cash changes. The disclosure requirement could be satisfied in various ways, and one method is by providing reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities.

Amendments to MFRS 112 Income Taxes

Amendments to MFRS 112 clarify that decreases in value of debt instrument measured at fair value for which the tax base remains at its original cost give rise to a deductible temporary difference. The estimate of probable future taxable profits may include recovery of some of an entity's assets for more than their carrying amounts if sufficient evidence exists that it is probable the entity will achieve this.

The amendments also clarify that deductible temporary differences should be compared with the entity's future taxable profits excluding tax deductions resulting from the reversal of those deductible temporary differences when an entity evaluates whether it has sufficient future taxable profits. In addition, when an entity assesses whether taxable profits will be available, it should consider tax law restrictions with regards to the utilisation of the deduction.

Amendments to MFRS 128 Investment in Associates and Joint Ventures

Amendments to MFRS 128 clarify that an entity, which is a venture capital organisation, or a mutual fund, unit trust or similar entities, has an investment-by-investment choice to measure its investment in associates or joint ventures at fair value through profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

cont'd

2. BASIS OF PREPARATION *cont'd*

(b) New MFRSs, Amendments/Improvements to MFRSs and new IC Interpretation ("IC Int") *cont'd*

(ii) *New MFRSs, Amendments/Improvements to MFRSs and new IC Interpretation ("IC Int") that have been issued, but yet to be effective cont'd*

Amendments to MFRS 10 Consolidated Financial Statements and MFRS 128 Investments in Associates and Joint Ventures

These Amendments address an acknowledged inconsistency between the requirements in MFRS 10 and those in MFRS 128, in dealing with the sale or contribution of assets between an investor and its associate or joint venture.

The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business, as defined in MFRS 3. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business.

IC Int 22 Foreign Currency Transactions and Advance Consideration

IC Int 22 clarifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

(c) Basis of Measurement

The financial statements have been prepared on the historical cost basis except for those as disclosed in the significant accounting policies note.

(d) Functional and Presentation Currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is also the Group and the Company's functional currency. All financial information presented in RM has been rounded to the nearest RM, unless otherwise stated.

(e) Significant Accounting Estimates and Judgements

Significant areas of estimation and other major sources of uncertainty at the reporting date that have significant risks of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

- (i) Useful lives of property, plant and equipment (Notes 3 and 9) – The cost of property, plant and equipment is depreciated on a straight line method over the assets' useful lives. Management estimates the useful lives of these property, plant and equipment to be within 2 to 50 years. Changes in the expected level of usage could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

The Group and the Company anticipate that the residual value of its property, plant and equipment will be insignificant. As a result, residual value are not being taken into consideration for the computation of the depreciable amount.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

cont'd

2. BASIS OF PREPARATION *cont'd*

(e) Significant Accounting Estimates and Judgements *cont'd*

Significant areas of estimation and other major sources of uncertainty at the reporting date that have significant risks of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows: *cont'd*

- (ii) Deferred tax assets (Note 13) – Deferred tax assets are recognised for all deductible temporary differences based on projected future profit to the extent that it is probable that taxable profit will be available against which the deductible temporary differences in respect of expenses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based on the future financial performance of the subsidiaries.
- (iii) Impairment loss on trade receivables (Note 15) – The Group assesses at each reporting date whether there is any objective evidence that a receivable is impaired. Allowances are applied where events or changes in circumstances indicate that the balances may not be collectable. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. Where the expectation is different from the original estimate, such difference will impact the carrying amount of receivables at the reporting date.
- (iv) Income tax expense (Note 7) – Significant management judgement is required in determining the capital allowances and deductibility of certain expenses when estimating the provision for taxation. There were transactions during the ordinary course of business for which ultimate tax determination of whether additional taxes will be due is uncertain. The Group and the Company recognise liabilities for tax based on estimate of assessment of the tax liability due. When the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax in the periods in which the outcome is known.
- (v) Goodwill (Note 12) – The measurement of the recoverable amount of cash-generating units are determined based on the value-in-use method, which requires the use of cash flow projections based on financial budgets approved by management covering a 5-year period.
- (vi) Inventories (Note 14) - Inventories are stated at the lower of cost and net realisable value. Reviews are made periodically by the management on damaged and slow-moving inventories. These reviews require judgement and estimates. In determining the net realisable value of the inventories, an estimation of the recoverable amount of inventories on hand is performed by management based on the most reliable evidence available at the time the estimates are made. These estimates take into consideration the fluctuations of selling price or cost, or any inventories on hand that may not be realised, as a result of events occurring after the end of the reporting period to the extent such events confirm conditions existing at the end of the reporting period. Possible changes in these estimates could result in revisions to the valuation of inventories.

As at the end of the reporting period, the managements of the Group are of the opinion that there is no adjustment required.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

cont'd

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. The financial statements of the subsidiaries and associates used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

(i) *Subsidiaries and Business Combination*

Subsidiaries are entities (including structured entities) over which the Group is exposed, or has rights, to variable returns from its involvement with the acquirees and has the ability to affect those returns through its power over the acquirees.

The financial statements of subsidiaries are included in the consolidated financial statements from the date the Group obtains control of the acquirees until the date the Group loses control of the acquirees.

The Group applies the acquisition method to account for business combinations from the acquisition date.

For a new acquisition, goodwill is initially measured at cost, being the excess of the following:

- the fair value of the consideration transferred, calculated as the sum of the acquisition-date fair value of assets transferred (including contingent consideration), the liabilities incurred to former owners of the acquiree and the equity instruments issued by the Group. Any amounts that relate to pre-existing relationships or other arrangements before or during the negotiations for the business combination, that are not part of the exchange for the acquiree, will be excluded from the business combination accounting and be accounted for separately; plus
- the recognised amount of any non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date (the choice of measurement basis is made on an acquisition-by-acquisition basis); plus
- if the business combination is achieved in stages, the acquisition-date fair value of the previously held equity interest in the acquiree; less
- the net fair value of the identifiable assets acquired and the liabilities (including contingent liabilities) assumed at the acquisition date.

The accounting policy for goodwill is set out in Note 3(j).

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

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

If the business combination is achieved in stages, the Group remeasures the previously held equity interest in the acquiree to its acquisition-date fair value, and recognises the resulting gain or loss, if any, in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss or transferred directly to retained earnings on the same basis as would be required if the acquirer had disposed directly of the previously held equity interest.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

cont'd

3. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(a) Basis of Consolidation *cont'd*

(i) **Subsidiaries and Business Combination** *cont'd*

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurs, the Group uses provisional fair value amounts for the items for which the accounting is incomplete. The provisional amounts are adjusted to reflect new information obtained about facts and circumstances that existed as of the acquisition date, including additional assets or liabilities identified in the measurement period. The measurement period for completion of the initial accounting ends as soon as the Group receives the information it was seeking about facts and circumstances or learns that more information is not obtainable, subject to the measurement period not exceeding one year from the acquisition date.

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

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The difference between the Group's share of net assets before and after the change, and the fair value of the consideration received or paid, is recognised directly in equity.

(ii) **Non-controlling Interests**

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company and are presented separately in the consolidated statement of financial position within equity.

Losses attributable to the non-controlling interests are allocated to the non-controlling interests even if the losses exceed the non-controlling interests.

(iii) **Loss of Control**

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

(iv) **Associates**

Associates are entities over which the Group has significant influence, but not control, to the financial and operating policies.

Investment in associates are accounted for in the consolidated financial statements using the equity method.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

cont'd

3. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(a) Basis of Consolidation *cont'd*

(iv) Associates *cont'd*

Under the equity method, the investment in associates are initially recognised at cost. The cost of investment includes transaction costs. Subsequently, the carrying amount is adjusted to recognise changes in the Group's share of net assets 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 investments 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.

When the Group ceases to have significant influence over an associate, any retained interest in the former associate at the date when significant influence is lost is measured at fair value and this amount is regarded as the initial carrying amount of an available-for-sale financial asset or a held for trading financial asset. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

When the Group's interest in an associate decreases but does not result in a loss of significant influence, any retained interest is not remeasured. Any gain or loss arising from the decrease in interest is recognised in profit or loss. Any gains or losses previously recognised in other comprehensive income are also reclassified proportionately to the profit or loss if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets or liabilities.

(v) Transactions Eliminated on Consolidation

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

Unrealised gains arising from transactions with equity-accounted associates and joint ventures are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(vi) Separate Financial Statements

In the Company's statement of financial position, investment in subsidiaries and associates are measured at cost less any accumulated impairment losses, unless the investment is classified as held for sale or distribution. The policy for the recognition and measurement of impairment losses shall be applied on the same basis as would be required for impairment of non-financial assets as disclosed in Note 3(i).

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

cont'd

3. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(b) Foreign Currency

(i) **Foreign Currency Transactions**

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items denominated in foreign currencies measured at fair value are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

(c) Revenue Recognition

Revenue is recognised to the extent that is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received or receivable.

(i) **Sale of Goods and Services**

(a) Sale of Goods

Revenue from sale of goods and services is recognised upon the transfer of significant risk and rewards of ownership of the goods to the customer.

(b) Revenue from Services

Revenue from services is recognised as and when services are rendered.

(ii) **Rental Income**

Rental income is recognised on an accrual basis and time proportionate basis over the lease term.

(iii) **Interest Income**

Interest income is recognised on an accrual basis using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

cont'd

3. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(c) Revenue Recognition *cont'd*

(iv) Dividend Income

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

(v) Management Fee

Management fee is recognised as and when services are rendered.

(d) Employee Benefits

(i) Short Term Employee Benefits

Wages, salaries, social security contributions and bonuses are recognised as expenses in the 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.

(ii) Defined Contribution Plans

As required by law, companies in Malaysia make contributions to the state pension scheme, the Employees Provident Fund. Such contributions are recognised as an expense in profit or loss as incurred.

(e) Leases

(i) Finance Lease – the Group as Lessee

Assets acquired by way of finance leases where the Group assumes substantially all the benefits and risks of ownership are classified as property, plant and equipment.

Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges. The corresponding finance lease obligations, net of finance charges, are included in borrowings. The interest element of the finance charge is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Property, plant and equipment acquired under finance lease are depreciated in accordance with the depreciation policy for property, plant and equipment.

(ii) Operating Lease – the Group as Lessee

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease. The aggregate benefit of incentive provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

cont'd

3. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(e) Leases *cont'd*

(iii) **Operating Lease – the Group as Lessor**

Assets leased out under operating leases are presented on the statements of financial position according to the nature of the assets. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

(f) Borrowing Costs

Borrowing costs are capitalised as part of qualifying assets if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the assets for its intended use or sales are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale.

All other borrowings costs are recognised in profit or loss in the period in which they are incurred. Borrowing costs consist of interest and other costs that the Group incurred in connection with the borrowing of funds.

(g) Income Tax Expense

Income tax expense in profit or loss represents the aggregate amount of current and deferred tax. Current tax is the expected amount payable in respect of taxable income for the year, using tax rates enacted or substantially enacted by the reporting date, and any adjustments recognised for prior years' tax. When an item is recognised outside profit or loss, the related tax effect is recognised either in other comprehensive income or directly in equity.

Deferred tax is recognised using the liability method, on all temporary differences between the tax base of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is not recognised if the temporary difference arises from goodwill or from the initial recognition of an asset or liability in a transaction, which is not a business combination and at the time of the transaction, affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to apply in the period in which the assets are realised or the liabilities are settled, based on tax rates and tax laws that have been enacted or substantially enacted by the reporting date.

Deferred tax assets are recognised only to the extent that there are sufficient taxable temporary differences relating to the same taxable entity and the same taxation authority to offset or when it is probable that future taxable profits will be available against which the assets can be utilised.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will be available for the assets to be utilised.

Deferred tax assets relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transactions either in other comprehensive income or directly in equity and deferred tax arising from business combination is adjusted against goodwill on acquisition or the amount of any excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the acquisition cost.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

cont'd

3. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(h) Property, Plant and Equipment and Depreciation

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment is recognised as an asset of, and only if, it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

Subsequent to initial recognition, property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognises such part as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

Freehold land has an unlimited useful life and therefore is not depreciated. No depreciation is provided on capital work-in-progress and upon completion of construction, the cost will be transferred to the respective classes of property, plant and equipment. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Buildings	50 years
Electrical installation	10 years
Plant and machinery and factory equipment	5-10 years
Electrical equipment, furniture and fittings, and office equipment	5-10 years
Motor vehicles	5-10 years
Computers	2 years
Renovation	2 years

The residual value, useful life and depreciation method are reviewed at each financial year end, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in the profit or loss in the year the asset is derecognised.

(i) Impairment of Non-Financial Assets

The carrying amounts of non-financial assets other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If such an indication exists, the asset's recoverable amount is estimated. The recoverable amount is the higher of fair value less cost to sell and the value in use, which is measured by reference to discounted future cash flows and is determined on an individual asset basis, unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the cash-generating unit to which the asset belongs to. An impairment loss is recognised whenever the carrying amount of an item of asset exceeds its recoverable amount. An impairment loss is recognised as expense in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro-rata basis.

Any subsequent increase in recoverable amount of an asset, other than goodwill, due to a reversal of impairment loss is restricted to the carrying amount that would have been determined (net of accumulated depreciation, where applicable) had no impairment loss been recognised in prior years. The reversal of impairment loss is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

cont'd

3. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(j) Goodwill

Goodwill acquired in a business combination represents the difference between the purchase consideration and the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities in the subsidiaries at the date of acquisition.

Goodwill is allocated to cash generating units and is stated at cost less accumulated impairment losses, if any. Impairment test is performed annually. Goodwill is also tested for impairment when indication of impairment exists. Impairment losses recognised are not reversed in subsequent periods.

Upon the disposal of investment in subsidiary, the related goodwill will be included in the computation of gain or loss on disposal of investment in the subsidiary in profit or loss.

(k) Financial Assets

Financial assets are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

The Group and the Company determine the classification of their financial assets at initial recognition, and have categorised the financial assets in loans and receivables.

(i) Loans and Receivables

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

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.

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument, or where appropriate, a shorter period to the net carrying amount on initial recognition.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

cont'd

3. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(l) Impairment of Financial Assets

The Group and the Company assess at each reporting date whether there is any objective evidence that a financial asset is impaired.

(i) Trade and Other Receivables and Other Financial Assets Carried at Amortised Cost

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group and the Company consider factors such as the probability of insolvency or significant financial difficulties of the receivable and default or significant delay in payments. For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics. Objective evidence of impairment for a portfolio of receivables could include the Group's and the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables.

If any such evidence exists, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in profit or loss.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable becomes uncollectible, it is written off against the allowance account.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

(m) Inventories

Inventories are stated at the lower of cost and net realisable value as follows:

- Raw materials, consumables, packing materials and trading goods: purchase costs including costs incurred in bringing the inventories to their present location and condition on a weighted average cost basis.
- Finished goods and work-in-progress: includes cost of direct materials, direct labour and appropriate production overhead are assigned on a weighted average cost basis.

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

(n) Cash and Cash Equivalents

Cash and cash equivalents comprise cash at bank and cash on hand, demand deposits, and short-term highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

cont'd

3. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(o) Share Capital

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.

Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

(p) Contingencies

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future event(s) not wholly within the control of the Group.

Contingent liabilities and assets are not recognised in the statements of financial position of the Company.

(q) Financial Guarantee Contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts are recognised initially as a liability at fair value, net of transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, 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 initially recognised less cumulative amortisation.

(r) Financial Liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Financial liabilities, within the scope of MFRS 139, are recognised in the statement of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

(i) *Other financial liabilities*

The Group's and the Company's other financial liabilities include trade payables, other payables including deposits, amounts due to subsidiaries and accruals, and bank borrowings. Trade and other payables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

Bank borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the Group and the Company have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

For other financial liabilities, gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

cont'd

3. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

(r) Financial Liabilities *cont'd*

A financial liability is derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

(s) Segment Reporting

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment manager report directly to the Board of Directors of the Company who periodically review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 32, including the factors used to identify the reportable segments and the measurement basis of segment information.

(t) Fair Value Measurement

Fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

4. REVENUE

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Dividend income from subsidiaries	-	-	-	900,000
Management fee	-	-	2,289,100	2,107,320
Rental income on building	18,000	18,000	949,200	949,200
Sale of goods and services	102,158,423	96,944,680	-	-
	<u>102,176,423</u>	<u>96,962,680</u>	<u>3,238,300</u>	<u>3,956,520</u>

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

cont'd

5. PROFIT BEFORE TAX

Profit before tax is arrived at after charging/(crediting):-

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Auditors' remuneration				
- Statutory audit - current financial year	153,000	144,100	57,000	50,000
- Other services	18,000	42,000	9,000	7,000
Depreciation of property, plant and equipment	1,869,080	1,837,889	135,677	131,446
Employee benefits expense (including key management personnel)				
- Contribution to defined contribution plan	910,512	809,549	242,525	224,751
- Salaries, allowance and bonus	10,137,141	9,232,503	2,162,476	2,004,103
- Other employee benefits	342,704	338,376	10,033	18,024
Impairment loss on trade receivables	281,827	41,951	-	-
Impairment loss on goodwill	-	140,455	-	-
Interest expense				
- Banker acceptances interest	1,140,844	1,078,576	-	-
- Bank overdraft interest	23,250	26,341	-	-
- Finance lease interest	137,403	159,932	-	-
Loss/(Gain) on disposal of property, plant and equipment	2,200	(62,888)	-	-
Rental expense on buildings	668,800	668,400	-	-
Interest income				
- deposits with licensed banks	(116,107)	(164,571)	(92,142)	(106,165)
- associate	(1,350)	(9,798)	-	-
- subsidiaries	-	-	(1,242,878)	(1,054,603)
- overdue interest	(189,300)	(410,932)	-	-
Gain on foreign exchange				
- realised	(76,134)	(85,275)	-	-
- unrealised	(152,554)	-	-	-
Reversal of impairment loss on trade receivables	(4,059)	(15,787)	-	-

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016
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6. DIRECTORS' REMUNERATION

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Executive:				
- Other emoluments	1,627,245	1,548,948	1,627,245	1,548,948
- Defined contribution plan	194,208	184,824	194,208	184,824
Total executive directors' remuneration	1,821,453	1,733,772	1,821,453	1,733,772
Non-executive:				
- Fees	133,560	126,900	133,560	126,900
- Other emoluments	7,000	7,500	7,000	7,500
Total non-executive directors' remuneration	140,560	134,400	140,560	134,400
Total directors' remuneration	1,962,013	1,868,172	1,962,013	1,868,172

The estimated monetary value of benefits-in-kind received and receivable by directors of the Company from the Group and the Company amounted to RM35,133 (2015: RM32,653).

7. INCOME TAX EXPENSE

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Current tax:				
Malaysian income tax:				
Current financial year	1,053,084	930,979	140,217	375,560
Under/(Over) provision in prior financial year	24,192	(19,540)	(9,452)	(10,862)
	1,077,276	911,439	130,765	364,698
Deferred tax (Note 13):				
Origination and reversal of temporary differences	283,758	(126,868)	1,013	5,478
Over provision in prior financial year	(8,190)	(72,701)	-	-
	275,568	(199,569)	1,013	5,478
Income tax expense recognised in profit or loss	1,352,844	711,870	131,778	370,176

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

cont'd

7. INCOME TAX EXPENSE *cont'd*

The reconciliations of the tax amount at statutory income tax rate to the Group's and the Company's tax expense are as follows:-

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Profit before tax	5,392,649	2,885,839	422,595	2,234,749
Tax at the Malaysian statutory income tax rate of 24% (2015: 25%)	1,294,236	721,460	101,423	558,687
Tax effect on non-deductible expenses	139,599	151,551	39,807	47,351
Tax effect on non-taxable income	(13,241)	-	-	(225,000)
Tax effect on share of results of an associate	(83,752)	(68,900)	-	-
Under/(Over) provision in prior financial year				
- current tax	24,192	(19,540)	(9,452)	(10,862)
- deferred tax	(8,190)	(72,701)	-	-
Income tax expense recognised in profit or loss	1,352,844	711,870	131,778	370,176

The Group has estimated tax loss carry-forwards of RM412,225 (2015: RM906,800), capital allowances carry-forward of RM245,463 (2015: RM207,532) and reinvestment allowances carry-forward of RM1,316,817 (2015: RM2,374,236), available for set-off against future taxable profits.

8. EARNINGS PER SHARE

The basic earnings per share of the Group is calculated by dividing the Group's profit for the financial year attributable to ordinary equity holders of the Company of RM3,807,394 (2015: RM1,886,546) by the weighted average number of ordinary shares in issue during the financial year of 96,000,000 (2015: 96,000,000) ordinary shares of RM0.50 each.

The diluted earnings per share is equivalent to the basic earnings per share as the Company does not have any dilutive potential ordinary shares.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

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9. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land	Buildings	Electrical installation	Plant and machinery and factory equipment	Electrical equipment, furniture and fittings and office equipment	Motor vehicles	Computers	Renovation	Total
Cost									
At 1 January 2015	1,981,721	6,333,121	113,153	12,410,534	619,097	3,238,624	516,046	430,763	25,643,059
Additions	-	-	-	438,996	44,953	412,317	20,562	-	916,828
Disposals	-	-	-	-	-	(257,086)	-	-	(257,086)
At 31 December 2015/ 1 January 2016	1,981,721	6,333,121	113,153	12,849,530	664,050	3,393,855	536,608	430,763	26,302,801
Additions	-	-	-	322,025	59,449	835,653	24,395	-	1,241,522
Disposals	-	-	-	(24,000)	-	-	-	-	(24,000)
At 31 December 2016	1,981,721	6,333,121	113,153	13,147,555	723,499	4,229,508	561,003	430,763	27,520,323

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31 DECEMBER 2016

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9. PROPERTY, PLANT AND EQUIPMENT cont'd

Group	Freehold land	Buildings	Electrical installation	Plant and machinery and factory equipment	Electrical equipment, furniture and fittings and office equipment	Motor vehicles	Computers	Renovation	Total
RM	RM	RM	RM	RM	RM	RM	RM	RM	RM
At 1 January 2015	-	1,490,495	104,815	7,460,809	478,671	2,059,796	496,673	430,743	12,522,002
Charge for the financial year	-	126,662	8,307	1,126,171	65,408	482,058	29,283	-	1,837,889
Disposals	-	-	-	-	-	(256,259)	-	-	(256,259)
At 31 December 2015/ 1 January 2016	-	1,617,157	113,122	8,586,980	544,079	2,285,595	525,956	430,743	14,103,632
Charge for the financial year	-	126,662	-	1,073,241	66,792	579,920	22,465	-	1,869,080
Disposals	-	-	-	(16,800)	-	-	-	-	(16,800)
At 31 December 2016	-	1,743,819	113,122	9,643,421	610,871	2,865,515	548,421	430,743	15,955,912
Net carrying amount									
At 31 December 2015	1,981,721	4,715,964	31	4,262,550	119,971	1,108,260	10,652	20	12,199,169
At 31 December 2016	1,981,721	4,589,302	31	3,504,134	112,628	1,363,993	12,582	20	11,564,411

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9. PROPERTY, PLANT AND EQUIPMENT cont'd

Company	Freehold land	Buildings	Electrical installation	Plant and machinery and factory equipment	Electrical equipment, furniture and fittings and office equipment	Motor vehicles	Computers	Renovation	Total
	RM	RM	RM	RM	RM	RM	RM	RM	RM
Cost									
At 1 January 2015/ 31 December 2015/ 1 January 2016	1,981,721	6,333,121	29,810	255,400	110,184	-	8,800	393,217	9,112,253
Additions	-	-	-	-	4,028	4,680	5,580	-	14,288
At 31 December 2016	1,981,721	6,333,121	29,810	255,400	114,212	4,680	14,380	393,217	9,126,541
Accumulated depreciation									
At 1 January 2015	-	1,490,495	29,806	255,398	100,480	-	8,797	393,200	2,278,176
Charge for the financial year	-	126,662	-	-	4,784	-	-	-	131,446
At 31 December 2015/ 1 January 2016	-	1,617,157	29,806	255,398	105,264	-	8,797	393,200	2,409,622
Charge for the financial year	-	126,662	-	-	5,289	936	2,790	-	135,677
At 31 December 2016	-	1,743,819	29,806	255,398	110,553	936	11,587	393,200	2,545,299
Net carrying amount									
At 31 December 2015	1,981,721	4,715,964	4	2	4,920	-	3	17	6,702,631
At 31 December 2016	1,981,721	4,589,302	4	2	3,659	3,744	2,793	17	6,581,242

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9. PROPERTY, PLANT AND EQUIPMENT *cont'd*

During the financial year, the Group acquired property, plant and equipment with aggregate cost of RM1,241,522 (2015: RM916,828) which are satisfied as follows:-

	Group	
	2016	2015
	RM	RM
Cash payments	365,535	435,814
Finance lease arrangement	875,987	481,014
	<u>1,241,522</u>	<u>916,828</u>

Assets held under finance leases

Included in the property, plant and equipment of the Group are assets acquired under finance lease arrangement at the reporting date as follows:-

	Group	
	2016	2015
	RM	RM
Net carrying amount		
Plant and machinery	504,148	1,402,686
Motor vehicles	1,360,242	842,567
	<u>1,864,390</u>	<u>2,245,253</u>

Assets pledged as security

In addition to assets held under finance leases, the Group's and the Company's property, plant and equipment are pledged as security for borrowings of the Group as mentioned in Note 22 as follows:-

	Group/Company	
	2016	2015
	RM	RM
Freehold land	1,981,721	1,981,721
Buildings	4,589,302	4,715,964
	<u>6,571,023</u>	<u>6,697,685</u>

NOTES TO THE FINANCIAL STATEMENTS

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10. INVESTMENTS IN SUBSIDIARIES

	Company	
	2016 RM	2015 RM
Unquoted shares, at cost:	32,975,004	32,975,004

The details of the subsidiaries are as follows:

Name of Company	Principal Activities	Principal Place of Business/ Country of Incorporation	Proportion of Ownership Interest/Voting Rights	
			2016	2015
K. Seng Seng Industries Sdn. Bhd.	Sales of stainless steel industrial fasteners, rigging accessories and components, and trading of industrial hardware	Malaysia	100%	100%
K. Seng Seng Manufacturing Sdn. Bhd.	Manufacturing of stainless steel industrial fasteners, conveyor chain, rigging accessories and components	Malaysia	100%	100%
Three & Three Hardware Sdn. Bhd.	Processing of secondary stainless steel long products and trading of industrial hardware	Malaysia	100%	100%
PTM Steel Industry Sdn. Bhd.	Manufacturing of stainless steel tubes and pipes, and processing of secondary stainless steel flat products	Malaysia	100%	100%
K. Seng Seng Parts Sdn. Bhd.	Hiring of motor vehicles	Malaysia	100%	100%
KSG Engineering Sdn. Bhd.	Engineering works, fabrication and installation of rubber glove dipping line and trading of all kinds of bearings, motor, speed reducer, sprocket gear, belting pulley, coupling and others	Malaysia	75%	75%
Koseng Sdn. Bhd. @	Trading of all kinds of industrial and marine hardware and consumables; sale and marketing of stainless steel products namely industrial fasteners, rigging accessories and components, flat and long products, tubes and pipes and supply of construction materials, machineries and machinery related parts.	Malaysia	75%	75%

@ Audited by a firm of chartered accountants other than Baker Tilly AC.

NOTES TO THE FINANCIAL STATEMENTS

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10. INVESTMENTS IN SUBSIDIARIES *cont'd*

(a) The subsidiaries of the Group that have material non-controlling interests ("NCI") are as follows:-

	KSG Engineering Sdn. Bhd.	Koseng Sdn. Bhd.	Total
2016			
NCI proportion of ownership interest and voting interest	25%	25%	
Carrying amount of NCI ("RM")	856,191	875,956	1,732,147
(Loss)/Profit allocated to NCI ("RM")	(110,036)	342,447	232,411
2015			
NCI proportion of ownership interest and voting interest	25%	25%	
Carrying amount of NCI ("RM")	966,227	533,509	1,499,736
Profit allocated to NCI ("RM")	147,211	140,212	287,423

(b) The summarised financial information before intra-group elimination of the subsidiaries that have material NCI as at the end of each reporting period are as follows:-

	KSG Engineering Sdn. Bhd. RM	Koseng Sdn. Bhd. RM
2016		
Assets and liabilities		
Non-current assets	578,668	351,833
Current assets	28,015,024	20,245,851
Non-current liabilities	(74,093)	(225,462)
Current liabilities	(25,094,837)	(16,868,396)
Net assets	3,424,762	3,503,826
Results		
Revenue	15,593,151	23,928,918
(Loss)/Profit for the financial year	(440,145)	1,369,789
Total comprehensive (loss)/income	(440,145)	1,369,789
Cash flows used in operating activities	(40,449)	(2,284,411)
Cash flows used in investing activities	(12,423)	(20,475)
Cash flows from financing activities	186,220	2,038,322
Net increase/(decrease) in cash and cash equivalents	133,348	(266,564)

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10. INVESTMENTS IN SUBSIDIARIES *cont'd*

- (b) The summarised financial information before intra-group elimination of the subsidiaries that have material NCI as at the end of each reporting period are as follows:- *cont'd*

	KSG Engineering Sdn. Bhd. RM	Koseng Sdn. Bhd. RM
2015		
Assets and liabilities		
Non-current assets	481,954	436,365
Current assets	17,787,131	18,799,008
Non-current liabilities	(88,176)	(221,826)
Current liabilities	(14,316,002)	(16,879,510)
Net assets	<u>3,864,907</u>	<u>2,134,037</u>
Results		
Revenue	17,364,719	20,270,070
Profit for the financial year	588,845	560,849
Total comprehensive income	<u>588,845</u>	<u>560,849</u>
Cash flows from/(used in) operating activities	1,898,662	(1,889,829)
Cash flows used in investing activities	(276,148)	(45,106)
Cash flows (used in)/from financing activities	(1,316,277)	1,684,432
Net increase/(decrease) in cash and cash equivalents	<u>306,237</u>	<u>(250,503)</u>

- (c) There is no restriction in the ability of the Group to access or use the assets and settle the liabilities of the subsidiaries.

11. INVESTMENT IN AN ASSOCIATE

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Unquoted shares, at cost	820,000	820,000	820,000	820,000
Share of post-acquisition reserves	3,134,749	2,785,777	-	-
	<u>3,954,749</u>	<u>3,605,777</u>	<u>820,000</u>	<u>820,000</u>

NOTES TO THE FINANCIAL STATEMENTS

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11. INVESTMENT IN AN ASSOCIATE *cont'd*

The details of the associate are as follows:-

Name of Company	Nature of the Relationship	Principal Place of Business/ Country of Incorporation	Proportion of Ownership Interest/Voting Rights	
			2016	2015
EIE Asian Holding Sdn. Bhd.	Investment holding	Malaysia	50%	50%
Held by associate:-				
EIE Industrial Products Sdn. Bhd.	Retailers of and dealers in hardware used in industries, quarries and mines	Malaysia	100%	100%
EIE Pulp & Speciality Sdn. Bhd.	General trading and dealing in pulps and paper	Malaysia	71%	71%

(a) The summarised financial information of the associate and its subsidiaries is as follows:-

	2016 RM	2015 RM
Assets and liabilities		
Non-current assets	331,757	212,633
Current assets	16,107,398	15,267,005
Non-current liabilities	(1,157,941)	(1,331,788)
Current liabilities	(7,182,533)	(6,747,152)
Net assets	8,098,681	7,400,698
Non-controlling interests	189,184	189,145
Results		
Revenue	17,048,237	16,745,601
Profit for the financial year/Total comprehensive income	697,983	557,862
Profit for the financial year/Total comprehensive income attributable to owners of an associate	697,944	551,213

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31 DECEMBER 2016

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11. INVESTMENT IN AN ASSOCIATE *cont'd*

- (b) The reconciliation of net assets of the associate and its subsidiaries to the carrying amount of the investment in associate is as follows:-

	2016 RM	2015 RM
Group's share of net assets	3,954,749	3,605,777
Share of results of the Group for the financial year ended 31 December		
Share of results of the Group	348,972	275,607

12. GOODWILL

	Group	
	2016 RM	2015 RM
At beginning of the financial year	-	140,455
Less: Impairment loss	-	(140,455)
At end of financial year	-	-

The goodwill was related to PTM Steel Industry Sdn. Bhd.

13. DEFERRED TAX ASSETS/(LIABILITIES)

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Group				
Deferred tax assets				
At 1 January	721,950	528,595	-	-
Recognised in profit or loss	(319,350)	193,355	-	-
At 31 December	402,600	721,950	-	-
Deferred tax liabilities				
At 1 January	(189,647)	(195,861)	(120,827)	(115,349)
Recognised in profit or loss	43,782	6,214	(1,013)	(5,478)
At 31 December	(145,865)	(189,647)	(121,840)	(120,827)

NOTES TO THE FINANCIAL STATEMENTS

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13. DEFERRED TAX ASSETS/(LIABILITIES) *cont'd*

This is in respect of estimated deferred tax assets and liabilities arising from temporary differences as follows:-

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Deferred tax assets				
Unabsorbed capital allowances	58,911	51,883	-	-
Unutilised tax losses	98,934	226,700	-	-
Unutilised reinvestment allowances	316,036	593,559	-	-
Difference between the carrying amounts of property, plant and equipment and their tax base	(71,281)	(150,192)	-	-
	<u>402,600</u>	<u>721,950</u>	-	-
Deferred tax liabilities				
Difference between the carrying amounts of property, plant and equipment and their tax base	(145,865)	(189,647)	(121,840)	(120,827)

The deferred tax assets and liabilities are not available for set-off as they arise from different taxable entities within the Group.

The deferred tax assets are recognised for unabsorbed capital allowances, unutilised tax losses and unutilised reinvestment allowances as the management considered it probable that the future taxable profits of the subsidiaries based on the projected future profits will be available against which they can be utilised and they are of the opinion that the previous years' losses are an aberration, rather than a continuing condition.

14. INVENTORIES

	Group	
	2016 RM	2015 RM
At cost,		
Raw materials	4,436,265	4,780,463
Work-in-progress	1,856,164	721,046
Finished goods	5,588,308	6,133,959
Consumables	930,723	478,967
Packing materials	84,208	97,542
Trading goods	37,825,360	30,994,321
	<u>50,721,028</u>	<u>43,206,298</u>

During the financial year, the cost of inventories recognised as an expense in cost of sales of the Group is RM82,722,436 (2015: RM81,430,431).

NOTES TO THE FINANCIAL STATEMENTS

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15. TRADE RECEIVABLES

	Group	
	2016	2015
	RM	RM
External parties	45,520,514	40,533,883
Less: Allowance for impairment	(867,818)	(590,050)
Trade receivables, net	<u>44,652,696</u>	<u>39,943,833</u>

(a) Credit terms of trade receivables

The Group's normal credit term ranges from 30 to 180 days (2015: 30 to 150 days). They are recognised at their original invoice amounts which represent their fair values on initial recognition.

(b) Ageing analysis of trade receivables

The ageing analysis of the Group and the Company trade receivables are as follows:-

	2016	2015
	RM	RM
Group		
Neither past due nor impaired	35,340,863	32,185,332
1 to 30 days past due not impaired	1,666,231	1,245,167
31 to 60 days past due not impaired	1,182,452	948,315
61 to 90 days past due not impaired	461,965	540,507
91 to 120 days past due not impaired	557,426	1,124,628
More than 120 days past due not impaired	5,443,759	3,899,884
	9,311,833	7,758,501
Impaired	867,818	590,050
	<u>45,520,514</u>	<u>40,533,883</u>

Receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group and the Company.

Receivables that are past due but not impaired

The Group has trade receivables amounting to RM9,311,833 (2015: RM7,758,501) which are past due but not impaired because there have been no significant changes in credit quality of the debtors and the amounts are still considered receivable.

Receivables that are impaired

The Group has trade receivables that are impaired at the reporting date amounting to RM867,818 (2015: RM590,050) of which are individually impaired and the nominal amounts and the allowance for impairment are the same.

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*cont'd*15. TRADE RECEIVABLES *cont'd*(b) Ageing analysis of trade receivables *cont'd*

Movement in allowance accounts:-

	Group	
	2016 RM	2015 RM
At 1 January	590,050	563,886
Charge for the financial year (Note 5)	281,827	41,951
Reversal (Note 5)	(4,059)	(15,787)
At 31 December	<u>867,818</u>	<u>590,050</u>

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.

16. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Other receivables	596,006	91,278	85,900	85,900
GST refundable	322,427	277,162	-	-
Refundable deposits	216,383	263,563	19,770	18,270
Downpayment to suppliers	-	585,132	60,643	74,493
Prepayments	731,851	364,344	-	-
	<u>1,866,667</u>	<u>1,581,479</u>	<u>166,313</u>	<u>178,663</u>

Other receivables of the Group and of the Company are neither past due nor impaired.

Included in the other receivables of the Group is an amount of RM353,528 (2015: RM4,378) due from a related party. Related party is a subsidiary of an associate.

NOTES TO THE FINANCIAL STATEMENTS

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17. AMOUNTS DUE FROM/(TO) SUBSIDIARIES

		Company	
		2016	2015
		RM	RM
Amounts due from subsidiaries			
Trade	(a)	2,305,212	2,456,412
Non-trade	(b)	24,360,941	20,595,199
		<u>26,666,153</u>	<u>23,051,611</u>
Amounts due to subsidiaries			
Non-trade	(c)	<u>(20,412,452)</u>	<u>(13,011,438)</u>

(a) The credit terms range from 30 days to 90 days.

These amounts which are neither past due nor impaired, are creditworthy debtors with good payment records with the Company.

(b) These amounts are unsecured, interest free and are repayable on demand by cash except for an amount of RM15,788,409 (2015: RM16,458,568) which bear interest at rate of 8.35% (2015: 8.35%) per annum.

(c) These amounts are non-trade in nature, unsecured, interest free and repayable on demand by cash.

18. DEPOSITS, CASH AND BANK BALANCES

	Group		Company	
	2016	2015	2016	2015
	RM	RM	RM	RM
Deposits with licensed banks (Islamic)	3,405,792	720,655	3,811,784	720,655
Deposits with licensed banks	957,554	533,974	-	-
Cash and bank balances (Islamic)	1,080,074	1,259,425	-	-
Cash and bank balances	6,986,997	2,531,945	421,330	296,190
	<u>12,430,417</u>	<u>5,045,999</u>	<u>4,233,114</u>	<u>1,016,845</u>

The average maturity of deposits with licensed banks for the Group and the Company as at the financial year end is 30 days (2015: 45 days and 90 days) respectively. The weighted average effective interest rate as at 31 December 2016 for the Group and the Company is 3.40% (2015: 3.25%) per annum.

As disclosed in Note 29(c), the Group manages its cash flow requirements of purchases in its operating activities mainly through bankers' acceptances which are drawdown to finance the import of goods.

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19. SHARE CAPITAL

	Group/Company			
	Number of shares		Amount	
	2016	2015	2016	2015
	unit	unit	RM	RM
Authorised:				
Ordinary shares at RM0.50 each				
At 1 January/ 31 December	100,000,000	100,000,000	50,000,000	50,000,000
Issued and fully paid:				
Ordinary shares at RM0.50 each				
At 1 January/ 31 December	96,000,000	96,000,000	48,000,000	48,000,000

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 regards to the Company residual interests.

20. SHARE PREMIUM

This reserve comprises premium paid on subscription of shares of the Company above par value of the shares.

21. RETAINED EARNINGS

In accordance with the Finance Act 2007 which was gazetted on 28 December 2007, companies shall not be entitled to deduct tax on dividend paid, credited or distributed to its shareholders, and such dividends will be exempted from tax in the hands of the shareholders ("single-tier system"). As such, the Company may distribute dividends out of its entire retained earnings under the single-tier system.

22. BANK BORROWINGS (SECURED)

	2016	2015
	RM	RM
Group		
Current		
Bankers' acceptances (Islamic)	11,213,755	10,503,557
Bankers' acceptances	11,459,900	7,267,053
Finance lease payables (Note 23)	669,187	922,286
Trust receipts (Islamic)	-	48,230
	<u>23,342,842</u>	<u>18,741,126</u>

NOTES TO THE FINANCIAL STATEMENTS

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22. BANK BORROWINGS (SECURED) *cont'd*

	2016	2015
	RM	RM
Non-current		
Finance lease payables (Note 23)	1,499,001	1,393,789
Total borrowings:		
Bankers' acceptances (Islamic)	11,213,755	10,503,557
Bankers' acceptances	11,459,900	7,267,053
Finance lease payables (Note 23)	2,168,188	2,316,075
Trust receipts (Islamic)	-	48,230
	24,841,843	20,134,915

The bankers' acceptances and trust receipts of the Group are secured and supported as follows:

- (a) legal charge over the freehold land and buildings of the Company; and
- (b) corporate guarantee by the Company:

The bankers' acceptances and trust receipts bear interest at rates as follows:-

	2016	2015
	per annum %	
Group		
Bankers' acceptances (Islamic)	3.41 - 3.72	3.72 - 4.08
Bankers' acceptances	3.04 - 5.23	3.37 - 4.79
Trust receipts (Islamic)	n/a	7.85

23. FINANCE LEASE PAYABLES

	Group	
	2016	2015
	RM	RM
Future minimum lease payments	2,412,238	2,539,398
Less: Future finance charges	(244,050)	(223,323)
Total present value of minimum lease payments	2,168,188	2,316,075

NOTES TO THE FINANCIAL STATEMENTS

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23. FINANCE LEASE PAYABLES *cont'd*

	Group	
	2016 RM	2015 RM
Payable within 1 year		
Future minimum lease payments	772,191	1,050,445
Less: Future finance charges	(103,004)	(128,159)
Present value of minimum lease payments	669,187	922,286
Payable more than 1 year but not more than 5 years		
Future minimum lease payments	1,524,255	1,468,679
Less: Future finance charges	(137,557)	(94,988)
Present value of minimum lease payments	1,386,698	1,373,691
Payable more than 5 years		
Future minimum lease payments	115,792	20,274
Less: Future finance charges	(3,489)	(176)
Present value of minimum lease payments	112,303	20,098
Total present value minimum lease payments	<u>2,168,188</u>	<u>2,316,075</u>

The finance lease payables of the Group bear interest at rates ranging from 3.57% - 7.14% (2015: 3.57% - 7.14%) per annum.

24. TRADE PAYABLES

The normal trade credit term granted to the Group ranges from 30 to 120 days.

25. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Deposits	1,000,029	5,000	50,600	50,600
Other payables	2,490,858	1,228,390	123,423	149,166
GST payable	151,109	134,279	144,837	118,119
Accruals	2,856,094	2,642,714	838,029	793,934
	<u>6,498,090</u>	<u>4,010,383</u>	<u>1,156,889</u>	<u>1,111,819</u>

NOTES TO THE FINANCIAL STATEMENTS

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25. OTHER PAYABLES AND ACCRUALS *cont'd*

Included in other payables of the Group and of the Company is an amount of RM4,762 (2015: RM4,762) and RM13 (2015: RM13) respectively due to certain directors of the Group. These amounts are non-trade in nature, unsecured, interest free and repayable on demand.

26. DIVIDEND

	Group/Company	
	2016	2015
	RM	RM
First and final single-tier dividend of 2 sen per share in respect of financial year ended 31 December 2014	-	1,920,000
First and final single-tier dividend of 0.8 sen per share in respect of financial year ended 31 December 2015	768,000	-
	<u>768,000</u>	<u>1,920,000</u>

In addition, the directors have also proposed a final single-tier dividend of 1.5 sen per share amounting to RM1,440,000 in respect of financial year ended 31 December 2016 and payable upon approval by shareholders at the forthcoming Annual General Meeting. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained earnings in the next financial year ending 31 December 2017.

27. RELATED PARTY DISCLOSURES

(a) Identity of related parties

For the purpose of these financial statements, parties are considered to be related to the Group and the Company if the Group and the Company have the ability to directly control the party or exercise significant influence over the party in making financial and operating decision, or vice versa, or where the Group and the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities. The Company has a related party relationship with its subsidiaries, associate, and key management personnel.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

cont'd

27. RELATED PARTY DISCLOSURES *cont'd*

(b) Related party transactions and balances are as follows:-

In addition to the related party information disclosed elsewhere in the financial statements, the following significant transactions between the Group and related parties took place during the financial year:-

	Group	
	2016 RM	2015 RM
Subsidiary of associate		
Purchase of goods	29,178	154,048
Sales of goods	(1,490,803)	(580,747)
Interest receivable	-	(9,798)
	Company	
	2016 RM	2015 RM
Subsidiaries		
Interest receivable	(2,216,877)	(1,054,603)
Management fee	(2,289,100)	(2,107,320)
Rental of premises	(931,200)	(931,200)
Dividend received	-	(900,000)

Information regarding outstanding balances arising from related party transactions as at the reporting date is disclosed in Notes 15, 16, 17 and 25.

(c) Compensation of key management personnel

Key management personnel include personnel having authority and responsibility for planning, directing and controlling the activities of the entities, directly or indirectly, including any director of the Group.

The remuneration of the key management personnel is as follows:-

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Short term employee benefits	1,802,938	1,716,001	1,802,938	1,716,001
Post-employment benefits	194,208	184,824	194,208	184,824
	<u>1,997,146</u>	<u>1,900,825</u>	<u>1,997,146</u>	<u>1,900,825</u>

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

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28. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

The following table analyses the financial assets and liabilities in the statements of financial positions by the class of financial instruments to which they are assigned, and therefore by the measurement basis:

Group 2016	Loans and receivables RM	Total RM
Financial assets		
Trade receivables	44,652,696	44,652,696
Other receivables and deposits	812,389	812,389
Deposits, cash and bank balances	12,430,417	12,430,417
	<u>57,895,502</u>	<u>57,895,502</u>
	Financial liabilities at amortised cost RM	Total RM
Financial liabilities		
Trade payables	9,939,640	9,939,640
Other payables and accruals	6,346,981	6,346,981
Bank borrowings	24,841,843	24,841,843
	<u>41,128,464</u>	<u>41,128,464</u>
2015	Loans and receivables RM	Total RM
Financial assets		
Trade receivables	39,943,833	39,943,833
Other receivables and deposits	354,841	354,841
Deposits, cash and bank balances	5,045,999	5,045,999
	<u>45,344,673</u>	<u>45,344,673</u>

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

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28. FINANCIAL INSTRUMENTS *cont'd*

(a) Categories of financial instruments *cont'd*

The following table analyses the financial assets and liabilities in the statements of financial positions by the class of financial instruments to which they are assigned, and therefore by the measurement basis:
cont'd

Group 2015	Financial liabilities at amortised cost RM	Total RM
Financial liabilities		
Trade payables	6,120,012	6,120,012
Other payables and accruals	3,876,104	3,876,104
Bank borrowings	20,134,915	20,134,915
	<u>30,131,031</u>	<u>30,131,031</u>
Company 2016	Loans and receivables RM	Total RM
Financial assets		
Other receivables and deposits	105,670	105,670
Amounts due from subsidiaries	26,666,153	26,666,153
Deposits, cash and bank balances	4,233,114	4,233,114
	<u>31,004,937</u>	<u>31,004,937</u>
	Financial liabilities at amortised cost RM	Total RM
Financial liabilities		
Other payables and accruals	1,012,052	1,012,052
Amounts due to subsidiaries	20,412,452	20,412,452
	<u>21,424,504</u>	<u>21,424,504</u>

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

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28. FINANCIAL INSTRUMENTS *cont'd*

(a) Categories of financial instruments *cont'd*

The following table analyses the financial assets and liabilities in the statements of financial positions by the class of financial instruments to which they are assigned, and therefore by the measurement basis:
cont'd

Company 2015	Loans and receivables RM	Total RM
Financial assets		
Other receivables and deposits	104,170	104,170
Amounts due from subsidiaries	23,051,611	23,051,611
Deposits, cash and bank balances	1,016,845	1,016,845
	24,172,626	24,172,626
	Financial liabilities at amortised cost RM	Total RM
Financial liabilities		
Other payables and accruals	993,700	993,700
Amounts due from subsidiaries	13,011,438	13,011,438
	14,005,138	14,005,138

(b) Fair value of financial instruments

The methods and assumptions used to estimate the fair values of the following classes of financial assets and liabilities are as follows:-

(i) Cash and bank balances, trade and other receivables, trade and other payables

The carrying amounts are reasonable approximation of fair values due to short term nature of these financial instruments.

(ii) Borrowings

The carrying amounts of the current portion of borrowings are reasonable approximation of fair values due to the insignificant impact of discounting.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

cont'd

28. FINANCIAL INSTRUMENTS *cont'd*

(b) Fair value of financial instruments *cont'd*

The fair values of fixed rate finance lease payables, which are estimated using discounted cash flow analysis, based on current lending rate for similar types of borrowing arrangements are as follow:-

Group	Carrying Amount RM	Fair Value RM
2016		
Financial liabilities		
Finance lease payables	2,168,188	2,192,704
2015		
Financial liabilities		
Finance lease payables	2,316,075	2,329,905

(c) Fair value measurements

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Level 1 to 3 based on the degree to which the fair value is observable.

- (a) Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- (b) Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- (c) Level 3 fair value measurements are those derived from inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As at financial years ended 31 December 2016 and 2015, the Group and the Company held the following financial instruments for which fair value is disclosed in the financial statements:-

	2016 RM	Level 1 RM	Level 2 RM	Level 3 RM
Finance lease payables	2,192,704	-	2,192,704	-
	2015 RM	Level 1 RM	Level 2 RM	Level 3 RM
Finance lease payables	2,329,905	-	2,329,905	-

During the financial years ended 31 December 2016 and 2015, there was no transfer between Level 1 and 2 of the fair value measurement hierarchy.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

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29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group and the Company are exposed to financial risks arising from their operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, interest rate risk and foreign currency risk.

The Board of Directors reviews and agrees policies and procedures for the management of these risks, which are executed by the Management. The Audit Committee provides independent oversight to the effectiveness of the risk management process.

It is, and has been throughout the current and previous financial year, the Group's policy that no derivatives shall be undertaken. The Group and the Company do not apply hedge accounting.

The Group's and the Company's exposure to the financial risks and the objectives, policies and processes put in place to manage these risks are discussed below.

(a) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's exposure to credit risk primarily arises from its trade receivables. For other financial assets (including cash and bank balances), the Group minimise credit risk by dealing exclusively with high credit rating counterparties.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit evaluation procedures. In addition, receivable balances are monitored on an ongoing basis to minimise the Group's exposure to bad debts.

Exposure to credit risk

At the reporting date, the Group's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statements of financial position. The Company also expose to credit risks in relation to provision of financial guarantees to banks in respect of banking facilities granted to certain subsidiaries by the Company.

Financial guarantee

The Company provides unsecured financial guarantees to banks in respect of certain banking facilities granted to certain subsidiaries as mentioned in the Note 22.

The Company monitors on an ongoing basis the repayments made by the subsidiaries and their financial performance.

The maximum exposure to credit risk amounts to RM23,029,791 (2015: RM18,610,284) representing the outstanding banking facilities at the reporting date. At the reporting date, there was no indication that the subsidiaries would default on their repayment.

The financial guarantee has not been recognised as the fair value on initial recognition since the financial guarantees provided by the Company did not contribute towards credit enhancement of the subsidiaries' borrowings in view of the security pledged by the subsidiaries and it is unlikely the subsidiaries will default within the guarantee period.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

cont'd

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *cont'd*

(a) Credit risk *cont'd*

Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring the country of its trade receivables on an ongoing basis. The credit risk concentration profile of the Group's trade receivables at the reporting date are as follows:-

	Group			
	2016		2015	
	RM	% of total	RM	% of total
By country:				
Malaysia	43,829,123	96	38,525,494	95
Singapore	70,983	-	63,214	-
Republic of Indonesia	859,723	2	432,792	1
United Kingdom	759,332	2	1,114,570	3
Other countries	1,353	-	397,813	1
	<u>45,520,514</u>	<u>100</u>	<u>40,533,883</u>	<u>100</u>

The Group does not have any significant exposure to any individual customer at the reporting date.

(b) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises primarily from its bank borrowings.

Bank borrowings at floating rate amounting to RM22,673,655 (2015: RM17,818,840) expose the Group to cash flow interest rate risk whilst finance lease at fixed rate amounting to RM2,168,188 (2015: RM2,316,075), expose the Group to fair value interest rate risk. The Group manages its interest rate risk exposure by maintaining a mix of fixed and floating rate loans and borrowings.

Sensitivity analysis for interest rate risk

If the interest rate had been 50 (2015: 50) basis points higher/lower and all other variables were held constant, the Group's profits net of tax ended 31 December 2016 would decrease/increase by RM86,160 (2015: RM66,821) as a result of exposure to floating rate borrowings.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

cont'd

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *cont'd*

(c) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

The Group's and the Company's liquidity risk management policy is to manage its debt maturity profile, operating cash flows and the availability of funding so as to ensure that refinancing, repayment and funding needs are met. In addition, the Group and the Company maintains sufficient levels of cash and available banking facilities at a reasonable level to their overall debt position to meet their working capital requirement.

The Group manages its cash flow requirements of purchases in its operating activities mainly through bankers' acceptances which are drawdown to finance the import of goods.

Analysis of financial instruments by remaining contractual maturity

The table below summarises the maturity profile of the Group's and of the Company's financial liabilities at the reporting date based on contractual undiscounted repayment obligations:-

	Carrying amount RM	Contractual cash flows RM	On demand and within 1 year RM	1 to 2 years RM	2 to 5 years RM	Over 5 years RM
2016						
Group						
Financial Liabilities						
Trade payables	9,939,640	9,939,640	9,939,640	-	-	-
Other payables	6,498,090	6,498,090	6,498,090	-	-	-
Bankers' acceptances (Islamic)	11,213,755	11,213,755	11,213,755	-	-	-
Bankers' acceptances	11,459,900	11,656,046	11,656,046	-	-	-
Finance lease payables	2,168,188	2,412,238	772,191	637,997	886,258	115,792
	41,279,573	41,719,769	40,079,722	637,997	886,258	115,792

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

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29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *cont'd*

(c) Liquidity risk *cont'd*

Analysis of financial instruments by remaining contractual maturity *cont'd*

The table below summarises the maturity profile of the Group's and of the Company's financial liabilities at the reporting date based on contractual undiscounted repayment obligations:- *cont'd*

	Carrying amount	Contractual cash flows	On demand and within 1 year	1 to 2 years	2 to 5 years	Over 5 years
	RM	RM	RM	RM	RM	RM
2016						
Company						
Financial Liabilities						
Other payables	1,156,889	1,156,889	1,156,889	-	-	-
Amount due to a subsidiary	20,412,452	20,412,452	20,412,452	-	-	-
Financial guarantee *	-	23,029,791	23,029,791	-	-	-
	21,569,341	44,599,132	44,599,132	-	-	-

* *The Company has given corporate guarantee to banks on behalf of certain subsidiaries for banking facilities. The potential exposure of the financial guarantee is equivalent to the amount of the banking facilities being utilised by the said subsidiaries. As at 31 December 2016, approximately RM23,029,791 of the banking facilities were utilised by the said subsidiaries.*

	Carrying amount	Contractual cash flows	On demand and within 1 year	1 to 2 years	2 to 5 years	Over 5 years
	RM	RM	RM	RM	RM	RM
2015						
Group						
Financial Liabilities						
Trade payables	6,120,012	6,120,012	6,120,012	-	-	-
Other payables	4,010,383	4,010,383	4,010,383	-	-	-
Bankers' acceptances (Islamic)	10,503,557	10,601,506	10,601,506	-	-	-
Bankers' acceptances	7,267,053	7,388,857	7,388,857	-	-	-
Trust receipts (Islamic)	48,230	48,230	48,230	-	-	-
Finance lease payables	2,316,075	2,539,398	1,050,445	1,108,854	359,825	20,274
	30,265,310	30,708,386	29,219,433	1,108,854	359,825	20,274

NOTES TO THE FINANCIAL STATEMENTS

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29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *cont'd*

(c) Liquidity risk *cont'd*

Analysis of financial instruments by remaining contractual maturity *cont'd*

The table below summarises the maturity profile of the Group's and of the Company's financial liabilities at the reporting date based on contractual undiscounted repayment obligations:- *cont'd*

	Carrying amount	Contractual cash flows	On demand and within 1 year	1 to 2 years	2 to 5 years	Over 5 years
	RM	RM	RM	RM	RM	RM
2015						
Company						
Financial Liabilities						
Other payables	1,111,819	1,111,819	1,111,819	-	-	-
Amount due to subsidiaries	13,011,438	13,011,438	13,011,438	-	-	-
Financial guarantee *	-	18,610,284	18,610,284	-	-	-
	14,123,257	32,733,541	32,733,541	-	-	-

* *The Company has given corporate guarantee to banks on behalf of certain subsidiaries for banking facilities. The potential exposure of the financial guarantee is equivalent to the amount of the banking facilities being utilised by the said subsidiaries. As at 31 December 2015, approximately RM18,610,284 of the banking facilities were utilised by the said subsidiaries.*

(d) Foreign currency risk

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 has transactional currency exposures arising from sales or purchases that are denominated in a currency other than the functional currency of Group entities, primarily RM. The foreign currencies in which these transactions are denominated are mainly United States Dollar ("USD"), Singapore Dollar ("SGD"), Brunei Dollar ("BND"), Chinese Renminbi ("RMB") and Euro ("EUR").

The Group also hold cash and cash equivalents denominated in foreign currencies for working capital purposes. At the reporting date, such foreign currency balances (mainly in USD and SGD) amount to RM348,290 and RM57,964 (2015: RM58,055 and RM146,261) respectively for the Group.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

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29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *cont'd*

(d) Foreign currency risk *cont'd*

Financial assets/(liabilities) denominated in USD, SGD, BND, RMB and EUR are as follows:-

	Group	
	2016	2015
	RM	RM
USD		
Trade payables	(1,772,639)	(397,375)
Trade receivables	814,802	1,324,826
Cash and bank balances	348,290	58,055
	<u>(609,547)</u>	<u>985,506</u>
SGD		
Trade payables	(74,309)	(134,283)
Trade receivables	73,611	70,157
Cash and bank balances	57,964	146,261
	<u>57,266</u>	<u>82,135</u>
BND		
Trade receivables	-	13,219
RMB		
Trade payables	(2,426,942)	(660,254)
EUR		
Trade payables	-	(459,898)

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

cont'd

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *cont'd*

(d) Foreign currency risk *cont'd*

Sensitivity analysis for foreign currency risk

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

	Group	
	2016 RM	2015 RM
USD/RM - strengthened 5% (2015: 5%)	(18,983)	36,956
- weakened 5% (2015: 5%)	18,983	(36,956)
RMB/RM - strengthened 2% (2015: 2%)	(35,919)	(9,904)
- weakened 2% (2015: 2%)	35,919	9,904
EUR/RM - strengthened 2% (2015: 2%)	-	(6,898)
- weakened 2% (2015: 2%)	-	6,898

30. CAPITAL COMMITMENT

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Approved and contracted for:				
Property, plant and equipment	-	346,767	-	4,680

31. CAPITAL MANAGEMENT

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic and business conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders, or issue new shares. There is no change in the objectives, policies or procedures during the financial year ended 31 December 2016 and 31 December 2015.

The Group monitors capital using a gearing ratio, which is calculated as total debts (excluding bankers' acceptance and trust receipts) divided by total capital plus total debt. The Group monitors and maintains a prudent level of gearing ratio to optimise shareholders' value and to ensure compliance with covenants under debt agreements, if any. Total debts include finance lease. Total capital comprises total equity of the Group.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

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31. CAPITAL MANAGEMENT *cont'd*

	Group	
	2016	2015
Total debts (RM)	2,168,188	2,316,075
Total equity (RM)	77,997,856	74,726,051
Total equity and debts (RM)	<u>80,166,044</u>	<u>77,042,126</u>
Gearing ratio %	3%	3%

The Group and certain subsidiaries are required to comply with certain loan-to-value ratio, consolidated net worth, consolidated borrowings to consolidated net worth ratio and interest coverage ratio in respect of the banking facilities. The subsidiaries have complied with the capital requirements at the end of the financial year.

The Group is not subject to any externally imposed capital requirements.

32. SEGMENT INFORMATION

For management purposes, the Group is organised into operating units reportable operating segments as follows:

- (i) Stainless steel products
- (ii) Marine hardware and consumable
- (iii) Other industrial hardware
- (iv) Investment holding
- (v) Engineering works

Management monitors the operating revenue of its operating units separately for the purpose of making decisions about resource allocation and performance assessment. Inter-segment transactions are entered in the ordinary course of business based on terms mutually agreed upon by the parties concerned.

Segment results, assets and liabilities information are neither included in the internal management reports nor provided regularly to the management. Hence, no disclosures are made on segment results, assets and liabilities. All results, assets and liabilities are managed on a group basis.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

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32. SEGMENT INFORMATION *cont'd*

	Stainless steel products RM	Marine hardware and consumable RM	Other industrial hardware RM	Investment holding RM	Engineering works RM	Elimination RM	Total RM
2016							
Revenue							
External revenue	33,031,886	28,726,250	24,365,042	18,000	16,035,245	-	102,176,423
Inter-segment revenue	4,329,399	1,483,691	23,016,020	-	1,383,388	(30,212,498)	-
Total segment revenue	37,361,285	30,209,941	47,381,062	18,000	17,418,633	(30,212,498)	102,176,423
Gross profit	3,869,935	7,396,223	5,909,003	18,000	2,260,829	-	19,453,990
2015							
Revenue							
External revenue	32,221,041	23,397,007	19,156,829	18,000	22,169,803	-	96,962,680
Inter-segment revenue	344,176	7,682,682	24,524,106	3,938,520	1,564,821	(38,054,305)	-
Total segment revenue	32,565,217	31,079,689	43,680,935	3,956,520	23,734,624	(38,054,305)	96,962,680
Gross profit	1,964,274	5,231,523	4,469,894	18,000	3,848,558	-	15,532,249

Information about geographical areas

Revenue information based on the geographical location of customers is as follows:-

	2016 RM	2015 RM
Malaysia	97,380,473	92,394,245
Republic of Singapore	381,263	483,913
Republic of Indonesia	1,254,531	663,572
United Kingdom	2,088,863	2,842,382
Thailand	1,020,604	496,527
Brunei	50,689	82,041
	102,176,423	96,962,680

All non-current assets (other than financial instruments and deferred tax assets) of the Group are located in Malaysia.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

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32. SEGMENT INFORMATION *cont'd*

Information about major customer

There is no single customer with revenue equal or more than 10% of the Group revenue.

33. SUBSEQUENT EVENT SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

Companies Act 2016

The Minister of Domestic Trade, Co-operatives and Consumerism appointed 31 January 2017 as the date on which Companies Act 2016 comes into operation except for Section 241 and Division 8 of Part III.

Accordingly, the Group and the Company shall prepare the financial statements for the financial year ending 31 December 2017 in accordance with the requirements of Companies Act 2016 which will be applied prospectively.

Amongst the key changes introduced in the Companies Act 2016 which will affect the financial statements of the Group and of the Company are, where applicable:

- the removal of the authorised share capital;
- shares issued will have no par or nominal value; and
- share premium and capital redemption reserve will become part of share capital.

In addition, the financial statements disclosure requirements under the Companies Act 2016 are different from those requirements set out in the Companies Act 1965. Consequently, items to be disclosed in the Group's and the Company's financial statements for the financial year ending 31 December 2017 may be different from those disclosed in the financial statements for the current financial year.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

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SUPPLEMENTARY INFORMATION ON THE DISCLOSURE OF REALISED AND UNREALISED PROFIT OR LOSS

The following analysis of realised and unrealised retained earnings of the Group and of the Company is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad ("Bursa Securities") dated 25 March 2010 and prepared 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.

The retained earnings of the Group and of the Company as at reporting date are analysed as follows:-

	Group	
	2016 RM	2015 RM
Total retained earnings of the Company and its subsidiaries		
- realised	25,486,553	22,288,152
- unrealised	256,735	532,303
	<u>25,743,288</u>	<u>22,820,455</u>
Total share of retained earnings from associate		
- realised	3,126,658	2,780,058
- unrealised	8,091	5,719
	<u>28,878,037</u>	<u>25,606,232</u>
Add: Consolidation adjustments	(1,126,967)	(894,556)
Total retained earnings of the Group	<u>27,751,070</u>	<u>24,711,676</u>
	Company	
	2016 RM	2015 RM
Total retained earnings of the Company		
- realised	1,539,375	2,015,545
- unrealised	(121,840)	(120,827)
Total retained earnings	<u>1,417,535</u>	<u>1,894,718</u>

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

LIST OF PROPERTIES

HELD BY THE GROUP AS AT 31 DECEMBER 2016

Registered Owner(s)	Location*	Description/ Existing Use	Tenure of Land	Land Area/ Built-up Area	Issuance date of Certificate of Fitness	Net book value as at 31 December 2016 (RM'000)
KSSC	Lot 3707, Jalan 7/5, Taman Industri Selesa Jaya, 43300 Balakong, Selangor Darul Ehsan	Double storey office cum factory/ Administration and Trading Office and Manufacturing and Processing Plant	Freehold	14,796 square metres/7,580 square metres	10 September 2003	6,214
KSSC	102 and 102A, Jalan Keris Taman Sri Tebrau, 80050 Johor Bahru, Johor Darul Takzim	Double storey shophouses/For rental income purposes	Freehold	163.509 square metre/237.832 square metres	9 January 1977	66

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Thirty-Second Annual General Meeting of the members of the Company will be held at Majestic III, Lower Ground Level, Palace of the Golden Horses, Jalan Kuda Emas, Mines Resort City, 43300 Seri Kembangan, Selangor on Wednesday, 31 May 2017 at 11.00 a.m. for the following purposes:-

AGENDA

AS ORDINARY BUSINESS

- | | | |
|----|---|------------------------------|
| 1. | To receive the Audited Financial Statements of the Company for the financial year ended 31 December 2016 together with the Directors' and Auditors' Reports thereon. | Please refer to Note A. |
| 2. | To approve the payment of a first and final single tier dividend of 1.5 sen per ordinary share for the financial year ended 31 December 2016. | Ordinary Resolution 1 |
| 3. | To approve the payment of Directors' fees and other benefits for the year ended 31 December 2016. | Ordinary Resolution 2 |
| 4. | To re-elect the following directors retiring pursuant to Article 83 of the Company's Articles of Association and being eligible, have offered themselves for re-election:- | |
| | (i) Yap Siok Teng | Ordinary Resolution 3 |
| | (ii) Lim Ho Kin | Ordinary Resolution 4 |
| 5. | To appoint Messrs. Baker Tilly Monteiro Heng as Auditors of the Company in place of the retiring auditors, Messrs. Baker Tilly AC, to hold office until the conclusion of the next AGM of the Company and to authorise the Directors to fix their remuneration. | Ordinary Resolution 5 |

AS SPECIAL BUSINESS

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

- | | | |
|----|---|------------------------------|
| 6. | AUTHORITY TO ISSUE SHARES BY THE COMPANY PURSUANT TO SECTIONS 75 AND 76 OF THE COMPANIES ACT, 2016 | Ordinary Resolution 6 |
| | <p>"THAT subject always to the Companies Act, 2016 ("the Act"), the Articles of Association of the Company and approvals from Bursa Malaysia Securities Berhad ("Bursa Securities") and any other governmental/regulatory authorities, the Directors of the Company be and are hereby empowered, pursuant to Sections 75 and 76 of the Act, to allot shares in the Company at any time and upon such terms and conditions and for such purposes as the Directors of the Company may, in their absolute discretion, deem fit provided that the aggregate number of shares to be issued pursuant to this resolution does not exceed 10% of the total number of issued shares of the Company for the time being AND THAT the Directors of the Company be and are hereby empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Securities AND FURTHER THAT such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company."</p> | |

NOTICE OF ANNUAL GENERAL MEETING

cont'd

7. **RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE**

Ordinary Resolution 7

"THAT the Company and/or its subsidiaries ('the Group') be and is/are hereby authorised to enter into all arrangements and/or transactions involving the interests of Directors, major shareholders or persons connected with Directors and/or major shareholders of the Group ('Related Parties') as specified in Section 2.2.1 of the Circular to Shareholders dated 28 April 2017 ('Circular'), provided that such arrangements and/or transactions are:

- (i) recurrent transactions of a revenue or trading nature;
- (ii) necessary for the Group's day-to-day operations;
- (iii) carried out in the ordinary course of business on normal commercial terms not more favourable to the Related Parties than those generally available to the public; and
- (iv) not detrimental to the minority shareholders

('Recurrent Related Party Transactions ("RRPT") Mandate');

AND THAT the RRPT Mandate, unless revoked or varied by the Company in general meeting, shall continue in force until the conclusion of the next AGM of the Company or the date by which the next AGM of the Company is required by law to be held, whichever is earlier;

AND THAT the Directors be and are hereby authorised to complete and do all such acts and things as they may consider expedient or necessary or in the interest of the Company to give effect to the RRPT Mandate."

8. **PROPOSED AMENDMENTS TO THE MEMORANDUM AND ARTICLES OF ASSOCIATION OF THE COMPANY**

Special Resolution 1

"THAT the Memorandum and Articles of Association of the Company be and are hereby amended in the manner as set out in Appendix I on page 113 of the Company's Annual Report 2016 to in line with the Companies Act 2016.

AND THAT the Directors be and are hereby authorised to assent to any modifications, variations and/or amendments as may be required by the relevant authorities and to do all acts and things and take all such steps as may be considered necessary to give full effect to the Proposed Amendments to the Memorandum and Articles of Association of the Company."

NOTICE OF ANNUAL GENERAL MEETING

cont'd

NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT

Subject to the approval of the shareholders, a first and final single tier dividend of 1.5 sen per ordinary share for the financial year ended 31 December 2016 will be paid on 30 June 2017 to Depositors registered in the Record of Depositors at the close of business at 5.00 p.m. on 15 June 2017.

A depositor shall qualify for entitlement only in respect of:-

- (a) Shares transferred into the Depositor's Securities Account before 4.00 p.m. on 15 June 2017 in respect of ordinary transfers; and
- (b) Shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of the Bursa Malaysia Securities Berhad.

By order of the Board

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

Dated this: 28 April 2017
Kuala Lumpur

Notes

- A *The Audited Financial Statements are for discussion only as they do not require shareholders' approval pursuant to Section 340(1) of the Companies Act, 2016. Hence, this matter will not be put for voting.*
1. *For the purpose of determining a member who shall be entitled to attend and vote at the Annual General Meeting, the Company shall be requesting the Record of Depositors as at 26 May 2017. Only a depositor whose name appears on the Record of Depositors as at 26 May 2017 shall be entitled to attend the said meeting or appoint proxies to attend and vote on his/her stead.*
 2. *A member entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and vote in his/her stead. A member may appoint up to two proxies to attend the same meeting provided that he specifies the proportion of his shareholding to be represented by each proxy. A proxy may but need not be a member of the Company.*
 3. *Where a member is an authorised nominee as defined under the Security 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.*
 4. *A member who is an exempt authorized nominee is entitled to appoint multiple proxies for each omnibus account it holds.*
 5. *The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorized in writing or, if the appointer is a corporation, either under the Corporation's Common Seal or under the hand of an officer or attorney so authorized.*
 6. *The Form of Proxy must be deposited at the Registered Office of the Company at Level 15-2, Bangunan Faber Imperial Court, Jalan Sultan Ismail, 50250 Kuala Lumpur not less than 48 hours before the time set for holding the meeting or any adjournment thereof.*

NOTICE OF ANNUAL GENERAL MEETING

cont'd

7. Explanatory Note To Special Businesses

Ordinary Resolution 6

The proposed adoption of Ordinary Resolution is for the purpose of seeking a renewal for the general mandate to empower the Directors of the Company pursuant to Sections 75 and 76 of the Companies Act, 2016, from the date of the above Meeting, to allot ordinary shares of not more than ten percent (10%) from the unissued share capital of the Company for such purposes as the Directors of the Company consider would be in the interest of the Company. This authority will, unless revoked or varied at a General Meeting, expire at the conclusion of the next Annual General Meeting of the Company.

This authority will provide flexibility and enable the Directors to take swift action for allotment of shares for any possible fund raising activities, including but not limited to further placement of shares for purpose of funding future investment project(s), working capital and/or acquisition(s) and to avoid delay and cost in convening general meetings to approve such issue of shares.

As at the date of this Notice, no new shares in the Company were issued under the provision of the general mandate granted to the Directors at the Thirty-First Annual General Meeting held on 31 May 2016, which will lapse at the conclusion of the Thirty-Second Annual General Meeting. Hence, no proceeds were raised therefrom.

Ordinary Resolution 7

The proposed Ordinary Resolution 7 proposed under item 7 of the Agenda if passed, will allow the Company and/or subsidiaries to enter into Recurrent Related Party Transactions in accordance with Paragraph 10.09 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

Further information is set out in the Circular to Shareholders dated 28 April 2017 which is despatched together with the Company's Annual Report 2016.

8. Special Resolution 1

The proposed Special Resolution 1 above on the Proposed Amendments to the Memorandum and Articles of Association of the Company is to align the Memorandum and Articles of Association with the Companies Act, 2016, which is effective from 31 January 2017.

NOTICE OF ANNUAL GENERAL MEETING

cont'd

APPENDIX I

DETAILS OF THE PROPOSED AMENDMENTS TO THE MEMORANDUM AND ARTICLES OF ASSOCIATION OF THE COMPANY

The following Memorandum of Association & Articles of Association of the Company be amended/deleted in its entirety with some substitution to in line with the new Companies Act, 2016:-

Memorandum of Association

Clause No.	Existing Provision	Proposed Amendment
Clause 4	The powers of the Company shall include powers set forth in Section 19 and the Third Schedule of the Companies Act, 1965 (or such other provisions of the Act or any other laws in substitution, amendment or supplemental to the same.	Deleted in its entirety.
Clause 6	The capital of the Company is RM50,000,000.00 divided into 100,000,000 shares of RM0.50 each. The Company shall have the power to increase or reduce its capital, to consolidate or sub-divide the shares into shares of larger or smaller amounts, and to divide the shares forming the capital (original, increased or reduced) of the Company into several classes and to attach thereto respectively, preferential, deferred or special rights, privileges or conditions as may be determined by or in accordance with the regulations for the time being of the Company and to issue additional capital with any such rights, privileges or conditions as aforesaid, and any preference share may be issued on the terms that it is or at the option of the Company is liable, to be redeemed.	The capital of the Company is made up of ordinary shares. The Company may have several classes of shares such as preferential, deferred or special rights, privileges or conditions as may be determined by or in accordance with the regulations for the time being of the Company and to issue additional capital with any such rights, privileges or conditions as aforesaid, and any preference share may be issued on the terms that it is or at the option of the Company is liable, to be redeemed.

NOTICE OF ANNUAL GENERAL MEETING

cont'd

APPENDIX I *cont'd*

DETAILS OF THE PROPOSED AMENDMENTS TO THE MEMORANDUM AND ARTICLES OF ASSOCIATION OF THE COMPANY *cont'd*

Articles of Association

Article No.	Existing Provision	Proposed Amendment
Article 1	The Regulations in Table "A" in the Fourth Schedule to the Companies Act, 1965 shall not apply to the Company, except so far as the same are repeated or contained in these Articles.	Deleted in its entirety.
Article 2 (Definitions)	The Act - the Companies Act 1965 or any statutory modification, amendment or re-enactment thereof for the time being in force;	The Act - the Companies Act 2016 or any statutory modification, amendment or re-enactment thereof for the time being in force;
Article 3 (a)	no shares shall be issued at a discount except in compliance with the provisions of Section 59 of the Act;	no shares shall be issued at a discount except in compliance with the provisions of Section 79 of the Act;
Article 7	If at any time the share capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class) may, whether or not the Company is being wound up, be varied with the consent in writing of the holders of three-fourths of the issued shares of that class, or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of the class. To every such separate general meeting, the provisions of these Articles relating to general meetings shall mutatis mutandis apply, except that the necessary quorum shall be two (2) persons at least holding or representing by proxy, one-third of the issued shares of the class and that any holder of shares of the class present in person or by proxy may demand a poll. To every such special resolution, the provisions of Section 152 of the Act shall with such adaptations as are necessary, apply.	If at any time the share capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class) may, whether or not the Company is being wound up, be varied with the consent in writing of the holders of three-fourths of the issued shares of that class, or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of the class. To every such separate general meeting, the provisions of these Articles relating to general meetings shall mutatis mutandis apply, except that the necessary quorum shall be two (2) persons at least holding or representing by proxy, one-third of the issued shares of the class and that any holder of shares of the class present in person or by proxy. To every such special resolution, the provisions of Section 292 of the Act shall with such adaptations as are necessary, apply.

NOTICE OF ANNUAL GENERAL MEETING

cont'd

APPENDIX I *cont'd*

DETAILS OF THE PROPOSED AMENDMENTS TO THE MEMORANDUM AND ARTICLES OF ASSOCIATION OF THE COMPANY *cont'd*

Article No.	Existing Provision	Proposed Amendment
Article 10	Where any shares are issued for the purpose of raising money to defray the expenses of the construction of any works or buildings, or the provision of any plant which cannot be made profitable for a long period, the Company may pay interest on so much share capital as is for the time being paid up for the period and subject to the conditions and restrictions mentioned in Section 69 of the Act and may charge the same to capital as part of the cost of the plant construction of the works or buildings or the provision.	Where any shares are issued for the purpose of raising money to defray the expenses of the construction of any works or buildings, or the provision of any plant which cannot be made profitable for a long period, the Company may pay interest on so much share capital as is for the time being paid up for the period and subject to the conditions and restrictions mentioned in Section 130 of the Act and may charge the same to capital as part of the cost of the plant construction of the works or buildings or the provision.
Article 25	The transfer of any listed security or class of listed security of the Company which have been deposited with the Depository, shall be by way of book entry by the Depository in accordance with the Rules and, notwithstanding Sections 103 and 104 of the Act but subject to Section 107C(2) of the Act and any exemption that may be made from compliance with Section 107C(1) of the Act, the Company shall be precluded from registering and effecting any transfer of the listed securities.	The transfer of any listed security or class of listed security of the Company which have been deposited with the Depository, shall be by way of book entry by the Depository in accordance with the Rules and, notwithstanding Sections 105 and 109 of the Act but subject to Section 148(2) of the Act and any exemption that may be made from compliance with Section 148(1) of the Act, the Company shall be precluded from registering and effecting any transfer of the listed securities.
Article 56	The Directors may, whenever they so decide by resolution, convene an extraordinary general meeting of the Company. In addition, an extraordinary general meeting shall be convened on such requisition as is referred to in Section 144 of the Act, or if the Company makes default in convening a meeting in compliance with a requisition received pursuant to Section 144, a meeting may be convened by the requisitionists themselves in the manner provided in Section 144 of the Act.	The Directors may, whenever they so decide by resolution, convene an extraordinary general meeting of the Company. In addition, an extraordinary general meeting shall be convened on such requisition as is referred to in Section 312 of the Act, or if the Company makes default in convening a meeting in compliance with a requisition received pursuant to Section 312, a meeting may be convened by the requisitionists themselves in the manner provided in Section 313 of the Act.

NOTICE OF ANNUAL GENERAL MEETING

cont'd

APPENDIX I *cont'd*

DETAILS OF THE PROPOSED AMENDMENTS TO THE MEMORANDUM AND ARTICLES OF ASSOCIATION OF THE COMPANY *cont'd*

Article No.	Existing Provision	Proposed Amendment
Article 61	Subject always to the provision of Section 151 of the Act, no business shall be transacted at any extraordinary general meeting except business of which notice has been given in the notice convening the meeting and no business shall has been given aforesaid, with the exception of declaring a dividend, receiving of the audited financial statements and the report of the Directors and auditors, the fixing of the fees of Directors, the election of Directors in the place of those retiring, and the appointment and fixing of the remuneration of the auditors.	Subject always to the provision of Section 302 of the Act, no business shall be transacted at any extraordinary general meeting except business of which notice has been given in the notice convening the meeting and no business shall has been given aforesaid, with the exception of declaring a dividend, receiving of the audited financial statements and the report of the Directors and auditors, the fixing of the fees of Directors, the election of Directors in the place of those retiring, and the appointment and fixing of the remuneration of the auditors.
Article 62 (1)	In every notice calling a meeting of the Company there shall appear with reasonable prominence, a statement that a Member entitled to attend and vote may appoint up to two (2) proxies to attend and vote in his stead, and that a proxy may but need not be a Member and the provision of Section 149(1) (a) and (b) of the Act shall not apply to the Company. Where a Member appoints two (2) proxies, he shall specify the proportion of his holdings to be represented by each proxy failing which the appointment shall be invalid and the first named proxy shall be entitled to vote on a show of hands.	In every notice calling a meeting of the Company there shall appear with reasonable prominence, a statement that a Member entitled to attend and vote may appoint up to two (2) proxies to attend and vote in his stead, and that a proxy may but need not be a Member and the provision of Section 334 of the Act shall not apply to the Company. Where a Member appoints two (2) proxies, he shall specify the proportion of his holdings to be represented by each proxy failing which the appointment shall be invalid.

NOTICE OF ANNUAL GENERAL MEETING

cont'd

APPENDIX I *cont'd*

DETAILS OF THE PROPOSED AMENDMENTS TO THE MEMORANDUM AND ARTICLES OF ASSOCIATION OF THE COMPANY *cont'd*

Article No.	Existing Provision	Proposed Amendment
Article 68	<p>At any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands) demanded:</p> <p>(a) by the chairman of the meeting;</p> <p>(b) by any Member or Members present in person or by proxy and representing not less than one-tenth of the total voting rights of all Members having the right to vote at the meeting; or</p> <p>(c) by a Member or Members holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate has been paid up equal to not less than one-tenth of the total sum paid on all the shares conferring that right.</p> <p>Unless a poll is duly demanded in accordance with the foregoing provisions, a declaration by the chairman that a resolution has on a show of hands been carried or carried unanimously, or by a particular majority, or lost, and an entry to that effect in the book containing the minutes of the proceedings of the Company, shall be conclusive evidence of the fact without proof of the number of proportion of the votes recorded in favour of or against the resolution. A proxy shall be entitled to vote on a show of hands on any resolution at any General Meeting. The demand for a poll may be withdrawn.</p>	<p>At any general meeting all resolutions put to the vote of the meeting shall be decided by poll, each share has one (1) vote.</p>

NOTICE OF ANNUAL GENERAL MEETING

cont'd

APPENDIX I *cont'd*

DETAILS OF THE PROPOSED AMENDMENTS TO THE MEMORANDUM AND ARTICLES OF ASSOCIATION OF THE COMPANY *cont'd*

Article No.	Existing Provision	Proposed Amendment
Article 69	If a poll is duly demanded it shall be taken in such manner and either at once or after an interval or adjournment or otherwise as the Chairman directs, and the result of the poll shall be the resolution of the meeting at which the poll was demanded, but a poll demanded on the election of Chairman or on a question of adjournment shall be taken forthwith. The demand for a poll shall not prevent the continuance of a meeting for the transaction of any business other than the question on which the poll has been demanded. The Chairman of the meeting may (and if so directed by the meeting shall) appoint scrutineers and may in addition to the powers of adjourning meetings contained in Article 67 adjourn the meeting to some place and time fixed for the purpose of declaring the result of the poll.	Deleted in its entirety
Article 70	In the case of an equality of vote, whether on a show of hands or on a poll, the Chairman of the meeting at which the show of hands takes place or at which the poll is demanded shall be entitled to a second or casting votes.	In the case of an equality of vote, the Chairman of the meeting, shall be entitled to a second or casting votes.
Article 71	Subject to any rights or restrictions for the time being attached to any classes of shares at meetings of Members or classes of Members, each Member entitled to vote may vote in person or by proxy or by attorney or by duly authorised representative. On a resolution to be decided by show of hands, every person who is a Member or proxy or attorney or representative of a Member and each Member who is a holder of a preference share or proxy who has a right to vote shall have one vote. However, only one vote by show of hand is counted if a member is represented by more than one proxy. On a poll, every Member present in person or by proxy or attorney or representative and each Member who is a holder of a preference share or proxy who has a right to vote shall have one vote for each share he holds. A proxy shall be entitled to vote on a show of hands on any question at any general meeting and the provision of Section 149(1)(a) of the Act shall not apply to the Company.	Subject to any rights or restrictions for the time being attached to any classes of shares at meetings of Members or classes of Members, each Member entitled to vote may vote in person or by proxy or by attorney or by duly authorised representative. Every person who is a Member or proxy or attorney or representative of a Member and each Member who is a holder of a preference share or proxy who has a right to vote and speak. On a poll, every Member present in person or by proxy or attorney or representative and each Member who is a holder of a preference share or proxy who has a right to vote shall have one vote for each share he holds. A proxy shall be entitled to speak and vote on any question at any general meeting.

NOTICE OF ANNUAL GENERAL MEETING

cont'd

APPENDIX I *cont'd*

DETAILS OF THE PROPOSED AMENDMENTS TO THE MEMORANDUM AND ARTICLES OF ASSOCIATION OF THE COMPANY *cont'd*

Article No.	Existing Provision	Proposed Amendment
Article 73	A Member who is of unsound mind or whose person or estate is liable to be dealt with in any way under the law relating to mental disorder may vote, whether on a show of hands or on a poll, by his committee or by such other person as properly as the management of his estate, and any such committee or other person may vote by proxy or attorney and any person entitled under the transmission Article hereof to transfer any shares, may vote at any general meeting in respect thereof in the same manner as if he was the registered holder of such shares provided that forty-eight (48) hours at least before the time of holding the meeting or adjourned meeting, as the case may be at which he proposes to vote, he shall satisfy the Directors of his right to transfer such shares unless the Directors shall have previously admitted his right to vote at such meeting in respect thereof.	A Member who is of unsound mind or whose person or estate is liable to be dealt with in any way under the law relating to mental disorder may vote, on a poll, by his committee or by such other person as properly as the management of his estate, and any such committee or other person may vote by proxy or attorney and any person entitled under the transmission Article hereof to transfer any shares, may vote at any general meeting in respect thereof in the same manner as if he was the registered holder of such shares provided that his name appears in the Record of Depositors as per Article 59 and Article 60.
Article 74	No person shall be entitled to be present or to vote on any resolution either as a Member or otherwise as a proxy or attorney or representative at any general meeting or demand a poll or be reckoned in the quorum in respect of any shares upon which calls are due and unpaid.	No person shall be entitled to be present or to vote on any resolution either as a Member or otherwise as a proxy or attorney or representative at any general meeting or be reckoned in the quorum in respect of any shares upon which calls are due and unpaid.

NOTICE OF ANNUAL GENERAL MEETING

cont'd

APPENDIX I *cont'd*

DETAILS OF THE PROPOSED AMENDMENTS TO THE MEMORANDUM AND ARTICLES OF ASSOCIATION OF THE COMPANY *cont'd*

Article No.	Existing Provision	Proposed Amendment
Article 77 (notes)	<p>A proxy may but need not be a member of the Company and the provisions of Section 149(1) (a) and (b) of the Act shall not apply to the Company.</p> <p>To be valid, this form, duly completed must be deposited at the Office of the Company not less than 48 hours before the time for holding the meeting Provided. That in the event the member(s) duly executes the form of proxy but does not name any proxy, such member(s) shall be deemed to have appointed the Chairman of the meeting as his/her/their proxy, Provided Always that the rest of the proxy form, other than the particulars of the proxy/proxies have been duly completed by the member(s).</p> <p>A member may appoint up to two (2) proxies to attend and vote at the same meeting. Where a member appoints two (2) proxies, the appointment shall be invalid unless the specifies the proportions of his holdings to be represented by each proxy and the first named proxy shall be entitled to vote on a show of hands.</p> <p>Where a member of the company is an authorized nominee as defined under the Central Depositors Act, it may appoint at least 1 proxy in respect of each securities account it holds with ordinary shares of company standing to the credit of the said securities account.</p> <p>If the appointor is a corporation, this form must be executed under its common seal or under the hand of an attorney duly authorized.</p>	<p>A proxy may but need not be a member of the Company and provisions of Section 334 of the Act shall not apply to the Company.</p> <p>To be valid, this form, duly completed must be deposited at the Office of the Company not less than 48 hours before the time for holding the meeting Provided. That in the event the member(s) duly executes the form of proxy but does not name any proxy, such member(s) shall be deemed to have appointed the Chairman of the meeting as his/her/their proxy, Provided Always that the rest of the proxy form, other than the particulars of the proxy/proxies have been duly completed by the member(s).</p> <p>A member may appoint up to two (2) proxies to attend and vote at the same meeting. Where a member appoints two (2) proxies, the appointment shall be invalid unless the specifies the proportions of his holdings to be represented by each proxy.</p> <p>Where a member of the company is an authorized nominee as defined under the Central Depositors Act, it may appoint at least 1 proxy in respect of each securities account it holds with ordinary shares of company standing to the credit of the said securities account.</p> <p>If the appointor is a corporation, this form must be executed under its common seal or under the hand of an attorney duly authorized.</p>

NOTICE OF ANNUAL GENERAL MEETING

cont'd

APPENDIX I *cont'd*

DETAILS OF THE PROPOSED AMENDMENTS TO THE MEMORANDUM AND ARTICLES OF ASSOCIATION OF THE COMPANY *cont'd*

Article No.	Existing Provision	Proposed Amendment
Article 78	The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notary certified copy of that power or authority, shall be deposited at the Office or at such other place within Malaysia as is specified for that purpose in the time appointed for holding the meeting or adjourned meeting, as the case of a poll, not less than twenty-four (24) hours before the time appointed for the taking of the poll, and in default, the instrument of proxy shall not be treated as valid.	The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notary certified copy of that power or authority, shall be deposited at the Office or at such other place within Malaysia as is specified for that purpose in the time appointed for holding the meeting or adjourned meeting.
Article 95 (b)	becomes prohibited from being a Director by reason of any order made under the Act and in particular Section 130 or 130A of the Act;	becomes prohibited from being a Director by reason of any order made under the Act and in particular Sections 198 or 199 of the Act;
Article 97 (b)	subject to Sections 132E and 132F of the Act, enter into any arrangement or transaction with a Director of the Company or its holding company or transaction with a Director of the Company or its holding company or with a person connected with such a Director, to acquire from or dispose to such a Director or person, any non-cash assets of the requisite value;	subject to Sections 228 and 229 of the Act, enter into any arrangement or transaction with a Director of the Company or its holding company or transaction with a Director of the Company or its holding company or with a person connected with such a Director, to acquire from or dispose to such a Director or person, any non-cash assets of the requisite value;

NOTICE OF ANNUAL GENERAL MEETING

cont'd

APPENDIX I *cont'd*

DETAILS OF THE PROPOSED AMENDMENTS TO THE MEMORANDUM AND ARTICLES OF ASSOCIATION OF THE COMPANY *cont'd*

Article No.	Existing Provision	Proposed Amendment
Article 105	Subject always to Sections 131, 132E and 132F of the Act and subject to the requirements of the Exchange, a Director may hold any other office or place of profit under the Company (other than the office of Auditor) in conjunction with his office of Director for such period and on such terms (as to remuneration and otherwise) as the Directors may determine and no Director or intending Director shall be disqualified by his office from contracting with the Company either with regard to his tenure of any such other office or place of profit or as vendor, purchaser or otherwise nor shall any such contract, or any contract or arrangement entered into by or on behalf of the Company in which any Director is in any way interested, be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realized by any such contract or arrangement by reason of such Director holding that office or of the fiduciary relationship thereby established but the interest must be disclosed by him at the meeting of the Directors at which the contract or arrangement is determined, if the interest then exists or in any other case at the first meeting of the Directors after the acquisition of the interest.	Subject always to Sections 221, 228 and 229 of the Act and subject to the requirements of the Exchange, a Director may hold any other office or place of profit under the Company (other than the office of Auditor) in conjunction with his office of Director for such period and on such terms (as to remuneration and otherwise) as the Directors may determine and no Director or intending Director shall be disqualified by his office from contracting with the Company either with regard to his tenure of any such other office or place of profit or as vendor, purchaser or otherwise nor shall any such contract, or any contract or arrangement entered into by or on behalf of the Company in which any Director is in any way interested, be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realized by any such contract or arrangement by reason of such Director holding that office or of the fiduciary relationship thereby established but the interest must be disclosed by him at the meeting of the Directors at which the contract or arrangement is determined, if the interest then exists or in any other case at the first meeting of the Directors after the acquisition of the interest.
Article 114	Every Director shall comply with the provisions of Section 131 and 135 of the Act in connection with the disclosure of his shareholding and interests in the Company and his interest in any contract or proposed contract with the Company and in connection with the disclosure, every Director shall state the fact and the nature, character and extent of any office or possession of any property whereby whether directly or indirectly, duties or interests might be created in conflict with his duty or interest as a Director of the Company.	Every Director shall comply with the provisions of Section 221 and 219 of the Act in connection with the disclosure of his shareholding and interests in the Company and his interest in any contract or proposed contract with the Company and in connection with the disclosure, every Director shall state the fact and the nature, character and extent of any office or possession of any property whereby whether directly or indirectly, duties or interests might be created in conflict with his duty or interest as a Director of the Company.

NOTICE OF ANNUAL GENERAL MEETING

cont'd

APPENDIX I *cont'd*

DETAILS OF THE PROPOSED AMENDMENTS TO THE MEMORANDUM AND ARTICLES OF ASSOCIATION OF THE COMPANY *cont'd*

Article No.	Existing Provision	Proposed Amendment
Article 115	Subject to these Articles, the Act and the requirements of the Exchange, a Director may contract with and be interested in any contract or proposed contract with the Company and shall not be liable to account for any profit made by him by reason of any such contract; PROVIDED ALWAYS THAT the nature of the interest of the Director in any such contract be declared at a meeting of the Directors as required by Sections 131 of the Act. A Director shall not vote in respect of any contract or proposed contract or arrangement in which he has directly or indirectly a personal interest (and if he shall do so his vote shall not be counted).	Subject to these Articles, the Act and the requirements of the Exchange, a Director may contract with and be interested in any contract or proposed contract with the Company and shall not be liable to account for any profit made by him by reason of any such contract; PROVIDED ALWAYS THAT the nature of the interest of the Director in any such contract be declared at a meeting of the Directors as required by Sections 221 of the Act. A Director shall not vote in respect of any contract or proposed contract or arrangement in which he has directly or indirectly a personal interest (and if he shall do so his vote shall not be counted).
Article 116	A Director notwithstanding his interest may be counted in the quorum present at any meeting whereat he or any other Director is appointed to hold any office or place of profits under the Company or whereat the Directors resolve to exercise any of the rights of the Company (whether by the exercise of voting rights or otherwise) to appoint or concur in the appointment of a Director to hold any office or place of profit under any other company, or whereat any decision is taken upon any contract or arrangement in which he is in any way interested PROVIDED ALWAYS that he has complied with Section 131 and all other relevant provisions of the Act and of these Articles.	A Director notwithstanding his interest may be counted in the quorum present at any meeting whereat he or any other Director is appointed to hold any office or place of profits under the Company or whereat the Directors resolve to exercise any of the rights of the Company (whether by the exercise of voting rights or otherwise) to appoint or concur in the appointment of a Director to hold any office or place of profit under any other company, or whereat any decision is taken upon any contract or arrangement in which he is in any way interested PROVIDED ALWAYS that he has complied with Section 221 and all other relevant provisions of the Act and of these Articles.
Article 134 (a)	a register of substantial shareholders and of information received in pursuance of the requirements under Sections 69L(1) and 69O(4) of the Act;	a register of substantial shareholders and of information received in pursuance of the requirements under Sections 137 and 138 of the Act;
Article 134 (b)	a register of the particulars of each of the Directors' shareholdings and interests as required under Section 134 of the Act.	a register of the particulars of each of the Directors' shareholdings and interests as required under Section 59 of the Act.

NOTICE OF ANNUAL GENERAL MEETING

cont'd

APPENDIX I *cont'd*

DETAILS OF THE PROPOSED AMENDMENTS TO THE MEMORANDUM AND ARTICLES OF ASSOCIATION OF THE COMPANY *cont'd*

Article No.	Existing Provision	Proposed Amendment
Article 136 (1)	<p>The Directors shall provide for the safe custody of the Seal which shall only be used pursuant to a resolution of the Directors or a committee of the Directors authorizing the use of the Seal. The Directors may from time to time make such regulations as they think fit determining the persons and the number of such persons in whose presence the Seal shall be affixed and, until otherwise so determined, the Seal shall be affixed in the presence of at least one (1) Director and counter-signed by the Secretary or by a second Director or by some other person appointed by the Directors for the purpose who shall sign every instrument to which the Seal is affixed and the Directors may by resolution determine either generally or in any particular case that the signature of any Director, the Secretary or such other persons appointed as aforesaid may be affixed or reproduced by facsimile, autographic or other mechanical means provided that the use of such is restricted to a certificate or other documents of title in respect of any share, stock, debenture or marketable security created or issued by the Company to be given under the Seal of the Company. The Company may exercise the powers of Section 35(8) of the Act, and such powers are accordingly hereby vested in the Directors.</p>	<p>The Directors shall provide for the safe custody of the Seal which shall only be used pursuant to a resolution of the Directors or a committee of the Directors authorizing the use of the Seal. The Directors may from time to time make such regulations as they think fit determining the persons and the number of such persons in whose presence the Seal shall be affixed and, until otherwise so determined, the Seal shall be affixed in the presence of at least one (1) Director and counter-signed by the Secretary or by a second Director or by some other person appointed by the Directors for the purpose who shall sign every instrument to which the Seal is affixed and the Directors may by resolution determine either generally or in any particular case that the signature of any Director, the Secretary or such other persons appointed as aforesaid may be affixed or reproduced by facsimile, autographic or other mechanical means provided that the use of such is restricted to a certificate or other documents of title in respect of any share, stock, debenture or marketable security created or issued by the Company to be given under the Seal of the Company. The Company may exercise the powers of Section 62 of the Act, and such powers are accordingly hereby vested in the Directors.</p>
Article 136 (2)	<p>The Company may also have a share seal pursuant to Section 101 of the Act.</p>	<p>The Company may have a duplicate common seal with the addition on its face of the words "Share Seal".</p>

NOTICE OF ANNUAL GENERAL MEETING

cont'd

APPENDIX I *cont'd*

DETAILS OF THE PROPOSED AMENDMENTS TO THE MEMORANDUM AND ARTICLES OF ASSOCIATION OF THE COMPANY *cont'd*

Article No.	Existing Provision	Proposed Amendment
Article 137	<p>The Directors shall cause proper accounting and other records to be kept whether in a legible or non-legible form and shall distribute copies of balance sheets and other documents as required by the Act and shall from time to time determine whether and to what extent and at what times and places and under what conditions or regulations, the accounts and other records of the Company or any of them, shall be opened to the inspection of Members not being Directors, and no Member (not being a Director) shall have any right to inspect any account or book or paper of the Company except as conferred by statute or authorised by the Directors or by the Company in general meeting. Subject always to Section 167(4) of the Act, the books of account or records of operations shall be kept at the Office or at such other place as the Directors think fit and shall always be open to inspection by the Directors.</p>	<p>The Directors shall cause proper accounting and other records to be kept whether in a legible or non-legible form and shall distribute copies of balance sheets and other documents as required by the Act and shall from time to time determine whether and to what extent and at what times and places and under what conditions or regulations, the accounts and other records of the Company or any of them, shall be opened to the inspection of Members not being Directors, and no Member (not being a Director) shall have any right to inspect any account or book or paper of the Company except as conferred by statute or authorised by the Directors or by the Company in general meeting. Subject always to Section 47 of the Act, the books of account or records of operations shall be kept at the Office or at such other place as the Directors think fit and shall always be open to inspection by the Directors.</p>

NOTICE OF ANNUAL GENERAL MEETING

cont'd

APPENDIX I *cont'd*

DETAILS OF THE PROPOSED AMENDMENTS TO THE MEMORANDUM AND ARTICLES OF ASSOCIATION OF THE COMPANY *cont'd*

Article No.	Existing Provision	Proposed Amendment
Article 138	<p>The Directors shall from time to time in accordance with Section 169 of the Act cause to be prepared and laid before the Company in general meeting, such profit and loss accounts, balance sheets and reports as are referred to in the Section. The interval between the close of a financial year of a Company and the issue of the annual audited financial statements, the directors' and auditors' report shall not exceed four (4) months. The interval between the close of a financial year of the Company and the issue of annual report relating to it shall not exceed six (6) months. A copy of each such document either in the form of hard copy or CD-ROM format shall not less than twenty-one (21) days before the date of the meeting (or such shorter period as may be agreed in any year of the receipt of notice of the meeting pursuant to Article 156), be sent to every Member of, and to every holder of debentures of the Company under the provisions of the Act or of these Articles. The requisite number of copies of each such document as may be required by the Exchange upon which the Company's shares may be listed, shall at the same time be likewise sent to the Exchange provided that this Article shall not require a copy of these documents to be sent to any person of whose address the Company is not aware but any Member to whom a copy of these documents has not been sent shall be entitled to receive a copy, free of charge on application at the Office.</p>	<p>The Directors shall from time to time in accordance with Section 248 to 252 of the Act cause to be prepared and laid before the Company in general meeting, such Financial Statements and reports as are referred to in the Section. A copy of each such document either in the form of hard copy shall not less than twenty-one (21) days before the date of the meeting (or such shorter period as may be agreed in any year of the receipt of notice of the meeting pursuant to Article 156), be sent to every Member of, and to every holder of debentures of the Company under the provisions of the Act or of these Articles. The requisite number of copies of each such document as may be required by the Exchange and Securities Commission upon which the Company's shares may be listed, shall at the same time be likewise sent to the Exchange and Securities Commission provided that this Article shall not require a copy of these documents to be sent to any person of whose address the Company is not aware but any Member to whom a copy of these documents has not been sent shall be entitled to receive a copy, free of charge on application at the Office.</p>

NOTICE OF ANNUAL GENERAL MEETING

cont'd

APPENDIX I *cont'd*

DETAILS OF THE PROPOSED AMENDMENTS TO THE MEMORANDUM AND ARTICLES OF ASSOCIATION OF THE COMPANY *cont'd*

Article No.	Existing Provision	Proposed Amendment
Article 139	Auditors shall be appointed and their duties shall be regulated in accordance with Sections 172 to 175 of the Act.	Auditors shall be appointed in accordance with Section 271 of the Act and their duties shall be regulated in accordance with Section 266 of the Act.
Article 140	The Company by an ordinary resolution in general meeting may declare dividend, but no dividend shall exceed the amount recommended by the Directors. No dividend shall be payable otherwise than out of profits of the Company except pursuant to Section 60 of the Act nor shall any dividend bear interest against the Company.	The Company by an ordinary resolution in general meeting may declare dividend, but no dividend shall exceed the amount recommended by the Directors. No dividend shall be payable otherwise than out of profits of the Company pursuant to Section 131 of the Act nor shall any dividend bear interest against the Company.
Article 156 (3)	Whenever any notice is required to be given under the provisions of the law of Malaysia or of these Articles, waiver thereof or the shortening of the period of such notice, may be effectively given by complying with Section 145(3) of the Act.	Whenever any notice is required to be given under the provisions of the law of Malaysia or of these Articles, waiver thereof or the shortening of the period of such notice, may be effectively given by complying with Section 316(5b) of the Act.

ANALYSIS OF SHAREHOLDINGS

AS AT 12 APRIL 2017

Number of Shares Issued	: 96,000,000
Class of Shares	: Ordinary Shares
Voting Rights	: One Vote Per Ordinary Share
No. of shareholders	: 1,382

DISTRIBUTION OF SHAREHOLDINGS AS AT 12 APRIL 2017

Category	No. of Shareholders	No. of Shares	Percentage (%)
Less than 100	3	97	0.00
100 - 1,000	178	93,503	0.10
1,001 - 10,000	603	4,087,800	4.26
10,001 - 100,000	522	17,374,900	18.10
100,001 - less than 5% of issued shares	74	21,643,700	22.54
5% and above of issued shares	2	52,800,000	55.00
Total	1,382	96,000,000	100.00

LIST OF SUBSTANTIAL SHAREHOLDINGS AS AT 12 APRIL 2017

No.	Names	Direct		Indirect	
		No. of Shares	%	No. of Shares	%
1.	Koh Seng Kar @ Koh Hai Sew	36,960,000	38.50	-	-
2.	Koh Seng Lee	15,840,000	16.50	-	-

DIRECTORS' INTERESTS IN SHARES AS AT 12 APRIL 2017

No.	Names	Direct		Indirect	
		No. of Shares	%	No. of Shares	%
1.	Koh Seng Kar @ Koh Hai Sew	36,960,000	38.50	-	-
2.	Koh Seng Lee	15,840,000	16.50	-	-
3.	Tsen Ket Shung @ Kon Shung	714,400	0.74	-	-
4.	Zainal Rashid bin Haji Mohd Eusoff	100,000	0.10	-	-
5.	Lim Ho Kin	60,000	0.06	-	-
6.	Yap Siok Teng	50,000	0.05	-	-

ANALYSIS OF SHAREHOLDINGS

AS AT 12 APRIL 2017

cont'd

LIST OF TOP 30 SHAREHOLDERS/DEPOSITORS AS AT 12 APRIL 2017

No.	Name	No. of Shares held	Percentage (%)
1.	KOH SENG KAR @ KOH HAI SEW	36,960,000	38.50
2.	KOH SENG LEE	15,840,000	16.50
3.	BALAKRISNEN A/L SUBBAN	1,000,000	1.04
4.	GUO YONGJIN	828,000	0.86
5.	CHAN KEE SENG	800,000	0.83
6.	LIM BOON TICK	721,000	0.75
7.	TSEN KET SHUNG @ KON SHUNG	714,400	0.74
8.	NG ALI CHUA @ NG AH CHUAH	700,000	0.73
9.	LEE CHAN CHAR	673,700	0.70
10.	WONG CHEE KEONG	588,900	0.61
11.	UOB KAY HIAN NOMINEES (TEMPATAN) SDN BHD - EXEMPT AN FOR UOB KAY HIAN PTE LTD	530,000	0.55
12.	YAK THYE PENG	500,000	0.52
13.	MAYBANK SECURITIES NOMINEES (ASING) SDN BHD - MAYBANK KIM ENG SECURITIES PTE LTD FOR LOW KOK TIONG	500,000	0.52
14.	YAP POH LEAN	500,000	0.52
15.	MUHAMMAD K.Y. TIANG BIN ABDULLAH	470,700	0.49
16.	TIANG WAN CHIONG	456,000	0.48
17.	PUBLIC NOMINEES (TEMPATAN) SDN BHD - PLEDGED SECURITIES ACCOUNT FOR TAN CHOON TEE	400,000	0.42
18.	LIFE ENTERPRISE SDN BHD	388,300	0.41
19.	TEOH HOOI BIN	382,500	0.40
20.	WONG EE CHE	370,000	0.39
21.	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD - PLEDGED SECURITIES ACCOUNT FOR TAY CHUN YONG	368,000	0.38
22.	INNOSIN SDN BHD	328,000	0.34
23.	TONG FONG REALTY SDN. BERHAD	324,900	0.34
24.	TAILAMI A/P PALANIANDY	300,000	0.31
25.	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD - PLEDGED SECURITIES ACCOUNT FOR TEOH SIEW ENG	292,000	0.30
26.	MAYBANK NOMINEES (TEMPATAN) SDN BHD - PLEDGED SECURITIES ACCOUNT FOR LIAU SIONG KEE @ LIEW SIONG KEE	283,800	0.30
27.	CHUAH KIM LEE	280,000	0.29
28.	CIMSEC NOMINEES (TEMPATAN) SDN BHD - PLEDGED SECURITIES ACCOUNT FOR NG GEOK WAH	278,000	0.29
29.	TAN LIAN CHOON	276,700	0.29
30.	WONG WAI KEUNG RAYMOND	268,400	0.28
	TOTAL	66,323,300	69.08

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K. SENG SENG CORPORATION BERHAD

(Company No.: 133427-W)

FORM OF PROXY

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

No. of Ordinary Shares Held

I/We _____ I.C No./Co.No./CDS No.: _____
(Full name in block letters)

of _____
(Full address)

being a member/members of K. SENG SENG CORPORATION 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 to vote for me/us on my/our behalf at the Thirty-Second Annual General Meeting of the Company to be held at Majestic III, Lower Ground Level, Palace of the Golden Horses, Jalan Kuda Emas, Mines Resort City, 43300 Seri Kembangan, Selangor on Wednesday, 31 May 2017 at 11.00 a.m. My/our proxy/proxies is/are to vote as indicated below:-

RESOLUTIONS RELATING TO:-	FIRST PROXY		SECOND PROXY	
	For	Against	For	Against
ORDINARY RESOLUTION				
1. To approve the payment of a first and final single tier dividend of 1.5 sen per ordinary share.				
2. To approve Directors' Fees.				
3. Re-election of Director, Yap Siok Teng.				
4. Re-election of Director, Lim Ho Kin.				
5. To appoint the auditors, Messrs Baker Tilly Monteiro Heng				
SPECIAL BUSINESS				
6. Authority to issue shares pursuant to Sections 75 and 76 of the Companies Act, 2016.				
7. Renewal of shareholders' mandate for Recurrent Related Party Transactions of a revenue or trading nature.				
SPECIAL RESOLUTION				
1. Proposed Amendments to the Memorandum and Articles of Association.				

(Please indicate with a "✓" or "X" in the space provided how you wish your vote to be cast. If no instruction as to voting is given, the proxy/proxies may vote or abstain from voting at his/her/their discretion). The first named proxy shall be entitled to vote on a show of hands on my/our behalf.

Dated this _____ day of _____ 2017 _____
Signature of Shareholder(s)/Common Seal

Notes:-

- For the purpose of determining a member who shall be entitled to attend and vote at the Annual General Meeting, the Company shall be requesting the Record of Depositors as at 26 May 2017. Only a depositor whose name appears on the Record of Depositors as at 26 May 2017 shall be entitled to attend the said meeting or appoint proxies to attend and vote on his/her stead.
- A member entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and vote in his/her stead. A member may appoint up to two proxies to attend the same meeting provided that he specifies the proportion of his shareholding to be represented by each proxy. A proxy may but need not be a member of the Company.
- Where a member is an authorised nominee as defined under the Security 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.
- A member who is an exempt authorized nominee is entitled to appoint multiple proxies for each omnibus account it holds.
- The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorized in writing or, if the appointer is a corporation, either under the Corporation's Common Seal or under the hand of an officer or attorney so authorized.
- The Form of Proxy must be deposited at the Registered Office of the Company at Level 15-2, Bangunan Faber Imperial Court, Jalan Sultan Ismail, 50250 Kuala Lumpur not less than 48 hours before the time set for holding the meeting or any adjournment thereof.

Fold This Flap For Sealing

Then Fold Here

Affix
Stamp

The Secretary
K. SENG SENG CORPORATION BERHAD (133427-W)
Level 15-2, Bangunan Faber Imperial Court,
Jalan Sultan Ismail,
50250 Kuala Lumpur.

1st Fold Here

Lot 3707, Jalan 7/5,
Taman Industri Selesa Jaya,
43300 Balakong, Selangor, Malaysia.

Tel : 603-8961 5555 (Hunting Line)
Fax : 603-8962 6666 (Marketing)
603-8962 1111 (Accounts)
E-mail : sales@kssc.com.my