誠成集團

K. SENG SENG CORPORATION BERHAD

(Company No.: 133427-W)

annual report 2017

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Koh Seng Kar @ Koh Hai Sew
Chairman/Managing Director

Koh Seng Lee
Deputy Managing Director

Tsen Ket Shung @ Kon Shung
Executive Director

Lim Ho Kin
Senior Independent Non-Executive Director

Zainal Rashid Bin Haji Mohd Eusoff
Independent Non-Executive Director

Yap Siok Teng
Independent Non-Executive Director

AUDIT AND RISK MANAGEMENT COMMITTEE

Chairman
Yap Siok Teng
Members
Zainal Rashid Bin Haji Mohd Eusoff
Lim Ho Kin

REMUNERATION COMMITTEE

Chairman
Zainal Rashid Bin Haji Mohd Eusoff
Members
Yap Siok Teng
Lim Ho Kin
Koh Seng Kar @ Koh Hai Sew
(Resigned w.e.f. 21 November 2017)

NOMINATION COMMITTEE

Chairman
Lim Ho Kin
Members
Zainal Rashid Bin Haji Mohd Eusoff
Yap Siok Teng

COMPANY SECRETARIES

Lim Seck Wah
(MAICSA NO.: 0799845)
M. Chandrasegaran A/L S. Murugasu
(MAICSA NO.: 0781031)

REGISTERED OFFICE

Level 15-2
Bangunan Faber Imperial Court
Jalan Sultan Ismail
50250 Kuala Lumpur
Tel : 03-2692 4271
Fax : 03-2732 5388

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

PRINCIPAL BANKERS

Citibank Berhad
Hong Leong Bank Berhad
Malayan Banking Berhad

SOLICITORS

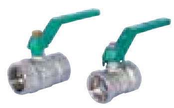
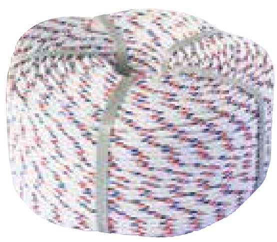
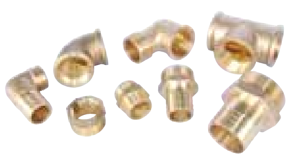
Teh Cheng Aik & Co

AUDITORS

Baker Tilly Monteiro Heng *(AF : 0117)*
Chartered Accountants

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia
Securities Berhad
STOCK CODE: 5192


CORPORATE STRUCTURE

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

- **100%** K. Seng Seng Industries Sdn Bhd (KSSI) (490138-K)
- **100%** K.Seng Seng Manufacturing Sdn Bhd (KSSM) (791541-W)
- **100%** PTM Stainless Steel Industry Sdn Bhd (f.k.a. PTM Steel Industry Sdn Bhd) (244942-P)
- **100%** Three & Three Hardware Sdn Bhd (TTH) (352333-P)
- **100%** K Seng Seng Parts Sdn Bhd (KSSP) (722242-D)
- **100%** KSG Engineering Sdn Bhd (KSG) (922460-A)
- **75%** Koseng Sdn Bhd (970606-A)
- **50%** EIE Asian Holding Sdn Bhd (EIE) (569526-P)

MANAGEMENT DISCUSSION AND ANALYSIS

THE OUTLOOK OF THE MALAYSIAN ECONOMY IN 2017

The Malaysian economy grew at a faster pace of 5.8% in the second quarter of 2017 underpinned by the services, manufacturing and construction sectors. Given the strong first half growth of 5.7%, the economy is expected to expand at more than 4.8% for the full year of 2017.

The construction sector recorded moderate growth of 7.4% in 2016 (2015: 8.2%). For the second quarter of 2017, the construction sector grew 8.3%. Growth was mainly led by civil engineering sub-sector driven by the existing multi-year projects particularly in oil and gas (O&G), transportation and utilities segments. The residential sub-sector also registered a strong momentum due to construction of service apartments and affordable housing projects.

Moving forward, growth in the economy will continue to be supported by strong domestic demand and stronger than expected global growth.

REVIEW OF OPERATING ACTIVITIES

The Group is primarily engaged in the manufacturing of secondary stainless steel and stainless steel related products, trading of industrial hardware including marine hardware and consumables; engineering works, fabrication and installation of glove dipping line and trading of glove dipping line parts. The Holding Company is principally engaged in investment holding related activities.

The key business segment of the Group are 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.

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.

MANAGEMENT DISCUSSION AND ANALYSIS
continued

REVIEW OF OPERATING ACTIVITIES OF EACH BUSINESS SEGMENT OF THE GROUP

	Stainless steel products	Marine hardware & consumable	Other industrial hardware	Engineering Works	Total
12 months ended 31/12/2017	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Revenues from external customers	39,734	33,342	28,103	22,040	123,219
Reportable segment gross profit.	5,252	9,018	6,636	2,706	23,612
12 months ended 31/12/2016					
Revenues from external customers	33,032	28,726	24,383	16,035	102,176
Reportable segment gross profit	3,870	7,396	5,925	2,263	19,454

The Group revenue for the financial year 2017 had increased approximately by 20.59% from RM102.18 million as reported in the prior financial year 2016 to RM123.22 million.

Sales of our Stainless Steel Products segment accounted approximately 32.24% of total Group revenue. Marine Hardware & Consumable segment and Other Industrial Hardware constituted for approximately 27.06% and 22.81% respectively of total Group revenue. Engineering Works segment contributed only 17.89% of the Group revenue.

During the financial year under review, we recorded revenue of RM22.04 million or increased by 37.45% for Engineering Works segment as compared to RM16.04 million as reported in prior financial year. The increased in revenue was principally attributable to new fabrication & installation of Double Former Glove Dipping Lines as compared to prior financial year in which no new Double Former Glove Dipping Lines.

Despite the increased revenue in Engineering Works segment, our revenue from Marine Hardware & consumables grew by approximately 16.07% in 2017 from RM28.73 million to RM33.34 million. Other Industrial Hardware segment increased by 15.26% from RM24.38 million in the previous financial year to RM28.1 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 20.29% but the gross profits increased by 35.71%.

	12 months ended		
	31/12/2017	**31/12/2016**	**Changes**
	RM'000	**RM'000**	**%**
Revenue	123,219	102,176	20.59
Operating Profit	**8,364**	**5,810**	**43.96**
Profit Before Interest and Tax	9,062	6,694	35.37
Profit Before Tax	7,629	5,393	41.46
Profit After Tax	**5,696**	**4,040**	**40.99**
Profit/(Loss) Attributable to Ordinary Equity Holders of the Parent holders of the parent	5,475	3,807	43.81

MANAGEMENT DISCUSSION AND ANALYSIS

continued

The Group profit before tax for the year had improved from RM7.63 million achieved in the corresponding preceding year to RM5.39 million, representing an increase of 41.56%. 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.

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.

MANUFACTURE OF STAINLESS STEEL PRODUCTS

The Management takes heed on the safety and health of the employees by adhering to regulations under Section 24 of the 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.

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.

CHALLENGES AHEAD

Following China's move to slash its output and clamp down on illegal mills, steel prices have improved. However, the business prospects for the Group are expected to remain challenging.

The weakening of the Ringgit, shrinking market share and growing capacities in ASEAN countries mainly Vietnam will further aggravate the concern to the local steel producers. The concern over excess capacity and the influx of cheap imports from China although still a concern has somewhat alleviated with China's planned reduction in excess steel capacity.

MANAGEMENT DISCUSSION AND ANALYSIS
continued

On the domestic front, steel demand will continue to be supported by the Malaysian Government plans to increase investment in infrastructure through mega projects such as Greater KL, High Speed Rail Transit, Mass Rapid Transit, East Coast Railway Line as well as new highways, including Pan Borneo Highway. All these projects would boost demand for steel products and sustain a positive outlook for the Malaysian steel industry.

Moving forward, the Group will remain focus and continue to undertake prudent measures to improve efficiencies on manufacturing costs, procurement strategies, sales and working capital management. The Group will further enhance its technical capabilities for higher value added products and continuously expand products range to remain in the forefront of the steel industry in Malaysia as well as Southeast Asia.

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 2sen per ordinary share for the financial year ended 31 December 2017. The proposed dividend, if approved by shareholders at the AGM, to be held on 21 May 2018, will be paid on 11 June 2018 to those registered as at 28 May 2018.

SUSTAINABILITY STATEMENT

INTRODUCTION

At K. Seng Seng Corporation Berhad ("KSSC") Group, we recognise the importance of sustainability-related issues which can significantly affect the KSSC Group's businesses, their risk profiles and their values. This year is the first year the KSSC Group is having a formal sustainability statement disclosing our sustainability strategy which is in line with regulatory requirements and best practices.

KSSC is an investment holding company. The activities of the KSSC Group include manufacturing of secondary stainless steel products namely welded stainless steel tubes and pipes, stainless steel industrial fasteners, rigging accessories and components; processing of secondary stainless steel flat and long products namely stainless steel sheets, stainless steel round bars, stainless steel flats bars as well as stainless steel angles bars; trading of industrial hardware including marine hardware and consumables; Engineering works, fabrication and installation of glove dipping line and trading of glove dipping line parts.

Our "Sustainability Policy" supports our commitment to reaching an equilibrium between being at the forefront of our industry and meeting the commercial expectations of our stakeholders. The said Sustainability Policy entails:

- Compliance of highest ethical standards by suppliers;
- Compliance to environmental and occupational safety and health regulations;
- "Green" principles in procurement and manufacturing practices;
- Management and disposal of waste in a responsible manner;
- Commitment to ensure a safe and healthy working environment;
- Fair and just treatment of employees;
- Training and development of employees;
- Contributions towards local authorities and communities;
- Uphold business excellence and continuity;
- On-going development of clients for long-term partnerships; and
- Compliance to better practices under the Malaysian Code of Corporate Governance.

GOVERNANCE STRUCTURE

We do not have a Sustainability Committee at the Board level, however, there is a Sustainability Steering ("SS") Committee comprising senior Heads of Department of relevant operations, chaired by our Group Managing Director. The SS Committee plays the role of Chief Sustainability Officer, reporting directly to the Board of any sustainability matters from time to time.

SUSTAINABILITY STATEMENT
continued

The SS Committee oversees the implementation of the organisation's sustainability approach and ensures that key targets are monitored. There is another Sustainability Working ("SW") Committee comprising key staff from various departments of the operating companies nominated by the SS Committee. The said composition allows the SS Committee to leverage on departmental access to information and specific stakeholders. The SW Committee's reporting duties include provision of information, collection of feedback from stakeholders, as well as addressing material issues and driving initiatives approved by the SS Committee.

REFERENCE AND GUIDELINES

This report reflects KSSC's activities in relation to ISO9001 standards (international standards for quality management, occupational health and safety, and environmental management system respectively) where applicable.

SCOPE AND BOUNDARY

This report focuses only on major key operating operations in the Balakong main plant as a start to our sustainability reporting journey.

REPORTING PERIOD

This report, which will be produced annually, covers the period from 1 January 2017 to 31 December 2017 (Financial Year Ended 2017). If there are selected indicators that have only been tracked recently, we would mention the reporting duration within the report.

There are no significant restatements of data compared to prior years as this is our first sustainability report.

STAKEHOLDERS IDENTIFIED

Although we have not formally engaged with all the stakeholders, we have so far identified certain stakeholders relevant to our operations as follows, but more stakeholders will be identified along the journey to have a more comprehensive stakeholders' engagement.

Stakeholders	Proposed mode of engagement	Frequency of engagement	Sustainability material matters	Sustainability issues of concern
Shareholders & Investors (High)	- Annual General meeting - Announcements on Bursa Malaysia - Press releases - Financial statements - Annual report	- Annually - Quarterly	- Industry environment - Profitability - Dividend - Return on Investment - Financial performance - Share performance - Ethics & integrity - Corporate governance and transparency	- Growth trajectory - Acquisitions and expansion - Market diversification - Risk management - Corporate governance - EES indicators - Sustainability performance and tracking - Reporting standards

SUSTAINABILITY STATEMENT
continued

Stakeholders	Proposed mode of engagement	Frequency of engagement	Sustainability material matters	Sustainability issues of concern
Customers (Critical)	- Face to face interaction - Customer feedback - Customer buy-off - Marketing promotions - Engagement surveys - Customer audits	- Weekly - Monthly - Half yearly - Annually - As needed	- Customer satisfaction & brand reputation	- Product quality - Pricing - Quality and workmanship - Product safety - Goods delivery/logistics - Manufacturing capacity - Customer visit and survey - Customer service and experience - Equitable business operations
Employees (Critical)	- Management meeting - Employee performance appraisals - Training programme - Employees feedback	- Weekly - Monthly - Half yearly - Annually - As needed	- Learning & development - Occupational Safety & Health - Employee welfare - Talent retention - Skilled labour	- Job security - Remuneration and benefits - Career development and training opportunities - Workplace health and safety - Labour and human rights - Work-life balance
Suppliers (High)	- supplier audit and evaluation - Supplier visit/ interviews - Supplier appraisal/ pre-evaluation - Face to face interaction - Legal compliance	- Monthly - Half yearly - Annually - As needed	- Quality of trading materials - Timely delivery of goods/logistics - Raw material availability	- Legal compliance - Payment schedule - Pricing of services - Product quality and inventory supply commitment - Agreeable contracts - Maintaining partnerships
Government & Regulators (High)	- Regulatory requirement - On-going interaction - Formal and informal meetings - Government programmes and initiatives	Periodically	Compliance	- Manufacturing issues and policies - Compliance to applicable laws - Security issues - Waste Management - Public nuisance issues - Labour practices - Environmental issues - Occupational Safety & Health - Economic, environmental and social impacts
Local communities (Moderate)	- Donations & financial aid - Contribution to environment and social enhancement - Sustainability related programmes	As needed	Community development	- Social & environmental issues in relation to business operation - Support towards community development - Job creation for local community - Undertaking business in a responsible manner

SUSTAINABILITY STATEMENT
continued

MATERIAL SUSTAINABILITY MATTERS IDENTIFIED

The main impacts of manufacturing stainless steel tubes and pipes, and processing of secondary stainless steel flat products derive from the use of raw materials, energy and water. As an industry rely heavily on electrical energy and emit Green House Gases ("GHG"), the focus is on operating in an environmentally responsible manner. We also recognise the importance of having a competent workforce in carrying out their daily tasks in a safe environment, hence it is part of our culture to provide continuous training to our workforce to upgrade their skills.

We have reviewed various sources from which relevant sustainability issues can be identified. These include internal management committee reports, internal analysis, stakeholder feedback & complaints, regulatory requirements and enterprise risk management assessment. From the review, we have identified the following material sustainability matters for a start, which have significant Economic, Environmental and Social impact. The reported measurement is only based on our own internal measurement.

CORPORATE GOVERNANCE & ETHICAL BEHAVIOUR

KSSC is committed to maintaining the highest standards in relation to corporate governance, ethics and compliance. We believe that sound and effective corporate practices are fundamental to the smooth, effective and transparent operation of a Company. This is pivotal to protect the interest of other stakeholders.

Given that good governance and ethical conduct is critical to building and maintaining trust and confidence, KSSC has embarked on several on-going initiatives across all businesses and implemented various policies including but not limited to:

- Code of Ethics; and
- Whistleblowing policy and Procedures.

We take cognisance of the importance of continually developing our practices to ensure that we conduct our activities in accordance with the laws, rules and regulations of the local authorities as well as support our employees to consistently uphold the highest standards of integrity and accountability.

Our policies are reviewed regularly to ensure they reflect any changes in legislative requirements and the business environment.

During the Financial Year 2017 ("FY2017"), no cases of ethics and integrity practices breaches were reported.

INTEGRATED & RESILIENT WORKFORCE

At KSSC, we recognise the need to maintain a conducive and inclusive workplace to better position ourselves and exceed customers' expectations. We also believe that our employees are an important driving force to ensure sustainability across our operations. Our goal to support the company's strategy in relation to human resources is to build a trustworthy and honest workforce committed to provide excellence services to our valued customers.

I. Occupational Health and Safety

Workplace safety is essential to the sustainability of any corporation. At KSSC, the Company's value proposition starts, first and foremost, with an unrelenting commitment to employee safety. In our management meetings, safety is one of the key agenda items discussed.

SUSTAINABILITY STATEMENT
continued

Nevertheless, continuous efforts have been put in place to ensure a sustainable safe work place environment. In this respect, we have an Occupational Safety & Health Management System set up based on occupational health and safety risk of our Group, and have considered the requirements of relevant Environment, Health & Safety ("EHS") legislations. In particular, we have:

- established Safety Operating Procedures ("SOP") for each work activity; conducted Hazard Identification, Risk Analysis and Risk Control generated from SOP and work activities;
- ensured compliance with applicable EHS requirements such as Occupational Safety & Health Act 1994, Factory and Machinery Act 1967, Fire Service Acts, and its associated Regulations and Orders;
- implemented a Technical and Administrative control for the production and machinery sector;
- monthly inspection on non-compliances on safety features; appoint safety and health committee and conduct safety and health committee member meeting;
- seek continuous improvement in our occupational health and safety performance by taking into account evolving community expectations and management practices;
- train and hold individual employees accountable for their area of responsibility;
- manage risk by implementing management systems to identify, assess, monitor and control hazards and by reviewing performance;
- communicate openly with employees, government and the community on occupational health and safety issues; and
- periodically review occupational health and safety policy to ensure its effectiveness and suitability to the nature of work.

During Financial Year 2017 ("FY2017"), no cases of OHS incidents were reported.

II. Promotion of Occupational Health & Safety

We conform to local occupational health and safety regulatory requirements and practice self-checks for operations and maintenance of facilities.

While we take every possible measure to safeguard the occupational health and safety of individuals involved in our operations, all our employees possess general duties to comply with occupational health and safety standard operating procedures in accordance to Section 24 of the Occupational Safety and Health Act 1994.

We continuously aim to improve our safety culture through the renewal and deployment of occupational health & safety trainings and courses delivered to selected personnel.

FAIR EMPLOYMENT PRACTICES

In addition to developing a healthy and safe workplace, we strive to provide our employees a diverse and inclusive working environment where their human rights are respected. In upholding human rights of our employees and to prevent human rights violations, we have put in place policies and procedures to ensure a healthy, fair, just and secure workplace.

The following are key policies and measures enshrined in our Code of Ethics (dos and don't) policy statement as well as our employee handbook.

I. Equal Employment Opportunity

In the appointment and recruitment process of KSSC, we pride ourselves in being an employer that provides equal opportunities and continuously seek to promote it regardless of religious belief, age, creed, marital status, gender, family status or any disability. Our commitment in that respect applies to all areas of the work environment.

SUSTAINABILITY STATEMENT
continued

II. Workforce Diversity

We believe in keeping our employees engaged with the aim to bring forth their full potential and enabling a satisfying career for each of them. At the same time, we are inclusive and are mindful to encourage balanced participation of female employees in our Group. We continue to promote and attract talents from the local community or within the same state which we operate in. We are proud to contribute to the local economies by creating employment in the communities in which we operate, majority of our office staff coming from the local communities.

III. Adherence to Minimum Wage

We observe the Minimum Wages Order 2012 and its subsequent amendments as and when announced by the government.

IV. Prohibition of Discrimination and Harassment

The Group already set in policy, rules, regulations and work ethics on discrimination and harassment.

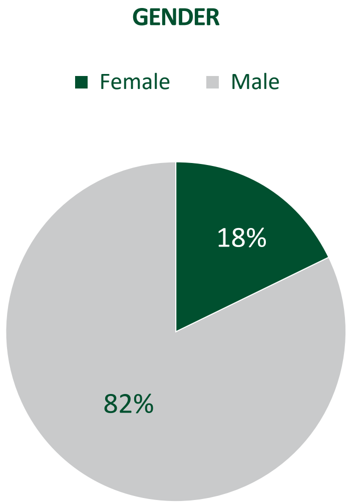
During the reporting period there were no recorded instances of discrimination. Any employee found guilty of such misconduct will be subject to disciplinary actions that may include dismissal.

V. Prevention of Child Labour

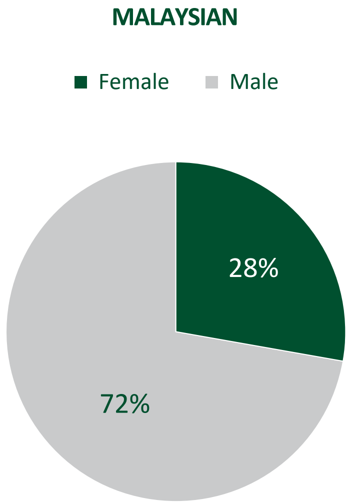
We observe Children and Young Persons (Employment) (Amendment) act 2010.

We employ only those 18 years and above in our recruitment exercise. This is in line with the policies of the international labour organisation.

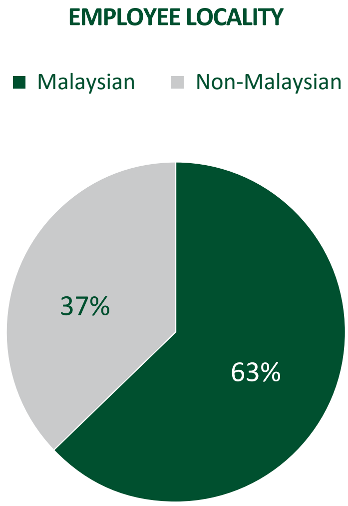
EMPLOYEES BREAKDOWN BY GENDER



Employees under the Group



Malaysian Population



Employee Locality

SUSTAINABILITY STATEMENT
continued

EMPLOYEE WELFARE

We value the contributions of our diverse employees and continuously attract talents to join us by providing a supportive working environment as well development opportunities. We provide an integrated welfare system and treat all employees equally on all of our sites.

I. Benefits and Compensation

The Group complies with the various local statutory requirements and regulations on wages and benefits such as minimum wages order, employees' provident fund, Socso.

Other employee welfare bonuses include travel allowance, subsidies for medical benefits, Group Personal Accidents insurance, communications expenses, uniform and personal protective appliances, and application of residence permits for current employees, staff compensation leave, festive gifts and events. This is to express our group's commitment for optimal work-life integration, and personal effectiveness.

II. Training and Development

In building a strong workforce, we are committed to providing an environment for our employees to enhance their skills and knowledge within the industry. This will benefit not only the personal growth and development of our employees but also the company's growth as a whole.

Training is also very important to ensure that our employees have the required competencies to perform their work and deliver their best output. We therefore encourage our employees to expand their knowledge and to foster personal growth and development by taking on new roles and responsibilities.

COMMUNITY & ECO-FRIENDLY CONSCIOUSNESS

KSSC's operations are based on governance mechanisms intended to ensure sound environmental practices in everything we doing so, we are first and foremost committed to complying with regulatory requirements in all our activities, while keeping abreast of industry best practices. Our fundamental aim is to sustainably uphold operational excellence across our business value chain, which in return warrants the prudent use of natural resources.

I. Waste Management

Given the nature and size of our manufacturing operations, the processes entail production of waste. KSSC is subject to periodic assessments by the Department of Environment ("DOE") which ensures that we conduct business in an environmentally responsible manner.

We consistently strive to improve waste management in our manufacturing plant. As part of the efforts undertaken to monitor our waste, our Safety Department was tasked with the management of all waste related matters.

II. Noise Pollution Control

As noise is inevitable in some of KSSC's processes, we have implemented measures to mitigate the impact to our employees. In particular, our manufacturing section has been identified as the process that generates the highest noise levels. We have established a noise emission policy which is managed by the safety department and supports our commitment to monitoring and controlling noise levels.

SUSTAINABILITY STATEMENT
continued

Noise levels are subject to periodic assessments by an environmental consultant approved by the Department of Occupational Safety & Health (DOSH). Below are DOSH's requirement for noise exposure pursuant to the Factories & Machineries (Noise Exposure) Regulations (1989):

In order to better control noise levels, we deploy engineering controls as far as reasonably practicable such as machineries being constructed with noise reducing specifications. We also mitigate employee noise exposure by ensuring Personal Protective Equipment (PPE) such as hearing protections are worn especially at sections with higher noise exposure. Audiometry tests for machine operators are carried out annually to monitor employee's risk of detrimental exposure to noise.

III. Air Emissions

The nature of our industry does not generate significant air emissions but that does not exclude us from meeting regulatory standards set by the Department of Environment (DOE) pursuant to the Clean Air Regulation (2014).

Our workers are to put on safety helmet, safety shoes and mask at all times during work.

IV. Energy Management/Electrical Energy Consumption

As a responsible corporate citizen, we believe in taking a proactive approach to environmental management. As any reduction in the use of energy will lead to the abatement of GHG emissions, we therefore promote efficient use of energy. We believed in improvement efficiency in energy consumption, contribute to reduction in utility costs, and to optimise capital expenditure. The following are the key energy related initiatives taken by us:

- Lighting : replace light tube with LED tube; Timer control for lighting;
- Air-conditioner : consistently service filter by electrical crew.
- Motor : Inverter control for motors; Timer control for blower fan.
- Process optimisation : stop plant machine based on operation requirement; Control process flow.
- Awareness : conduct energy efficiency awareness briefing to all staff; Daily monitoring for energy consumption.
- Air compressor : leaking improvement; Daily flow & consumption monitoring.

Community

KSSC strives to create long-term value for our shareholders. It is imperative that the Group continues to create value not only for the communities it serves, but also for the future growth of the Group. The Group stands by its promise of being transparent, upholding integrity and embracing the best governance practices.

This Sustainability Statement is made in accordance with the resolution of the Board of Directors dated 22 March 2018.

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

continued

KOH SENG KAR @ KOH HAI SEW
Male, Aged 74, 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 brings with him approximately thirty-three (33) 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 and/or listed issuers.

KOH SENG LEE
Male, Aged 56, 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-two (32) 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 and/or listed issuers.

DIRECTORS' PROFILE

continued

TSEN KET SHUNG @ KON SHUNG
Male, Aged 47, 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 and/or listed issuers.

LIM HO KIN
Male, Aged 72, 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 directorships in any other public listed companies and/or listed issuers.

DIRECTORS' PROFILE
continued

ZAINAL RASHID BIN HAJI MOHD EUSOFF
Male, Aged 77, 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 and/or listed issuers.

YAP SIOK TENG
Female, Aged 58, 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 does not hold any directorships in any other public listed companies and/or listed issuers.

Other Information:

1. ***Family Relationship with any Director and/or Substantial Shareholder***

   Mr. Koh Seng Kar @ Koh Hai Sew and Mr. Koh Seng Lee are bothers and substantial shareholders. None of the other Directors have any family relationship with any Director and/or Substantial Shareholders of the Company.

2. ***Directors' Shareholdings***

   Details of the Directors' shareholdings in the Company are provided in the Analysis of Shareholdings Section in this Annual Report.

3. ***Conflict of Interest with the Group***

   None of the Directors of the Company have any conflict of interest with the Group.

4. ***Convictions for Offences***

   None of the Directors of the Company have been convicted of any offences within the past five (5) years. There was no public sanction or penalty imposed by the relevant regulatory bodies during the financial year ended 31 December 2017.

5. ***Number of Board Meeting Attended***

   Details of the Board meeting attendance of each director are disclosed in the Statement on Corporate Governance in the Annual Report.

KEY SENIOR MANAGEMENT PROFILE

1. **KOH SENG KAR @ KOH HAI SEW**
   Male, Chairman/Managing Director (Aged 74, Malaysian)

   Please refer to his Director's Profile appearing in Page 17 of the Annual Report 2017.

2. **KOH SENG LEE**
   Male, Deputy Managing Director (Aged 56, Malaysian)

   Please refer to his Director's Profile appearing in Page 17 of the Annual Report 2017.

3. **TSEN KET SHUNG @ KON SHUNG**
   Male, Executive Director (Aged 47, Malaysian)

   Please refer to his Director's Profile appearing in Page 18 of the Annual Report 2017.

4. **TAN LIAN CHOON**
   Female, Group Accountant (Aged 39, 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 does not hold any directorships in any other public listed companies and/or listed issuers.

   She holds 276,700 shares in KSSC.

5. **HIEW CHEE HAW**
   Male, Sales Manager (Aged 43, Malaysian)

   Hiew Chee Haw is the sales manager of the subsidiary of the Company, Three & Three Hardware Sdn. Bhd. He graduated in 2001 with a Bachelor in Finance with Second Class Honours. He has more than twelve (12) years of experience in the Trading of industrial hardware.

   He does not hold any directorships in any other public listed companies and/or listed issuers.

6. **CHIA AI PENG**
   Male, Director (Aged 47, Malaysian)

   Chia Ai Peng is a Director of the subsidiary of the Company, Koseng Sdn. Bhd. He has six (6) years of experience in the Trading of steel industrial fasteners, marine hardware and consumers, industrial hardware. As Director, he oversees day-to-day trading operations, sales activities of the team as well as business planning and development of Koseng Sdn. Bhd.

   He does not hold any directorships in any other public listed companies and/or listed issuers.

KEY SENIOR MANAGEMENT PROFILE
continued

7. TEOH KIM LAN
Female, Operations Manager (Aged 56, Malaysian)

Teoh Kim Lan is the operations manager of the subsidiary of Company, PTM Stainless Steel Industry Sdn. Bhd. (f.k.a. PTM Steel Industry Sdn. Bhd.). She joined KSSC Group in 1994 as a Procurement and Operation Manager. She was seconded to PTM Stainless Steel Industry Sdn. Bhd. (f.k.a. PTM Steel Industry Sdn. Bhd.) in 2006 as Operations Manager. She is currently responsible for the overall manufacturing and production operations, which includes, production planning, organizing, controlling, and overseeing manufacturing and production activities.

She does not hold any directorships in any other public listed companies and/or listed issuers.

8. CHONG YEAN SANG
Male, Project Manager (Aged 62, Malaysian)

Chong Yean Sang is the project manager of the subsidiary of the Company, KSG Engineering Sdn. Bhd. He has ten (10) years of experience in the manufactures hardware products such as bearing motors, speed reducers, sprocket gears, belting pulley, and couplings. As Project Manager, he oversees day-to-day operations, business planning and development of KSG Engineering Sdn. Bhd.

He does not hold any directorships in any other public listed companies and/or listed issuers.

Other Information:

1. Family Relationship with any Director and/or Substantial Shareholder

Mr. Koh Seng Kar @ Koh Hai Sew and Mr. Koh Seng Lee are bothers. None of the other Directors/key senior management have any family relationship with any Director and/or Substantial Shareholders of the Company.

2. Conflict of Interest with the Group

None of the other Directors/key senior management of the Company have any conflict of interest with the Group.

3. Convictions for Offences

None of the Directors/key senior management of the Company have been convicted of any offences within the past five (5) years. There was no public sanction or penalty imposed by the relevant regulatory bodies during the financial year ended 31 December 2017.

5-YEAR FINANCIAL HIGHLIGHTS

QUARTERLY PERFORMANCE

2017	Q1	Q2	Q3	Q4	Full Year
Sales Revenue (RM'000)	24,756	27,124	81,574	39,765	**123,219**
Profit Before Taxation (RM'000)	1,782	320	1,749	3,778	**7,629**
Net Profit (RM'000)	1,694	242	1,093	2,667	**5,696**
Net Earnings Per Share (Sen)	1.72	0.18	1.00	2.80	**5.70**
Net Dividend Per Share (Sen)	-	-	-	2.00	**2.00**

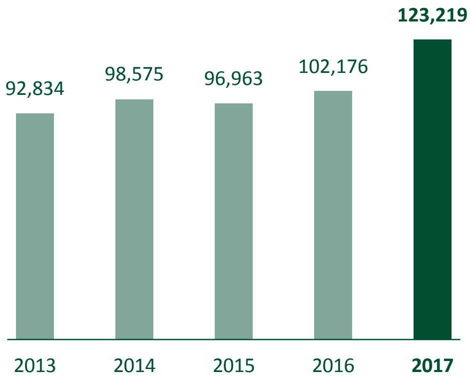
2016	Q1	Q2	Q3	Q4	Full Year
Sales Revenue (RM'000)	22,915	27,619	24,820	26,822	**102,176**
Profit Before Taxation (RM'000)	323	1,541	1,226	2,303	**5,393**
Net Profit (RM'000)	251	1,150	918	1,721	**4,040**
Net Earnings Per Share (Sen)	0.17	1.15	0.96	1.69	**3.97**
Net Dividend Per Share (Sen)	-	-	-	1.50	**1.50**

5-YEAR FINANCIAL HIGHLIGHTS

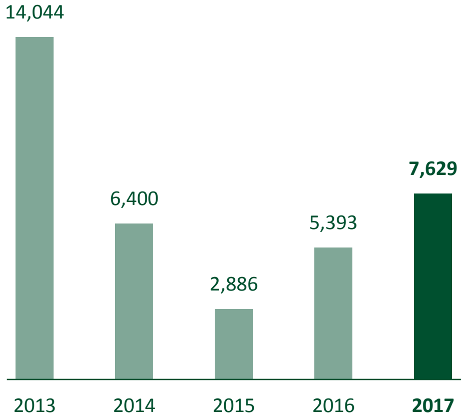
	2013	2014	2015	2016	2017
Sales Revenue (RM'000)	92,834	98,575	96,963	102,176	**123,219**
Profit Before Taxation (RM'000)	14,044	6,400	2,886	5,393	**7,629**
Net Profit (RM'000)	13,266	4,896	2,174	4,040	**5,696**
Net Earnings Per Share (Sen)	13.72	4.58	1.97	3.97	**5.70**
Net Dividend Per Share (Sen)	3.95	2.00	0.80	1.50	**2.00**
Net Assets Per Share (RM)	0.76	0.78	0.78	0.81	**0.85**

5-YEAR FINANCIAL HIGHLIGHTS
continued

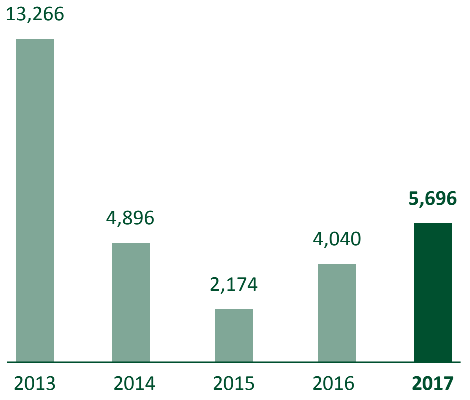
SALES REVENUE
(RM'000)



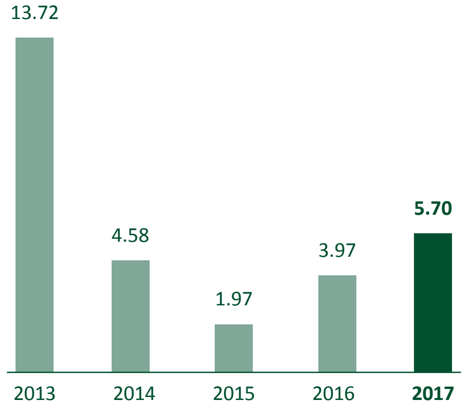
PROFIT BEFORE TAXATION
(RM'000)



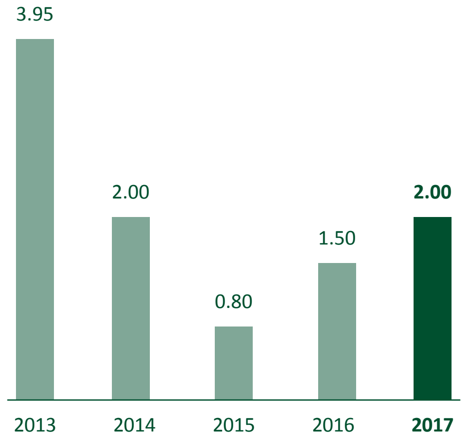
NET PROFIT
(RM'000)



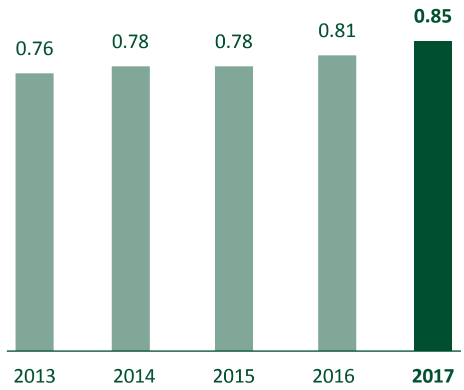
NET EARNINGS PER SHARE
(Sen)



NET DIVIDEND PER SHARE
(Sen)



NET ASSETS PER SHARE
(RM)



STATEMENT OF CORPORATE GOVERNANCE

The Board of Directors ("Board") of **K. SENG SENG CORPORATION BERHAD** ("the Company") recognizes the importance of practicing and maintaining of good corporate governance towards the success of the Company and its subsidiaries ("the Group") whilst pursuing its corporate objectives. The Board is fully committed in ensuring that the high standards of corporate governance is being practiced throughout the Group in ensuring continuous and sustainability growth for the interest of all its shareholders.

The Board is pleased to set out below the manner in which the Group has applied the three (3) main principles in the Malaysian Code on Corporate Governance ("MCCG 2017") known as Board Leadership and Effectiveness (Principle A), Effective Audit and Risk Management (Principle B) and Integrity in Corporate Reporting and Meaningful Relationship with Stakeholders (Principle C) throughout the financial year ended 31 December 2017.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

I Board Responsibilities

1.0 Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

1.1 The Board takes full responsibility for the oversight and overall performance of the Group and provides leadership within a framework of prudent and effective controls which enables risk to be appropriately assessed and managed. The Board sets the strategic direction, ensuring that the necessary resources are in place for the Company to meet its objectives and deliver sustainable performance. The Board is entrusted with the responsibility in leading and directing the Group towards achieving its strategic goals and realizing long-term shareholders' values.

The Board has assumed the following principal responsibilities in discharging its fiduciary duties:

(a) Reviewing and adopting a strategic plan for the Company, addressing the sustainability of the Group's business;
(b) Overseeing the conduct of the Group's businesses and evaluating whether or not its businesses are being properly managed;
(c) Identify principal business risks faced by the Group and ensuring the implementation of appropriate internal controls and mitigating measures to address such risks;
(d) Ensuring that all candidates appointed to Senior Management positions are of sufficient calibre, including the orderly succession of Senior Management personnel;
(e) Reviewing the adequacy and integrity of the Group's internal control and management information systems;
(f) Carrying out periodic review of the Group's financial performance and operating results and major capital commitments; and
(g) Reviewing and approving any major corporate proposals, new business ventures or joint ventures of the Group.

To ensure the effective discharge of its function and responsibilities, the Board has delegated specific responsibilities to the following Committees:-

(a) Audit and Risk Management Committee
(b) Nomination Committee
(c) Remuneration Committee

All committees have written terms of reference. These Committees are formed in order to enhance business and operational efficiency as well as efficacy. The Chairman of the respective Committees will report to the Board the outcome of the Committees meetings for the Board's considerations and approvals and extracts of such reports are incorporated in the minutes of the Board meetings. The Board retains full responsibility for the direction and control of the Company and the Group.

STATEMENT OF CORPORATE GOVERNANCE
continued

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS *continued*

I Board Responsibilities *continued*

1.0 Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company. *continued*

1.2 The Chairman/Group Managing Director leads the Board and is responsible for the effective performance of the Board. He ensures that all relevant issues and quality information to facilitate decision making and effective running of the Group's business are included in the meeting agenda.

The roles of the Chairman/Group Managing Director as well as terms of reference of the committees are spelt out in detail in the Board Charter which is made available for reference at the Company's website at www.kssc.com.my. The last review and update of Board Charter was on 26 February 2018.

1.3 The Board has delegated to the Chairman/Group Managing Director, the authority and responsibility for implementing of the Board policies, strategies and decisions adopted by the Board. The Chairman/Group Managing Director takes on primary responsibility to spearhead and manage the overall business activities of the various business divisions of the Group. The Chairman/Group Managing Director is assisted by Executive Directors, senior key management and head of each division in implementing and running the Group's day-to-day business operations.

The presence of the Independent Directors fulfill a pivotal role of corporate accountability. They provide unbiased and independent advice, alternative viewpoints, challenge perceptions and judgment as appropriate to take account of the interest of the Group, shareholders, employees and any party with whom the Group conducts business.

1.4 The Board is supported by qualified and competent name Company Secretaries who facilitate overall compliance with the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad and other laws and regulations. The secretaries are the members of the Malaysian Institute of Chartered Secretaries and Administrators.

The Company Secretaries carry out the following tasks:

(a) Attend and ensure proper conduct and procedures at all Board Meetings, Board Committee Meetings, Annual General Meeting, Extraordinary General Meeting and any other meetings that require the attendance of Company Secretary and ensure that meetings are properly convened;
(b) Ensure that the quarterly financial results, audited financial statements, annual reports, circulars, etc and all relevant announcements are announced to Bursa Malaysia Securities Berhad on a timely basis;
(c) Ensure that deliberations at the meetings are well captured and minuted;
(d) Ensure that the Company complies with the MMLR and the requirements of the relevant authorities;
(e) Inform and keep the Board updated of the latest enhancement in corporate governance, changes in the legal and regulatory framework, new statutory requirements and best practices;
(f) Remind the Directors and principal officers of the closed period and no trading in the Company's shares;
(g) Ensure proper record and maintenance of the Company's proceedings, resolutions, statutory records, register books and documents;
(h) Assist the Chairman to organize and co-ordinate in all the Board Committee, Board and General meetings;

STATEMENT OF CORPORATE GOVERNANCE
continued

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS *continued*

I Board Responsibilities *continued*

1.0 Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company. *continued*

1.4 The Board is supported by qualified and competent name Company Secretaries who facilitate overall compliance with the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad and other laws and regulations. The secretaries are the members of the Malaysian Institute of Chartered Secretaries and Administrators. *continued*

The Company Secretaries carry out the following tasks:

(i) Attend all the Board Committee, Board and General meetings;
(j) To upkeep and update the statutory records;
(k) To liaise with internal and external auditors to furnish them with the statutory records for audit purposes; and
(l) As the adviser to the Board and compliance officer of the Company.

1.5 The Board meets on a quarterly basis, with additional meetings convened as and when necessary.

All Directors are notified with the notice of Board Meetings at least 7 days in advance. The agenda and a set of board papers were issued at least 3 days from the date of Board Meetings so as to ensure that the Directors can appreciate the issues to be deliberated and to obtain further explanations, where necessary, to expedite the decision making process effectively.

During the financial year ended 31 December 2017, five (5) Board Meetings were held. A brief profile of each member of the Board are set out in the Directors' Profile section of this Annual Report.

The Board recognizes that the decision making process is highly contingent on the quality of information furnished. As such, all Directors have unrestricted access to any information pertaining to the Company and the Group. All the Directors are supplied with relevant information and reports on financial, operational, corporate, regulatory, business development and audit matters, by way of Board reports or upon specific requests, for decisions to be made on an informed basis and effective discharge of Board's responsibilities.

The Executive Directors and/or other relevant Board members will furnish comprehensive explanation on pertinent issues and recommendations by Management. The issues are then deliberated and discussed thoroughly by the Board prior to decision making. In addition, the Board members are updated on the Company's activities and its operations on a regular basis.

External advisers are invited to attend meetings to provide insights and professional views, advice and explanation on specific items on the meeting agenda, when required. Senior management team from different business units are also invited to participate at the Board meetings to enable all Board members to have equal access to the latest updates and developments of business operations of the Group presented by the senior management team. All proceedings at the Board meetings are minuted and signed by the Chairman of the meetings.

Every Director has also unhindered access to the advice and services of the Company Secretaries as and when required to enable them to discharges their duties effectively.

There is a formal procedure sanctioned by the Board, whether as a full Board or in their individual capacity to take independent professional advice at the Group's expense, where necessary in furtherance of their duties.

STATEMENT OF CORPORATE GOVERNANCE
continued

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS *continued*

I Board Responsibilities *continued*

2.0 There is demarcation of responsibilities between the board, board committees and management. There is clarity in the authority of the board, its committees and individual directors.

The Board is guided by a Board Charter which sets out the principles governing the Board of Directors of the Company and adopts the principles of good governance and practice in accordance with applicable laws, rules and regulations in Malaysia. The Board Charter also sets out the respective roles and responsibilities of the Board, board committees, individual directors and managements; and issues and decisions reserved for the Board.

The Board will periodically review the Board Charter and make any changes whenever necessary. The Board Charter is published on the Company's corporate website at www.kssc.com.my. The Board Charter was last reviewed on 26 February 2018.

3.0 The Board is committed to promoting good business conduct and maintaining a healthy corporate culture that engenders integrity, transparency and fairness. The board, management, employees and other stakeholders are clear on what is considered acceptable behaviour and practice in the company.

3.1 The Board has formalised a Code of Ethics and Conduct that set out the basic principles to guide all the directors, employees and its subsidiary and associate companies. The Board shall observe and adhere to the Company's Code of Ethics and Conduct for Directors which provide guidance regarding ethical and behavioral considerations or actions in discharging their duties and responsibilities.

The Board will periodically review the Code of Ethics and Conduct to ensure it remains relevant and appropriate. The details of the Code of Ethics and Conduct are available for reference at the Company's website at www.kssc.com.my. The Code of Ethics and Conduct was reviewed and adopted.

3.2 The Board has put in place an avenue for employees and stakeholders to report genuine concerns about unethical behavior, malpractices and illegal acts on failure to comply with regulatory requirements without fear of reprisal. All cases shall be independently investigated and appropriate actions taken where required.

The details of the whistle-blowing policy are available for reference at the Company's website at www.kssc.com.my. The whistle-blowing policy was last reviewed on 26 February 2018.

3.3 The Board shall endeavour to implement sustainability strategies which yield environmental, economic and social benefits to all its various stakeholder and the communities in which it operate to ensure long-term viability and sustainability of the Company's business.

STATEMENT OF CORPORATE GOVERNANCE
continued

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS *continued*

II Board Composition

4.0 Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

4.1 The Board consists of six (6) members; comprising one (1) Chairman/Group Managing Director, one (1) Deputy Managing Director, one (1) Executive Director, one (1) Senior Independent Non-Executive Director and two (2) Independent Non-Executive Directors. The composition of the Board complies with paragraph 15.02 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

At least half of the board comprises of the Independent Directors which is in compliance with the MCCG 2017.

The Group is led and controlled by an experienced Board, many of whom have vast knowledge of the business. Currently, the Board is led by the Chairman/Group Managing Director, Koh Seng Kar @ Koh Hai Sew and two (2) Executive Directors. The three Non-Executive Directors contribute significantly in areas such as policy and strategy, performance monitoring, allocation of resources as well as improving governance and controls and provide unbiased and independent views to safeguard the interest of the shareholders. Together with the Executive Directors who has in-depth knowledge of the business, the Board constitutes of individuals who are committed to business coupled with integrity and professionalism in all its activities.

The Board considers that the current size of the Board is adequate and facilitates effective decision-making. The Nomination Committee has reviewed the present composition of the Board and the three main existing committees and is satisfied that they have adequately carried out their functions within their scope of work.

4.2 The Board noted the MCCG 2017 recommends that the tenure of an independent Director should not exceed a cumulative term of nine years. Upon completion of the nine years, an independent director may continue to serve on the Board subject to his re-designation as a non-independent director. In the event such Director is to be retained as an independent director, the Board must first justify and seek annual shareholders' approval. If the Board continues to retain the independent director after the twelfth year, annual shareholders' approval must be sought through a two-tier voting process to retain the said director as an independent director. For resolution(s) requiring 'two-tier voting' process, the effective date will be for resolution(s) to be tabled at general meetings after 1 January 2018.

Presently, none of the independent Director of the Company whose tenure has exceeded a cumulative term of nine (9) years.

STATEMENT OF CORPORATE GOVERNANCE
continued

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS *continued*

II Board Composition *continued*

4.0 Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights. *continued*

4.3 The Board recognises the importance of independence and objectivity in the decision-making process. The Board is committed to ensure that the independent directors are capable to exercise independent judgment and act in the best interests of the Group. The Independent Directors of the Company fulfill the criteria of "Independence". They act independently of management and are not involved in any other relationship with the Group that may impair their independent judgment and decision making. Each Director has a continuing responsibility to determine whether he has a potential or actual conflict of interest in relation to any material transactions.

The Director is required to immediately disclose to the Board and to abstain from participating in discussions, deliberations and decisions of the Board on the respective matters. The Board, via Nomination Committee and guided by the Corporate Governance Guide–Towards Boardroom Excellence has developed the criteria to assess independence and formalised the current independence assessment practice. The evaluation process also involved a peer and self-review assessment, where Directors will assess their own performance and that of their fellow Directors. These assessments and comments by all Directors were summarised and discussed at the Nomination Committee meeting which were then reported to the Board at the Board Meeting held thereafter. Each independent director abstained from deliberation on his own assessment. The Nomination Committee was satisfied that the Independent Directors still maintain their independence.

4.4 The Board appoints its members through a formal and transparent selection process, which is consistent with the Constitution of the Company. This process has been reviewed, approved and adopted by the Board. New appointees will be considered and evaluated by the Nomination Committee ("NC"). The NC will then recommend the candidates to be approved and appointed by the Board. The Company Secretaries will ensure all appointments are properly made and that legal and regulatory requirements are met.

The appointment process of a new Director is summarized as follows:

(i) The candidate identified upon the recommendations from the Directors and Management or their contacts in related industries, finance accounting or legal professions and/or major shareholders;

(ii) In evaluating the suitability of candidates to the Board, the Nomination Committee considers, inter-alia, the required mix of skills, expertise, experience, time commitment and contribution of the candidates can bring to the Board. In the case of candidates proposed for appointment as Independent Non-Executive Directors, the candidate's independency will be considered;

(iii) Recommendation to be made by Nomination Committee to the Board. This also includes recommendation for appointment as a member of the various Board Committees, where necessary; and

(iv) Decision to be made by the Board on the proposed new appointment including appointment to the various Board committees.

STATEMENT OF CORPORATE GOVERNANCE
continued

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS *continued*

II Board Composition *continued*

4.0 Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights. *continued*

4.5 The Constitution of the Company provides that all Directors of the Company are subject to retirement. At least one third (1/3) of the Directors for the time being, or the number nearest from office at the Annual General Meeting, provided always that all Directors shall retire from office at least once in every three (3) years. A retiring Director shall be eligible for re-election. This provides an opportunity for shareholders to renew their mandates. Newly appointed directors shall hold office only until the next annual general meeting and shall be eligible for re-election.

The election of each director is voted on separately. To assist shareholders in their decision, sufficient information such as personal profile, meetings attendance and their shareholdings in the Group of each Director standing for election are furnished in the Annual Report accompanying the Notice of Annual General Meeting.

The Nomination Committee is also responsible for recommending to the Board those Directors who are eligible to stand for re-election/re-appointment based on the reviews of their performance and their contribution to the Board through their skills, experience, qualities and ability to act in the best interests of the Company in decision making.

The Nomination Committee assessed and was satisfied and made recommendations to the Board for re-election/re-appointments with regards to the following:

(i) The re-election of the director, Koh Seng Lee who is due to retirement but shall be eligible for re-election pursuant to Article 83 of the Company's Constitution at the forthcoming AGM; and

(ii) The re-election of the director, Zainal Rashid Bin Haji Mohd Eusoff, who is due to retirement but shall be eligible for re-election pursuant to Article 83 of the Company's Constitution at the forthcoming AGM.

The profiles of these Directors are set out on pages 16 to 19 of the Annual Report.

There are no changes to the composition of the Board during the financial year under review.

4.6 The Board acknowledges the importance of boardroom diversity and is supportive of the recommendation of MCCG 2017 to the establishment of boardroom and workforce gender diversity policy. The Board currently has one (1) female Director and two (2) females key senior management which the Board is of the view, is in line with the gender diversity recommended by MCCG 2017.

The Group does not adopt any formal gender diversity policy in the selection of new Board candidates and does not have specific policies on setting target for female candidates in the workforce. The evaluation of the suitability of candidates as the new Board member or as a member of the workforce is based on the candidates' competency, skills, character, time commitment, knowledge, experience and other qualities in meeting the needs of the Group, regardless of gender.

The Group gives an equal opportunity to all its employees and does not practise discrimination of any form, whether based on age, gender, race and religion, throughout the organisation.

STATEMENT OF CORPORATE GOVERNANCE
continued

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS *continued*

II Board Composition *continued*

4.0 Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights. *continued*

4.7 All directors of the Company do not hold more than five directorships under paragraph 15.06 of the Main Market Listing Requirements.

The Board meets at least four (4) times a year at quarterly intervals with additional meetings convened when urgent and important decisions need to be taken between the scheduled meetings. Besides Board meetings, the Board also exercises control on matters that require Board's approval through Directors' Circular Resolutions. Amongst others, key matters such as approval of annual and quarterly results, financial statements, major acquisitions and disposals, major investments, appointment of Directors are discussed and decided by the Board.

The dates scheduled for Board meetings, Board Committee meetings and Annual General Meeting are set in advance and circulated to the Directors to facilitate the Directors' time planning. The Directors' Circular Resolutions are used for determination of urgent matters arising in between meetings. In accordance with Article 128 of the Constitution of the Company, a signed and approved resolution by a majority of the Directors present in Malaysia and who are sufficient to form a quorum, shall be as valid and effectual as if it had been passed at a meeting of the Directors duly called and constituted.

During the financial year ended 31 December 2017, the Board held five (5) meetings and the details of each Director's attendance are set out below:

Name of Directors	Meetings attended
KOH SENG KAR @ KOH HAI SEW	5/5
KOH SENG LEE	4/5
TSEN KET SHUNG @ KON SHUNG	5/5
LIM HO KIN	5/5
ZAINAL RASHID BIN HAJI MOHD EUSOFF	5/5
YAP SIOK TENG	5/5

STATEMENT OF CORPORATE GOVERNANCE

continued

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS *continued*

II Board Composition *continued*

4.0 Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights. *continued*

4.8 All Directors have completed the Mandatory Accreditation Programme prescribed by Bursa Malaysia Securities Berhad. Directors are encouraged to attend various external professional programmes deemed necessary to ensure that they are kept abreast of various issues facing the changing business environment within which the Group operates. Directors are also encouraged to evaluate their own training needs on a continuous basis and recommend to the Board for the relevant programmes, seminars, briefings or dialogues available that would best enable them to enhance their knowledge and contributions to the Board by actively participate in Board deliberation and effectively discharge their duties.

During the financial year under review, the Directors had participated in the following training programmes:-

Name of Directors	Date	Training attended
KOH SENG KAR @ KOH HAI SEW	3 October 2017	Update on Companies Act 2016
	13 December 2017	The Malaysian Code on Corporate Governance
KOH SENG LEE	3 October 2017	Update on Companies Act 2016
	13 December 2017	The Malaysian Code on Corporate Governance
TSEN KET SHUNG @ KON SHUNG	3 October 2017	Update on Companies Act 2016
	5 December 2017	Related Party Transactions & Conflicts of Interest- their implications to Directors, Audit Committee, Management, Internal Auditors & External Auditors
	13 December 2017	The Malaysian Code on Corporate Governance
LIM HO KIN	3 October 2017	Update on Companies Act 2016
	13 December 2017	The Malaysian Code on Corporate Governance
ZAINAL RASHID BIN HAJI MOHD EUSOFF	3 October 2017	Update on Companies Act 2016
	13 December 2017	The Malaysian Code on Corporate Governance
YAP SIOK TENG	3 April 2017	New Tax Implications on Cross Border Transaction in 2017
	11 & 12 July 2017	Property Development and Construction Contract Activities under FRS 201 and MFRS/FRS111
	3 October 2017	Update on Companies Act 2016
	28 November 2017	2018 Budget Seminar
	13 December 2017	The Malaysian Code on Corporate Governance

STATEMENT OF CORPORATE GOVERNANCE
continued

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS *continued*

II Board Composition *continued*

5.0 Stakeholders are able to form an opinion on the overall effectiveness of the board and individual directors.

The Company conducts an annual assessment to evaluate the effectiveness of the board and the Board Committees as well as the performance of each individual Director through the Nomination Committee.

The Nomination Committee ("NC") of the Company comprises exclusively Independent Non-Executive Directors and its composition are as follows:

- Mr. Lim Ho Kin (Chairman, Senior Independent Non-Executive Director)
- En. Zainal Rashid Bin Haji Mohd Eusoff (Member, Independent Non-Executive Director)
- Ms. Yap Siok Teng (Member, Independent Non-Executive Director)

The NC held one (1) meeting during the financial year ended 31 December 2017. The details of the terms of reference of NC are available for reference at the Company's website at www.kssc.com.my.

The evaluation involves individual Directors and Committee members completing separate evaluation questionnaires regarding the processes of the Board and its Committees, their effectiveness and where improvements could be considered. The criteria for the evaluations are guided by the Corporate Governance Guide–Towards Boardroom Excellence. The Audit and Risk Management Committee and the Remuneration Committee each carried out its evaluation with the view to maximize the performance of the individual committees in the interest of the Company. The evaluation process also involved a peer and self-review assessment, where Directors will assess their own performance and that of their fellow Directors. These assessments and comments were summarised and discussed at the NC meeting which were then reported to the Board at the Board Meeting held thereafter. The NC evaluated all the above Assessment Forms at the NC Meeting held on 26 February 2018 and was satisfied with the performance of the Board and Board Committees as well as the performance of individual Directors.

During the financial year under review, the NC carried out the following assessments and satisfied with the results of the assessments:

(i) reviewed and assessed the structure, size, required mix of skills, experience, diversity and other qualities, including core competencies and effectiveness of the Board, as a whole and the Board Committees;

(ii) reviewed and assessed the contribution of each individual Director based on criteria, responsibilities, strength, time commitment and ability to act in the best interests of the Company in decision making;

(iii) reviewed and recommended to the Board the re-election of Directors who retired in accordance with the Constitution of the Company;

(iv) reviewed the term of office and performance of the Audit and Risk Management Committee and each of its members to determine whether the Audit and Risk Management Committee and its members have carried out their duties in accordance with their terms of reference;

STATEMENT OF CORPORATE GOVERNANCE
continued

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS *continued*

II Board Composition *continued*

5.0 Stakeholders are able to form an opinion on the overall effectiveness of the board and individual directors. *continued*

During the financial year under review, the NC carried out the following assessments and satisfied with the results of the assessments: *continued*

(v) assessed the independence of each of the existing Independent Directors with each Director abstaining from deliberation on his own assessment; and

(vi) review the Terms of Reference of NC.

III Remuneration

6.0 The level and composition of remuneration of directors and senior management take into account the company's desire to attract and retain the right talent in the board and senior management to drive the company's long-term objectives. The remuneration policies and decisions are made through a transparent and independent process.

6.1 The Remuneration Committee ("RC") of the Company comprises all Independent Non-Executive Directors and its composition is as follows:

- En. Zainal Rashid Bin Haji Mohd Eusoff (Chairman, Independent Non-Executive Director)
- Ms. Yap Siok Teng (Member, Independent Non-Executive Director)
- Mr. Lim Ho Kin (Member, Senior Independent Non-Executive Director)
- Mr. Koh Seng Kar @ Koh Hai Sew (Member, Non-Independent Director)
  (Resigned w.e.f. 21 November 2017)

The RC held one (1) meeting during the financial year to carry out its function as stated within the terms of reference. The details of the terms of reference of RC are available for reference at the Company's website at www.kssc.com.my.

6.2 The primary function of the RC is to set up and review the policy of remuneration framework and recommend to the Board the remuneration packages of all the Directors according to the skills, level of responsibilities, experience and performance of the Directors.

The remuneration of Directors is to determine at levels which enables the Company to attract and retain Directors with the relevant experience and expertise to manage the business of the Group effectively. The RC reviews the Board remuneration policy and terms of conditions of service of each Director annually taking into consideration market conditions and comparisons, responsibilities held, business strategy, long term objectives and the overall financial performance of the Group.

The Remuneration Committee is also responsible to review the remuneration packages of the Executive Directors and senior management of the Company and thereafter recommend to the Board for their consideration. Non-Executive Directors are paid by way of fixed monthly fees and a meeting allowance for each meeting attended. Individual Director is not allowed to participate in discussion of his/her own remuneration.

The Board will then recommend the Directors' fees and other benefits payable to Directors to the shareholders for approval at the AGM in accordance with Section 230(1) of the Companies Act 2016.

STATEMENT OF CORPORATE GOVERNANCE
continued

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS *continued*

III Remuneration *continued*

7.0 Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company's performance.

The details of the Directors' remuneration comprising remuneration received/receivable from the Company and subsidiaries respectively in financial year ended 31 December 2017 are as follows:

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

	Salaries & Bonuses (RM)	Fees (RM)	Other emoluments (RM)	Benefits-in-kind (RM)
Company				
Executive Directors	1,793,500	-	218,318	46,250
Non-Executive Directors	-	147,600	7,500	-
Non-Independent Non-Executive Directors	-	-	-	-
Total	**1,793,500**	**147,600**	**225,818**	**46,250**
Group				
Executive Directors	1,793,500	-	218,318	46,250
Non-Executive Directors	-	147,600	7,500	
Non-Independent Non-Executive Directors	-	-	-	-
Total	**1,793,500**	**147,600**	**225,818**	**46,250**

7.2 Directors' remunerations are broadly categorised into the following bands:

	Company Number of Directors			Group Number of Directors		
Range of remuneration	**Executive Directors**	**Non-Executive Directors**	**Non-Independent Non-Executive Directors**	**Executive Directors**	**Non-Executive Directors**	**Non-Independent Non-Executive Directors**
Below RM50,000	-	2	-	-	2	-
RM50,001 to RM100,000	-	1	-	-	1	-
RM450,001 to RM500,000	1	-	-	1	-	-
RM750,001 to RM800,000	1	-	-	1	-	-
RM800,001 to RM850,000	1	-	-	1	-	-

STATEMENT OF CORPORATE GOVERNANCE
continued

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS *continued*

III Remuneration *continued*

7.0 Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company's performance. *continued*

7.3 Aggregate remuneration of Key Senior Management categorised into appropriate components are as follows:

	Company		Group	
	Number of Senior Management		Number of Senior Management	
Range of Remuneration	**Executive**	**Non-Executive**	**Executive**	**Non-Executive**
Below RM50,000	-	-	-	-
RM50,001 to RM100,000	-	-	-	-
RM150,001 to RM200,000	2	-	-	-
RM250,001 to RM300,000	1	-	-	-
RM300,001 to RM350,000	1	-	-	-
RM350,001 to RM400,000	1	-	-	-

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

I Audit and Risk Management Committee

8.0 There is an effective and independent audit committee. The board is able to objectively review the audit and risk management committee's findings and recommendations. The company's financial statement is a reliable source of information.

8.1 The Audit Committee was renamed as the Audit and Risk Management Committee ("ARMC'') with effect from 21 November 2017.

Ms. Yap Siok Teng, an Independent Non-Executive Director is the Chairman of the ARMC whilst the Chairman of the Board is Mr Koh Seng Kar @ Koh Hai Sew.

The composition of ARMC are as follows:

1. Ms. Yap Siok Teng (Independent Non-Executive Director) - *Chairman*
2. En. Zainal Rashid Bin Haji Mohd Eusoff (Independent Non-Executive Director) - *Member*
3. Mr. Lim Ho Kin (Senior Independent Non-Executive Director) - *Member*

The details of the terms of reference of the ARMC are available for reference at the Company's website at www.kssc.com.my.

Details of the activities carried out by the Audit and Risk Management Committee in 2017 are set out in the Audit and Risk Management Committee Report in the Annual Report.

STATEMENT OF CORPORATE GOVERNANCE
continued

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT *continued*

I Audit and Risk Management Committee *continued*

8.0 There is an effective and independent audit committee. The board is able to objectively review the audit and risk management committee's findings and recommendations. The company's financial statement is a reliable source of information. *continued*

8.2 The Board aims to provide and present a balanced and meaningful assessment of the Group's financial performance and prospects at the end of the financial year, primarily through the annual financial statements and quarterly announcement of financial results. The Board is assisted by the Audit and Risk Management Committee to oversee the Group's financial reporting processes and the quality of its financial reporting.

8.3 The Board is responsible for ensuring that the financial statements of the Group give a true and fair view of the state of affairs of the Group and of the Company as at the end of the financial year and of their results and cash flows for the financial year then ended. In preparing the financial statements, the Directors have ensured that Applicable Approved Accounting Standards in Malaysia and the provisions of the Companies Act 2016 and the Listing Requirements of the Bursa Securities have been applied.

In preparing the financial statements, the Directors have selected and applied consistently appropriate accounting policies and made reasonable and prudent judgments and estimates where applicable.

The Directors also have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The Board is satisfied that it has met its obligation to present a balanced and comprehensive assessment of the Company's position and prospects in the Directors' Report and the Financial Statements of this Annual Report.

8.4 An internal compliance framework exists to ensure that the Group meets its obligations relating to related party transactions under the Listing Requirements. The Board through its Audit and Risk Management Committee, reviews and reports to the Board any related party transactions (including recurrent related party transactions) and conflict of interest situations that may arise within the Company or Group. A Director who has an interest in a transaction must abstain from deliberation and voting on the relevant resolution in respect of such transaction at the Board and any general meeting convened to consider such matters.

Further details of these transactions are set out in the Recurrent Related Party Transactions Circular to Shareholders dated 30 April 2018.

STATEMENT OF CORPORATE GOVERNANCE
continued

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT *continued*

I Audit and Risk Management Committee *continued*

8.0 There is an effective and independent audit committee. The board is able to objectively review the audit and risk management committee's findings and recommendations. The company's financial statement is a reliable source of information. *continued*

8.5 The Audit and Risk Management Committee assesses the suitability and independence of the external auditors on an annual basis. Areas of assessment including amongst others, the external auditor's objectivity and independence, audit fees, size and competency of the audit team, audit strategy, audit reporting and partner involvement. The inputs/opinions from the Company's personnel who had constantly contacted with the external audit team throughout the year would also be used as a tool in the judgement of the suitability of the external auditor.

The External Auditors, in supporting their independence, will provide the Audit and Risk Management Committee with a written assurance confirming their independence throughout the conduct of the audit engagement in accordance with the relevant professional and regulatory requirements. The External Auditors have provided such declaration in their annual audit plan presented to the Audit and Risk Management Committee of the Company during the financial year.

The external auditors of the Company fulfill an essential role on behalf of Company's shareholders in giving an assurance to the shareholders on the reliability of the financial statements of the Company and the Group.

The external auditors have an obligation to bring to the attention of the Board of Directors, the Audit and Risk Management Committee and Company management any significant defects in the Group's systems of reporting, internal control and compliance with Applicable Approved Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

The external auditors of the Company are invited to attend at least two (2) meetings with the Audit and Risk Management Committee a year to discuss their audit plan and audit findings on the Company's yearly financial statements. In addition, the Audit and Risk Management Committee will also have private sessions with the external auditors without the presence of the management to enable exchange of views on issues requiring attention.

During the financial year, the amount of audit fee and non-audit fee paid and payable to the External Auditors of the Company during the financial year ended 31 December 2017 were as follows:-

	Group (RM'000)	Company (RM'000)
Audit Fees	144	57
Non-audit Fees	4	4
Total	148	61

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

In considering the nature and scope of non-audit fees, the Audit and Risk Management Committee was satisfied that they were not likely to create any conflict or impair the independence and objectivity of the External Auditors.

STATEMENT OF CORPORATE GOVERNANCE
continued

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT *continued*

I Audit and Risk Management Committee *continued*

8.0 There is an effective and independent audit committee. The board is able to objectively review the audit and risk management committee's findings and recommendations. The company's financial statement is a reliable source of information. *continued*

The Audit and Risk Management Committee and the Board are satisfied with the performance, competence and independence of the external auditors and the Board had recommended their re-appointment to the shareholders' approval at the forthcoming Annual General Meeting.

The key features underlying the relationship of the Audit and Risk Management Committee with external auditors are included in the Audit Committee's terms of reference as detailed in Audit and Risk Management Committee section of this Annual Report.

II Risk Management and Internal Control Framework

9.0 Company makes informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives. The board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the company's objectives is mitigated and managed.

9.1 The Board has ultimate responsibility for reviewing the Company's risks, approving the risk management framework and policy and overseeing the Company's strategic risk management and internal control framework to achieve its objectives within an acceptable risk profile as well as safeguarding the interest of stakeholders and shareholders and the Group's assets.

9.2 The Audit and Risk Management Committee is headed by the Independent Directors and members of key management team of the respective division. The primary responsibility and purpose of the Audit and Risk Management Committee is to assist the Board in fulfilling its responsibility with respect to evaluating, reviewing and monitoring the Group's risk management framework and activities on on-going basis. The Audit and Risk Management Committee reports to the Board regarding the Group's risk exposures, including review risk assessment model used to monitor the risk exposures and Management's view on the acceptable and appropriate level of risks faced by the Group's Business Unit.

The key features of the Audit and Risk Management Framework are presented in the Statement on Risk Management and Internal Control of the Company as set out on pages 46 to 48 of this Annual Report.

STATEMENT OF CORPORATE GOVERNANCE
continued

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT *continued*

II Risk Management and Internal Control Framework *continued*

10.0 Company has an effective governance, risk management and internal control framework and stakeholders are able to assess the effectiveness of such a framework.

The internal audit function is to outsourced to a professional firm who reports directly to the Audit and Risk Management Committee.

The Statement on Risk Management and Internal Control furnished on pages 46 to 48 of the Annual Report provides an overview on the state of internal controls within the Group, in an effort to manage risk.

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

The release of material information will be made publicly via Bursa Malaysia Securities Berhad. Members of the public can also obtain the full financial results and the Company's announcements from the Bursa Malaysia Securities Berhad's website.

The Company's website at www.kssc.com.my is regularly updated and provides relevant information on the Company which is accessible to the public to make informed investment decision.

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

I Communication with Stakeholders

11.0 There is continuous communication between the company and stakeholders to facilitate mutual understanding of each other's objectives and expectations. Stakeholders are able to make informed decisions with respect to the business of the company, its policies on governance, the environment and social responsibility.

The Board believes that a constructive and effective investor relationship is essential in enhancing shareholder value and recognizes the importance of timely dissemination of information to shareholders.

In addition to shareholders participation at general meetings, the Board also encourages other channel of communication with shareholders.

The policy of the Company is to maintain an active dialogue with its shareholders with the intention of giving its shareholders as clear and complete information of the Company's financial performance, major developments and position as possible. Such information is communicated through the Annual Report, the various disclosures and announcements to Bursa Securities, including quarterly and annual results and corporate website.

STATEMENT OF CORPORATE GOVERNANCE
continued

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS
continued

II Conduct of General Meetings

12.0 Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at general meetings.

12.1 The Annual General Meeting is the principal forum for dialogue and interaction with shareholders.

The key element of the Company's dialogue with its shareholders is the opportunity to gather views of, and answer questions from, both the individual and institutional investors on all aspects relevant to the Company at the Annual General Meeting. It is also a requirement for the Company to send the Notice of the Annual General Meeting and related circular to its shareholders at least twenty one (21) days before the meeting. At the Annual General Meeting, shareholders are encouraged to ask questions both about the resolutions being proposed or about the Group's operations in general to seek more information. Where it is not possible to provide immediate answers, the Chairman will undertake to furnish the shareholders with a written answer after the Annual General Meeting.

12.2 All resolutions set out in the notice of general meetings will be carried out by poll voting. The Board make announcement of the detailed results showing the number of votes cast for and against each resolution at general meetings to facilitate greater shareholder participation.

COMPLIANCE STATEMENT

Saved as disclosed above, the Board is satisfied that throughout the financial year ended 31 December 2017, the Company has applied the principles and recommendations of the corporate governance set out in MCCG 2017, where necessary and appropriate.

This Statement is made at the Board of Directors' Meeting held on 26 February 2018.

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

1. COMPOSITION

The Audit Committee was established by the Board on 26 March 2010. The Committee was renamed as the Audit and Risk Management Committee ("ARMC" or the "Committee") with effect from 21 November 2017. The Committee comprises the following three (3) members of the Board, who are all Independent Non-Executive Directors:

Chairperson	:	MS YAP SIOK TENG *(member of the Malaysian Institute of Accountants)*	Independent Non-Executive Director
Members	:	MR LIM HO KIN	Senior Independent Non-Executive Director
	:	TUAN HAJI ZAINAL RASHID BIN HAJI MOHD EUSOFF	Independent Non-Executive Director

2. MEETINGS

There were five (5) Audit and Risk Management Committee meetings held during the financial year 2017. 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	5/5
TUAN HAJI ZAINAL RASHID BIN HAJI MOHD EUSOFF	Member	5/5

In addition to the ARMC members, the Head of Finance, the Internal Auditors and Company Secretary shall normally attend the meetings as invitees. Representatives of the External Auditors shall attend the meeting where matters relating to the audit of the statutory accounts are to be discussed and to present the Audited Financial Statements at the specific meeting. Other Board members, Senior Management and Employees may attend the meeting upon the invitation of the ARMC Chairman. The ARMC shall meet with the External Auditors without the presence of the Executive Directors and the Management at least once a year. The External Auditors are free to express any issue of concern to the ARMC.

The Company Secretary shall be the secretary of the ARMC. Notice of meeting and supporting documents are to be circulated to the ARMC members at least seven (7) days prior to the meeting so as to provide the ARMC members with relevant and timely information for effective discussions during the meeting. The ARMC Chairman shall report on each meeting to the Board.

Any resolution in writing signed by all the members of the ARMC shall be as valid and effectual as if it had been passed at a meeting of the ARMC duly convened and held and may consist of several documents in the like form, each signed by one or more members of the ARMC.

The ARMC members have undergone relevant trainings 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 ARMC members' trainings are spelt out in the Company's Corporate Governance Statement in this Annual Report.

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT
continued

3. ROLE OF THE AUDIT AND RISK MANAGEMENT COMMITTEE

The ARMC 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 risks profile and to mete it out with the appropriate internal audit plan and internal control system;
- to receive risks reports and update reports from the Risk Officers and respective Head of Division
- 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.

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

In line with the Terms of Reference of the ARMC, the following activities were carried out by the ARMC during the financial year ended 31 December 2017 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 2016, Malaysian Financial Reporting Standards, International Financial Reporting Standards and applicable Listing Requirements of Bursa Malaysia Securities Berhad.
- Reported to the Board on any significant audit issues and concerns discussed during the ARMC meetings which have significant impact of the Group from time to time, for consideration and deliberation by the Board.
- Reviewed 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.
- The dates the Committee met during the financial year to deliberate on financial reporting matters are as detailed below:

Date of meetings	Financial Reporting Statements Reviewed
28 February 2017	Unaudited quarterly report on consolidated results of the Company and its Group of Companies for the Fourth quarter ended 31 December 2016 and the Audit Committee Report for the Board's approval and disclosure in the Company's Annual Report 2016.
19 April 2017	Audited Financial Statements for the financial year ended 31 December 2016 and the Statement on Risk Management and Internal Control for the Board's approval and disclosure in the Company's Annual Report 2016.
31 May 2017	Unaudited quarterly report on consolidated results of the Company and its Group of Companies for the First quarter ended 31 March 2017.
29 August 2017	Unaudited quarterly report on consolidated results of the Company and its Group of Companies for the Second quarter ended 30 June 2017.
21 November 2017	Unaudited quarterly report on consolidated results of the Company and its Group of Companies for the Third quarter ended 30 September 2017.
26 February 2018	Unaudited quarterly report on consolidated results of the Company and its Group of Companies for the Fourth quarter ended 31 December 2017.

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT
continued

4. SUMMARY OF ACTIVITIES UNDERTAKEN BY THE AUDIT AND RISK MANAGEMENT COMMITTEE DURING THE FINANCIAL YEAR *continued*

External Auditors

- Discussed and reviewed the external auditors' audit planning memorandum for the financial year ended 31 December 2017 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 2017.
- 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.
- Reviewed and evaluated the performance and effectiveness and Independence of the external auditors. The Audit and Risk Management Committee assessed the integrity, capability, professionalism and work ethics of the external auditors. The Audit and Risk Management Committee was satisfied with the external auditor's performance and therefore, the Audit and Risk Management 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 2017 from Internal Auditors and assessed the internal audits' findings, recommendations together with the Management's comments.
- 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.

The Group outsources its internal audit function to a professional firm. The Internal Auditors were engaged with various Head of Division to conduct the entrepreneur risk management, to mete to risks appetites with the internal control and control plan. The Internal Auditors regular reviews and appraisals of the effectiveness of the internal control system, governance and risk management within the Company and the Group.

The Internal Auditors report directly to the ARMC and they are given full access to all the documents relating to the Company and the Group's governance, financial statements and operational assessments.

The Internal Auditors had attended two (2) ARMC meetings during the financial year ended 31 December 2017. The internal audits reports and follow-up audit reports presented by the Internal Auditors and reviewed by the ARMC on 29 August 2017 and 21 November 2017 respectively.

It was recognised that the internal audit function is important in assisting the ARMC to execute its oversight function and discharge its duties and responsibilities by performing independent reviews to ensure adequacy and effectiveness of the internal control and risk management systems established by the Group.

The internal audit report issued for the financial year was deliberated by the ARMC and recommendations were duly acted upon by the Management.

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT
continued

4. SUMMARY OF ACTIVITIES UNDERTAKEN BY THE AUDIT AND RISK MANAGEMENT COMMITTEE DURING THE FINANCIAL YEAR *continued*

Internal Audit *continued*

The internal audit plan covers review of the adequacy of financial and operational controls, compliance with laws and regulations and risk monitoring activities.

Related Party Transactions and Conflict of Interest

At each quarterly meeting, the ARMC reviewed the Related Party Transactions ("RPT") and Conflict of Interest ("COI") situation that may arise within the Company and its Group including any transaction, procedure or course of conduct that raises questions of management integrity.

The ARMC reviewed and determined whether the RPT and COI situation presented by the Management is fair, reasonable and on normal commercial terms and in the best interest of the Company prior to the Company entering into such transaction.

The ARMC must ensure:

(a) Adequate oversight over the controls on the identification of the interested parties and identification of the RPT and possible COI situations; and

(b) Assess and address the reasonableness of the RPT and COI situation to ensure that interested parties do not abuse their powers to gain unfair advantages.

During the financial year under review, there were no RPT and COI situation reported.

INTERNAL AUDIT FUNCTION

The primary responsibility of the internal audit function is to assist the Board and the ARMC in reviewing and assessing whether the management systems of internal control procedures are effective and provide recommendations to strengthen these internal control procedures so as to foster a strong management control environment.

The Internal Auditors have organized their work in accordance to the principles of the internal auditing standards covering the conduct of the audit planning, execution, documentations, communication of findings and consultation with key stakeholders on the audit concerns.

The Internal Auditors conducted the risk management profile to map out the proposed action plan to address those high priority risks. Thereafter, the Internal Auditors would recommend and present the internal audit plan is presented to the ARMC for approval annually before commencement of the internal audit work. During the quarterly meetings following the presentation of the internal audit report, the ARMC review the progress and coverage of the internal audit plan to ensure that the audit direction remains relevant and is in line with the expectations of the ARMC.

Prior to the presentation of reports and findings to the ARMC, comments from the Management were obtained and incorporated into the internal audit findings and report.

The internal audit report also covered the follow-up by the Management on the implementation of recommendations in their earlier reports.

The total cost incurred for the internal audit function of the Group for the financial year ended 31 December 2017 was RM40,000.

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 2017 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 Practice 1.1 of the Malaysian Code on Corporate Governance 2017 ("MCCG 2017"). Accordingly, the Board is aware that its principal responsibilities, as outlined in the Guidance of the MCCG 2017, include, inter-alia, the following:

- ensure there is sound framework for internal control & risk management.
- understanding and identifying principal risks of the business and ensuring the implementation of appropriate controls and mitigation measures;
- sets the risk appetite, within which the management is expected to operate; 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 nonfinancial 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
continued

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, receivables and strategic marketing plan.

Internal Audit Function

The Group’s internal audit function is outsourced to Messrs Moore Stephens Associate PLT, 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:

- Procure to Pay Process;
- Hire to Retire (Human Resources) Process; and
- Corporate governance review.

The outsourced internal audit function is headed by Mr. Dennis Chong, a Chartered Member of Institute of Internal Audit (CMIIA), Malaysia. For all internal audit performed during the financial year 2017, and average of 2 internal auditors were deployed.

The costs incurred for the internal audit function for the financial year 2017 amounted to approximately **RM40,000**.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

continued

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.

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 2017. 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 22 March 2018.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

The external auditors have reviewed this Statement on Risk Management and Internal Control pursuant to the scope set out in accordance with the Audit and Assurance Practice Guide 3 ("AAPG 3")(previously RPG 5 (Revised 2015)), Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report issued by the Malaysian Institute of Accountants ("MIA") for inclusion in the annual report of the Group for the year ended 31 December 2017 and reported to the Board that nothing has come to their attention that causes them to believe that the statement intended to be included in the annual report of the Group, in all material respects:

(a) has not been prepared in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers, or
(b) is factually inaccurate.

AAPG 3 does not require the external auditors to consider whether the Directors' Statement on Risk Management and Internal Control covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control system including the assessment and opinion by the Board of Directors and management thereon. The auditors are also not required to consider whether the processes described to deal with material internal control aspects of any significant problem disclosed in the annual report will, in fact, remedy the problems.

OTHER DISCLOSURE REQUIREMENTS PURSUANT TO THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

1. UTILISATION OF PROCEEDS RAISED FROM CORPORATE EXERCISE

During the financial year, there were no proceeds raised by the Company from any corporate exercise.

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. AUDIT AND NON-AUDIT SERVICES

The amount of audit and non-audit fees incurred for services rendered to the Company or its subsidiaries for the financial year ended 31 December 2017 by the external auditors or a firm or corporation affiliated to the auditors' firm were as follows:

	Group (RM'000)	Company (RM'000)
Audit Fees	144	57
Non-audit Fees	4	4
Total	148	61

4. RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE AND TRADING NATURE ("RRPT")

The recurrent related party transaction of the Group during the year amounted to RM3.5 million with details as stated in Note 25(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 30 April 2018.

DIRECTORS' REPORT

DIRECTORS' REPORT

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2017.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its subsidiaries and its associate are disclosed 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	5,696,244	1,226,299
Profit attributable to:		
Owners of the parent	5,475,406	1,226,299
Non-controlling interest	220,838	-
	5,696,244	1,226,299

DIVIDENDS

Since the end of the previous financial year, the Company paid a final single-tier dividend of 1.5 sen per share on 96,000,000 ordinary shares amounting to RM1,440,000 on 15 June 2017 in respect of the financial year ended 31 December 2016 as reported in the directors' report of that financial year.

The directors proposed a final single-tier dividend of 2 sen per share on 96,000,000 ordinary shares amounting to RM1,920,000 in respect of the financial year ended 31 December 2017 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 2018.

RESERVES OR 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
continued

BAD AND DOUBTFUL DEBTS

Before the financial statements of the Group and of the Company were prepared, 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 allowance for doubtful debts, and satisfied themselves that there were no known bad debts and that adequate allowance had been made for doubtful debts.

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

CURRENT ASSETS

Before the financial statements of the Group and of the Company were prepared, 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 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; and
(ii) any contingent liabilities in respect of the Group or of the Company which has arisen since the end of the financial year.

In the opinion of the directors, no contingent or other liability of the Group or of the Company has become enforceable, or is likely to become enforceable, within the period of twelve months after the end of the financial year which will or may affect the ability of the Group 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
continued

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) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is 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 AND DEBENTURES

During the financial year, no new issue of shares or debentures were made by the Company.

DIRECTORS

The directors in office during the financial year and during the period from the end of the financial year to the date of the 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 of the Company and certain subsidiaries*

DIRECTORS' INTERESTS

According to the Register of Directors' shareholdings required to be kept by the Company under Section 59 of the Companies Act 2016 in Malaysia, the interests of directors in office at the end of the financial year in shares in the Company and its related corporations during the financial year were as follows:

(a) Shareholdings in the Company

	Number of Ordinary Shares			
	At 1 January 2017	**Bought**	**Sold**	**At 31 December 2017**
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
continued

DIRECTORS' INTERESTS *continued*

By virtue of his interests in the ordinary shares of the Company and pursuant to Section 8 of the Companies Act 2016 in Malaysia, Koh Seng Kar @ Koh Hai Sew and Koh Seng Lee are deemed to have an interest in the ordinary shares of the subsidiaries to the extent that the Company has an interest.

Other than as stated above, none of the other directors in office at the end of the financial year had any interest in shares of the Company and its related corporations during the financial year.

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 as disclosed in Note 6 to the financial statements) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

Neither during, nor at the end of the financial year, was the Company a party to any arrangements where the 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.

SUBSIDIARIES

The details of the Company's subsidiaries are disclosed in Note 10 to the financial statements.

The available auditors' reports on the accounts of the remaining subsidiaries did not contain any qualification.

SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

Details of significant event during the financial year is disclosed in Note 31 to the financial statements.

AUDITORS' REMUNERATION

The details of the auditors' remuneration are disclosed in Note 5 to the financial statements.

INDEMNITY TO AUDITORS

The Company has agreed to indemnify the auditors of the Company as permitted under Section 289 of the Companies Act 2016 in Malaysia.

DIRECTORS' REPORT
continued

AUDITORS

The auditors, Messrs Baker Tilly Monteiro Heng, have expressed their willingness to continue in office.

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
Director

KOH SENG LEE
Director

Date: 11 April 2018

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

		Group		Company	
		2017	2016	2017	2016
	Note	RM	RM	RM	RM
Revenue	4	**123,218,758**	102,176,423	**4,141,200**	3,238,300
Cost of sales		**(99,607,080)**	(82,722,436)	**-**	-
Gross profit		**23,611,678**	19,453,987	**4,141,200**	3,238,300
Other income		**344,980**	535,613	**1,656,555**	1,335,020
Selling and distribution costs		**(2,958,465)**	(2,566,244)	**(137,359)**	(136,310)
Administrative costs		**(9,273,224)**	(8,373,390)	**(3,029,345)**	(2,678,863)
Other costs		**(3,015,964)**	(2,704,792)	**(397,882)**	(361,562)
		(15,247,653)	(13,644,426)	**(3,564,586)**	(3,176,735)
Profit from operations		**8,709,005**	6,345,174	**2,233,169**	1,396,585
Finance costs		**(1,433,472)**	(1,301,497)	**(556,740)**	(973,990)
Share of results of an associate		**353,705**	348,972	**-**	-
Profit before tax	5	**7,629,238**	5,392,649	**1,676,429**	422,595
Income tax expense	7	**(1,932,994)**	(1,352,844)	**(450,130)**	(131,778)
Profit net of tax, representing total comprehensive income for the financial year		**5,696,244**	4,039,805	**1,226,299**	290,817
Total comprehensive income attributable to:					
Owners of the parent		**5,475,406**	3,807,394	**1,226,299**	290,817
Non-controlling interest		**220,838**	232,411	**-**	-
		5,696,244	4,039,805	**1,226,299**	290,817
Earnings per share attributable to owners of the parent (sen per share)					
Basic	8	**5.70**	3.97		
Diluted	8	**5.70**	3.97		

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 2017

		Group		Company	
		2017	**2016**	**2017**	**2016**
	Note	**RM**	**RM**	**RM**	**RM**
ASSETS					
Non-current assets					
Property, plant and equipment	9	**11,297,416**	11,564,411	**6,472,597**	6,581,242
Investments in subsidiaries	10	**-**	-	**33,510,002**	32,975,004
Investment in an associate	11	**4,308,454**	3,954,749	**820,000**	820,000
Deferred tax assets	12	**760,594**	402,600	**-**	-
		16,366,464	15,921,760	**40,802,599**	40,376,246
Current assets					
Inventories	13	**44,240,959**	50,721,028	**-**	-
Trade receivables	14	**46,174,341**	44,652,696	**-**	-
Other receivables, deposits and prepayments	15	**1,867,192**	1,866,667	**181,896**	166,313
Amounts due from subsidiaries	16	**-**	-	**24,573,886**	26,666,153
Tax recoverable		**999,470**	1,517,197	**46,672**	181,529
Deposits, cash and bank balances	17	**13,494,528**	12,430,417	**4,728,209**	4,233,114
		106,776,490	111,188,005	**29,530,663**	31,247,109
TOTAL ASSETS		**123,142,954**	127,109,765	**70,333,262**	71,623,355

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017
continued

		Group		Company	
		2017	2016	2017	2016
	Note	RM	RM	RM	RM
EQUITY AND LIABILITIES					
Share capital	18	**48,514,639**	48,000,000	**48,514,639**	48,000,000
Share premium	19	**-**	514,639	**-**	514,639
Retained earnings		**32,058,061**	27,751,070	**1,203,834**	1,417,535
Equity attributable to owners of the parent		**80,572,700**	76,265,709	**49,718,473**	49,932,174
Non-controlling interest		**1,196,400**	1,732,147	**-**	-
Total equity		**81,769,100**	77,997,856	**49,718,473**	49,932,174
Liabilities					
Non-current liabilities					
Bank borrowings	20	**1,481,544**	1,499,001	**-**	-
Deferred tax liabilities	12	**134,859**	145,865	**128,779**	121,840
		1,616,403	1,644,866	**128,779**	121,840
Current liabilities					
Trade payables	22	**6,555,278**	9,939,640	**-**	-
Other payables and accruals	23	**4,226,443**	6,498,090	**1,555,067**	1,156,889
Downpayment from customers		**-**	7,598,299	**-**	-
Bank borrowings	20	**28,859,145**	23,342,842	**-**	-
Amounts due to a subsidiary	16	**-**	-	**18,930,943**	20,412,452
Tax payable		**116,585**	88,172	**-**	-
		39,757,451	47,467,043	**20,486,010**	21,569,341
Total liabilities		**41,373,854**	49,111,909	**20,614,789**	21,691,181
TOTAL EQUITY AND LIABILITIES		**123,142,954**	127,109,765	**70,333,262**	71,623,355

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 2017

		← Attributable to Owners of the Parent →					
	Note	Share Capital RM	Share Premium RM	Retained Earnings RM	Total RM	Non-controlling Interest RM	Total Equity RM
Group							
At 1 January 2017		48,000,000	514,639	27,751,070	76,265,709	1,732,147	77,997,856
Profit net of tax, representing total comprehensive income for the financial year		-	-	5,475,406	5,475,406	220,838	5,696,244
Transactions with owners							
Dividend on ordinary shares	24	-	-	(1,440,000)	(1,440,000)	-	(1,440,000)
Changes in ownership interests in a subsidiary	10(a)	-	-	271,585	271,585	(756,585)	(485,000)
Total transactions with owners		-	-	(1,168,415)	(1,168,415)	(756,585)	(1,925,000)
Transition to no-par value regime ^		514,639	(514,639)	-	-	-	-
At 31 December 2017		48,514,639	-	32,058,061	80,572,700	1,196,400	81,769,100

^ Refer to Note 18 for details.

	Note	Share Capital RM	Share Premium RM	Retained Earnings RM	Total RM	Non-controlling Interest RM	Total Equity RM
Group							
At 1 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	24	-	-	(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 2017

	Note	Share Capital RM	Share Premium RM	Retained Earnings RM	Total Equity RM
Company					
At 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	24	-	-	(768,000)	(768,000)
At 31 December 2016/1 January 2017		48,000,000	514,639	1,417,535	49,932,174
Profit net of tax, representing total comprehensive income for the financial year		-	-	1,226,299	1,226,299
Transactions with owners					
Dividend on ordinary shares	24	-	-	(1,440,000)	(1,440,000)
Transition to no-par value regime ^		514,639	(514,639)	-	-
At 31 December 2017		48,514,639	-	1,203,834	49,718,473

^ *Refer to Note 18 for details*

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 2017

		Group		Company	
		2017	2016	2017	2016
	Note	RM	RM	RM	RM
Cash Flows from Operating Activities					
Profit before tax		**7,629,238**	5,392,649	**1,676,429**	422,595
Adjustments for:					
Depreciation of property, plant and equipment		**1,905,385**	1,869,080	**145,364**	135,677
Dividend income		**-**	-	**(50,000)**	-
Impairment loss on trade receivables		**162,642**	281,827	**-**	-
Interest expense		**1,433,472**	1,301,497	**-**	-
(Gain)/Loss on disposal of plant and equipment		**(139,620)**	2,200	**-**	-
Interest income		**(205,360)**	(306,757)	**(1,656,555)**	(1,335,020)
Reversal of impairment loss on trade receivables		**-**	(4,059)	**-**	-
Share of results of an associate		**(353,705)**	(348,972)	**-**	-
Unrealised loss/(gain) on foreign exchange		**70,825**	(152,554)	**-**	-
Operating profit/(loss) before working capital changes		**10,502,877**	8,034,911	**115,238**	(776,748)
Change in working capital:					
Decrease/(Increase) in inventories		**6,480,069**	(7,514,730)	**-**	-
(Increase)/Decrease in receivables		**(3,154,306)**	(5,609,554)	**(607,637)**	163,550
(Decrease)/Increase in payables		**(11,868,579)**	6,359,326	**398,178**	45,070
Downpayment from customers		**-**	6,176,640	**-**	-
Cash generated from/(used in) operations		**1,960,061**	7,446,593	**(94,221)**	(568,128)
Dividend received		**-**	-	**50,000**	-
Interest received		**205,360**	117,457	**1,656,555**	1,335,020
Tax paid		**(1,960,422)**	(1,655,133)	**(308,334)**	(403,607)
Tax refunded		**204,568**	82,604	**-**	-
Net cash from operating activities, balance carried down		**409,567**	5,991,521	**1,304,000**	363,285

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

		Group		Company	
		2017	2016	2017	2016
	Note	RM	RM	RM	RM
Cash Flows from Operating Activities					
Net cash from operating activities, balance brought down		**409,507**	5,991,521	**1,304,000**	363,285
Cash Flows from Investing Activities					
Additional investment in subsidiaries		**(485,000)**	-	**(534,998)**	-
Repayment from/(Advances to) subsidiaries		**-**	-	**2,684,321**	(3,765,742)
Proceeds from disposal of plant and equipment		**139,623**	5,000	**-**	-
Purchase of plant and equipment	9	**(876,398)**	(365,535)	**(36,719)**	(14,288)
Net cash (used in)/from investing activities		**(1,221,775)**	(360,535)	**2,112,604**	(3,780,030)
Cash Flows from Financing Activities*					
Net proceed from bankers' acceptances		**5,445,955**	4,854,815	**-**	-
Payment of finance lease		**(670,932)**	(1,023,874)	**-**	-
(Repayment to)/Advances from subsidiaries		**-**	-	**(1,481,509)**	7,401,014
Dividend paid		**(1,440,000)**	(768,000)	**(1,440,000)**	(768,000)
Interest paid		**(1,458,704)**	(1,309,509)	**-**	-
Net cash from/(used in) financing activities		**1,876,319**	1,753,432	**(2,921,509)**	6,633,014
Net increase in cash and cash equivalents		**1,064,111**	7,384,418	**495,095**	3,216,269
Cash and cash equivalents at beginning of the financial year		**12,430,417**	5,045,999	**4,233,114**	1,016,845
Cash and cash equivalents at end of the financial year	17	**13,494,528**	12,430,417	**4,728,209**	4,233,114

* *Changes in liabilities arising from financing activities are changes arising from cash flows*

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017

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 its subsidiaries and its associate are disclosed 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 approved and authorised for issue in accordance with a Board of Directors' resolution dated 11 April 2018.

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 2016 in Malaysia.

(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 had adopted the following amendments/improvements to MFRSs that are mandatory for the current financial year:

Amendments/Improvements to MFRSs	
MFRS 12	Disclosure of Interests in Other Entities
MFRS 107	Statement of Cash Flows
MRFS 112	Income Taxes

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017
continued

2. BASIS OF PREPARATION *continued*

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

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

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
New MFRSs		
MFRS 9	Financial Instruments	1 January 2018
MFRS 15	Revenue from Contracts with Customers	1 January 2018
MFRS 16	Leases	1 January 2019
MFRS 17	Insurance Contracts	1 January 2021
Amendments/Improvements to MFRSs		
MFRS 1	First-time adoption of MFRSs	1 January 2018
MFRS 2	Share-based Payment	1 January 2018
MFRS 3	Business Combinations	1 January 2019
MFRS 4	Insurance Contracts	1 January 2018
MFRS 9	Financial Instruments	1 January 2019
MFRS 10	Consolidated Financial Statements	Deferred
MFRS 11	Joint Arrangements	1 January 2019
MFRS 112	Income Taxes	1 January 2019
MFRS 119	Employee Benefits	1 January 2019
MFRS 123	Borrowing Costs	1 January 2019
MFRS 128	Investments in associates and Joint Ventures	1 January 2018/ 1 January 2019/ Deferred
MFRS 140	Investment Property	1 January 2018
New IC Int		
IC Int 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
IC Int 23	Uncertainty over Income Tax Treatments	1 January 2019

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017
continued

2. BASIS OF PREPARATION *continued*

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

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

The Group and the Company plan to adopt the above applicable new MFRSs, amendments/ improvements to MFRSs and new IC Int when they become effective. A brief discussion on the above significant new MFRSs, amendments/improvements to MFRSs and new IC Int are summarised below.

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.

- 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.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017
continued

2. BASIS OF PREPARATION *continued*

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

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

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;
(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.

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.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017
continued

2. BASIS OF PREPARATION *continued*

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

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

Amendments to MFRS 9 Financial Instruments

Amendments to MFRS 9 allow companies to measure prepayable financial assets with negative compensation at amortised cost or at fair value through other comprehensive income if certain conditions are met.

The amendments also clarify that when a financial liability measured at amortised cost is modified without this resulting in derecognition, a gain or loss should be recognised in profit or loss.

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.

Amendments to MFRS 112 Income Taxes

Amendments to MFRS 112 clarify that an entity recognises the income tax consequences of dividends in profit or loss because income tax consequences of dividends are linked more directly to past transactions than to distributions to owners, except if the tax arises from a transaction which is a business combination or is recognised in other comprehensive income or directly in equity.

Amendments to MFRS 128 Investments 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 investments in associates or joint ventures at fair value through profit or loss.

The amendments also clarify that companies shall apply MFRS 9, including its impairment requirements, to account for long-term interests in an associate or joint venture that, in substance, form part of the net investment in the associate or joint to which the equity method is not applied.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017
continued

2. BASIS OF PREPARATION *continued*

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

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

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.

IC Int 23 Uncertainty over Income Tax Treatments

IC Int 23 clarifies that where there is uncertainty over income tax treatments, an entity shall:

(i) assume that a taxation authority will examine amounts it has a right to examine and have full knowledge of all related information when making those examinations.

(ii) reflect the effect of uncertainty in determining the related tax position (using either the most likely amount or the expected value method) if it concludes it is not probable that the taxation authority will accept an uncertain tax treatment.

(iii) Other than the estimated financial impact arising from the adoption of MFRS 9 and MFRS 15, the detailed analysis on the financial effects of the adoption of other new MFRSs, amendments/improvements to MFRSs and new IC Int are currently still being assessed by the Group and the Company.

Estimated impact of the adoption of MFRS 9 and MFRS 15

The Group is currently performing a detailed analysis to determine the election of the practical expedients and to quantify the financial effects arising from the adoption of the new MFRSs, amendments/improvements to MFRSs and new IC Int.

(c) 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's and the Company's functional currency. All financial information presented in RM has been rounded to the nearest RM, unless otherwise stated.

(d) Basis of Measurement

The financial statements of the Group and of the Company have been prepared on the historical cost basis, except as otherwise disclosed in Note 3.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017
continued

2. BASIS OF PREPARATION *continued*

(e) Use of Estimates and Judgement

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(f).

(f) 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) Inventories (Note 13) - Inventories are stated at the lower of cost and net realisable value. Reviews are made periodically by the Group on damaged inventories and quantity levels of 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 Group based on the most reliable evidence available at the time the estimates are made. These estimates take into consideration the latest selling price or replacement cost, nature of the inventories and other relevant factors such as supply and demand of the identified inventories. Possible changes in these estimates could result in revisions to the valuation of inventories.

(ii) Impairment loss on trade receivables (Note 14) – 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.

3. SUMMARY OF 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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017
continued

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued*

(a) Basis of Consolidation *continued*

(i) Subsidiaries and Business Combination *continued*

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.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017
continued

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued*

(a) Basis of Consolidation *continued*

(i) Subsidiaries and Business Combination *continued*

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.

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.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017
continued

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued*

(a) Basis of Consolidation *continued*

(iv) Associates continued

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).

(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.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017
continued

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued*

(b) Foreign Currency *continued*

(i) Foreign Currency Transactions *continued*

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.

(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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued*

(d) Employee Benefits *continued*

(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.

(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.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017
continued

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued*

(g) Income Tax Expense

(i) Current Tax

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 financial year, using tax rates enacted or substantially enacted by the reporting date, and any adjustments recognised for prior financial 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.

(ii) Deferred Tax

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 profit 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 income 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 ether 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.

(iii) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax ("GST") except:

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017
continued

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued*

(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 Company 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 property, 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 2017
continued

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued*

(j) 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.

(k) 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.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017
continued

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued*

(k) Impairment of Financial Assets *continued*

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

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.

(l) 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.

(m) 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.

(n) Share Capital

Ordinary shares are equity instruments. 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 classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

Prior to Companies Act 2016 which came into effect on 31 January 2017, incremental external costs directly attributable to the issuance of new shares are deducted against the share premium account. Effective on 31 January 2017 and subsequent period, incremental external costs directly attributable to the issuance of new shares are deducted against equity.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017
continued

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued*

(o) 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.

(p) 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.

(q) 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.

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.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017
continued

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued*

(r) 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 30, including the factors used to identify the reportable segments and the measurement basis of segment information.

(s) 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	
	2017	**2016**	**2017**	**2016**
	RM	**RM**	**RM**	**RM**
Dividend income from subsidiaries	**-**	-	**50,000**	-
Management fee	**-**	-	**3,142,000**	2,289,100
Rental income on building	**18,000**	18,000	**949,200**	949,200
Sale of goods and services	**123,200,758**	102,158,423	**-**	-
	123,218,758	102,176,423	**4,141,200**	3,238,300

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017
continued

5. PROFIT BEFORE TAX

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

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM	**RM**	**RM**	**RM**
Auditors' remuneration				
- Statutory audit - current financial year	**144,000**	144,000	**57,000**	57,000
- Other services	**4,000**	18,000	**4,000**	9,000
Depreciation of property, plant and equipment	**1,905,385**	1,869,080	**145,364**	135,677
Employee benefits expense (including key management personnel)				
- Contribution to defined contribution plan	**1,025,833**	910,512	**279,935**	242,525
- Salaries, allowance and bonus	**10,981,998**	10,137,141	**2,493,368**	2,162,476
- Other employee benefits	**372,265**	342,704	**23,924**	10,033
Impairment loss on trade receivables	**162,642**	281,827	**-**	-
Interest expense				
- Bankers' acceptances interest	**1,278,389**	1,140,844	**-**	-
- Bank overdraft interest	**20,138**	23,250	**-**	-
- Finance lease interest	**134,945**	137,403	**-**	-
Rental expense on buildings	**676,710**	668,800	**-**	-
Rental expense on motor vehicles	**8,496**	-	**22,500**	15,000
Loss/(Gain) on foreign exchange				
- realised	**61,138**	(76,134)	**-**	-
- unrealised	**70,825**	(152,554)	**-**	-
(Gain)/Loss on disposal of property, plant and equipment	**(139,620)**	2,200	**-**	-
Interest income				
- deposits with licensed banks	**(205,360)**	(116,107)	**(107,960)**	(92,142)
- associate	**-**	(1,350)	**-**	-
- subsidiaries	**-**	-	**(1,548,595)**	(1,242,878)
- overdue interest	**-**	(189,300)	**-**	-
Reversal of impairment loss on trade receivables	**-**	(4,059)	**-**	-

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017
continued

6. DIRECTORS' REMUNERATION

	Group		Company	
	2017	2016	2017	2016
	RM	RM	RM	RM
Executive:				
- Other emoluments	**1,802,778**	1,627,245	**1,802,778**	1,627,245
- Defined contribution plan	**209,040**	194,208	**209,040**	194,208
Total executive directors' remuneration	**2,011,818**	1,821,453	**2,011,818**	1,821,453
Non-executive:				
- Fees	**147,600**	133,560	**147,600**	133,560
- Other emoluments	**7,500**	7,000	**7,500**	7,000
Total non-executive directors' remuneration	**155,100**	140,560	**155,100**	140,560
Total directors' remuneration	**2,166,918**	1,962,013	**2,166,918**	1,962,013

The estimated monetary value of benefits-in-kind received and receivable by directors of the Company from the Group and the Company amounted to RM46,250 (2016: RM35,133).

7. INCOME TAX EXPENSE

	Group		Company	
	2017	2016	2017	2016
	RM	RM	RM	RM
Current tax:				
Malaysian income tax:				
Current financial year	**2,093,776**	1,053,084	**444,895**	140,217
Under/(Over) provision in prior financial year	**208,218**	24,192	**(1,704)**	(9,452)
	2,301,994	1,077,276	**443,191**	130,765
Deferred tax (Note 12):				
Origination and reversal of temporary differences	**(203,499)**	283,758	**6,403**	1,013
(Over)/Under provision in prior financial year	**(165,501)**	(8,190)	**536**	-
	(369,000)	275,568	**6,939**	1,013
Income tax expense recognised in profit or loss	**1,932,994**	1,352,844	**450,130**	131,778

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017
continued

7. INCOME TAX EXPENSE *continued*

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	
	2017	**2016**	**2017**	**2016**
	RM	**RM**	**RM**	**RM**
Profit before tax	**7,629,238**	5,392,649	**1,676,429**	422,595
Tax at the Malaysian statutory income tax rate of 24% (2016: 24%)	**1,831,017**	1,294,236	**402,343**	101,423
Tax effect on non-deductible expenses	**146,166**	139,599	**48,955**	39,807
Tax effect on non-taxable income	**(2,017)**	-	**-**	-
Effect of changes in tax rate income	**-**	(13,241)	**-**	-
Tax effect on share of results of an associate	**(84,889)**	(83,752)	**-**	-
Under/(Over) provision in prior financial year				
- current tax	**208,218**	24,192	**(1,704)**	(9,452)
- deferred tax	**(165,501)**	(8,190)	**536**	-
Income tax expense recognised in profit or loss	**1,932,994**	1,352,844	**450,130**	131,778

The Group has estimated tax loss carry-forwards of RM738,396 (2016: RM412,225), capital allowances carry-forward of RM614,509 (2016: RM245,463) and reinvestment allowances carry-forward of RM1,930,054 (2016: RM1,316,817) which are 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 RM5,475,406 (2016: RM3,807,394) by the weighted average number of ordinary shares in issue during the financial year of 96,000,000 (2016: 96,000,000) ordinary shares.

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

9. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land RM	Buildings RM	Electrical installation RM	Plant and machinery and factory equipment RM	Electrical equipment, furniture and fittings and office equipment RM	Motor vehicles RM	Computers RM	Renovation RM	Total RM
Cost									
At 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 January 2017	1,981,721	6,333,121	113,153	13,147,555	723,499	4,229,508	561,003	430,763	27,520,323
Additions	-	-	-	1,104,760	54,705	433,938	32,318	12,672	1,638,393
Disposals	-	-	-	-	-	(406,020)	-	-	(406,020)
At 31 December 2017	1,981,721	6,333,121	113,153	14,252,315	778,204	4,257,426	593,321	443,435	28,752,696

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017
continued

9. PROPERTY, PLANT AND EQUIPMENT *continued*

Group	Freehold land RM	Buildings RM	Electrical installation RM	Plant and machinery and factory equipment RM	Electrical equipment, furniture and fittings and office equipment RM	Motor vehicles RM	Computers RM	Renovation RM	Total RM
Accumulated depreciation									
At 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 January 2017	-	1,743,819	113,122	9,643,421	610,871	2,865,515	548,421	430,743	15,955,912
Charge for the financial year	-	126,663	-	1,047,528	70,229	626,285	28,342	6,338	1,905,385
Disposals	-	-	-	-	-	(406,017)	-	-	(406,017)
At 31 December 2017	-	1,870,482	113,122	10,690,949	681,100	3,085,783	576,763	437,081	17,455,280
Net carrying amount									
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
At 31 December 2017	1,981,721	4,462,639	31	3,561,366	97,104	1,171,643	16,558	6,354	11,297,416

9. PROPERTY, PLANT AND EQUIPMENT *continued*

Company	Freehold land RM	Buildings RM	Electrical installation RM	Plant and machinery and factory equipment RM	Electrical equipment, furniture and fittings and office equipment RM	Motor vehicles RM	Computers RM	Renovation RM	Total RM
Cost									
At 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 January 2017	1,981,721	6,333,121	29,810	255,400	114,212	4,680	14,380	393,217	9,126,541
Additions	-	-	-	-	15,180	-	8,867	12,672	36,719
At 31 December 2017	1,981,721	6,333,121	29,810	255,400	129,392	4,680	23,247	405,889	9,163,260
Accumulated depreciation									
At 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 January 2017	-	1,743,819	29,806	255,398	110,553	936	11,587	393,200	2,545,299
Charge for the financial year	-	126,663	-	-	4,205	935	7,223	6,338	145,364
At 31 December 2017	-	1,870,482	29,806	255,398	114,758	1,871	18,810	399,538	2,690,663
Net carrying amount									
At 31 December 2016	1,981,721	4,589,302	4	2	3,659	3,744	2,793	17	6,581,242
At 31 December 2017	1,981,721	4,462,639	4	2	14,634	2,809	4,437	6,351	6,472,597

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017
continued

9. PROPERTY, PLANT AND EQUIPMENT *continued*

During the financial year, the Group and the Company acquired property, plant and equipment with aggregate cost of RM1,638,393 (2016: RM1,241,522) and RM36,719 (2016: RM14,288) which are satisfied as follows:

	Group		Company	
	2017	2016	2017	2016
	RM	RM	RM	RM
Cash payments	**876,398**	365,535	**36,719**	14,288
Finance lease arrangement	**761,995**	875,987	**-**	-
	1,638,393	1,241,522	**36,719**	14,288

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	
	2017	2016
	RM	RM
Net carrying amount		
Plant and machinery	**807,576**	504,148
Motor vehicles	**1,048,083**	1,360,242
	1,855,659	1,864,390

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 20 as follows:

	Group/Company	
	2017	2016
	RM	RM
Freehold land	**1,981,721**	1,981,721
Buildings	**4,462,639**	4,589,302
	6,444,360	6,571,023

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017
continued

10. INVESTMENTS IN SUBSIDIARIES

	Company 2017 RM	Company 2016 RM
Unquoted shares, at cost:		
At 31 December/1 January	**33,510,002**	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 2017	Proportion of Ownership Interest/Voting Rights 2016
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 Stainless Steel Industry Sdn. Bhd. *(formerly known as 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	**100%**	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 Monteiro Heng.*

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017
continued

10. INVESTMENTS IN SUBSIDIARIES *continued*

(a) Acquisition of additional interest in KSG Engineering Sdn. Bhd.

On 20 April 2017, the Company purchased an additional 25% equity interest (representing 125,000 ordinary shares at RM1 per share) in KSG Engineering Sdn. Bhd., a subsidiary of the Group for total cash consideration of RM485,000. The Company's effective ownership in KSG Engineering Sdn. Bhd. increased from 75% to 100% as a result of the additional shares purchased.

Effect of the increase in the Company's ownership interest is as follows:

	2017
	RM
Fair value of consideration transferred	**485,000**
Non-controlling interest at fair value	**(756,585)**
Excess charged directly to equity	**(271,585)**

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

	KSG Engineering Sdn. Bhd.	**Koseng Sdn. Bhd.**
	RM	**RM**
2017		
NCI proportion of ownership interest and voting interest	**-**	**25%**
Carrying amount of NCI ("RM")	**-**	**1,196,400**
Profit allocated to NCI ("RM")	**-**	**320,444**
2016		
NCI proportion of ownership interest and voting interest	25%	25%
Carrying amount of NCI ("RM")	856,191	875,956
(Loss)/Profit allocated to NCI ("RM")	(110,036)	342,447

NOTES TO THE FINANCIAL STATEMENTS
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10. INVESTMENTS IN SUBSIDIARIES *continued*

(c) 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
2017		
Assets and liabilities		
Non-current assets	-	**658,250**
Current assets	-	**21,048,340**
Non-current liabilties	-	**(245,789)**
Current liabilities	-	**(16,675,198)**
Net assets	-	**4,785,603**
Results		
Revenue	-	**24,124,928**
Profit for the financial year	-	**1,281,777**
Total comprehensive income	-	**1,281,777**
Cash flows from operating activities	-	**2,228,948**
Cash flows used in investing activities	-	**(504,534)**
Cash flows used in financing activities	-	**(1,475,023)**
Net increase in cash and cash equivalents	-	**249,391**
2016		
Assets and liabilities		
Non-current assets	578,668	351,833
Current assets	28,015,024	20,245,851
Non-current liabilties	(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)	(1,916,686)
Cash flows used in investing activities	(12,423)	(20,475)
Cash flows from financing activities	186,220	1,670,597
Net increase/(decrease) in cash and cash equivalents	133,348	(266,564)

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11. INVESTMENT IN AN ASSOCIATE

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM	**RM**	**RM**	**RM**
Unquoted shares, at cost	**820,000**	820,000	**820,000**	820,000
Share of post-acquisition reserves	**3,488,454**	3,134,749	**-**	-
	4,308,454	3,954,749	**820,000**	820,000

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 2017	Proportion of Ownership Interest/Voting Rights 2016
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%

^ *Audited by a firm of chartered accountants other than Baker Tilly Monteiro Heng.*

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

	2017	**2016**
	RM	**RM**
Assets and liabilities		
Non-current assets	**576,748**	331,757
Current assets	**18,230,897**	16,107,398
Non-current liabilities	**(1,072,755)**	(1,157,941)
Current liabilities	**(8,929,640)**	(7,182,533)
Net assets	**8,805,250**	8,098,681
Non-controlling interests	**188,343**	189,184
Results		
Revenue	**18,733,351**	17,048,237
Profit for the financial year/Total comprehensive income	**706,569**	697,983
Profit for the financial year/Total comprehensive income attributable to owners of an associate	**707,410**	697,944

NOTES TO THE FINANCIAL STATEMENTS
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11. INVESTMENT IN AN ASSOCIATE *continued*

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

	2017 RM	2016 RM
Group's share of net assets	**4,308,454**	3,954,749
Share of results of the Group for the financial year ended 31 December		
Share of results of the Group	**353,705**	348,972

12. DEFERRED TAX ASSETS/(LIABILITIES)

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Group				
Deferred tax assets				
At 1 January	**402,600**	721,950	**-**	-
Recognised in profit or loss	**357,994**	(319,350)	**-**	-
At 31 December	**760,594**	402,600	**-**	-
Deferred tax liabilities				
At 1 January	**(145,865)**	(189,647)	**(121,840)**	(120,827)
Recognised in profit or loss	**11,006**	43,782	**(6,939)**	(1,013)
At 31 December	**(134,859)**	(145,865)	**(128,779)**	(121,840)

NOTES TO THE FINANCIAL STATEMENTS
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continued

12. DEFERRED TAX ASSETS/(LIABILITIES) *continued*

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

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM	**RM**	**RM**	**RM**
Deferred tax assets				
Unabsorbed capital allowances	**147,481**	58,911	**-**	-
Unutilised tax losses	**177,215**	98,934	**-**	-
Unutilised reinvestment allowances	**463,213**	316,036	**-**	-
Difference between the carrying amounts of property, plant and equipment and their taxbase	**(27,315)**	(71,281)	**-**	-
	760,594	402,600	**-**	-
Deferred tax liabilities				
Difference between the carrying amounts of property, plant and equipment and their taxbase	**(134,859)**	(145,865)	**(128,779)**	(121,840)

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 Group 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.

13. INVENTORIES

	Group	
	2017	**2016**
	RM	**RM**
At cost,		
Raw materials	**980,550**	4,436,265
Work-in-progress	**753,996**	7,496,976
Finished goods	**5,416,266**	5,588,308
Consumables	**633,775**	930,723
Packing materials	**75,799**	84,208
Trading goods	**36,380,573**	32,184,548
	44,240,959	50,721,028

During the financial year, the cost of inventories recognised as an expense in cost of sales of the Group is RM99,607,080 (2016: RM82,722,436).

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14. TRADE RECEIVABLES

	Group	
	2017	**2016**
	RM	**RM**
External parties	**46,269,139**	45,520,514
Related party	**935.662**	-
	47,204,801	45,520,514
Less: Allowance for impairment	**(1,030,460)**	(867,818)
Trade receivables, net	**46,174,341**	44,652,696

Included in the trade receivables of the Group is an amount of RM935,662 (2016: RM Nil) due from a related party who is a subsidiary of an associate.

(a) Credit terms of trade receivables

The Group's normal credit term ranges from 30 to 180 days (2016: 30 to 180 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:

	2017	**2016**
	RM	**RM**
Group		
Neither past due nor impaired	**40,295,299**	35,340,863
1 to 30 days past due not impaired	**590,685**	1,666,231
31 to 60 days past due not impaired	**961,067**	1,182,452
61 to 90 days past due not impaired	**252,134**	461,965
91 to 120 days past due not impaired	**200,234**	557,426
More than 120 days past due not impaired	**3,874,922**	5,443,759
	5,879,042	9,311,833
Impaired	**1,030,460**	867,818
	47,204,801	45,520,514

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

<u>Receivables that are past due but not impaired</u>
The Group has trade receivables amounting to RM5,879,042 (2016: RM9,311,833) 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.

<u>Receivables that are impaired</u>
The Group has trade receivables that are impaired at the reporting date amounting to RM1,030,460 (2016: RM867,818) of which are individually impaired and the nominal amounts and the allowance for impairment are the same.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017
continued

14. TRADE RECEIVABLES *continued*

(b) Ageing analysis of trade receivables *continued*

Movement in allowance accounts:

	Group	
	2017	**2016**
	RM	**RM**
At 1 January	**867,818**	590,050
Charge for the financial year (Note 5)	**162,642**	281,827
Reversal (Note 5)	**-**	(4,059)
At 31 December	**1,030,460**	867,818

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.

15. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM	**RM**	**RM**	**RM**
Other receivables	**128,972**	596,006	**86,303**	85,900
GST refundable	**550,818**	322,427	**-**	-
Refundable deposits	**229,268**	216,383	**19,770**	19,770
Downpayment to supplier	**86,000**	-	**-**	-
Prepayments	**872,134**	731,851	**75,823**	60,643
	1,867,192	1,866,667	**181,896**	166,313

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

Included in the other receivables of the Group and of the Company is an amount of RM Nil (2016: RM353,528) and RM403 (2016: RM Nil) respectively due from a related party who is a subsidiary of an associate. This amount is non-trade in nature, unsecured and repayable on demand in cash.

Included in the prepayments of the Group are downpayments paid for the acquisition of equipment amounting to RM264,086 (2016: RM Nil). The balance of these purchase considerations are disclosed as capital commitment in Note 28.

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31 DECEMBER 2017
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16. AMOUNTS DUE FROM/(TO) SUBSIDIARIES

		Company	
		2017	2016
		RM	RM
Amounts due from subsidiaries			
Trade	(a)	**2,897,266**	2,305,212
Non-trade	(b)	**21,676,620**	24,360,941
		24,573,886	26,666,153
Amounts due to a subsidiary			
Non-trade	(c)	**(18,930,943)**	(20,412,452)

(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 in cash except for an amount of RM20,210,699 (2016: RM15,788,409) which bear interest at rates ranging from 8.85% to 9.85% (2016: 8.35%) per annum.

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

17. DEPOSITS, CASH AND BANK BALANCES

	Group		Company	
	2017	2016	2017	2016
	RM	RM	RM	RM
Deposits with licensed banks (Islamic)	**5,936,446**	3,811,784	**4,403,867**	3,811,784
Deposits with licensed banks	**2,010,929**	551,562	**-**	-
Cash and bank balances (Islamic)	**475,352**	1,080,074	**-**	-
Cash and bank balances	**5,071,831**	6,986,997	**324,342**	421,330
	13,494,528	12,430,417	**4,728,209**	4,233,114

The average maturity of deposits with licensed banks for the Group and the Company as at the financial year end is 30 days (2016: 30 days) respectively. The effective interest rates for the Group and the Company are ranging from 2.70% to 4.00% (2016: 2.70% to 4.00%) and 2.95% to 4.00% (2016: 3.00% to 4.00%) per annum.

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18. SHARE CAPITAL

	Group/Company			
	Number of shares		Amount	
	2017	2016	2017	2016
	Unit	Unit	RM	RM
Issued and fully paid:				
At 1 January	**96,000,000**	96,000,000	**48,000,000**	48,000,000
Transition to no-par value regime	**-**	-	**514,639**	-
At 31 December	**96,000,000**	96,000,000	**48,514,639**	48,000,000

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

The new Companies Act 2016 (the "Act"), which came into effect on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. Consequently, the amount standing to the credit of the share premium account of RM514,639 becomes part of the Company's share capital pursuant to the transitional provisions set out in Section 618(2) of the Act. Notwithstanding this provision, the Company may within 24 months from the commencement of the Act, use the amount standing to the credit of its share premium account of RM514,639 for purposes as set out in Section 618(3) of the Act. There is no impact on the number of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition.

19. SHARE PREMIUM

Share premium comprises the premium paid on subscription of shares in the Company over and above the par value of the shares. Pursuant to Section 618(2) of the Act, the sum of RM514,639 standing to the credit of the Company's share premium account has been transferred and became part of the Company's share capital as disclosed in Note 18.

20. BANK BORROWINGS (SECURED)

	2017	2016
	RM	RM
Group		
Current		
Bankers' acceptances (Islamic)	**15,049,256**	11,213,755
Bankers' acceptances	**13,032,182**	11,459,900
Finance lease payables (Note 21)	**777,707**	669,187
	28,859,145	23,342,842
Non-current		
Finance lease payables (Note 21)	**1,481,544**	1,499,001

NOTES TO THE FINANCIAL STATEMENTS
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20. BANK BORROWINGS (SECURED) *continued*

	2017 RM	2016 RM
Group		
Total borrowings:		
Bankers' acceptances (Islamic)	**15,049,256**	11,213,755
Bankers' acceptances	**13,032,182**	11,459,900
Finance lease payables (Note 21)	**2,259,251**	2,168,188
	30,340,689	24,841,843

The bankers' acceptances 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 bear interest at rates as follows:

	2017	2016
	per annum %	
Group		
Bankers' acceptances (Islamic)	**3.42 - 3.51**	3.41 - 3.72
Bankers' acceptances	**3.31 - 4.18**	3.04 - 5.23

21. FINANCE LEASE PAYABLES

	Group	
	2017 RM	2016 RM
Future minimum lease payments	**2,506,117**	2,412,238
Less: Future finance charges	**(246,866)**	(244,050)
Total present value of minimum lease payments	**2,259,251**	2,168,188

NOTES TO THE FINANCIAL STATEMENTS
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21. FINANCE LEASE PAYABLES *continued*

	Group	
	2017	**2016**
	RM	**RM**
Payable within 1 year		
Future minimum lease payments	**887,873**	772,191
Less: Future finance charges	**(110,166)**	(103,004)
Present value of minimum lease payments	**777,707**	669,187
Payable more than 1 year but not more than 5 years		
Future minimum lease payments	**1,548,469**	1,524,255
Less: Future finance charges	**(135,252)**	(137,557)
Present value of minimum lease payments	**1,413,217**	1,386,698
Payable more than 5 years		
Future minimum lease payments	**69,775**	115,792
Less: Future finance charges	**(1,448)**	(3,489)
Present value of minimum lease payments	**68,327**	112,303
Total present value minimum lease payments	**2,259,251**	2,168,188

The finance lease payables of the Group bear interest at rates ranging from 3.57% - 7.27% (2016: 3.57% - 7.14%) per annum.

22. TRADE PAYABLES

The normal trade credit term granted to the Group ranges from 30 to 120 days (2016: 30 to 120 days).

Included in the trade payables are accrued purchases of RM504,157 (2016: RM Nil).

23. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM	**RM**	**RM**	**RM**
Deposits	**5,000**	1,000,029	**50,600**	50,600
Other payables	**1,398,096**	2,490,858	**452,154**	123,423
GST payable	**237,267**	151,109	**198,179**	144,837
Accruals	**2,586,080**	2,856,094	**854,134**	838,029
	4,226,443	6,498,090	**1,555,067**	1,156,889

NOTES TO THE FINANCIAL STATEMENTS
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23. OTHER PAYABLES AND ACCRUALS *continued*

Included in other payables of the Group and of the Company is an amount of RM4,762 (2016: RM4,762) and RM13 (2016: RM13) respectively due to certain directors of the Group. These amounts are non-trade in nature, unsecured, interest free and repayable on demand in cash.

24. DIVIDENDS

	Group/Company	
	2017	**2016**
	RM	**RM**
First and final single-tier dividend of 0.8 sen per share in respect of financial year ended 31 December 2015, paid on 15 June 2016	**-**	768,000
Final single-tier dividend of 1.5 sen per share in respect of financial year ended 31 December 2016, paid on 15 June 2017	**1,440,000**	-
	1,440,000	768,000

25. 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.

(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	
	2017	**2016**
	RM	**RM**
Subsidiary of associate		
Purchase of goods	**5,463**	28,144
Sales of goods	**(3,507,535)**	(1,406,273)

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25. RELATED PARTY DISCLOSURES *continued*

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

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: *continued*

	Company	
	2017	**2016**
	RM	**RM**
Subsidiaries		
Dividend received	**(50,000)**	-
Interest receivable	**(1,533,205)**	(2,216,877)
Management fee	**(3,142,000)**	(2,289,100)
Rental of premises	**(931,200)**	(931,200)
Interest charges	**556,740**	973,990
Rental of motor vehicles	**22,500**	15,000

Information regarding outstanding balances arising from related party transactions as at the reporting date is disclosed in Notes 14, 15, 16 and 23.

(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	
	2017	**2016**	**2017**	**2016**
	RM	**RM**	**RM**	**RM**
Short term employee benefits	**2,004,128**	1,802,938	**2,004,128**	1,802,938
Post-employment benefits	**209,040**	194,208	**209,040**	194,208
	2,213,168	1,997,146	**2,213,168**	1,997,146

NOTES TO THE FINANCIAL STATEMENTS
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26. 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 2017	Loans and receivables RM	Total RM
Financial assets		
Trade receivables	**46,174,341**	**46,174,341**
Other receivables and refundable deposits	**358,240**	**358,240**
Deposits, cash and bank balances	**13,494,528**	**13,494,528**
	60,027,109	**60,027,109**

	Other financial liabilities RM	Total RM
Financial liabilities		
Trade payables	**6,555,278**	**6,555,278**
Other payables and accruals ^	**3,989,176**	**3,989,176**
Bank borrowings	**30,340,689**	**30,340,689**
	40,885,143	**40,885,143**

Group 2016	Loans and receivables RM	Total RM
Financial assets		
Trade receivables	44,652,696	44,652,696
Other receivables and refundable deposits	812,389	812,389
Deposits, cash and bank balances	12,430,417	12,430,417
	57,895,502	57,895,502

NOTES TO THE FINANCIAL STATEMENTS
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26. FINANCIAL INSTRUMENTS *continued*

(a) Categories of financial instruments *continued*

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: *continued*

Group	**Other financial liabilities**	**Total**
2016	**RM**	**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
	41,128,464	41,128,464

Company	**Loans and receivables**	**Total**
2017	**RM**	**RM**
Financial assets		
Other receivables and refundable deposits	**106,073**	**106,073**
Amounts due from subsidiaries	**24,573,886**	**24,573,886**
Deposits, cash and bank balances	**4,728,209**	**4,728,209**
	29,408,168	**29,408,168**

	Other financial liabilities	**Total**
	RM	**RM**
Financial liabilities		
Other payables and accruals ^	**1,356,888**	**1,356,888**
Amounts due to subsidiaries	**18,930,943**	**18,930,943**
	20,287,831	**20,287,831**

NOTES TO THE FINANCIAL STATEMENTS
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26. FINANCIAL INSTRUMENTS *continued*

(a) Categories of financial instruments *continued*

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: *continued*

Company 2016	Loans and receivables RM	Total RM
Financial assets		
Other receivables and refundable 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
	31,004,937	31,004,937

	Other financial liabilities RM	Total RM
Financial liabilities		
Other payables and accruals ^	1,012,052	1,012,052
Amounts due from subsidiaries	20,412,452	20,412,452
	21,424,504	21,424,504

^ *Exclude GST payable*

(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.

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26. FINANCIAL INSTRUMENTS *continued*

(b) Fair value of financial instruments *continued*

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 follows:

Group	Carrying Amount RM	Fair Value RM
2017		
Financial liabilities		
Finance lease payables	**2,259,251**	**2,297,421**
2016		
Financial liabilities		
Finance lease payables	2,168,188	2,192,704

(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 2017 and 2016, the Group and the Company held the following financial instruments for which fair value is disclosed in the financial statements:

	2017 RM	Level 1 RM	Level 2 RM	Level 3 RM
Finance lease payables	**2,297,421**	**-**	**2,297,421**	**-**

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

During the financial years ended 31 December 2017 and 2016, there was no transfer between Level 1 and 2 of the fair value measurement hierarchy.

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continued

27. 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, interest rate risk, liquidity 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.

<u>Exposure to credit risk</u>
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.

<u>Financial guarantee</u>
The Company provides unsecured financial guarantees to banks in respect of certain banking facilities granted to certain subsidiaries as mentioned in the Note 20.

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 RM28,444,409 (2016: RM23,029,791) 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 2017
continued

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *continued*

(a) Credit risk *continued*

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			
	2017		2016	
	RM	%	RM	%
By country:				
Malaysia	**44,104,224**	**93**	43,829,123	96
Republic of Indonesia	**1,688,523**	**4**	859,723	2
United Kingdom	**928,199**	**2**	759,332	2
Singapore	**37,359**	**-**	70,983	-
Other countries	**446,496**	**1**	1,353	-
	47,204,801	**100**	45,520,514	100

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 RM28,081,438 (2016: RM22,673,655) expose the Group to cash flow interest rate risk whilst finance lease at fixed rate amounting to RM2,259,251 (2016: RM2,168,188), 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 (2016: 50) basis points higher/lower and all other variables were held constant, the Group's profits net of tax ended 31 December 2017 would decrease/increase by RM106,709 (2016: RM86,160) as a result of exposure to floating rate borrowings.

(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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017
continued

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *continued*

(c) Liquidity risk *continued*

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 drawndown 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	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
2017						
Group						
Financial Liabilities						
Trade payables	6,555,378	6,555,278	6,555,278	-	-	-
Other payables and accruals (1)	3,989,176	3,989,176	3,989,176	-	-	-
Bankers' acceptances (Islamic)	15,049,256	15,187,131	15,187,131	-	-	-
Bankers' acceptances	13,032,182	13,150,363	13,150,363	-	-	-
Finance lease payables	2,259,251	2,506,117	887,873	689,893	858,576	69,775
	40,885,143	41,132,009	39,513,765	689,893	858,576	69,775
Company						
Financial Liabilities						
Other payables and accruals (1)	1,356,888	1,356,888	1,356,888	-	-	-
Amount due to a subsidiary	18,930,943	18,930,943	18,930,943	-	-	-
Financial guarantee (2)	-	28,444,409	28,444,409	-	-	-
	20,287,831	48,732,240	48,732,240	-	-	-

(1) Exclude GST payable.

(2) 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 2017, approximately RM28,444,409 of the banking facilities were utilised by the said subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

continued

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *continued*

(c) Liquidity risk *continued*

Analysis of financial instruments by remaining contractual maturity *continued*

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: *continued*

	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 and accruals [(1)]	6,346,981	6,346,981	6,346,981	-	-	-
Bankers' acceptances (Islamic)	11,213,755	11,313,458	11,313,458	-	-	-
Bankers' acceptances	11,459,900	11,591,021	11,591,021	-	-	-
Finance lease payables	2,168,188	2,412,238	772,191	637,997	886,258	115,792
	41,128,464	41,568,660	39,928,613	637,997	886,258	115,792
Company						
Financial Liabilities						
Other payables and accruals [(1)]	1,012,052	1,012,052	1,012,052	-	-	-
Amount due to subsidiaries	20,412,452	20,412,452	20,412,452	-	-	-
Financial guarantee [(2)]	-	23,029,791	23,029,791	-	-	-
	21,424,504	44,454,295	44,454,295	-	-	-

(1) Exclude GST payable.

(2) 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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017
continued

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *continued*

(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") and Chinese Renminbi ("RMB").

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 RM32,219 and RM179,616 (2016: RM348,290 and RM57,964) respectively for the Group.

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

	Group	
	2017	**2016**
	RM	**RM**
USD		
Trade payables	**(68,614)**	(1,772,639)
Trade receivables	**1,172,011**	814,802
Cash and bank balances	**32,219**	348,290
	1,135,616	(609,547)
SGD		
Trade payables	**-**	(74,309)
Trade receivables	**37,359**	73,611
Cash and bank balances	**179,616**	57,964
	216,975	57,266
RMB		
Trade payables	**(1,225,810)**	(2,426,942)
Trade receivables	**439,220**	-
	(786,590)	(2,426,942)

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017
continued

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *continued*

(d) Foreign currency risk *continued*

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, SGD and RMB exchange rate against the functional currency of the Group, with all other variables held constant.

		Group	
		2017	**2016**
		RM	**RM**
USD/RM	- strengthened 5% (2016: 5%)	**43,540**	(18,983)
	- weakened 5% (2016: 5%)	**(43,540)**	18,983
SGD/RM	- strengthened 5% (2016: 2%)	**10,400**	1,149
	- weakened 5% (2016: 2%)	**(10,400)**	(1,149)
RMB/RM	- strengthened 5% (2016: 2%)	**(29,890)**	(36,890)
	- weakened 5% (2016: 2%)	**29,890**	36,890

28. CAPITAL COMMITMENT

	Group	
	2017	**2016**
	RM	**RM**
Approved and contracted for:		
Equipment	**959,549**	-

29. 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 2017 and 31 December 2016.

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 2017
continued

29. CAPITAL MANAGEMENT *continued*

	Group	
	2017	**2016**
Total debts (RM)	**2,259,251**	2,168,188
Total equity (RM)	**81,769,100**	77,997,856
Total equity and debts (RM)	**84,028,351**	80,166,044
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.

30. 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 2017
continued

30. SEGMENT INFORMATION *continued*

	Stainless steel products	Marine hardware and consumable	Other industrial hardware	Investment holding	Engineering works	Elimination	Total
	RM	RM	RM	RM	RM	RM	RM
2017							
Revenue							
External revenue	**39,734,258**	**33,341,458**	**28,084,893**	**18,000**	**22,040,149**	**-**	**123,218,758**
Inter-segment revenue	**3,710,777**	**2,533,285**	**25,481,790**	**-**	**1,205,681**	**(32,931,533)**	**-**
Total segment revenue	**43,445,035**	**35,874,743**	**53,566,683**	**18,000**	**23,245,830**	**(32,931,533)**	**123,218,758**
Gross profit	**5,252,403**	**9,017,711**	**6,618,520**	**18,000**	**2,705,044**	**-**	**23,611,678**
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	5,909,000	18,000	2,260,829	-	19,453,987

Information about geographical areas
Revenue information based on the geographical location of customers is as follows:

	2017	2016
	RM	RM
Malaysia	**112,470,697**	97,380,473
Thailand	**3,571,199**	1,020,604
Republic of Indonesia	**3,479,310**	1,254,531
United Kingdom	**2,422,536**	2,088,863
Republic of Singapore	**743,374**	381,263
China	**398,885**	-
Brunei	**132,757**	50,689
	123,218,758	102,176,423

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 2017
continued

30. SEGMENT INFORMATION *continued*

Information about major customer

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

31. SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

On 20 April 2017, the Company acquired 125,000 ordinary shares, representing the remaining 25% equity interest in KSG Engineering Sdn. Bhd. ("KSG") for a total cash consideration of RM485,000. Consequently, KSG became a wholly owned subsidiary of the Company.

STATEMENT BY DIRECTORS
(PURSUANT TO SECTION 251 (2) OF THE COMPANIES ACT 2016)

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 set out on pages 55 to 113 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017 and of their financial performance and cash flows for the financial year then ended.

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

KOH SENG KAR @ KOH HAI SEW
Director

KOH SENG LEE
Director

Date: 11 April 2018

STATUTORY DECLARATION
(PURSUANT TO SECTION 251(1) OF THE COMPANIES ACT 2016)

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 to the best of my knowledge and belief, the accompanying financial statements set out on pages 55 to 113 to are correct, and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

TSEN KET SHUNG @ KON SHUNG
MIA No: 13962

Subscribed and solemnly declared by the abovenamed at Kuala Lumpur in the Federal Territory on 11 April 2018.

Before me,

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 2017 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows 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 55 to 113.

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 2017, 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 2016 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 judgment, 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.

Group

Inventories (Note 13 to the financial statements)

As at 31 December 2017, the Group's inventories amounted to RM44.2 million. The Group's inventories are measured at the lower of cost or net realisable value. Judgement is required in estimating their net realisable values.

Our response:

Our audit procedures included, among others:
- reviewing the design and implementation of the identified controls associated with inventories;
- attending year end physical inventory count to observe physical existence and condition of the finished goods and reviewing the design and assessing the implementation of controls during the count; and
- reviewing subsequent sales and evaluating the Group's assessment on estimated net realisable value on the identified inventory items.

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

Key Audit Matters *continued*

Group *continued*

Trade receivables (Note 14 to the financial statements)

As at 31 December 2017, the Group's trade receivables amounted to RM45.2 million. We focused on this area because the Group made 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 response:

Our audit procedures included, among others:
- reviewing the design and implementation of controls associated with receivables that were either in default or significantly overdue;
- understanding 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 the identified of receivables; and
- reviewing subsequent receipts, customer correspondence, and considering explanation on recoverability with significantly past due balances.

Company

We have determined that there are no key audit matters in the audit of the separate financial statements of the Company to be communicated in our auditors' report.

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 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

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

Responsibilities of the Directors for the Financial Statements *continued*

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.

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.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF K. SENG SENG CORPORATION BERHAD
(Incorporated In Malaysia)
continued

Auditors' Responsibilities for the Audit of the Financial Statements *continued*

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 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 10 to the financial statements.

Other Matters

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

Baker Tilly Monteiro Heng
No. AF 0117
Chartered Accountants

Andrew Choong Tuck Kuan
No.03264/04/2019 J
Chartered Accountant

Kuala Lumpur

Date: 11 April 2018

LIST OF PROPERTIES
HELD BY THE GROUP AS AT 31 DECEMBER 2017

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 2017 (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	6,097
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	63

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Thirty-Third 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 Monday, 21 May 2018 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 2017 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 2 sen per ordinary share for the financial year ended 31 December 2017. **Ordinary Resolution 1**

3. To approve the payment of Directors' fees and benefits totalling RM208,350 for the financial year ended 31 December 2017. **Ordinary Resolution 2**

4. To re-elect Koh Seng Lee who retires in accordance with Article 83 of the Constitution of the Company and being eligible, has offered himself for re-election. **Ordinary Resolution 3**

5. To re-elect Zainal Rashid Bin Haji Mohd Eusoff who retires in accordance with Article 83 of the Constitution of the Company and being eligible, has offered himself for re-election. **Ordinary Resolution 4**

6. To appoint Messrs Baker Tilly Monteiro Heng as Auditors 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:-

7. **AUTHORITY TO ISSUE SHARES BY THE COMPANY PURSUANT TO SECTIONS 75 AND 76 OF THE COMPANIES ACT 2016** **Ordinary Resolution 6**

   "THAT subject always to the Companies Act 2016 ("the Act"), the Constitution 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 issue 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 at the time of submission to the authority 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."

NOTICE OF ANNUAL GENERAL MEETING
continued

8. **PROPOSED 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 30 April 2018 ('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."

9. **PROPOSED AMENDMENT TO THE CONSTITUTION OF THE COMPANY** **Special Resolution 1**

"THAT the Constitution of the Company be and is hereby amended in the manner as set out in Appendix I on page 124 of the Company's Annual Report 2017 to be in line with the Companies Act 2016 and Bursa Malaysia Securities Berhad Main Market Listing Requirements.

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 Amendment to the Constitution of the Company."

NOTICE OF ANNUAL GENERAL MEETING
continued

NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT

Subject to the approval of the shareholders, a first and final single tier dividend of 2 sen per ordinary share for the financial year ended 31 December 2017 will be paid on 11 June 2018 to Depositors registered in the Record of Depositors at the close of business at 5.00 p.m. on 28 May 2018.

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 28 May 2018 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: 30 April 2018
Kuala Lumpur

Notes:

A This Agenda is meant for discussion only as under the provisions of Section 340(1)(a) of the Companies Act 2016, the Audited Financial Statements do not require formal approval of the shareholders. As such this item on the Agenda is not put forward 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 16 May 2018. Only a depositor whose name appears on the Record of Depositors as at 16 May 2018 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
continued

7. ***Explanatory Notes:***

Ordinary Resolution 2

Section 230(1) of the Companies Act 2016 provides that the fees of the Directors and any benefits payable to the Directors of a listed company and its subsidiaries shall be approved at a general meeting. In this respect, shareholders' approval shall be sought at the 33rd Annual General Meeting on the Directors' fees and benefits under Resolution 2.

The Directors' benefits comprise travelling allowance and other benefits such as directors' and officers' liability insurance.

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-Second Annual General Meeting held on 31 May 2017, which will lapse at the conclusion of the Thirty-Third Annual General Meeting. Hence, no proceeds were raised therefrom.

Ordinary Resolution 7

This resolution is primarily to give flexibility to the Board of Directors to enter into recurrent related party transactions of revenue or trading nature with the Directors/Major Shareholders or persons connected with the Directors/Major Shareholders ("Renewal RRPT Mandate").

Further information of Renewal RRPT Mandate is contained in the Circular to Shareholders dated 30 April 2018.

Special Resolution 1 - Proposed Amendment to the Constitution of the Company

The proposed Special Resolution 1 above on the Proposed Amendment to the Constitution of the Company is to align with the Companies Act 2016 and Bursa Malaysia Securities Berhad Main Market Listing Requirements.

STATEMENT ACCOMPANYING THE NOTICE OF ANNUAL GENERAL MEETING

Details of the Directors who are standing for re-election and re-appointment at this Annual General Meeting can be found on pages 16 to 19 – Profile of the Board of Directors in the Company's Annual Report 2017.

NOTICE OF ANNUAL GENERAL MEETING

continued

APPENDIX I

PROPOSED AMENDMENTS TO THE CONSTITUTION OF THE COMPANY

No.	**Existing Provision**	**No.**	**Proposed Amendment**
2. (Interpretation Clause)	In <u>these Articles</u> the words standing in the first column of the table next hereinafter contained shall bear the meanings set opposite to them respectively in the second column thereof, if not inconsistent with the subject or contexts.	2. (Interpretation Clause)	In **this Constitution** the words standing in the first column of the table next hereinafter contained shall bear the meanings set opposite to them respectively in the second column thereof, if not inconsistent with the subject or contexts. **That all these words "Articles" be replaced by "Constitution".**
2. (Definition)	<u>these Articles</u> - <u>these Articles of Association</u> of the Company as originally framed or as altered from time to time by special resolution subject to the Act;	2. (Definition)	<u>this Constitution</u>- <u>this Constitution</u> of the Company as originally framed or as altered from time to time by special resolution subject to the Act;
	(New Provision)	2. (Interpretation)	**"Electronic Form" means any communication or document or information sent, supplied, conveyed or transmitted via electronic communication, whether via a mobile application or internet platform or an electronic application or electronic platform maintained by the Company or by a third party(ies) or affiliate(s) or associate(s) or otherwise, if it is sent, supplied, conveyed or transmitted initially and received at its destination by the intended recipient, members or securities holders by means of electronic equipment in any form or modes for the processing (which expression includes digital compression) or storage of data received, conveyed or transmitted via email, short messaging service ("SMS"), messaging application(s), any form of digital storage, USB flash drive, memory sticks, memory cards, SD cards or any other portable electronic or digital format or storage device(s) whatsoever (whether available now or in the future), wire, radio, optical, cloud, website means or any other electromagnetic means or equivalent and as permitted under the Listing Requirements or any combination of communications thereof.**

NOTICE OF ANNUAL GENERAL MEETING
continued

APPENDIX I *continued*

PROPOSED AMENDMENTS TO THE CONSTITUTION OF THE COMPANY *continued*

No.	Existing Provision	No.	Proposed Amendment
46. (Transfer of stock)	The holders of the stock may transfer the same, or any part thereof in the same manner and subject to the same Articles as and subject to which, the shares from which the stock arose might prior to conversion have been transferred, or as near thereto as circumstances permit; but the Director may from time to time fix the minimum amount of stock transferable and restrict or forbid the transfer of fractions of that minimum, but the minimum shall not exceed the nominal amount of the shares from which the stock arose.	46. (Transfer of stock)	The holders of the stock may transfer the same, or any part thereof in the same manner and subject to the same **Constitution** as and subject to which, the shares from which the stock arose might prior to conversion have been transferred, or as near thereto as circumstances permit; but the Director may from time to time fix the minimum amount of stock transferable and restrict or forbid the transfer of fractions of that minimum, but the minimum shall not exceed the nominal amount of the shares from which the stock arose.
48. (Definition)	Such of the Articles of the Company as are applicable to paid-up shares shall apply to stock and the words "share" and "shareholder" therein shall include "stock" and "stockholder" respectively.	48. (Definition)	Such of the **Constitution** of the Company as are applicable to paid-up shares shall apply to stock and the words "share" and "shareholder" therein shall include "stock" and "stockholder" respectively.
	(New provision)	**156 (5)**	**Subject to the Act, Listing Requirements, laws, rules or regulations, notice of a meeting of members shall be in writing or Document which is required or permitted to be given, sent or served under the Act or under this Constitution shall be given to the members either:-** **(a) in hard copy,** **(b) in electronic form, or** **(c) partly in hard copy and partly in electronic form.**

NOTICE OF ANNUAL GENERAL MEETING
continued

APPENDIX I *continued*

PROPOSED AMENDMENTS TO THE CONSTITUTION OF THE COMPANY *continued*

No.	Existing Provision	No.	Proposed Amendment
	(New provision)	**156 (6)**	**A notice or Document:-** **(a) given in hard copy shall be sent to any member/ securities holder either personally or by post to the address supplied by the member to the Company for such purpose; or** **(b) given in electronic form shall be transmitted to the electronic address provided by the member/securities holder to the Company for such purpose or by publishing on a website.**
	(New provision)	**156 (7)**	**A notice of a meeting of members or Document shall not be validly given by the Company by means of a website unless a notification to that effect is given in accordance with Section 320 of the Act.**
	(New provision)	**156 (8)**	**The Company shall notify a member/ securities holder of the publication of the notice or Document on the website and such notifications shall be in writing and shall be given in hard copy or electronic form stating:-** **(a) that it concerns a meeting of members;** **(b) the place, date and time of the meeting;** **(c) the general nature of the business of the meeting; and** **(d) whether the meeting is an annual general meeting.** **If the Company sends the notice or Document or notifications through electronic mail, there must be proof of electronic mail delivery. In the event of delivery failure, the Company shall send for a hard copy of the notice or Document to him.** **Notice of meeting of members may include text of any proposed resolutions and other information as the Directors deem fit.**

NOTICE OF ANNUAL GENERAL MEETING
continued

APPENDIX I *continued*

PROPOSED AMENDMENTS TO THE CONSTITUTION OF THE COMPANY *continued*

No.	Existing Provision	No.	Proposed Amendment
	(New provision)	**156 (9)**	**The notice or Document shall be made available on the website throughout the period beginning from the date of the notification referred to in Clause 156(5) until the conclusion of the meeting.**
	(New provision)	**156 (10)**	**The contact details of the member/ securities holder as provided to the Depository shall be deemed as the last known address provided by the member to the Company for purposes of communication with the member.**
	(New provision)	**156 (11)**	**Where any member/ securities holder requests for a hard copy of the Document, the Company shall forward a hard copy of these Documents to the member/ securities holder as soon as reasonably practicable after the receipt of the request, free of charge.**
	(New provision)	**156 (12)**	**Where it relates to Documents required to be completed by members/ securities holders for a rights issue or offer for sale, the Company must send these Documents through electronic mail, in hard copy or in any other manner as the Exchange may prescribe from time to time.**
160.	On the voluntary liquidation of the Company, no commission or fee shall be paid to the liquidator unless it shall have been approved by the Members. The amount of such payment shall be notified to all Members at least seven (7) days before the meeting at which the commission or fee is to be considered.		**Deleted**

NOTICE OF ANNUAL GENERAL MEETING
continued

APPENDIX I *continued*

PROPOSED AMENDMENTS TO THE CONSTITUTION OF THE COMPANY *continued*

No.	Existing Provision	No.	Proposed Amendment
163. (Alteration)	Subject to the Act and the Listing Requirements, the Company may by special resolution add to, amend or delete any of <u>these Articles.</u>	163. (Alteration)	Subject to the Act and the Listing Requirements, the Company may by special resolution add to, amend or delete any of **this Constitution.**
164. (Compliance with Statutes, Regulations And Rules)	The Company shall comply with the provisions of the relevant governing statutes, regulations and rules as may be amended, modified or varied from time to time, or any other directive or requirement imposed by the Exchange, the Depository and other appropriate authorities, to the extend required by law, notwithstanding any provisions in <u>these Articles</u> to the contrary.	164. (Compliance with Statutes, Regulations And Rules)	The Company shall comply with the provisions of the relevant governing statutes, regulations and rules as may be amended, modified or varied from time to time, or any other directive or requirement imposed by the Exchange, the Depository and other appropriate authorities, to the extend required by law, notwithstanding any provisions in **this Constitution** to the contrary.

NOTICE OF ANNUAL GENERAL MEETING
continued

APPENDIX I *continued*

PROPOSED AMENDMENTS TO THE CONSTITUTION OF THE COMPANY *continued*

No.	Existing Provision	No.	Proposed Amendment
165. (Effect of the Listing Requirement)	(1) Notwithstanding anything contained in these Articles, if the Listing Requirements prohibit an act being done, the act shall not be done.	165. (Effect of the Listing Requirement)	(1) Notwithstanding anything contained in **this Constitution**, if the Listing Requirements prohibit an act being done, the act shall not be done.
	(2) Nothing contained in these Articles prevents an act being done that the Listing Requirements require to be done.		(2) Nothing contained in **this Constitution** prevents an act being done that the Listing Requirements require to be done.
	(3) If the Listing Requirements require an act to be done or not to be done, authority is given for that act to be done or not to be done (as the case may be).		(3) If the Listing Requirements require an act to be done or not to be done, authority is given for that act to be done or not to be done (as the case may be).
	(4) If the Listing Requirements require these Articles to contain a provision and they do not contain such a provision, these Articles are deemed to contain that provision.		(4) If the Listing Requirements require **this Constitution** to contain a provision and they do not contain such a provision, **this Constitution is** deemed to contain that provision.
	(5) If the Listing Requirements require these Articles not to contain a provision and they contain such a provision, these Articles are deemed not to contain that provision.		(5) If the Listing Requirements require **this Constitution** not to contain a provision and they contain such a provision, **this Constitution is** deemed not to contain that provision.
	(6) If any provision of these Articles is or becomes inconsistent with the Listing Requirements, these Articles are deemed not to contain that provision to the extent of the inconsistency.		(6) If any provision of **this Constitution** is or becomes inconsistent with the Listing Requirements, **this Constitution is** deemed not to contain that provision to the extent of the inconsistency.
	(7) For the purpose of this Article, unless the context otherwise requires, "Listing Requirements" means Bursa Malaysia Securities Berhad Main Market Listing Requirements including any amendments to the Listing Requirements that may be made from time to time.		(7) For the purpose of this **Constitution**, unless the context otherwise requires, "Listing Requirements" means Bursa Malaysia Securities Berhad Main Market Listing Requirements including any amendments to the Listing Requirements that may be made from time to time.

ANALYSIS OF SHAREHOLDINGS
AS AT 2 APRIL 2018

Number of Shares Issued	:	96,000,000
Class of Shares	:	Ordinary Shares
Voting Rights	:	One Vote Per Ordinary Share
No. of shareholders	:	1,546

DISTRIBUTION OF SHAREHOLDINGS AS AT 2 APRIL 2018

Category	No. of Shareholders	No. of Shares	Percentage (%)
Less than 100	5	100	0.00%
100 - 1,000	195	105,800	0.11%
1,001 - 10,000	688	4,516,100	4.70%
10,001 - 100,000	591	19,881,000	20.71%
100,001 - less than 5% of issued shares	65	18,697,000	19.48%
5% and above of issued shares	2	52,800,000	55.00%
Total	**1,546**	**96,000,000**	**100.00%**

LIST OF SUBSTANTIAL SHAREHOLDINGS AS AT 2 APRIL 2018

		Direct		Indirect	
No.	**Names**	**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 2 APRIL 2018

		Direct		Indirect	
No.	**Names**	**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 2 APRIL 2018
continued

LIST OF TOP 30 SHAREHOLDERS/DEPOSITORS AS AT 2 APRIL 2018

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.	YAP POH LEAN	1,173,700	1.22
4.	BALAKRISNEN A/L SUBBAN	1,000,000	1.04
5.	GUO YONGJIN	828,000	0.86
6.	CHAN KEE SENG	800,000	0.83
7.	LIM BOON TICK	721,000	0.75
8.	TSEN KET SHUNG @ KON SHUNG	714,400	0.74
9.	NG ALI CHUA @ NG AH CHUAH	693,000	0.72
10.	TAN KAR PIN	530,000	0.55
11.	MAYBANK SECURITIES NOMINEES (ASING) SDN BHD *- MAYBANK KIM ENG SECURITIES PTE LTD FOR LOW KOK TIONG*	500,000	0.52
12.	UOB KAY HIAN NOMINEES (TEMPATAN) SDN BHD *- EXEMPT AN FOR UOB KAY HIAN PTE LTD*	491,500	0.51
13.	HSBC NOMINEES (ASING) SDN BHD *-BPSS SIN FOR INCLUSIF VALUE FUND*	481,900	0.50
14.	TEOH HOOI BIN	442,000	0.46
15.	LIFE ENTERPRISE SDN BHD	408,300	0.43
16.	PUBLIC NOMINEES (TEMPATAN) SDN BHD *- PLEDGED SECURITIES ACCOUNT FOR TAN CHOON TEE*	400,000	0.42
17.	WONG EE CHE	370,000	0.39
18.	SJ SEC NOMINEES (TEMPATAN) SDN BHD *-PLEDGED SECURITIES ACCOUNT FOR FRANCIS HO IK SING*	356,400	0.37
19.	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD *- PLEDGED SECURITIES ACCOUNT FOR TAY CHUN YONG*	330,000	0.34
20.	INNOSIN SDN BHD	328,000	0.34
21.	TONG FONG REALTY SDN. BERHAD	324,900	0.34
22.	MAYBANK NOMINEES (TEMPATAN) SDN BHD *- PLEDGED SECURITIES ACCOUNT FOR LIAU SIONG KEE @ LIEW SIONG KEE*	324,800	0.34
23.	SOPHIE LEE	300,000	0.31
24.	TAILAMI A/P PALANIANDY	300,000	0.31
25.	TAN LIAN CHOON	276,700	0.29
26.	AZAM DEVELOPER & CONSTRUCTION SDN BHD	260,000	0.27
27.	LOO CHIENG PHAN	260,000	0.27
28.	ENG MONG KEE	250,000	0.26
29.	ENG CHEW KEE	250,000	0.26
30.	TAN CHEE KUAN	250,000	0.26
	TOTAL	66,164,600	68.90

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誠成集團

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-Third 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 Monday, 21 May 2018 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 2 sen per ordinary share.				
2. To approve the payment of the Directors' fees and benefits totalling RM208,350 for the financial year ended 31 December 2017.				
3. Re-election of Director, Koh Seng Lee.				
4. Re-election of Director, Zainal Rashid Bin Haji Mohd Eusoff.				
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. Proposed renewal of shareholders' mandate for Recurrent Related Party Transactions of a revenue or trading nature.				
SPECIAL RESOLUTION				
1. Proposed amendment to the Constitution of the Company				

(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:-

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 16 May 2018. Only a depositor whose name appears on the Record of Depositors as at 16 May 2018 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.*

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