



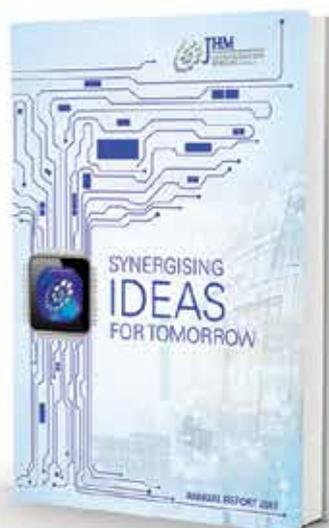
SYNERGISING  
**IDEAS**  
FOR TOMORROW

## VISION

To continuously acquire latest technologies in design and development by keeping abreast with global developments for the advancement of Microelectronics Components ("MEC") and benefits of our customers.

## MISSION

- To provide one-stop engineering solution to our customers, from the design and development of MEC to the complete design, fabrication and assembly of toolings for the manufacturing of these MEC.
- To continuously enhance our Research and Development ("R&D") capabilities to enable us to offer quality MEC to our customers at competitive pricing.
- To continuously strengthen the core competencies of the Group through on-going improvement on the employees' skills and knowledge.



## SYNERGISING IDEAS FOR TOMORROW

This cover visualises circuit board connectors in the shape of a sturdy tree, with circuit branches illustrating the upward growth of the tree against a background of multi-directional arrows. The company logo is emblazoned on an microchip located at the centre of the tree trunk.

Like a tree that stands tall and grows abundantly well even in perilous weather conditions, JHM Group is able to capitalise on its core competencies and continue performing well amidst the fast-paced, increasingly globalised business environment. With its cutting-edge technological capabilities, the organisation is able to 'branch' out further into different industries to broaden its customer base as well as innovatively synergise ideas for the future.

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# CORPORATE INFORMATION



## Board of Directors

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**Dato' Tan King Seng** (Executive Chairman/Managing Director)  
**Ooi Yeok Hock** (Executive Director)  
**Tan Chin Hong** (Executive Director)  
**Cheah Choon Ghee** (Executive Director)  
**Khor Thean Lee** (Executive Director) (appointed on 29 February 2016)  
**Loh Chye Teik** (Senior Independent Non-Executive Director)  
**Teoh Yee Shien** (Independent Non-Executive Director)  
**Dato' Dr. Loh Hock Hun** (Independent Non-Executive Director)



## Audit Committee

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**Loh Chye Teik** (Chairman,  
Senior Independent Non-Executive Director)  
**Teoh Yee Shien** (Member,  
Independent Non-Executive Director)  
**Dato' Dr. Loh Hock Hun** (Member,  
Independent Non-Executive Director)

## Nomination Committee

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**Loh Chye Teik** (Chairman,  
Senior Independent Non-Executive Director)  
**Teoh Yee Shien** (Member,  
Independent Non-Executive Director)  
**Dato' Dr. Loh Hock Hun** (Member,  
Independent Non-Executive Director)

## Remuneration Committee

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**Loh Chye Teik** (Chairman,  
Senior Independent Non-Executive Director)  
**Teoh Yee Shien** (Member,  
Independent Non-Executive Director)  
**Ooi Yeok Hock** (Member,  
Executive Director)

## Company Secretaries

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Chee Wai Hong (BC/C/1470)  
Foo Li Ling (MAICSA 7019557)

## Registered Office

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51-13-A Menara BHL Bank  
Jalan Sultan Ahmad Shah  
10050 Pulau Pinang  
Tel : 04-228 9700  
Fax : 04-227 9800

## Management Office

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15-1-21 Bayan Point  
Medan Kampung Relau  
11900 Penang  
Tel : 04-646 5121  
Fax : 04-645 7326  
Email : corpinfo@jhm.net.my  
Website : www.jhm.net.my

## Auditors

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Grant Thornton  
Chartered Accountants  
51-8-A Menara BHL Bank  
Jalan Sultan Ahmad Shah  
10050 Pulau Pinang  
Tel : 04-228 7828  
Fax : 04-227 9828

## Share Registrar

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Agriteum Share Registration  
Services Sdn Bhd  
2nd Floor, Wisma Penang Garden  
42 Jalan Sultan Ahmad Shah  
10050 Pulau Pinang  
Tel : 04-228 2321  
Fax : 04-227 2391

## Principal Bankers

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Hong Leong Bank Berhad  
Hong Leong Islamic Bank Berhad  
Malayan Banking Berhad  
OCBC Bank (Malaysia) Berhad  
RHB Bank Berhad

## Solicitors

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Zaid Ibrahim & Co.

## Stock Exchange Listing

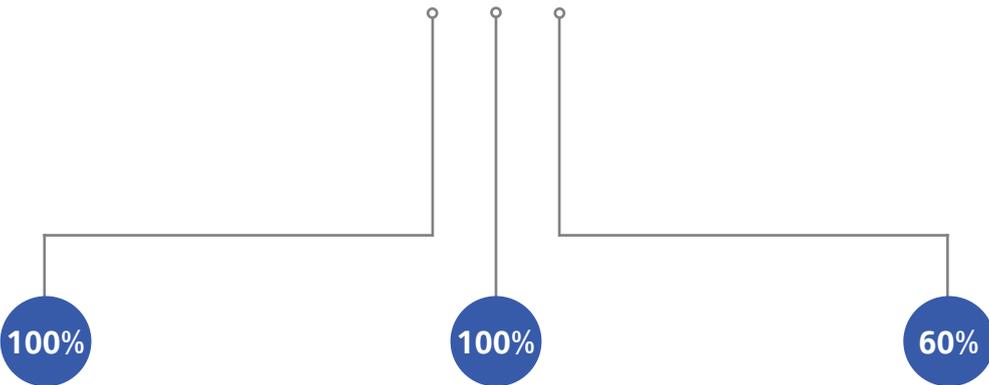
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ACE Market of Bursa Malaysia  
Securities Berhad  
Stock Name : JHM  
Stock Code : 0127

# GROUP STRUCTURE OF JHM GROUP



Investment Holding company.



**Morrissey Technology Sdn. Bhd.**  
(525307-W)

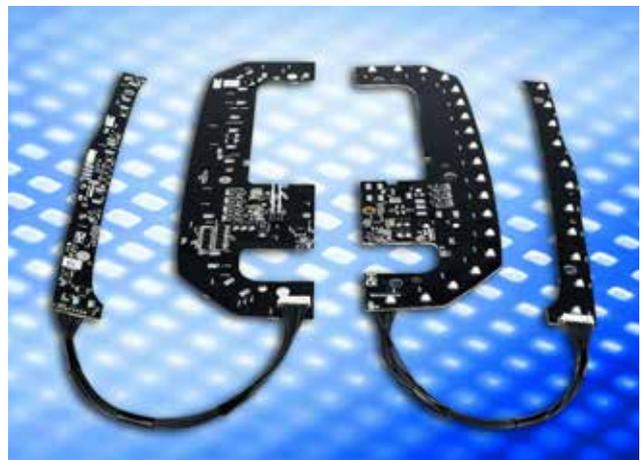
Design and manufacture of precision miniature engineering metal parts and components.

**Jingheng Electronic Precision Technology Sdn. Bhd.**  
(557981-X)

Original design manufacturing of semiconductor light emitting diodes components and the related manufacturing activities are outsourced to reliable and reputable third parties.

**Morrissey Assembly Solution Sdn. Bhd.**  
(1043859-M)

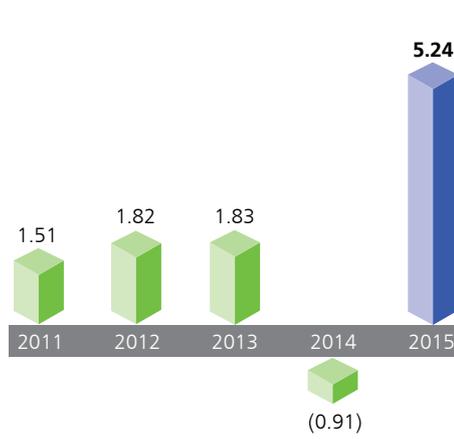
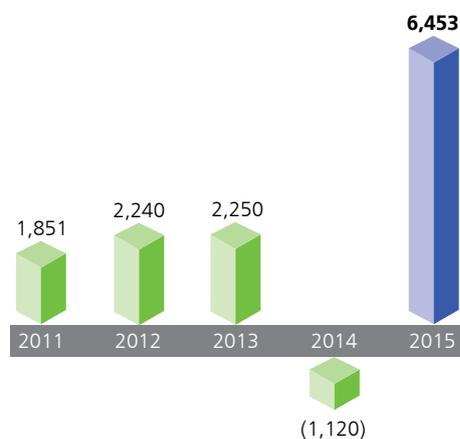
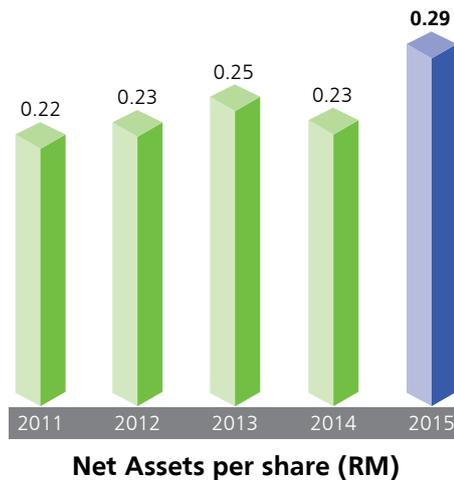
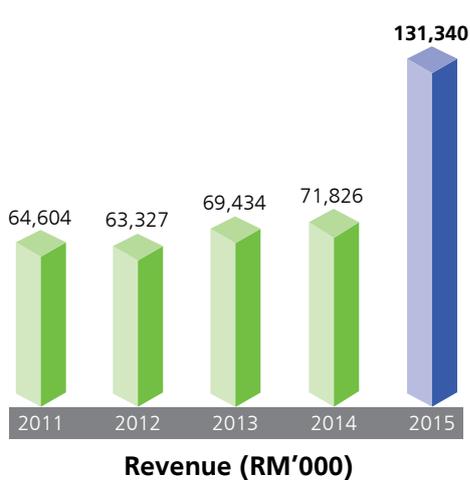
Manufacturing and assembly of electronic components using surface-mount technology



# FINANCIAL HIGHLIGHTS



Year Ended 31 December	Audited				
	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000
Revenue (RM'000)	64,604	63,327	69,434	71,826	<b>131,340</b>
Profit/(Loss) Attributable to Owners of the Company (RM'000)	1,851	2,240	2,250	(1,120)	<b>6,453</b>
Net Earning/(Loss) per share (sen)	1.51	1.82	1.83	(0.91)	<b>5.24</b>
Net Assets per share (RM)	0.22	0.23	0.25	0.23	<b>0.29</b>



Profit/(Loss) Attributable to Owners of the Company (RM'000)

Net Earning/(Loss) per share (sen)

# CHAIRMAN'S STATEMENT



On behalf of the Board of Directors and management team of JHM Consolidation Berhad, I have the pleasure of presenting to you the Annual Report and financial statements of JHM Consolidation Berhad for the financial year ended 31 December 2015.

## Industry Trends and Development

The Malaysian economy grew by 4.5% during the fourth quarter of 2015 (Q3 2015: 4.7%) supported by domestic activities and a better export performance, despite increasing external uncertainties. For the whole year, the Malaysian economy registered a growth of 5% (2014: 6%).

The manufacturing sector increased by 5% (Q3 2015: 4.8%), on account of higher demand for electric and electronic (E&E) products. It was supported by the steady performance of export and domestic-oriented industries. Output of export-oriented industries increased by 4.9% (Q3 2015: 5.6%) on improving external demand especially from the US, EU and Singapore. Production of the E&E subsector was sustained at 10.3% (Q3 2015: 10.4%) mainly supported by the manufacture of electronic components and boards, consumer electronics as well as machinery and equipment which increased by 7.8%, 55% and 9.8%, respectively (Q3 2015: 1.5%; 60.9%; 10.3%).

The Malaysian economy is expected to sustain a steady modest GDP growth momentum of 4.7% to 4.9% in 2016 as reported by MIER (Malaysian Institute of Economic Research) and ADB (Asian Development Bank) respectively. Domestic demand will continue to be the main engine of growth supported by private sector activity. On the supply side, the services and manufacturing sectors will remain the key drivers of growth.

*(Source: Malaysian Economic Report 4th Quarter 2015, MIER, ADB)*

## Financial Performance

The Group achieved a record revenue of RM131.34 million in financial year ended 31 December 2015, representing an increase of RM59.51 million or 82.86% improvement against revenue of RM71.83 million in the previous financial year. The increase in revenue was mainly due to higher volume loadings from existing customers as well as with the expanded operation capacity in designing and manufacturing of electronic printed circuit boards assembly through surface mount technology. The Group has secured new customers during the financial year ended 2015 which contributed a total sales of RM23.81 million or 18.13% of the Group total revenue.

The Group closed its financial year with a pre-tax profit of RM9.00 million as opposed to a pre-tax loss of RM1.74 million in 2014 which translated to an increase in earnings per share to 5.24 sen from (0.91) sen a year ago. The improved financial performance in 2015 was mainly driven by the increase in turnover coupled with better economy of scale as well as productivity improvement carried out in the Group.

## Corporate Development

During the financial year ended 2015, the Board announced that the Company proposes to undertake a special Bumiputera issue of up to 21,100,000 new ordinary shares of RM0.10 each in the Company, representing approximately 12.5% of the Company's enlarged issued and paid-up share capital.

The Company has granted approval on the above proposal from Bursa Malaysia Securities Berhad ("Bursa Securities") and Ministry of International Trade and Industry ("MITI") vide letters dated 18 January 2016 and 29 January 2016 respectively. Shareholders have approved the proposal during the Extraordinary General Meeting ("EGM") held on 26 February 2016 and a form to identify the MITI-approved Bumi investors was submitted to MITI on 9 March 2016.

## Prospects

The Group will continue to improve the internal control and efficiency through lean manufacturing programs. A strong commitment in containing cost and eliminating waste will ensure the Company to have sufficient resources for product innovation and market expansion, not for immediate future, but to build ourselves into a stronger company.

The Group will also proactively search for potential expansion, merger and acquisition opportunities in order to realise our long-term business expansion strategy, and to further enhance our revenue sources and profitability.

We foresee that financial year 2016 will be a very challenging and a breakthrough year for us. We are well positioned to capitalise on the next phase of growth through innovation and business excellence. Barring any unforeseen circumstances, we are optimistic of achieving better performance in the financial year ending 2016.

## Dividend

No dividend was declared for the financial year.

## Appreciation

On behalf of the Boards of Directors, I wish to convey my gratitude to our shareholders, affiliates, partners and esteemed customers for their support and confidence in our Group. I would like to extend my heartfelt gratitude to all of our employees for your patience, dedication, hard work and the spirit of excellence that you have all exhibited. These attributes will definitely help the Group to ride through the future challenges amidst the expected difficult business environment in the year ahead.

Last but not least, my sincere thanks to my Board Members for your expert guidance and insight. I look forward to your support and commitment to secure the future growth of the Group.

Thank you.

**Dato' Tan King Seng**  
Executive Chairman/Managing Director

# DIRECTORS' PROFILE



## **Dato' Tan King Seng**

*Executive Chairman and Managing Director*

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Dato' Tan King Seng, aged 60, a Malaysian, is our Executive Chairman and Managing Director and was appointed to the Board on 13 April 2006. He graduated with a Bachelor of Science Degree in Mechanical Engineering from National Cheng Kung University of Taiwan in 1983. Dato' Tan started his career as an engineer with Intel Technology Sdn. Bhd. in 1984, and thereafter in Hewlett Packard Sdn. Bhd. in 1989. Prior to starting his own business in 1995, he was a Senior Production Engineer in charge of Optoelectronic Production in Hewlett Packard Sdn. Bhd.

## **Ooi Yeok Hock**

*Executive Director*

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Ooi Yeok Hock, aged 53, a Malaysian, is our Executive Director and was appointed to the Board on 13 April 2006. He serves as a member of the Remuneration Committee.

He is currently in charge of the R&D and Engineering Department of Morrissey Technology Sdn. Bhd. ("Morrissey"). He graduated with a Bachelor of Engineering Degree majoring in Mechanical Engineering from University of Strathclyde, United Kingdom in 1986 and subsequently obtained a Diploma in Electrical Engineering from City & Guilds (C&G), United Kingdom in 1990. Mr. Ooi started his career as a Senior Process Engineer with Northern Telecom Sdn. Bhd. in 1987. He left Northern Telecom Sdn. Bhd. in 1995 and joined Allied Stamping Corporation Sdn. Bhd. as its Operation and Engineering Manager responsible for the company's plant operation and engineering, a position which he held until 2000. Prior to joining Morrissey in 2001, he has more than 15 years of experience in engineering and production of MEC from multinational corporations in the United States of America, China and Malaysia.

## **Tan Chin Hong**

*Executive Director*

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Tan Chin Hong, aged 48, a Malaysian, is our Executive Director and was appointed to the Board on 13 April 2006. Mr. Tan started his career as a Machining Technician with Mifa Engineering Sdn. Bhd. in 1989 after completing his Higher School Certificate. He joined Brusia Engineering Sdn. Bhd. as a Production Supervisor in 1992 and was promoted to Production Manager in 1994. He left Brusia Engineering Sdn. Bhd. in 1999 and joined Forward Matrix Sdn. Bhd. as the General Manager in charge of Factory Operation, a position which he held until July 2001. Prior to joining Morrissey in September 2001 as its Plant Manager, he has 10 years working experience in design and fabrication of tools and dies and 5 years working experience in production.

## **Cheah Choon Ghee**

*Executive Director*

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Cheah Choon Ghee, aged 53, a Malaysian, is our Executive Director and was appointed to the Board on 11 December 2007. Prior to his appointment to the Board, he is the Senior Administration Manager of our Group. He graduated with a Diploma in Electronic Engineering from Tunku Abdul Rahman College in 1984. Mr. Cheah started his career as an Assistant Engineer with National Semiconductor Sdn. Bhd. in 1985. He left National Semiconductor Sdn. Bhd. in 1989 and joined Cintronic Marketing Sdn. Bhd. as its Administrator Manager in charge of the company's operation until 1995. In 1996, Mr. Cheah joined Allied Stamping Corporation Sdn. Bhd. as its Sales Director overseeing the company's business and later left in year 2000. Currently, Mr. Cheah is in charge of the entire administration department of the JHM Group.

He is a director and shareholder of Noble Matters Sdn. Bhd., which is a major shareholder of the Company.

## **Khor Thean Lee**

*Executive Director*

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Khor Thean Lee, aged 57, a Malaysian, is our Executive Director and was appointed to the Board on 29 February 2016. Mr. Khor graduated with an Advanced Diploma in Business Administration from the Association of Business Executives (ABE, UK) in 1993 and subsequently furthered his tertiary education with a Master in Business Administration (MBA) from Heriot-Watt University (Edinburgh, UK) in 1995 and a Master in Economics from Universiti Putra Malaysia (KL, UPM) in 1998.

Mr. Khor started his career with Hitachi Semiconductor in Penang and served for 6 years in the Quality Control/Assurance function. For the larger part of his subsequent career, Mr. Khor was attached to Hewlett-Packard/Agilent Technologies in Penang, involving mainly in LED/Optoelectronics components manufacturing for almost 15 years. He has also worked in Varitronix, an LCD manufacturing company in Penang for 7 years and just prior to joining Morrissey Technology Sdn. Bhd. in May 2011, Mr. Khor served in the capacity of General Manager/Director of Eko Metal Industries, a precision aluminium die-casting and sheet metal manufacturing company in Penang for 4 years. He was appointed as an Executive Director of JHM Consolidation Berhad on 8 June 2012 and resigned on 23 April 2014. He is currently the Deputy Managing Director overseeing the overall business and operations functions in the subsidiaries of JHM.

## DIRECTORS' PROFILE (cont'd)



### **Loh Chye Teik**

*Senior Independent Non-Executive Director*

Loh Chye Teik, aged 57, a Malaysian, is our Senior Independent Non-Executive Director and was appointed to the Board on 13 April 2006. He serves as the Chairman of Audit Committee, Remuneration Committee and Nomination Committee. He graduated from University of Malaya, Kuala Lumpur with a Bachelor of Accounting (Honours) in 1984.

He is presently the Partner of UHY, Chartered Accountants and Managing Director of Interresources Tax Advisory Sdn. Bhd.. He is a member of both the Malaysian Institute of Accountants and the Chartered Tax Institute of Malaysia. Mr. Loh started his career as an auditor in a Chartered Accountants firm in Penang in 1985 and proceeded to set up his own accountancy and audit firm in 1994, known as Tan & Loh Chartered Accountants, and held the position of the Managing Partner.

### **Teoh Yee Shien**

*Independent Non-Executive Director*

Teoh Yee Shien, aged 49, a Malaysian, is our Independent Non-Executive Director and was appointed to the Board on 13 April 2006. She serves as a member of Audit Committee, Remuneration Committee and Nomination Committee. She graduated with a Bachelor of Accounting from Universiti Utara Malaysia in 1991 and is a member of the Malaysian Institute of Accountants. She started her career in the audit division of Pricewaterhouse Coopers prior to joining Leader Universal Holdings Berhad as the Corporate Planning and Investment Manager for seven (7) years. She joined Prinsiptek Corporation Berhad in year 2003 as the Group Financial Controller. She leads Prinsiptek Corporation Berhad Group's accounts and finance team, legal department and corporate affairs department. She is actively involving in the Prinsiptek Corporation Berhad Group's operations and corporate planning.

### **Dato' Dr. Loh Hock Hun**

*Independent Non-Executive Director*

Dato' Dr. Loh Hock Hun, aged 71, a Malaysian, is our Independent Non-Executive Director and was appointed to the Board on 11 December 2007. He serves as a member of the Audit Committee and Nomination Committee.

He graduated with a Doctor of Medicine from Kaohsiung Medical University in Taiwan in 1974. Upon his return to Malaysia, Dato' Dr. Loh was employed by the General Hospital of Penang until 1980 where he entered into a partnership to open a clinic until 1999. In 1995, he became a State Assemblyman in the State Legislative Assembly of Penang, a position he held until February 2008. For the period from 1999 to 2004, Dato' Dr. Loh served his term as an Executive Councilor of the Penang State Government. In addition, in August 2004, Dato' Dr. Loh was appointed as a Chairman of the Penang Port Commission, a position he held until the end of 2008.

#### Notes:

1. Save for Mr. Tan Chin Hong who is the nephew of Dato' Tan King Seng, there are no other family relationships or associations amongst the directors or major shareholders of the Company.
2. All the Directors do not have any conflict of interest with the Company and they also had not been convicted of any offence within the past ten (10) years, other than traffic offences, if any.
3. The Directors' shareholdings are as disclosed in page 77 of this Annual Report.

#### **Directors' Directorships and Substantial Shareholdings in Other Public Companies**

None of our Directors hold or have held any directorships in other public companies, save for Mr. Loh Chye Teik, who is currently an Independent Non-Executive Director of Olympia Industries Berhad and Ivory Properties Group Berhad, companies listed on the Main Market of Bursa Malaysia Securities Berhad.

# CORPORATE GOVERNANCE STATEMENT

The Board of Directors ("the Board") is committed to ensure that a high standard of corporate governance is practiced throughout the Company and its subsidiaries ("the Group") in discharging its responsibilities with integrity, transparency and professionalism to protect and enhance shareholders' value and the financial position of the Group. The Board has always been vigilant of the fiduciary duties entrusted upon the Board as a principle guide in discharging its duties.

The Board is pleased to report on the application of the principles of the Malaysian Code on Corporate Governance 2012 ("MCCG 2012") and the extent of compliance with the Recommendations of the MCCG 2012 as required under MCCG 2012 during the financial year ended 31 December 2015 (FY2015).

## A. BOARD OF DIRECTORS

### Composition and Balance

The Company is led and managed by a well-balanced Board which consists of members with wide range of business, technical and financial background. The Board is entrusted with the proper stewardship of the Company's resources for the best interest of its shareholders and also to steer the Group towards achieving the maximum economic value. The members of the Board, who have extensive experience and expertise in a wide range of related and unrelated industries, have been selected based on their skills, knowledge and their ability to add strength to the leadership. The business and financial experience of each member of the Board has inevitably contributed to the success in steering the Group toward sustaining its financial performance.

With the appointment of Mr. Khor Thean Lee as Executive Director on 29 February 2016, the Board is currently made up of eight (8) members as follows:-

- Five (5) Executive Directors
- Three (3) Independent Non-Executive Directors.

This is in compliance with the one-third requirement for Independent Non-Executive Directors to be appointed to the Board under Ace Market Listing Requirements ("AMLR"). The Nomination Committee and the Board assesses the independence of the Independent Non-Executive Directors annually, taking into account the individual Director's ability to exercise independent judgement at all times and to contribute to the effective functioning of the Board.

The tenure of our Independent Non-Executive Directors, Mr. Loh Chye Teik and Ms. Teoh Yee Shien has completed nine (9) years term limit on 12 April 2015. On this, the motion on the subject matter was presented during Tenth Annual General Meeting ("AGM") and approval from shareholders granted during the AGM on 22 May 2015.

The Nomination Committee and the Board had reviewed and assessed its Independent Non-Executive Directors. The Independent Non-Executive Directors of the Company, Mr. Loh Chye Teik and Ms. Teoh Yee Shien have served as the Independent Non-Executive Directors of the Company for a cumulative of more than nine (9) years, while the nine (9) years term limit of Dato' Dr. Loh Hock Hun will be completed on 10 December 2016. The Nomination Committee and the Board is satisfied with the level of independence demonstrated by the present Independent Non-Executive Directors and recommended Mr. Loh Chye Teik, Ms. Teoh Yee Shien and Dato' Dr. Loh Hock Hun to continue to act as the Independent Non-Executive Directors of the Company after the cumulative terms of nine (9) years. The relevant motion on the subject matter will be presented to the shareholders for approval at the forthcoming AGM. The profiles of the Directors are presented on page 6 and 7 of this Annual Report.

There is a clear division of authority between the Executive Chairman/Managing Director and Executive Directors, to ensure a balance of power and authority. The Independent Non-Executive Directors are independent from Management and have no relationships that could interfere with the exercise of their independent judgement. They play a key role in providing unbiased and independent views, advice and contributing their knowledge and experience toward the formulation of policies and in the decision making process.

All decisions of the Board are made based on majority decision and no individual Board member can make any decision on behalf of the Board, unless duly authorised by the Board. As such, no individual or a group of individuals dominate the decision-making process.

Mr. Loh Chye Teik is the designated Senior Independent Non-Executive Director to whom concerns relating to the Company may be conveyed by shareholders or stakeholders.

# CORPORATE GOVERNANCE STATEMENT (cont'd)

## A. BOARD OF DIRECTORS (CONT'D)

### Separation of positions of the Executive Chairman and Managing Director

The Executive Chairman and Managing Director of the Company is currently being held by the same person. The Board is aware that it is not in compliance with the best practices of the MCCG 2012 on the separation of the roles of the Chairman and Managing Director as well as requires a majority of independent directors where the chairman of the Board is not an independent director.

However, the Board is satisfied with the dual role held by the same person in view of his vast experience and knowledge of the businesses of the Group and the time he has spent in fulfilling all his responsibilities. The presence of the independent directors, though not forming a majority of the Board members, is sufficient to provide the necessary checks and balances on the decision making process of the Board. The significant contributions of the independent directors in the decision making process is evidenced in their participation as members of the various committees of the Board.

The Executive Chairman/Managing Director will ensure that procedural rules are followed in the conduct of meetings and that decisions made are formally recorded and adopted. He also holds the primary executive responsibility for the Group's business performance and manages the Group in accordance with the strategies and policies approved by the Board. He leads the Executive Directors in making and implementing the day-to-day decisions on the business operations, managing resources and risks in pursuing the corporate objectives of the Group. He brings material and other relevant matters to the Board, motivates employees, and drives change/innovation and growth within the Group.

### Board Responsibilities

The Group acknowledges the pivotal role played by the Board of Directors in the stewardships of its direction and operations. To fulfil this role, the Board is responsible for the following:

- a) Review, approve and monitor the overall strategies and direction of the Group;
- b) Identify the principal risks and implementing appropriate system to manage such risks;
- c) Oversee and evaluate the conduct and performance of the Group's business;
- d) Review the adequacy of the Group's internal control policy; and
- e) Ensure that appropriate plans are in place in respect of the succession plan of the Group.

The Board has overall responsibility for the proper conduct of the Group.

### Clear functions of the Board and Management

To ensure the effective discharge its function and responsibilities, the Board had established a Board Charter which clearly set out the relevant matters reserved for the Board's approval, as well as those is delegated to the Board committees and Managing Director.

Key matters reserved for Board's decision include, inter alia, the following:-

- a) Approval of business strategy and group operational plan and annual budget;
- b) Acquisition and disposal of assets of the Company or its subsidiaries that are material in nature;
- c) Approval of investment or divestment in a company/business /property/undertaking;
- d) Approval of investment or divestment of a capital project which represents a significant diversification from the existing business activities;
- e) Any other significant business direction; and
- f) Corporate proposal on fund raising.

### Appointment to the Board

The Board has established the Nomination Committee for the purpose of making recommendations on suitable candidates for appointment to the Board and for assessing Directors on an ongoing basis. Candidates recommended must be approved and appointed by the Board. The Nomination Committee is responsible for recommending the right candidates with the required skills, experience and attributes to the Board for appointment.

Further details on the Nomination Committee are set out on page 13 and 14 of this Annual Report.

# CORPORATE GOVERNANCE STATEMENT (cont'd)

## A. BOARD OF DIRECTORS (CONT'D)

### Retirement and Re-election of Directors

In accordance with the Company's Articles of Association, one-third (1/3) of the Directors including the Managing Director shall retire by rotation from office at each AGM and they shall be eligible for re-election at the AGM. The Directors to retire shall be the Directors who have been longest in office since their appointment or last re-election. In addition, all Directors including the Managing Director shall be subject to retirement by rotation at least once every three (3) years.

Directors of or over seventy (70) years of age are required to submit themselves for re-appointment annually in accordance with section 129(6) of the Companies Act, 1965.

Directors who are standing for re-election at the Eleventh AGM of the Company to be held on 27 May 2016 are as per detailed set out in the Notice of the Eleventh AGM.

### Board Meetings and Time Commitment

The Board is to meet at least four times a year with additional meetings convened as and when necessary. Besides Board meetings, the Board also exercises control on matters that require Board's approval through Directors' Circular Resolutions. Among others, key matters such as approval of annual and quarterly results, financial statements, major acquisitions and disposals, major capital expenditure, risk management policies are discussed and decided by the Board.

During the financial year, the Board met four (4) times. The Board is satisfied with the time commitment given by the Directors of the Company in discharging their duties for FY2015 as evidenced by the attendance record of the Directors at the Board Meeting. The details of attendance of the Directors during FY2015 are as follows: -

Name of Directors	Number of Meetings Attended	Percentage of Attendance
Dato' Tan King Seng	4/4	100%
Ooi Yeok Hock	3/4	75%
Tan Chin Hong	4/4	100%
Loh Chye Teik	4/4	100%
Teoh Yee Shien	4/4	100%
Dato' Dr. Loh Hock Hun	4/4	100%
Cheah Choon Ghee	4/4	100%

The Directors are in compliance with the provision of the AMLR on the restriction of not holding more than five directorships in listed issuers.

### Company Secretaries

The Board is of the view that current Company Secretaries are suitably qualified, competent and can support the Board in carrying out its roles and responsibilities. The Company Secretary ensures there is a quorum for all meetings and that such meetings are convened in accordance with the relevant Terms of Reference. The minutes prepared by the Company Secretary memorialise the proceedings of all meetings including pertinent issues, the substance of inquiries and responses, members' suggestions and the decision made. This reflects the fulfillment of the Board's fiduciary duties and the significant oversight role performed by the respective Board Committees.

The Board obtained appropriate advice and services, if necessary, from Company Secretaries to ensure adherence to Board meeting procedures and compliance with regulatory requirements.

### Code of Ethics

The Directors observed the code in accordance with the Company Directors' Code of Ethics established by the Companies Commission of Malaysia.

# CORPORATE GOVERNANCE STATEMENT (cont'd)

## A. BOARD OF DIRECTORS (CONT'D)

### Code of Conduct

In order to enhance the standard of corporate governance and behaviours, the Board observed the Company's Code of Conduct which set out standards of business and ethical conduct based on general principles including, amongst others, integrity and honesty, fair dealing and confidentiality as guidance to all directors and employees in the conduct of their business.

### Board Charter

The Board has adopted a charter to provide a reference for directors in relation to the Board's role, duties and responsibilities, division of responsibilities between the Board, the Board Committees, the Chairman and Managing Director. The Charter, which serves as a referencing point for Board's activities to enable Director to carry out their stewardship role and discharge their fiduciary duties towards the Group, also contains a formal schedule of matters reserved to the Board for deliberation and decision so that control and direction of the Group's businesses are in its hands.

The Charter has been uploaded on the Company's website at [www.jhm.net.my](http://www.jhm.net.my) in line with Recommendation 1.7 of the MCCG 2012. The Board Charter is subject to review periodically in order to ensure consistency with the Board's strategic intent and relevant standards of corporate governance.

### Sustainability

The Group recognises the importance of sustainability and its increasing impact to the business and is committed to the goal of developing a sustainable future.

The Group is committed to providing a safe workplace for its employees and conducting its business in a way that is environmentally safe and sound. The sustainability activities are set out in the Statement on Corporate Social Responsibility.

### Gender, Ethnicity and Age Diversity Policy

The Board has no immediate plans to implement gender, ethnicity and age diversity policy for its Board of Directors. In considering Board member appointment, the Board provides equal opportunity to candidates who have the necessary skills, experience, competencies and other attributes regardless of gender, ethnicity and age. The Board is taking steps to identify women candidates for appointment to the Board. Currently, the Board has one woman member out of eight members.

The Group also has no immediate plans to implement workforce diversity policy or target as it is of the view that employment is dependent on each candidate's skills, experience, core competencies and other qualities, regardless of gender, ethnicity and age. The Group will provide equal opportunity to candidates with merit.

### Internal Corporate Disclosure Policies and Procedures

Along with good corporate governance practices, the Company is committed to provide to investors and the public with comprehensive, accurate and material information on a timely basis.

In line with this commitment and in order to enhance transparency and accountability, the board has adopted an Internal Corporate Disclosure Policies and Procedures to facilitate the handling and disclosure of material information in a timely and accurate manner.

### Directors' Training

The Directors are encouraged to attend continuous education programmes such as seminars and conferences. This is to keep themselves abreast with the latest development in statutory laws, regulations and best practices, where appropriate, in line with the changing business environment and the need to be cognizant of commercial opportunities and risks as well as to be adequately equipped to execute judicious decision making.

All members of the Board have attended and successfully completed the Mandatory Accreditation Programme as required by the Bursa Malaysia Securities Berhad.

# CORPORATE GOVERNANCE STATEMENT (cont'd)

## A. BOARD OF DIRECTORS (CONT'D)

### Directors' Training

Details of the training programmes attended by the Directors throughout the year are as follow:-

Name	Training programme attended	Date
Dato' Tan King Seng	Tax code, GST-03 & Common Pitfalls	11 June 2015
Ooi Yeok Hock	Tax code, GST-03 & Common Pitfalls	11 June 2015
Tan Chin Hong	Tax code, GST-03 & Common Pitfalls	11 June 2015
Loh Chye Teik	National GST Conference 2015	20 January 2015
	Malaysia GST Compliance Conference: Unraveling Post-Implementation Complexities.	8 & 9 July 2015
	GST Latest Development and The Way Forward.	13 August 2015
	Understanding GST Risks	20 August 2015
	National Tax Conference 2015	25 & 26 August 2015
	Half-Day Seminar on Quality Control	4 September 2015
	SSM National Conference 2015	8 & 9 September 2015
	MIA International Accounting Conference 2015	26 & 27 October 2015
	Seminar Percukaian Kebangsaan 2015.	29 October 2015
Teoh Yee Shien	Audit Committee Conference 2015 - Rising to New Challenges	24 March 2015
	CG Breakfast Series with Directors - Future of Auditors Reporting - The Game Changer For Boardroom	21 September 2015
	Briefing on New Revision of the ISO 9001 Standard	29 September 2015
Dato' Dr. Loh Hock Hun	Tax code, GST-03 & Common Pitfalls	11 June 2015
Cheah Choon Ghee	2016 Budget Seminar	5 November 2015

In addition to the above training attended, the Directors also received updates from time to time from Company Secretary on the amendments to the Listing Requirements, Companies Act, 1965 as well as MCCG 2012.

### Supply of Information

The Board members have full and unrestricted access to information on the Group's business and affairs in discharging their duties. Prior to the meetings, all Directors are provided with sufficient and timely reports and supporting documents which are circulated in advance of each meeting to ensure sufficient time is given to understand the key issues and contents. In addition, the Board is kept informed of the updates and requirements issued by Bursa Malaysia Securities Berhad and various regulatory authorities.

Where necessary, the Directors may engage independent professional advice at the Company's expense on specific issues to enable the Board to discharge their duties on the matters being deliberated.

### Committees of the Board

The Board, in discharging its fiduciary duties and responsibilities has appointed the following Board of Committees with specific terms of reference to assist the Board:-

- Audit Committee
- Nomination Committee
- Remuneration Committee

# CORPORATE GOVERNANCE STATEMENT (cont'd)

## A. BOARD OF DIRECTORS (CONT'D)

### Audit Committee

The terms of reference of the Company's Audit Committee and its activities during the financial year are set out under the Audit Committee Report on pages 20 to 23 of this Annual Report.

### Nomination Committee

The Nomination Committee currently comprises of the following members:-

Name of Directors	Designation
Loh Chye Teik (Chairman)	Senior Independent Non-Executive Director
Teoh Yee Shien	Independent Non-Executive Director
Dato' Dr. Loh Hock Hun	Independent Non-Executive Director

The Committee consists entirely of Non-Executive Directors, where all its members are independent. The Nomination Committee meets at least once a year and as and when necessary and may make decisions by way of circular resolutions.

The duties and responsibilities of the Nomination Committee are guided by its terms of reference. The main responsibilities of the Nomination Committee included the following:-

- Nominate the right candidates with the required skills, experience and attributes for recommendation to and appointment by the Board.
- Regularly review the structure, size and composition (including the skills, knowledge and experience) required of the Board compared to its current position and make recommendations to the Board with regard to any changes.
- Review and recommend the membership of the Audit and Remuneration Committees, in consultation with the Chairman of those committees.
- Assess the effectiveness of the Board and the contribution of individual directors and his independence where applicable.
- To develop, maintain and review the criteria to be used in the recruitment process and annual assessment of directors.

The Nomination Committee has developed criteria to assess the effectiveness of the Board, the Board committees and individual Director. The evaluation on the Board's effectiveness is divided into four sections on the following key areas:-

- Adding value
- Conformance
- Stakeholder Relationship
- Performance management

The process also assess the competencies of each Director in the areas of integrity and ethics, governance, strategic perspective, business acumen, judgement and decision making, teamwork, communication and leadership.

The Nomination Committee also undertakes annual assessment of the independence of its independent directors based on required mix skills, criteria of independence as per requirements of AMLR, meeting attendance, ability to ensure effective checks and balances on the Board's decision making process, constructively challenge business propositions and contributes to the development of business strategy and direction of the Company, ensures that adequate systems and controls to safeguard the interests of the Company are in place and continuous updating of knowledge and enhancing of skills through attendance of business related trainings.

When considering new appointment, the Nomination Committee shall evaluate the balance of skills, knowledge and experience on the board, and, in the light of this evaluation prepare a description of the role and capabilities required for a particular appointment. In identifying suitable candidates the Committee shall consider candidates from a wide range of backgrounds and consider candidates on merit and against objective criteria, taking care that appointees have enough time available to devote to the position.

The Nomination Committee and the Board does not set any target on gender diversity. The Company will provide equal opportunity to candidates with merit. The Board is taking steps to identify women candidates for appointment to the Board.

# CORPORATE GOVERNANCE STATEMENT (cont'd)

## A. BOARD OF DIRECTORS (CONT'D)

### Nomination Committee (Cont'd)

A familiarisation programme, including visits to the Group's business and operations premises and meetings with senior management will be arranged for new Directors to facilitate their understanding of the Group.

The Nomination Committee had met once during FY2015 and activities of the Nomination Committee is summarised as follows:-

- Reviewed and assessed the effectiveness of the Board, the committees of the Board and the contribution of each individual director, including Independent Non-Executive Directors and principal officer.
- Reviewed and recommended the re-election of Directors who were retiring and seeking for re-election at Tenth Annual General Meeting.
- Reviewed and assessed the Independence of the Independent Non-Executive Directors.
- Recommended the retention of Independent Non-Executive Directors who has served as an Independent Non-Executive Directors of the Company for a cumulative term of more than nine years, in compliance with the recommendation of MCCG 2012.

### Remuneration Committee

The Remuneration Committee comprises the following members:

Name of Directors	Designation
Loh Chye Teik (Chairman)	Senior Independent Non-Executive Director
Teoh Yee Shien	Independent Non-Executive Director
Ooi Yeok Hock	Executive Director

The Committee consists majority of Non-Executive Directors, where two (2) out of the three (3) members are Independent Non-Executive Directors. The Committee is responsible for recommending to the Board the appropriate remuneration of the Executive Directors in all forms to commensurate with the respective contributions of the Executive Directors. The Executive Directors are to abstain from deliberation and voting on the decision in respect of their own remuneration packages.

The remuneration of the Non-Executive Directors is a matter for the Board as a whole and the Director concerned is required to abstain from deliberation and voting on decisions relating to his/her own remuneration. Directors' fees are subject to shareholders' approval at the forthcoming AGM.

## B. DIRECTORS' REMUNERATION

The objective of the Company's policy on Directors' remuneration is to attract and retain the appropriate Directors of the caliber to run the Group successfully. In general, the remuneration is structured so as to link rewards to corporate and individual performance, as in the case of the Executive Directors and senior management. As for the Non-Executive Directors, the level of remuneration reflects the experience and level of responsibilities undertaken individually by the Director concerned.

The aggregate remuneration of the Company's Directors derived from the Group for the financial year under review is as follows:-

	Executive Directors RM	Non-Executive Directors RM	Total RM
Salary, bonus and EPF	1,078,213	-	1,078,213
Fee	-	72,000	72,000
Benefits-in-kind	40,133	-	40,133
Allowance	108,000	6,000	114,000
Total	1,226,346	78,000	1,304,346

# CORPORATE GOVERNANCE STATEMENT (cont'd)

## B. DIRECTORS' REMUNERATION (CONT'D)

The number of the Company's Directors whose total remunerations derived from the Group during the financial year under review that fall within the following bands is as follows: -

Range of Remuneration	Number of Executive Directors	Number of Non-Executive Directors
RM50,000 and below	-	3
RM50,001 – RM100,000	-	-
RM100,001 – RM150,000	1	-
RM150,001 – RM200,000	-	-
RM200,001 – RM250,000	1	-
RM250,001 – RM300,000	1	-
RM300,001 – RM350,000	-	-
RM350,001 – RM400,000	-	-
RM400,001 – RM450,000	-	-
RM450,001 – RM500,000	-	-
RM500,001 – RM550,000	-	-
RM500,001 – RM550,000	1	-
Total	4	3

The Board has chosen to disclose the aggregate remuneration of the Directors pursuant to the AMLR as the separate and detailed disclosure of individual Director's remuneration will not add significantly to the understanding and evaluation of the state of the Group's corporate governance.

## C. SHAREHOLDERS

### Dialogue between Company and Investors

The Group acknowledges the importance of timely dissemination of information to shareholders and accordingly, ensures that they are well informed of any major developments of the Group. Such information is communicated through:

- Announcements and corporate disclosure to Bursa Malaysia Securities Berhad that are available on the website [www.bursamalaysia.com](http://www.bursamalaysia.com) ;
- Company website at [www.jhm.net.my](http://www.jhm.net.my) provides corporate information on the Group;
- Annual Report of the Company.

### AGM

The AGM is the principal forum for dialogue with all shareholders and the Board encourages shareholders to attend and participate in the AGM. The Chairman of the general meeting would inform the shareholders on their right to demand for a poll vote at the commencement of the general meeting and would conduct poll voting if demanded by shareholders. Shareholders are provided with an opportunity to enquire about the Group's activities and prospects as well as to communicate their expectations and concerns. Shareholders are also encouraged to participate in the question and answer session.

A copy of the Annual Report and the notice of the AGM are sent to all shareholders at least 21 days before the AGM. The notice of AGM is also published in a nationally circulated daily newspaper. The Board is available to respond to shareholder questions during the meeting. Where appropriate, the Board will undertake to provide written answers to any questions that cannot be readily answered at the meeting.

Each item of special business included in the notice of the meeting will be accompanied by a full explanation of the effects of the proposed resolution. Separate resolutions are proposed for substantially separate issues at the meeting.

Shareholders are also informed of and invited to attend any Extraordinary General Meetings through circulars and notices of meetings.

# CORPORATE GOVERNANCE STATEMENT (cont'd)

## D. ACCOUNTABILITY AND AUDIT

### Financial Reporting

In presenting the Annual Report and quarterly announcement of interim financial results to the shareholders, the Board aims to provide and present a balanced and understandable assessment of the Group's financial performance and prospects.

The Board is assisted by the Audit Committee to oversee the Group's financial reporting process in ensuring accuracy and adequacy of information by reviewing and recommending for adoption of information for disclosure.

The statement of Board of Directors' responsibility for preparing the annual audited financial statements pursuant to Rule 15.26 of the AMLR is set out on page 24 of this Annual Report.

### Recognise and Manage Risks of the Group

The Board affirms the importance of maintaining a sound system of internal controls and risk management practices to good corporate governance. In order to enhance consistency within the Group, the Board has appointed an external consultant to provide professional services for internal control assessment and to carry out internal audit function for the Group.

The Statement on Risk Management and Internal Control set out on page 18 and 19 of this Annual Report provides an overview of the state of internal control within the Group.

### Relationship with the Auditors

Key features underlying the relationship of the Audit Committee with the internal and external auditors are included in Audit Committee's Report. The Group maintains a close and transparent relationship with its auditors in seeking professional advice and ensuring compliance with appropriate accounting standards.

A summary of the activities of the Audit Committee during the financial year are set out in Audit Committee's Report.

The Audit Committee discusses the nature and scope of audit and reporting obligations with the external auditors before commencement of audit engagement. It is also the practice of the Audit Committee to respond to auditors' enquiries and recommendations, if any, to ensure compliance with various approved accounting standards in the preparation of the Group's financial statements.

The Audit Committee is empowered by the Board to review all issues in relation to appointment and re-appointment, resignation or dismissal of external auditors. The Audit Committee has also assessed the suitability and independence of the external auditors. The external auditor attend Audit Committee meetings when necessary and have direct access to the Audit Committee and Internal Auditors for independent discussion.

The external auditors met with the Audit Committee twice in the financial year ended 31 December 2015 without the presence of the Executive Directors, with the purposes of finalising the Group's audited financial statement and approving the audit planning memorandum. The external auditors have confirmed that they are independent throughout the conduct of audit engagement in accordance with terms of professional and regulatory requirements.

### Statement of Compliance with Corporate Governance

The Company is committed to achieving high standards of corporate governance throughout the Group and to the highest level of integrity and ethical standards in all its business dealings. The Board considers that it has complied substantially with the principles and recommendations as stipulated in the MCGG 2012 throughout FY2015.

This statement is made in accordance with the resolution of the Board dated 8 April 2016.

# STATEMENT ON CORPORATE SOCIAL RESPONSIBILITY (CSR)

The Group is driven by the belief that in pursuit of any business objective, we need to strike a balance between profitability and contributions to the social welfare of employees, community and environmental responsibilities.

During the year under review, our Group continued to carry out diverse range of CSR activities that are reflective of the Group intention of giving back to society.

## EMPLOYEES

We strongly believe that human capital is the most important value to an organisation. In retaining the best talents, we continually provide our employees with education and training. Employee Training and Development which is carried out internally and externally is aimed at equipping our employees with skills and knowledge related to projects and tasks handled by them so that these may be executed to meet customers' needs and expectation. In recognition of their services and create amiable workplace for its employees, the Group organised several events throughout the year such as buffet dinner during Labour Day, annual dinner, team building and recreational activities for the employees.

## ENVIRONMENT

As part of our corporate social responsibility agenda, the Group ensured strictly on going compliance with the environmental laws governing plant operations, maintenance in areas relating to environmental standards, emission standards and noise level management. This is in line with our manufacturing factories being certified as an ISO 14001 organization holder by an international body.

On-going programmes initiated among its staff on awareness of recycling of waste materials and continuous improvements in our manufacturing process create a greener environment.

## COMMUNITY

In FY2015, the Group continued to offer internship programme to undergraduates with the objective of equipping the undergraduated with necessary working skills, knowledge and experience.

Our contribution continues with our participation and donations in fund raising activities for school development and to local charitable organisation.



# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

## (A) INTRODUCTION

The Board of Directors is pleased to provide this Statement on Risk Management and Internal Control. This Statement has been prepared in accordance with the Statement on Risk Management and Internal Control: Guidance for Directors of Listed Issuers issued by the Institute of Internal Auditors Malaysia and as adopted by Bursa Malaysia Securities Berhad.

## (B) BOARD RESPONSIBILITY

The Board affirms its overall responsibility for the adequacy and effectiveness of the Group's risk management and internal control system. Effective risk management and internal control processes play a key role in the pursuit of the Group's business objectives and sustaining success.

The risk management and internal control system are designed to identify and manage the Group's risk within the acceptable risk profile, rather than to eliminate the risk of failure in achieving the business objectives. Thus, they provide reasonable but not absolute assurance against material misstatement of financial information or losses, contingencies, fraud or any irregularities.

## (C) RISK MANAGEMENT FRAMEWORK

The Board has engaged an external consultant to assist the Board in establishing a risk management framework for the Group. Under this framework, risks relevant to the Group were identified and quantified and have been compiled into the risk profiles of the various operating units in the Group.

In the Group, the responsibility of identifying operational, financial and compliance risk rests with the respective heads of department. Risks are managed, on an ongoing basis, in accordance with the standard operating procedures, and those risks that are considered high are reported to the senior management for further discussion, evaluation and decision. The responsibility for managing the Group's strategic risks rests with the senior management.

Key risks affecting the Group are deliberated at Board meetings and the above process were in place during the financial year.

## (D) KEY ELEMENTS OF THE GROUP'S RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

The risk management and internal control systems are embedded in the various work processes and procedures of the Group.

The key elements of risk management and controls in place are as follows:

- Authorizing Board Committee members to investigate and report on any areas of improvement for the betterment of the Group;
- Conducting in-depth study on major variances and deliberating irregularities at Board meetings and Audit Committee meetings so as to identify the causes of the problems and to formulate appropriate solutions;
- Delegating necessary authority to the Managing Director in order for him to play a major role as the link between the Board and Senior Management in implementing the Board's expectation of effective system of internal control and managing the Group's various operations;
- Maintaining an organisational chart which sets out each individual's responsibility, authority and reporting lines.
- Ensuring that the Management is informed of the development of action plan for enhancing system of internal control and allowing various management personnel to have access to important information for effective decision-making;
- Senior Management personnel make frequent on-site visits to the business and operating premises so as to acquire a first-hand information on various operational matters and addressing the issues accordingly;
- Systematic and regular audit on the compliance of ISO 14001, ISO 9001 and TS 16949 by external quality assurance auditors.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

(cont'd)

## (E) INTERNAL AUDIT FUNCTION

The Board has outsourced the internal audit function to an external consultant. The Board believes that, due to its independence and objectivity, the consultant has provided the Board much assurance about the state of internal controls of the Group. The internal auditors report directly to the Audit Committee.

The internal audit function carries out its internal audit works through a risk-based approach. Based on the risk profile of the Group, the internal audit function prepares its audit plan by focusing on areas of high risk. During the course of carrying out their reviews, full cooperation of the staff and unrestricted access to all information were given to the internal auditors in order to discharge their duties.

During the financial year, the internal auditors carried out reviews on the following areas to assess the adequacy and effectiveness of internal controls and risk management processes:

- Inventory management
- Payroll
- Human resource recruitment and development
- Safety and health

The internal auditors noted some weaknesses in the controls, and these together with improvement recommendations have been reported to the Audit Committee. However, none of the weaknesses have resulted in material losses, contingencies or uncertainties to the Group.

The fees paid to the internal auditors in respect of the internal audit functions of the Group for the financial year amounted to RM15,512.

## (F) CONCLUSION

The Board has received assurance from the Managing Director and the Finance Manager that the Group's risk management and internal control systems are operating adequately and effectively, in all material aspects, based on the risk management and internal control systems of the Group.

Overall, the Board and Management are satisfied that the process of identifying, evaluating and managing significant risks that may affect achievement of the Group's business objectives are in place. There are continuing efforts to strengthen the internal control environment taking into consideration the recommendations from the internal auditors.

This statement is made in accordance with the resolution of the Board dated 8 April 2016 and has been reviewed by the External Auditors.

# AUDIT COMMITTEE REPORT

## FORMATION

The Audit Committee (the "Committee") was formed by the Board of Directors on 14 April 2006.

## MEMBERS

The Committee currently consists of the following members: -

1. Loh Chye Teik - Chairman  
(Senior Independent Non-Executive Director)
2. Teoh Yee Shien - Member  
(Independent Non-Executive Director)
3. Dato' Dr. Loh Hock Hun - Member  
(Independent Non-Executive Director)

## MEETINGS AND ATTENDANCE

During the financial year under review, the Committee held four (4) meetings with all the members of the Committee attendance as follows: -

Name of Committee Members	Number of Meetings Attended	Percentage of Attendance
Loh Chye Teik	4/4	100%
Teoh Yee Shien	4/4	100%
Dato' Dr. Loh Hock Hun	4/4	100%

The Audit Committee meetings were attended by the Committee members and Senior Management. The Company Secretary acted as Secretary at the meetings to record and maintains minutes for the proceedings of the meetings.

## TERMS OF REFERENCE

The Terms of Reference of the Audit Committee are as follows: -

### 1. MEMBERSHIP

The Board should establish an audit committee of at least three directors, a majority of whom must be independent Non-Executive Directors with written terms of reference which deal clearly with its authority and duties. All members of the Committee should be Non-Executive Directors of the Company and all members of the Committee should be financially literate. At least one member of the Committee:-

- must be member of the Malaysian Institute of Accountants; or
- if he is not a member of the Malaysian Institute of Accountants, he must have at least 3 years of working experience and
  - he must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act, 1967; or
  - he must be a member of one of the associations of accountants specified in Part II of the 1st Schedules of the Accountants Act, 1967; or
  - fulfills such other requirements as prescribed or approved by the Exchange.

The members of the Committee shall elect the Chairman from among their number who shall be an Independent Non-Executive Director. An alternate director shall not be a member of the Audit Committee.

If a Member of the Committee for any reason ceases to be a Member of the Committee with the result that the number of Member is reduced below (3), the Board shall within three (3) months of that event, appoint such number of new Member as may be required to make up the minimum number of three (3) Members.

# AUDIT COMMITTEE REPORT (cont'd)

## TERMS OF REFERENCE (CONT'D)

### 2. ATTENDANCE AT MEETINGS

The finance director, representatives of the Internal Auditor and representatives of the external auditors will be invited to some of the Audit Committee meetings. Other board members and employees may attend any particular audit committee meeting only at the Audit committee's invitation, specific to the relevant meeting. At least twice a year, the Committee shall meet with external auditors without the presence of the Executive Directors. The Company Secretary shall be the secretary of the Committee.

### 3. FREQUENCY AT MEETINGS

Meetings will be held not less than four times a year. Additional meetings may be held at the discretion of the Committee or at the request of external auditors. The external auditors may request a meeting if they consider that one is necessary. The quorum for any meeting shall be two and the majority members of the Committee present must be Independent Non-Executive Directors.

The Chairman of the Audit Committee should engage on a continuous basis with senior management, such as the Chairman, the chief executive officer, the finance director, the head of the internal audit and the external auditors in order to be kept informed of matters affecting the Company.

### 4. RETIREMENT AND RESIGNATION

In the event of any vacancy in an audit committee resulting from resignation or for any other reason that the number of the audit committee members is reduced to below three, a listed company must fill the vacancy within 3 months.

### 5. AUTHORITY

The Committee is authorised by the Board to investigate any activity within its terms of reference, the resources it needs to do so and full access to information pertaining to the Company. The Committee should have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity and be able to obtain external professional advice and to invite outsiders with relevant experience to attend, if necessary. The Committee should be able to convene meetings with the external auditors, the internal auditors or both, excluding the attendance of other directors and employees of the listed company, whenever deemed necessary. It is authorised to seek any information it requires from any employee and all employees are directed to co-operate with any request made by the Committee.

### 6. DUTIES AND RESPONSIBILITIES

The duties and responsibilities of the Committee shall include:-

- a) to consider the appointment/nomination/suitability of the external auditors, their audit fees and any question of their resignation or dismissal and to recommend to the Board.
- b) to discuss with the external auditors before the audit commences, the nature and scope of their audit, their evaluation of the system of internal accounting controls and to ensure co-ordination where more than one audit firm is involved.
- c) to discuss problems and reservations arising from the interim and final audits, and any matters the external auditors may wish to discuss (in the absence of management where necessary).
- d) to keep under review the effectiveness of internal control system and, in particular, review external auditors' management letter and management's response.

# AUDIT COMMITTEE REPORT (cont'd)

## TERMS OF REFERENCE (CONT'D)

### 6. DUTIES AND RESPONSIBILITIES (CONT'D)

- e) to do the following, in relation to the internal audit function:-
- review the adequacy of the scope, functions, competency and resources of the internal audit functions, and to ensure that it has the necessary authority to carry out its work;
  - review the internal audit programme, processes, the results of the internal audit programme, processes or investigation undertaken and, where necessary, ensure that appropriate actions are taken on the recommendations of the internal audit function;
  - review any appraisal or assessment of the performance of members of the internal audit function;
  - approve any appointment or termination of senior members of the internal audit function; and
  - take cognizance of resignations of internal audit staff members and provide the resigning staff member an opportunity to submit his reasons for resigning.
- f) to review the quarterly results and year-end financial statements of the Company and the Group, prior to the approval by the Board, whilst ensuring that they are prepared in a timely and accurate manner, focusing particularly on:-
- public announcements of results and dividend payment;
  - any changes in or implementation of major accounting policies and practices;
  - major judgmental areas;
  - significant adjustments resulting from the audit;
  - the going-concern assumption;
  - compliance with accounting standards;
  - compliance with Bursa Securities and legal requirements; and
  - significant and unusual events.
- g) to consider/review any related party transactions and conflict of interest situation that may arise within the Company or Group, including any transaction, procedure or course of conduct that raises questions of management integrity.
- h) to consider the major findings of internal investigations and management's response and ensure co-ordination between the internal and external auditors.
- i) to review and verify the allocation of share options granted to employees pursuant to the Employees share option scheme, transactions, procedure or course of conduct that raises questions of management integrity.
- j) to review with the external auditor, his audit report.
- k) to review with the external auditor the assistance given by the employees of the Company.
- l) to review with the Board of Directors of the Company whether there is reason (supported by grounds) to believe that the Company's external auditor is not suitable for re-appointment.
- m) to consider/carry out such other functions and consider other topics, as may be agreed upon by the Board.

### 7. REPORTING PROCEDURES

The Company Secretary shall circulate the minutes of meetings of the Committee to all members of the Board.

### SUMMARY OF ACTIVITIES

In discharging its functions and duties, during the financial year the Committee has considered, reviewed, approved and discussed the following:-

- the audited financial statements for the financial year ended 31 December 2014;
- the financial results for the quarters ended 31 December 2014, 31 March 2015, 30 June 2015 and 30 September 2015;

# AUDIT COMMITTEE REPORT (cont'd)

## SUMMARY OF ACTIVITIES (CONT'D)

- audit reports prepared by the Internal Auditors, considered their material findings and assess the Management's responses and actions thereto;
- the nature and scope of audit plan for the financial year ended 31 December 2015 before the commencement of audit together with the External Auditors;
- the audit exit memorandum, audit findings of the external auditors and their report;
- related party transactions (if any) and report the same to the Board;
- performance and suitability of External Auditors and recommended for re-appointment of External Auditors and their fees;
- dialogue session with External Auditors, without the presence of Executive Directors and Management; and
- the internal audit plan with Internal Auditors.

## EMPLOYEES SHARE OPTION SCHEME

The Company had on 17 May 2006 and 15 June 2006 obtained approvals from the Securities Commission and the shareholders respectively to establish an Employee Share Option Scheme ("ESOS") with duration of five years from 1 August 2006 until 31 July 2011. The Board had extended the ESOS for another five years until 31 July 2016.

During the financial year, no allocation of share options was made by the Company pursuant to the ESOS and no share options were exercised under the ESOS.

Further details on the ESOS are set out on page 57 of this Annual Report.

## INTERNAL AUDIT FUNCTION

The Group has appointed an independent professional firm to carry out internal audit function. In order to act independently from the management, the external consultant will report directly to the Audit Committee and assists the Board in monitoring and reviewing the effectiveness of the risk management, internal control and corporate governance process within the Group.

The independent internal audit function and activities were carried out according to the internal audit plan presented by the external consultant. The internal audit plan is derived based on a risk-based assessment of all units and operations of the Group. The internal audit reports highlight any deficiencies or findings which are discussed with the management and relevant action plans agreed and to be implemented. Significant findings are presented in the Audit Committee Meetings for consideration and reporting to the Board. A follow-up audit review is also conducted to determine whether all audit recommendations are effectively implemented.

Further details on the internal audit function and its activities are set out in the Statement on Risk Management and Internal Control on page 18 and 19 of this Annual Report.

The Board is of the view that there is no significant breakdown or weaknesses in the systems of internal controls of the Group that may result in material losses incurred by the Group for the financial year ended 31 December 2015.

# STATEMENT OF DIRECTORS' RESPONSIBILITY

IN RELATION TO THE AUDITED FINANCIAL STATEMENTS

This statement is prepared pursuant to the Listing Requirements of Bursa Malaysia Securities Berhad for the ACE Market.

The Directors are required to prepare audited financial statements that give a true and fair view of the state of affairs, including the cash flow and results, of the Group and the Company as at the end of each financial year.

In preparing these financial statements, the Directors have considered the following:-

- The Group and the Company have used appropriate accounting policies, and are consistently applied;
- That reasonable and prudent judgements and estimates were made; and
- That the approved accounting standards in Malaysia have been applied.

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

The Directors have general responsibility for taking such steps that are reasonably available to them to safeguard the assets of the Group and the Company, and to prevent and detect fraud and other irregularities.

This statement is made in accordance with the resolution passed by the Board Of Directors dated 8 April 2016.

# ADDITIONAL COMPLIANCE INFORMATION



## **Share Buyback**

There were no share buyback of the Company's shares during the financial year.

## **Options Or Convertible Securities**

There were no options or convertible securities exercised during the financial year as the Company has not issued any options or convertible securities.

## **American Depository Receipts ("ADR") And Global Depository Receipts ("GDR")**

The Company did not sponsor any ADR and GDR during the financial year.

## **Imposition Of Sanctions And/Or Penalties**

There were no public sanctions and/or penalties imposed on the Company and its subsidiaries, Directors or Management by the relevant regulatory bodies during the financial year under review.

## **Non-audit Fees Paid to External Auditors**

During the financial year ended 31 December 2015, no non-audit fees were paid to the external auditors other than the taxation fees amounting to RM10,500 paid to a company in which certain partners of the audit firm are shareholders and directors.

## **Profit Estimate, Forecast Or Projection**

The Company did not issue or announce any profit estimate, forecast or projection to the public for the financial year.

## **Profit Guarantee**

During the financial year, the Company did not receive any profit guarantee from any parties.

## **Material Contracts Or Loans**

There were no material contracts or loans entered into by the Company and its subsidiaries involving Directors' and major shareholders either still subsisting at the end of the financial year or entered into since the end of the previous financial year.

## **Recurrent Related Party Transactions of a Revenue Or Trading Nature**

The Company does not have any recurrent related party transactions of a revenue or trading nature during the financial year.

## **Variation In Result**

There were no material variations between the audited results for the financial year ended 31 December 2015 over the unaudited results released for the financial quarter ended 31 December 2015.

## **Utilisation of Proceeds**

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



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# DIRECTORS' REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

The directors have pleasure in submitting their report together with the audited financial statements of the Group and of the Company for the financial year ended **31 December 2015**.

## PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding.

The principal activities of the subsidiaries are disclosed in Note 5 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 after taxation for the year	<b>6,961,505</b>	<b>995,850</b>
Attributable to:		
Owners of the Company	<b>6,452,524</b>	<b>995,850</b>
Non-controlling interests	<b>508,981</b>	-
	<b>6,961,505</b>	<b>995,850</b>

In the opinion of the directors, the results of the operations of the Group and of the Company for the financial year ended **31 December 2015** have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

## DIVIDENDS

No dividend has been declared by the Company since the end of the previous financial year.

The directors do not recommend any dividend payment for the financial year.

## RESERVES AND PROVISIONS

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

## SHARE CAPITAL AND DEBENTURE

During the financial year, the Company did not issue any share or debenture and did not grant any option to anyone to take up unissued shares of the Company.

## EMPLOYEE SHARE OPTION SCHEME ("ESOS")

The Company's ESOS was approved by the Securities Commission ("SC") and the members on 17 May 2006 and 15 June 2006 respectively and would be in force for a duration of five years from 1 August 2006 until 31 July 2011. The directors have extended the ESOS for five years until 31 July 2016.

As at the end of the reporting period, no options were granted.

The salient features of the ESOS are disclosed in the Note 12 to the financial statements.

# DIRECTORS' REPORT (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

## DIRECTORS

The directors who served since the date of the last report are as follows:

**Dato' Tan King Seng**  
**Ooi Yeok Hock**  
**Tan Chin Hong**  
**Cheah Choon Ghee**  
**Loh Chye Teik**  
**Teoh Yee Shien**  
**Dato' Dr. Loh Hock Hun**  
**Khor Thean Lee (appointed on 29.2.16)**

## DIRECTORS' INTERESTS IN SHARES

According to the Register of Directors' Shareholdings, 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 are as follows:

	Number of ordinary shares of RM0.10 each			Balance at 31.12.15
	Balance at 1.1.15	Bought	Sold	
<b>The Company</b>				
<b>Direct Interest:</b>				
Dato' Tan King Seng	42,707,379	-	-	42,707,379
Ooi Yeok Hock	2,898,638	-	-	2,898,638
Tan Chin Hong	3,105,496	-	-	3,105,496
Cheah Choon Ghee	3,207,500	-	-	3,207,500
<b>Deemed Interest:</b>				
Dato' Tan King Seng	3,143,495	-	-	3,143,495
Cheah Choon Ghee	30,445,863	-	-	30,445,863

By virtue of his shareholdings in the shares of the Company, **Dato' Tan King Seng** and **Mr. Cheah Choon Ghee** are also deemed interested in all the subsidiaries, to the extent that it has interests. None of the other directors in office at the end of the financial year held any interest in shares in the Company and its related corporations.

## 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 a benefit included in the aggregate amount of emoluments received or due and receivable by the directors as shown in the financial statements) by reason of a contract made by the Company or a related corporation with a director or with a firm of which the director is a member or with a company in which the director has a substantial financial interest, other than those related party transaction disclosed in the note to the financial statements.

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



## **OTHER STATUTORY INFORMATION**

Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps:

- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts, and
- (ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected to realise.

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

- (i) that would render the amount written off for bad debts or the amount of the provision for doubtful debts in the Group and in the Company inadequate to any substantial extent, or
- (ii) that would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading, or
- (iii) that would render any amount stated in the financial statements of the Group and of the Company misleading, or
- (iv) which have arisen which render adherence to the existing methods of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

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

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

No contingent liability or other liability of the Group and 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, in the opinion of the directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.



**DIRECTORS' REPORT** (cont'd)  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

**SUBSEQUENT EVENT**

Details of event after the reporting period are disclosed in Note 28 to the financial statements.

**AUDITORS**

The auditors, **Grant Thornton**, have expressed their willingness to continue in office.

Signed in accordance with a resolution of the directors:

.....  
**Dato' Tan King Seng**

.....  
**Ooi Yeok Hock**

**Penang,**

**Date: 8 April 2016**

# DIRECTORS' STATEMENT



In the opinion of the directors, the financial statements set out on pages 34 to 74 are properly drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at **31 December 2015** and of their financial performance and cash flows for the financial year then ended.

In the opinion of the directors, the supplementary information set out on page 75 has been compiled in accordance with the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

Signed in accordance with a resolution of the directors:

.....  
**Dato' Tan King Seng**

.....  
**Ooi Yeok Hock**

**Date: 8 April 2016**

# STATUTORY DECLARATION

I, **Low Soo Kim**, the officer primarily responsible for the financial management of **JHM Consolidation Berhad** do solemnly and sincerely declare that the financial statements set out on pages 34 to 74 and the supplementary information set out on page 75 are to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by )  
the abovenamed at Penang, this **8th** )  
day of **April 2016**. )

.....  
**Low Soo Kim**

**Before me,**

.....  
**Goh Suan Bee**  
**No. : P125**  
**Commissioner for Oaths**

# INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF JHM CONSOLIDATION BERHAD Company No. 686148-A  
(Incorporated in Malaysia)

## Report on the Financial Statements

We have audited the financial statements of **JHM Consolidation Berhad**, which comprise the statements of financial position as at **31 December 2015** of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 34 to 74.

## Directors' Responsibility for the Financial Statements

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

## Auditors' Responsibility

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

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

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

## Opinion

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

## Report on Other Legal and Regulatory Requirements

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

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries have been properly kept in accordance with the provisions of the Act,
- (b) We are satisfied that the accounts of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes, and
- (c) The auditors' reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.



# INDEPENDENT AUDITORS' REPORT (cont'd)

TO THE MEMBERS OF JHM CONSOLIDATION BERHAD Company No. 686148-A  
(Incorporated in Malaysia)

## Other Reporting Responsibilities

The supplementary information set out on page 75 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

## Other Matters

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

**Grant Thornton**  
**No. AF: 0042**  
**Chartered Accountants**

**Yap Soon Hin**  
**No. 947/03/17 (J)**  
**Chartered Accountant**

**Date: 8 April 2016**

**Penang**

# STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2015

	NOTE	GROUP		COMPANY	
		2015 RM	2014 RM	2015 RM	2014 RM
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	4	31,764,865	27,054,445	643	818
Investment in subsidiaries	5	-	-	6,325,998	6,325,998
Development costs	6	14,507	72,537	-	-
		<b>31,779,372</b>	<b>27,126,982</b>	<b>6,326,641</b>	<b>6,326,816</b>
<b>Current assets</b>					
Inventories	7	18,947,606	15,417,236	-	-
Trade receivables	8	39,751,730	13,015,555	-	-
Other receivables, deposits and prepayments	9	1,613,956	725,932	1,000	1,000
Amount due from subsidiaries	10	-	-	9,335,786	8,302,337
Tax recoverable		-	92,000	-	-
Cash and cash equivalents	11	3,922,483	4,222,689	54,228	42,672
		<b>64,235,775</b>	<b>33,473,412</b>	<b>9,391,014</b>	<b>8,346,009</b>
<b>TOTAL ASSETS</b>		<b>96,015,147</b>	<b>60,600,394</b>	<b>15,717,655</b>	<b>14,672,825</b>
<b>EQUITY AND LIABILITIES</b>					
Share capital	12	12,300,000	12,300,000	12,300,000	12,300,000
Share premium		2,953,447	2,953,447	2,953,447	2,953,447
Retained profits/ (Accumulated losses)	13	21,031,335	14,578,811	378,728	(617,122)
		<b>36,284,782</b>	<b>29,832,258</b>	<b>15,632,175</b>	<b>14,636,325</b>
Non-controlling interests		(544,890)	(1,053,871)	-	-
<b>Total equity</b>		<b>35,739,892</b>	<b>28,778,387</b>	<b>15,632,175</b>	<b>14,636,325</b>
<b>Non-current liabilities</b>					
Borrowings	14	6,771,216	7,226,187	-	-
Deferred tax liabilities	15	1,080,172	964,168	-	-
		<b>7,851,388</b>	<b>8,190,355</b>	<b>-</b>	<b>-</b>
<b>Current liabilities</b>					
Trade payables	16	30,484,914	14,719,126	-	-
Other payables and accruals	17	10,966,656	2,843,990	40,480	32,000
Borrowings	14	9,639,297	6,064,036	-	-
Provision for taxation		1,333,000	4,500	45,000	4,500
		<b>52,423,867</b>	<b>23,631,652</b>	<b>85,480</b>	<b>36,500</b>
<b>Total liabilities</b>		<b>60,275,255</b>	<b>31,822,007</b>	<b>85,480</b>	<b>36,500</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>96,015,147</b>	<b>60,600,394</b>	<b>15,717,655</b>	<b>14,672,825</b>

The notes set out on pages 40 to 74 form an integral part of these financial statements.

# STATEMENTS OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

	NOTE	GROUP		COMPANY	
		2015 RM	2014 RM	2015 RM	2014 RM
Revenue	18	131,339,764	71,826,565	1,323,523	116,035
Cost of sales		(112,098,658)	(67,213,183)	-	-
<b>Gross profit</b>		<b>19,241,106</b>	4,613,382	<b>1,323,523</b>	116,035
Other income		1,059,842	260,047	-	-
Administrative expenses		(10,497,646)	(6,263,431)	(273,401)	(175,862)
<b>Operating profit/(loss)</b>		<b>9,803,302</b>	(1,390,002)	<b>1,050,122</b>	(59,827)
Finance costs		(801,460)	(348,350)	-	-
<b>Profit/(Loss) before taxation</b>	19	<b>9,001,842</b>	(1,738,352)	<b>1,050,122</b>	(59,827)
Taxation	20	(2,040,337)	(365,666)	(54,272)	(4,500)
<b>Profit/(Loss) for the year, representing total comprehensive income/(loss) for the year</b>		<b>6,961,505</b>	(2,104,018)	<b>995,850</b>	(64,327)
<b>Total comprehensive income/(loss) attributable to:</b>					
Owners of the Company		6,452,524	(1,120,173)	995,850	(64,327)
Non-controlling interests		508,981	(983,845)	-	-
		<b>6,961,505</b>	(2,104,018)	<b>995,850</b>	(64,327)
<b>Basic earnings/(loss) per share attributable to owners of the Company (sen)</b>	21	<b>5.24</b>	(0.91)		

The notes set out on pages 40 to 74 form an integral part of these financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

	----- Attributable to owners of the Company -----					Total Equity RM
	Share Capital RM	Non- distributable Share Premium RM	Distributable Retained Profits RM	Total RM	Non- controlling Interests RM	
<b>2015</b>						
Balance at beginning	<b>12,300,000</b>	<b>2,953,447</b>	<b>14,578,811</b>	<b>29,832,258</b>	<b>(1,053,871)</b>	<b>28,778,387</b>
Total comprehensive income for the year	-	-	<b>6,452,524</b>	<b>6,452,524</b>	<b>508,981</b>	<b>6,961,505</b>
Balance at end	<b>12,300,000</b>	<b>2,953,447</b>	<b>21,031,335</b>	<b>36,284,782</b>	<b>(544,890)</b>	<b>35,739,892</b>
<b>2014</b>						
Balance at beginning	12,300,000	2,953,447	15,698,984	30,952,431	(70,026)	30,882,405
Total comprehensive loss for the year	-	-	(1,120,173)	(1,120,173)	(983,845)	(2,104,018)
Balance at end	12,300,000	2,953,447	14,578,811	29,832,258	(1,053,871)	28,778,387

The notes set out on pages 40 to 74 form an integral part of these financial statements.

# STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

	Share Capital RM	Non- distributable Share Premium RM	Distributable Retained Profit/ (Accumulated Losses) RM	Total Equity RM
<b>2015</b>				
Balance at beginning	12,300,000	2,953,447	(617,122)	14,636,325
Total comprehensive income for the year	-	-	995,850	995,850
Balance at end	<b>12,300,000</b>	<b>2,953,447</b>	<b>378,728</b>	<b>15,632,175</b>
<b>2014</b>				
Balance at beginning	12,300,000	2,953,447	(552,795)	14,700,652
Total comprehensive loss for the year	-	-	(64,327)	(64,327)
Balance at end	<b>12,300,000</b>	<b>2,953,447</b>	<b>(617,122)</b>	<b>14,636,325</b>

The notes set out on pages 40 to 74 form an integral part of these financial statements.

# STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

	GROUP		COMPANY	
	2015 RM	2014 RM	2015 RM	2014 RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Profit/(Loss) before taxation	<b>9,001,842</b>	(1,738,352)	<b>1,050,122</b>	(59,827)
Adjustments for:				
Amortisation of development costs	<b>58,030</b>	58,030	-	-
Depreciation	<b>4,788,768</b>	3,897,009	<b>175</b>	175
Gain on disposal of property, plant and equipment	-	(46,999)	-	-
Interest expense	<b>801,460</b>	348,350	-	-
Interest income	<b>(3,863)</b>	(1,451)	<b>(323,523)</b>	(116,035)
Property, plant and equipment written off	-	259	-	-
Unrealised (gain)/loss on foreign exchange	<b>(406,929)</b>	206,950	-	-
Operating profit/(loss) before working capital changes	<b>14,239,308</b>	2,723,796	<b>726,774</b>	(175,687)
Increase in inventories	<b>(3,530,370)</b>	(6,773,973)	-	-
(Increase)/Decrease in receivables	<b>(26,639,475)</b>	2,050,289	-	-
Increase in payables	<b>23,310,659</b>	3,083,494	<b>8,480</b>	518
Cash generated from/(used in) operations	<b>7,380,122</b>	1,083,606	<b>735,254</b>	(175,169)
Income tax paid	<b>(663,772)</b>	(473,332)	<b>(13,772)</b>	-
Income tax refunded	<b>159,939</b>	-	-	-
Interest paid	<b>(801,460)</b>	(348,350)	-	-
Net cash from/(used in) operating activities	<b>6,074,829</b>	261,924	<b>721,482</b>	(175,169)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest received	<b>3,863</b>	1,451	<b>74</b>	72
Proceeds from disposal of property, plant and equipment	<b>1</b>	47,000	-	-
* Purchase of property, plant and equipment	<b>(7,389,052)</b>	(6,602,281)	-	-
Net cash (used in)/from investing activities	<b>(7,385,188)</b>	(6,553,830)	<b>74</b>	72
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Payment of finance lease	<b>(1,751,327)</b>	(713,770)	-	-
Drawdown of bankers acceptance	<b>3,831,000</b>	1,219,000	-	-
Drawdown of finance lease	-	2,904,058	-	-
Drawdown of invoice financing	<b>1,353</b>	998,647	-	-
Drawdown of term loan	-	1,664,807	-	-
Payment of term loans	<b>(264,832)</b>	(151,627)	-	-
(Advance to)/Repayment from subsidiaries	-	-	<b>(710,000)</b>	20,000
Net cash from/(used in) financing activities	<b>1,816,194</b>	5,921,115	<b>(710,000)</b>	20,000
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS CARRIED FORWARD</b>	<b>505,835</b>	(370,791)	<b>11,556</b>	(155,097)

# STATEMENTS OF CASH FLOWS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

	GROUP		COMPANY	
	2015 RM	2014 RM	2015 RM	2014 RM
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS BROUGHT FORWARD</b>	<b>505,835</b>	(370,791)	<b>11,556</b>	(155,097)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING</b>	<b>2,277,063</b>	2,647,854	<b>42,672</b>	197,769
<b>CASH AND CASH EQUIVALENTS AT END</b>	<b>2,782,898</b>	2,277,063	<b>54,228</b>	42,672
<b>Represented by:</b>				
Short term funds with a licensed financial institution	2,642	2,568	2,642	2,568
Cash and bank balances	3,919,841	4,220,121	51,586	40,104
Bank overdraft	(1,139,585)	(1,945,626)	-	-
	<b>2,782,898</b>	2,277,063	<b>54,228</b>	42,672
<b>* Purchase of property, plant and equipment</b>				
Total acquisition cost	9,499,189	9,996,628	-	-
Acquired under finance lease	(2,110,137)	(3,394,347)	-	-
Total cash acquisition	<b>7,389,052</b>	6,602,281	-	-

The notes set out on pages 40 to 74 form an integral part of these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2015

## 1. CORPORATE INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and listed on the ACE Market of Bursa Malaysia Securities Berhad.

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are disclosed in Note 5 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

The registered office of the Company is located at 51-13-A, Menara BHL Bank, Jalan Sultan Ahmad Shah, 10050 Penang.

The principal place of business of the Company is located at 15-1-21, Bayan Point, Medan Kampung Relau, 11900 Penang.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 8 April 2016.

## 2. BASIS OF PREPARATION

### 2.1 Statement of Compliance

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

### 2.2 Basis of Measurement

The financial statements of the Group and of the Company are prepared under the historical cost convention unless otherwise indicated in the summary of accounting policies under Note 3.

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible to by the Group and by the Company.

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

### 2.3 Functional and Presentation Currency

The financial statements are presented in Ringgit Malaysia ("RM") which is also the Group's and the Company's functional currency.

### 2.4 Adoption of Amendments/Improvements to MFRS and IC Interpretations ("IC Int")

The accounting policies adopted by the Group and by the Company are consistent with those of the previous financial year except for the adoption of the following standards that are mandatory for the current financial year:

#### **Effective for annual periods beginning on or after 1 July 2014**

*Amendments to MFRS 119 Defined Benefit Plans: Employee Contributions*

*Annual improvements to MFRS 2010-2012 Cycle*

*Annual improvements to MFRS 2011-2013 Cycle*

Initial application of the above standards did not have any material impact to the financial statements of the Group and of the Company.

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2015

## 2. BASIS OF PREPARATION (CONT'D)

### 2.5 Standards Issued But Not Yet Effective

The Group and the Company have not applied the following standards that have been issued by the Malaysian Accounting Standards Board ("MASB") but are not yet effective for the Group and for the Company:

#### **Effective for annual periods beginning on or after 1 January 2016**

*MFRS 14 Regulatory Deferral Accounts*

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

*Amendments to MFRS 11 Accounting for Acquisitions of Interests in Joint Operations*

*Amendments to MFRS 101 Disclosure Initiative*

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

*Amendments to MFRS 116 and MFRS 141 Agriculture: Bearer Plants*

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

*Annual Improvements to MFRS 2012-2014 Cycle*

#### **Effective for annual periods beginning on or after 1 January 2018**

*MFRS 9 Financial Instruments (IFRS 9 issued by IASB in July 2014)*

*MFRS 15 Revenue from Contracts with Customers*

*Amendments to MFRS 7 Mandatory Date of MFRS 9 and Transition Disclosures*

The initial application of the above standards is not expected to have any material impacts to the financial statements of the Group and of the Company upon adoption except as mentioned below:

#### **MFRS 15 Revenue from Contracts with Customers**

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

The adoption of *MFRS 15* will result in a change in accounting policy. The Group and the Company are currently assessing the financial impact of adopting *MFRS 15*.

### 2.6 Significant Accounting Estimates and Judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

#### 2.6.1 Judgements made in applying accounting policies

There are no significant areas of critical judgement in applying accounting policies that have any significant effect on the amount recognised in the financial statements.

#### 2.6.2 Key sources of estimation uncertainty

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

##### (i) Useful lives of depreciable assets

Plant and equipment are depreciated on a straight line basis over their estimated useful lives. Management estimates the useful lives of the plant and equipment to be within 2 to 10 years. Changes in the expected level of usage and technological developments could impact the economic useful lives and residual values of the plant and equipment. Therefore, future depreciation charges could be revised.

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2015

## 2. BASIS OF PREPARATION (CONT'D)

### 2.6 Significant Accounting Estimates and Judgements (Cont'd)

#### 2.6.2 Key sources of estimation uncertainty (Cont'd)

##### (ii) Impairment of plant and equipment

The Group performs an impairment review as and when there are impairment indicators to ensure that the carrying value of the plant and equipment does not exceed its recoverable amount. The recoverable amount represents the present value of the estimated future cash flows expected to arise from continuing operations. Therefore, in arriving at the recoverable amount, management exercise judgement in estimating the future cash flows, growth rate and discount rate.

##### (iii) Inventories

The management reviews for damaged, slow-moving and obsolete inventories. This review requires judgements and estimates. Possible changes in these estimates could result in revision to the valuation of inventories.

##### (iv) Impairment of loans and receivables

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset is impaired. 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 there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience of assets with similar credit risk characteristics.

## 3. SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies adopted by the Group and by the Company are consistent with those adopted in the previous financial years.

### 3.1 Subsidiaries and Basis of Consolidation

#### (i) Subsidiaries

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

Investment in a subsidiary which is eliminated on consolidation is stated at cost less accumulated impairment losses in the Company's separate financial statements.

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

#### (ii) Business combination

Business combinations are accounted for using the acquisition method from the acquisition date which is the date on which control is transferred to the Group.

The Group measures the cost of goodwill at the acquisition date as:

- the fair value of the consideration transferred, plus
- the recognised amount of any non-controlling interest in the acquiree, plus

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2015

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.1 Subsidiaries and Basis of Consolidation (Cont'd)

#### (ii) Business combination (Cont'd)

- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree, less
- the net recognised amount at fair value of the identifiable assets acquired and liabilities assumed

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

For each business combination, the Group elects whether to recognise non-controlling interest in the acquiree at fair value, or at the proportionate share of the acquiree's identifiable net assets 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.

#### (iii) Acquisitions of non-controlling interests

The Group treats all changes in its ownership interest in a subsidiary that do not result in a loss of control as equity transactions between the Group and its non-controlling interest holders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserve.

#### (iv) Loss of control

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

#### (v) Non-controlling interests

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

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

#### (vi) Transactions eliminated on consolidation

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

### 3.2 Impairment of Non-Financial Assets

The carrying amounts of non-financial assets (except for inventories) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that has indefinite useful lives or that are not yet available for use, the recoverable amount is estimated at the end of each period at the same time.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.2 Impairment of Non-Financial Assets (Cont'd)

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units ("CGU"). Subject to an operating segment ceiling test, for the purpose of goodwill impairment testing, CGU to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to a CGU or a group of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised in profit or loss if the carrying amount of an asset or its related CGU exceeds its estimated recoverable amount.

Impairment loss recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs) and then to reduce the carrying amount of the other assets in the CGU (groups of CGUs) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the assets carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the financial year in which the reversals are recognised.

### 3.3 Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Property, plant and equipment are depreciated on the straight line method to write off the cost of each asset to its residual value over its estimated useful life, at the following annual rates:

Leasehold land	Amortised over its lease period of 37 years
Freehold office lot	2%
Plant and machinery	10% - 50%
Office equipment, furniture and fittings	10% - 20%
Electrical installation	10%
Renovation	10%
Motor vehicles	20%

The residual value, useful life and depreciation method are reviewed at the end of each reporting period to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

Upon the disposal of an item of property, plant and equipment, the difference between the net disposal proceeds and its carrying amount is included in profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2015

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.4 Research and Development Costs

All research costs are expensed as incurred. Expenditure incurred on projects to develop new products is capitalised as development costs and deferred only when the Group can demonstrate the technical feasibility of completing the asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Development costs which do not meet these criteria are expensed as incurred.

Capitalised development costs comprise direct attributable costs incurred for development. Capitalised development costs, considered to have finite useful lives, are stated at cost less accumulated amortisation and any accumulated impairment losses. Development costs are amortised using the straight-line basis over the commercial lives of the underlying products of five years from the commencement of the commercialisation of the products. The amortisation period and method are reviewed at the end of each reporting period to ensure that the expected useful lives of the assets are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of intangible assets.

### 3.5 Leases

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

#### Finance lease

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership, which include hire purchase arrangement, are classified as finance lease. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments.

Minimum lease payments made under finance leases are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the profit or loss. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

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

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

#### Operating leases

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2015

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.6 Financial Instruments

#### 3.6.1 Initial recognition and measurement

A financial asset or a financial liability is 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 instrument.

A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transactions costs that are directly attributable to the acquisition or issue of the financial instrument.

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised at fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

#### 3.6.2 Financial instrument categories and subsequent measurement

The Group and the Company categorise financial instruments as follows:

##### Financial assets

##### Loans and receivables

Loans and receivables category comprises debt instruments that are not quoted in an active market.

Financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective interest method.

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

All financial assets are subject to review for impairment.

##### Financial liabilities

All financial liabilities are subsequently measured at amortised cost.

Financial liabilities are classified as current liabilities, except for those having maturity dates later than 12 months after the end of the reporting period which are classified as non-current.

#### 3.6.3 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 terms of a debt instrument.

Fair value arising from the issuance of financial guarantee contracts are classified as deferred income and are amortised to profit or loss using a straight-line method over the contractual period or, when there is no specified contractual period, recognised in profit or loss upon discharge of the guarantee. When settlement of a financial guarantee contract becomes probable, an estimate of the obligation is made. If the carrying value of the financial guarantee contract is lower than the obligation, the carrying value is adjusted to the obligation amount and accounted for as a provision.

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2015

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.6 Financial Instruments (Cont'd)

#### 3.6.4 Offsetting of financial instruments

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

#### 3.6.5 Derecognition

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

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expired. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

### 3.7 Impairment of Financial Assets

All financial assets (except for investment in subsidiaries) are assessed at the end of each reporting period whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. For an investment in an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment.

An impairment loss in respect of loans and receivables is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

An impairment loss in respect of unquoted equity instrument that is carried at cost is recognised in profit or loss and is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

### 3.8 Cash and Cash Equivalents

Cash comprises cash in hand, cash at bank and demand deposits. Cash equivalents are short term and highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value, against which bank overdraft balances, if any, are deducted.

### 3.9 Inventories

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

Cost of raw materials is determined on the first-in, first-out basis.

Cost of work-in-progress and finished goods includes materials, direct labour and attributable production overheads and is determined on the weighted average basis.

Cost of trading goods is determined on a first-in, first-out basis.

Net realisable value represents the estimated selling price less all estimated costs to completion and estimated costs to be incurred in marketing, selling and distribution.

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2015

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.10 Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

### 3.11 Income Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and to the Company and when the revenue can be reliably measured on the following bases:

- (a) Revenue from sale of goods is recognised when the significant risks and rewards of ownership have been transferred to the buyer.
- (b) Interest income is recognised on the accrual basis.

### 3.12 Employee Benefits

#### Short term benefits

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

#### Defined contribution plans

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

#### Share-based compensation

The Company's Employee Share Option Scheme ("ESOS"), an equity-settled, share-based compensation plan, allows the Group's employees to acquire ordinary shares of the Company. The total fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in the share option reserve within equity over the vesting period and taking into account the probability that the options will vest. The fair value of share options is measured at grant date, taking into account, if any, the market vesting conditions upon which the options were granted but excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable on vesting date.

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to become exercisable on vesting date. It recognises the impact of the revision of original estimates, if any, in the profit or loss, and a corresponding adjustment to equity over the remaining vesting period. The equity amount is recognised in the share option reserve until the option is exercised, upon which it will be transferred to share premium, or until the option expires, upon which it will be transferred directly to retained profits.

The proceeds received net of any directly attributable transaction costs are credited to equity when the options are exercised.

### 3.13 Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is necessary to complete and prepare the asset for its intended use or sale. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale 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.

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2015

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.13 Borrowing Costs (Cont'd)

Other borrowing costs are expensed 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.

### 3.14 Goods and Services Tax

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

Revenue, expenses and assets are recognised net of GST except:

- where the GST incurred in a purchase of asset or service is not recoverable from the 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 GST inclusive.

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

### 3.15 Income Tax

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

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

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the following temporary differences in respect of the initial recognition of goodwill and/or the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Unutilised reinvestment allowance and investment tax allowance, being tax incentives that is not a tax base of an asset, is recognised as a deferred tax asset to the extent that it is probable that future taxable profits will be available against which the unutilised tax incentive can be utilised.

### 3.16 Foreign Currency Translations

Transactions in foreign currencies are translated to the functional currency of the Group at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are translated to the functional currency at the exchange rate at that date.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.16 Foreign Currency Translations (Cont'd)

Non-monetary assets and liabilities measured at historical cost in a foreign currency at the end of the reporting period are translated to the functional currency at the exchange rate at the date of the transaction except for those measured at fair value shall be translated at the exchange rate at the date when the fair value was determined.

Exchange differences arising from the settlement of foreign currency transactions and from the translation of foreign currency monetary assets and liabilities are recognised in profit or loss.

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 or losses are recognised directly in other comprehensive income. Exchange differences arising from such non-monetary items are recognised directly in other comprehensive income.

### 3.17 Share Capital, Share Issuance Expenses and Dividends

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

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

Dividends on ordinary shares are accounted for in shareholder's equity as an appropriation of retained profits and recognised as a liability in the period in which they are declared.

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

Costs directly attributable to the issuance of instruments classified as equity are recognised as a deduction from equity.

### 3.18 Segment Reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenue and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's results are reviewed regularly by the chief operating decision maker, which in this case are the Executive Directors of the Company, to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

### 3.19 Contingencies

Where it is not probable that an inflow or an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the asset or the obligation is not recognised in the statements of financial position and is disclosed as a contingent asset or contingent liability, unless the probability of inflow or outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent assets or contingent liabilities unless the probability of inflow or outflow of economic benefits is remote.

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2015

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.20 Related Parties

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

- (a) A person or a close member of that person's family is related to the Group if that person:
- (i) Has control or joint control over the Group;
  - (ii) Has significant influence over the Group; or
  - (iii) Is a member of the key management personnel of the ultimate holding company of the Group, or of the Group.
- (b) An entity is related to the Group if any of the following conditions applies:
- (i) The entity and the Group are members of the same group.
  - (ii) One entity is an associate or joint venture of the other entity.
  - (iii) Both entities are joint ventures of the same third party.
  - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - (v) The entity is a post-employment benefit plan for the benefits of employees of either the Group or an entity related to the Group.
  - (vi) The entity is controlled or jointly-controlled by a person identified in (a) above.
  - (vii) A person identified in (a) (i) above has significant influence over the Group or is a member of the key management personnel of the ultimate holding company or the Group.
  - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2015

## 4. PROPERTY, PLANT AND EQUIPMENT

### GROUP

2015	Leasehold land RM	Freehold office lot RM	Plant and machinery RM	Office equipment, furniture and fittings RM	Electrical installation RM	Renovation RM	Motor vehicles RM	Total RM
Balance at beginning	6,315,010	687,389	36,692,573	3,026,897	796,565	3,288,285	2,236,113	53,042,832
Additions	-	-	7,943,011	381,616	24,751	432,555	717,256	9,499,189
Disposals	-	-	-	-	-	-	(113,313)	(113,313)
Balance at end	6,315,010	687,389	44,635,584	3,408,513	821,316	3,720,840	2,840,056	62,428,708
Balance at beginning	170,456	81,439	19,635,744	1,580,440	417,763	1,905,414	1,728,892	25,520,148
Current charge	174,655	13,748	3,636,251	358,536	73,293	312,669	219,616	4,788,768
Disposals	-	-	-	-	-	-	(113,312)	(113,312)
Balance at end	345,111	95,187	23,271,995	1,938,976	491,056	2,218,083	1,835,196	30,195,604
Accumulated impairment loss	-	-	468,239	-	-	-	-	468,239
Carrying amount	5,969,899	592,202	20,895,350	1,469,537	330,260	1,502,757	1,004,860	31,764,865

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2015

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

2014	Leasehold land RM	Freehold office lot RM	Plant and machinery RM	Office equipment, furniture and fittings RM	Electrical installation RM	Renovation RM	Motor vehicles RM	Total RM
At cost								
Balance at beginning	3,108,860	687,389	31,814,366	2,228,980	606,150	2,699,765	2,045,244	43,190,754
Additions	3,206,150	-	4,878,207	800,676	190,415	588,520	332,660	9,996,628
Disposals	-	-	-	-	-	-	(141,791)	(141,791)
Written off	-	-	-	(2,759)	-	-	-	(2,759)
Balance at end	6,315,010	687,389	36,692,573	3,026,897	796,565	3,288,285	2,236,113	53,042,832
Accumulated depreciation								
Balance at beginning	48,362	67,691	16,645,729	1,282,539	348,846	1,650,564	1,723,698	21,767,429
Current charge	122,094	13,748	2,990,015	300,401	68,917	254,850	146,984	3,897,009
Disposals	-	-	-	-	-	-	(141,790)	(141,790)
Written off	-	-	-	(2,500)	-	-	-	(2,500)
Balance at end	170,456	81,439	19,635,744	1,580,440	417,763	1,905,414	1,728,892	25,520,148
Accumulated impairment loss	-	-	468,239	-	-	-	-	468,239
Carrying amount	6,144,554	605,950	16,588,590	1,446,457	378,802	1,382,871	507,221	27,054,445

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2015

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

### GROUP

The leasehold land is pledged to a licensed bank for banking facility granted to a subsidiary.

The carrying amount of property, plant and equipment being acquired under finance lease are as follows:

	<b>2015</b>	2014
	<b>RM</b>	RM
Plant and machinery	<b>7,791,773</b>	7,311,119
Motor vehicles	<b>998,988</b>	473,237
	<b>8,790,761</b>	7,784,356

Leased assets are pledged as security for the related finance lease liabilities (Note 14).

### COMPANY

	<b>Office equipment, furniture and fittings</b>	
	<b>2015</b>	2014
	<b>RM</b>	RM
<b>At cost</b>	<b>1,750</b>	1,750
<b>Accumulated depreciation</b>		
Balance at beginning	<b>932</b>	757
Current charge	<b>175</b>	175
Balance at end	<b>1,107</b>	932
<b>Carrying amount</b>	<b>643</b>	818

## 5. INVESTMENT IN SUBSIDIARIES

	<b>COMPANY</b>	
	<b>2015</b>	2014
	<b>RM</b>	RM
Unquoted shares, at cost	<b>6,325,998</b>	6,325,998

Details of the subsidiaries which were all incorporated in Malaysia, are as follows:

<b>Name of Company</b>	<b>Effective Equity Interest</b>		<b>Principal Activities</b>
	<b>2015</b>	2014	
Morrissey Technology Sdn. Bhd.	<b>100%</b>	100%	Design and manufacture of precision miniature engineering metal parts and components.
Jingheng Electronic Precision Technology Sdn. Bhd.	<b>100%</b>	100%	Original design manufacturing of semiconductor light emitting diodes components and the related manufacturing activities are outsourced to reliable and reputable third parties.
Morrissey Assembly Solution Sdn. Bhd.	<b>60%</b>	60%	Manufacture and assembly of electronic components using surface-mount technology.

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2015

## 6. DEVELOPMENT COSTS

	GROUP	
	2015	2014
	RM	RM
<b>Development costs</b>		
Balance at beginning	<b>280,149</b>	1,923,393
Written off	-	(1,643,244)
Balance at end	<b>280,149</b>	280,149
<b>Accumulated amortisation</b>		
Balance at beginning	<b>207,612</b>	1,792,826
Current charge	<b>58,030</b>	58,030
Written off	-	(1,643,244)
Balance at end	<b>265,642</b>	207,612
<b>Carrying amount</b>	<b>14,507</b>	72,537

## 7. INVENTORIES

	GROUP	
	2015	2014
	RM	RM
Raw materials	<b>12,194,607</b>	10,647,101
Work-in-progress	<b>3,356,881</b>	2,358,701
Finished goods	<b>2,549,315</b>	1,435,125
Consumables	<b>846,803</b>	976,309
	<b>18,947,606</b>	15,417,236

The cost of inventories recognised in profit or loss for the financial year amounted to **RM112,098,658** (2014: RM67,213,183).

## 8. TRADE RECEIVABLES

	GROUP	
	2015	2014
	RM	RM
Analysis by currencies:		
Ringgit Malaysia	<b>18,119,863</b>	11,878,647
US Dollar	<b>21,631,867</b>	1,136,908
	<b>39,751,730</b>	13,015,555

The trade receivables are non-interest bearing and are generally on **30 to 90 days** (2014: 30 to 90 days) credit terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2015

## 9. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	GROUP		COMPANY	
	2015 RM	2014 RM	2015 RM	2014 RM
Other receivables	202,870	98,300	-	-
Refundable deposits	528,351	426,091	1,000	1,000
Non-refundable deposits	54,788	-	-	-
Prepayments	269,030	201,541	-	-
GST receivables	558,917	-	-	-
	<b>1,613,956</b>	<b>725,932</b>	<b>1,000</b>	<b>1,000</b>

## 10. AMOUNT DUE FROM SUBSIDIARIES

	COMPANY	
	2015 RM	2014 RM
Interest bearing @ 4% per annum	9,335,786	-
Non-interest bearing	-	8,302,337
	<b>9,335,786</b>	<b>8,302,337</b>

The amount due from subsidiaries is non-trade related, unsecured and is repayable on demand.

## 11. CASH AND CASH EQUIVALENTS

	GROUP		COMPANY	
	2015 RM	2014 RM	2015 RM	2014 RM
Short term funds with a licensed financial institution	2,642	2,568	2,642	2,568
Cash and bank balances	3,919,841	4,220,121	51,586	40,104
	<b>3,922,483</b>	<b>4,222,689</b>	<b>54,228</b>	<b>42,672</b>
Analysis by currencies:				
Ringgit Malaysia	2,334,615	3,765,767	54,228	42,672
US Dollar	1,587,868	456,922	-	-
	<b>3,922,483</b>	<b>4,222,689</b>	<b>54,228</b>	<b>42,672</b>

### GROUP AND COMPANY

Short term funds represent investments with maturity period of **less than 31 days** (2014: less than 31 days). The effective interest rate of short term funds at the end of the reporting period is **3.25%** (2014: 3.16%) per annum.

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2015

## 12. SHARE CAPITAL

	Number of ordinary shares of RM0.10 each		Amount	
	2015	2014	2015 RM	2014 RM
Authorised	<b>250,000,000</b>	250,000,000	<b>25,000,000</b>	25,000,000
Issued and fully paid	<b>123,000,000</b>	123,000,000	<b>12,300,000</b>	12,300,000

### Employee Share Option Scheme ("ESOS")

The Company's ESOS was approved by the Securities Commission ("SC") and the members on 17 May 2006 and 15 June 2006 respectively and would be in force for a duration of five years from 1 August 2006 until 31 July 2011. The directors have extended the ESOS for five years until 31 July 2016.

As at the end of the reporting period, no options were granted.

The salient features of the ESOS are as follows:

- (i) the aggregate number of options offered under the ESOS shall not exceed twenty per centum (20%) of the issued and paid-up share capital of the Company at any point in time during the duration of the ESOS or such additional number that may be permitted by the relevant authorities during the duration of the ESOS,
- (ii) an employee (including Executive Directors) shall be eligible to participate in the ESOS if the employee is at least eighteen (18) years of age on the date of offer; employed full time by and on the payroll of any company in the Group and must have been employed for a continuous period of at least two (2) years for executive employee and at least three (3) years for non-executive employee and his/her employment must have been confirmed on the date of offer,
- (iii) not more than fifty per centum (50%) of the shares available under the ESOS should be allocated, in aggregate, to directors and senior management of the Group. In addition, not more than ten per centum (10%) of the shares available under the ESOS should be allocated to any individual director or employee who, either singly or collectively through his/her associates, holds twenty per centum (20%) or more in the issued and paid-up share capital of the Company,
- (iv) the price at which the grantee is entitled to subscribe for each new share shall be the higher of a price which is at a discount of not more than ten per centum (10%) from the weighted average market price of the shares as shown in the daily official list issued by the Bursa Malaysia Securities Berhad for the five (5) market days immediately preceding the date of offer and the par value of the shares, or such adjustments in accordance with any prevailing guidelines issued by the Securities Commission or any other relevant authorities as amended from time to time,
- (v) the new shares to be issued and allotted upon any exercise of the option will upon allotment and issuance rank pari passu in all respect with the then existing issued shares except that the shares so issued will not be entitled for any dividend, rights, allotments or other distribution declared, made or paid to shareholders unless the shares so allotted have been credited into the relevant securities accounts maintained by the Bursa Malaysia Depository Sdn. Bhd. before the entitlement date and will be subject to all the provisions of the Articles of Association of the Company relating to the transfer, transmission and otherwise, and
- (vi) the ESOS shall come into force for a period of five (5) years from the date of confirmation by the adviser of the Company to the Securities Commission. The Company may, if the Board of Directors and the ESOS Committee deem fit, extend the ESOS for another five (5) years.

## 13. RETAINED PROFITS

### COMPANY

The franking of dividends of the Company is under the single tier system and therefore there is no restriction on the Company to distribute dividends subject to the availability of retained profits.

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2015

## 14. BORROWINGS

	GROUP	
	2015 RM	2014 RM
<b>Non-current liabilities</b>		
Finance lease liabilities	<b>4,280,443</b>	4,457,725
Term loans	<b>2,490,773</b>	2,768,462
	<b>6,771,216</b>	7,226,187
<b>Current liabilities</b>		
Bank overdraft	<b>1,139,585</b>	1,945,626
Bankers' acceptance	<b>5,050,000</b>	1,219,000
Invoice financing	<b>1,000,000</b>	998,647
Finance lease liabilities	<b>2,168,137</b>	1,632,045
Term loans	<b>281,575</b>	268,718
	<b>9,639,297</b>	6,064,036
<b>Total borrowings</b>	<b>16,410,513</b>	13,290,223

The borrowings (except for finance lease liabilities) are secured by way of:

- (i) Facility agreement;
- (ii) First party first legal charge over the leasehold land of a subsidiary; and
- (iii) Corporate guarantee of the Company.

The finance lease liabilities are secured over the leased assets (Note 4) and corporate guarantee of the Company.

A summary of the effective interest rates of the borrowings are as follows:

	Average effective interest rate per annum (%)	Total RM	Within one year RM	More than one year and less than two years RM	More than two years and less than five years RM	More than five years RM
<b>2015</b>						
Bank overdraft	6.85	1,139,585	1,139,585	-	-	-
Bankers' acceptance	4.92 to 5.08	5,050,000	5,050,000	-	-	-
Invoice financing	6.49	1,000,000	1,000,000	-	-	-
Finance lease liabilities	2.37 to 3.23	6,448,580	2,168,137	2,046,682	2,233,761	-
Term loans	4.75	2,772,348	281,575	295,245	974,553	1,220,975
<b>2014</b>						
Bank overdraft	6.85	1,945,626	1,945,626	-	-	-
Bankers' acceptance	4.59 to 4.79	1,219,000	1,219,000	-	-	-
Invoice financing	5.08	998,647	998,647	-	-	-
Finance lease liabilities	2.35 to 3.23	6,089,770	1,632,045	1,709,956	2,307,268	440,501
Term loans	4.75	3,037,180	268,718	281,764	930,054	1,556,644

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2015

## 15. DEFERRED TAX LIABILITIES

	GROUP	
	2015 RM	2014 RM
Balance at beginning	964,168	860,000
Transfer to profit or loss	148,004	130,168
	<b>1,112,172</b>	990,168
Over provision in prior year	<b>(32,000)</b>	(26,000)
Balance at end	<b>1,080,172</b>	964,168

The components of deferred tax liabilities of the Group as at the end of the reporting period are as follows:

	GROUP	
	2015 RM	2014 RM
Excess of capital allowances over depreciation on property, plant and equipment	1,116,000	1,528,000
Unabsorbed reinvestment allowance	-	(498,000)
Inventories - tax effect on unrealised profit	<b>(35,828)</b>	(65,832)
	<b>1,080,172</b>	964,168

## 16. TRADE PAYABLES

	GROUP	
	2015 RM	2014 RM
Analysis by currencies:		
Ringgit Malaysia	10,475,087	7,835,776
US Dollar	19,671,971	6,672,050
Singapore Dollar	301,888	211,300
Taiwan Dollar	35,968	-
	<b>30,484,914</b>	14,719,126

The trade payables are non-interest bearing and are normally settled within **30 to 90 days** (2014: 30 to 90 days) term.

## 17. OTHER PAYABLES AND ACCRUALS

	GROUP		COMPANY	
	2015 RM	2014 RM	2015 RM	2014 RM
Other payables	6,986,484	1,706,144	-	-
Accruals	3,575,711	1,137,846	40,480	32,000
GST payables	404,461	-	-	-
	<b>10,966,656</b>	2,843,990	<b>40,480</b>	32,000

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2015

## 17. OTHER PAYABLES AND ACCRUALS (CONT'D)

	GROUP		COMPANY	
	2015 RM	2014 RM	2015 RM	2014 RM
Analysis by currencies:				
Ringgit Malaysia	<b>6,056,063</b>	2,714,053	<b>40,480</b>	32,000
Singapore Dollar	<b>26,531</b>	30,067	-	-
US Dollar	<b>4,884,062</b>	92,812	-	-
Japanese Yen	-	7,058	-	-
	<b>10,966,656</b>	2,843,990	<b>40,480</b>	32,000

## 18. REVENUE

	GROUP		COMPANY	
	2015 RM	2014 RM	2015 RM	2014 RM
Gross dividend income from a subsidiary	-	-	<b>1,000,000</b>	-
Invoiced value of goods sold less returns and discounts	<b>131,339,690</b>	71,826,493	-	-
Interest income	<b>74</b>	72	<b>323,523</b>	116,035
	<b>131,339,764</b>	71,826,565	<b>1,323,523</b>	116,035

## 19. PROFIT/(LOSS) BEFORE TAXATION

This is arrived at:

	GROUP		COMPANY	
	2015 RM	2014 RM	2015 RM	2014 RM
After charging:				
Amortisation of development costs	<b>58,030</b>	58,030	-	-
Audit fee - current year	<b>53,000</b>	48,000	<b>18,000</b>	18,000
- under provision in prior year	-	3,000	-	3,000
Depreciation	<b>4,788,768</b>	3,897,009	<b>175</b>	175
Directors' allowance for non-executive directors	<b>6,000</b>	5,500	<b>6,000</b>	5,500
Directors' fee for non-executive directors	<b>72,000</b>	72,000	<b>72,000</b>	72,000
Interest expense on:				
- Bank overdraft	<b>103,272</b>	80,637	-	-
- Bankers' acceptance	<b>172,001</b>	16,405	-	-
- Invoice financing	<b>36,383</b>	30,572	-	-
- Finance lease	<b>346,207</b>	121,982	-	-
- Term loans	<b>143,597</b>	98,754	-	-

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2015

## 19. PROFIT/(LOSS) BEFORE TAXATION (CONT'D)

	GROUP		COMPANY	
	2015 RM	2014 RM	2015 RM	2014 RM
Property, plant and equipment written off	-	259	-	-
Realised loss on foreign exchange	<b>2,235,083</b>	68,098	-	-
Rental of premises	<b>691,200</b>	633,870	-	-
Rental of machinery	<b>206,076</b>	52,460	-	-
* Staff costs	<b>20,907,364</b>	14,363,471	-	-
Unrealised loss on foreign exchange	-	206,950	-	-
And crediting:				
Gain on disposal of property, plant and equipment	-	46,999	-	-
Interest income	<b>3,863</b>	1,451	<b>323,523</b>	116,035
Realised gain on foreign exchange	<b>476,760</b>	96,921	-	-
Unrealised gain on foreign exchange	<b>406,929</b>	-	-	-
<b>* Staff costs</b>				
- Salaries, allowance, bonus and wages	<b>19,139,901</b>	13,018,211	-	-
- EPF	<b>1,574,065</b>	1,197,269	-	-
- SOCSO	<b>193,398</b>	147,991	-	-
	<b>20,907,364</b>	14,363,471	-	-

### Directors' emoluments

Included in the staff costs of the Group and of the Company are directors' emoluments as shown below:

#### Directors of the Company

	GROUP		COMPANY	
	2015 RM	2014 RM	2015 RM	2014 RM
Executive Directors:				
- Salary, allowance and bonus	<b>1,031,062</b>	1,188,888	-	-
- EPF	<b>155,151</b>	117,135	-	-
	<b>1,186,213</b>	1,306,023	-	-
Benefits-in-kind	<b>40,133</b>	42,308	-	-
	<b>1,226,346</b>	1,348,331	-	-

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2015

## 20. TAXATION

	GROUP		COMPANY	
	2015 RM	2014 RM	2015 RM	2014 RM
Malaysian income tax:				
Based on results for the financial year				
- Current tax	<b>(1,938,000)</b>	(277,500)	<b>(55,000)</b>	(4,500)
- Deferred tax relating to the origination and reversal of temporary differences	<b>(148,004)</b>	(130,168)	-	-
	<b>(2,086,004)</b>	(407,668)	<b>(55,000)</b>	(4,500)
Over provision in prior year				
- Current tax	<b>13,667</b>	16,002	<b>728</b>	-
- Deferred tax	<b>32,000</b>	26,000	-	-
	<b>45,667</b>	42,002	<b>728</b>	-
	<b>(2,040,337)</b>	(365,666)	<b>(54,272)</b>	(4,500)

The reconciliation of tax expense of the Group and of the Company is as follows:

	GROUP		COMPANY	
	2015 RM	2014 RM	2015 RM	2014 RM
Profit/(Loss) before taxation	<b>9,001,842</b>	(1,738,352)	<b>1,050,122</b>	(59,827)
Income tax at Malaysian statutory tax rate of 25%	<b>(2,250,461)</b>	434,588	<b>(262,531)</b>	14,957
Income not subject to tax	<b>133,845</b>	15,113	<b>250,018</b>	18
Expenses not deductible for tax purposes	<b>(498,366)</b>	(468,552)	<b>(42,487)</b>	(19,475)
Utilisation of unabsorbed capital allowances	<b>360,092</b>	427,086	-	-
Deferred tax movements not recognised	<b>163,982</b>	(858,980)	-	-
Current year reinvestment allowance	-	34,977	-	-
Changes in tax rate	<b>4,904</b>	8,100	-	-
	<b>(2,086,004)</b>	(407,668)	<b>(55,000)</b>	(4,500)
Over provision in prior year	<b>45,667</b>	42,002	<b>728</b>	-
	<b>(2,040,337)</b>	(365,666)	<b>(54,272)</b>	(4,500)

### GROUP

The net deferred tax (assets)/liabilities which have not been recognised are represented by gross temporary differences arising from:

	2015 RM	2014 RM
Excess of capital allowances over depreciation of property, plant and equipment	<b>2,570,504</b>	603,278
Unabsorbed tax losses	<b>(2,976,932)</b>	(3,371,481)
Unabsorbed capital allowances	<b>(2,982,376)</b>	(2,716,900)
	<b>(3,388,804)</b>	(5,485,103)

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2015

## 20. TAXATION (CONT'D)

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

## 21. BASIC EARNINGS/(LOSS) PER SHARE

### GROUP

#### (a) Basic earnings/(loss) per share

The basic earnings/(loss) per share is calculated by dividing the profit/(loss) attributable to owners of the Company by the weighted average number of ordinary shares in issue during the financial year as follows:

	2015	2014
Profit/(Loss) for the year (RM)	<u>6,452,524</u>	<u>(1,120,173)</u>
Weighted average number of ordinary shares of RM0.10 each	<u>123,000,000</u>	<u>123,000,000</u>
Basic earnings/(loss) per share (sen)	<u>5.24</u>	<u>(0.91)</u>

#### (b) Diluted earnings/(loss) per share

There is no diluted earnings/(loss) per share as the Company does not have any equity convertible financial instruments as at the end of the reporting period.

## 22. CAPITAL COMMITMENTS

	GROUP	
	2015	2014
	RM	RM
Contracted and not provided for:		
- Property, plant and equipment	<u>909,798</u>	-

## 23. CONTINGENT LIABILITIES (UNSECURED)

	COMPANY	
	2015	2014
	RM	RM
Corporate guarantee extended to financial institutions for credit facilities granted to its subsidiaries		
- Limit	<u>20,406,323</u>	<u>15,708,597</u>
- Utilisation as at the end of the reporting period	<u>16,057,812</u>	<u>13,520,073</u>

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

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2015

## 24. RELATED PARTY DISCLOSURES

	<b>COMPANY</b>	
	<b>2015</b>	2014
	<b>RM</b>	RM
(i) <b>Related party transaction</b>		
Interest charged to a subsidiary	<b>323,449</b>	115,963

### (ii) **Compensation of key management personnel**

The remuneration of directors and other members of key management during the financial year is as follows:

	<b>GROUP</b>		<b>COMPANY</b>	
	<b>2015</b>	2014	<b>2015</b>	2014
	<b>RM</b>	RM	<b>RM</b>	RM
Salaries and other short-term employee benefits	<b>1,304,346</b>	1,425,831	<b>78,000</b>	77,500

Key management personnel are those persons including directors having authority and responsibility for planning, directing and controlling the activities of the Group and of the Company, directly or indirectly.

## 25. OPERATING SEGMENT

Operating segment is presented in respect of the Group's business segments. The primary format and business segments are based on the Group's management and internal reporting structure. Inter-segment pricing is determined based on negotiated terms.

Segment results and assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

### **Business Segments**

The Group comprises the following main business segments:

- |                         |   |
|-------------------------|---|
| (i) Electronic products | Manufacturing and assembling of components related to High Brightness Light Emitting Diode ('HB LED'), Direct Current ('DC') micromotor components, fine pitch connector pins and other electronic components and products. |
| (ii) Investment holding | Investment holding.   |

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2015

## 25. OPERATING SEGMENT (CONT'D)

### By business segments

2015

	Electronic products RM	Investment holding RM	Elimination RM	Note	Total RM
<b>Revenue</b>					
External customers	<b>131,339,690</b>	<b>74</b>	-		<b>131,339,764</b>
<b>Results</b>					
Segment results	<b>10,072,766</b>	<b>(273,327)</b>	-		<b>9,799,439</b>
Interest income	<b>3,789</b>	<b>74</b>	-		<b>3,863</b>
Interest expense	<b>(801,460)</b>	-	-		<b>(801,460)</b>
Profit/(Loss) before taxation	<b>9,275,095</b>	<b>(273,253)</b>	-		<b>9,001,842</b>
Taxation	<b>(1,986,065)</b>	<b>(54,272)</b>	-		<b>(2,040,337)</b>
Profit/(Loss) for the year, representing total comprehensive income/(loss) for the year	<b>7,289,030</b>	<b>(327,525)</b>	-		<b>6,961,505</b>
<b>Assets</b>					
Segment assets	<b>119,841,053</b>	<b>15,663,427</b>	<b>(43,411,816)</b>		<b>92,092,664</b>
Cash and cash equivalents	<b>3,868,255</b>	<b>54,228</b>	-		<b>3,922,483</b>
Total assets	<b>123,709,308</b>	<b>15,717,655</b>	<b>(43,411,816)</b>		<b>96,015,147</b>
<b>Liabilities</b>					
Segment liabilities	<b>78,496,908</b>	<b>40,480</b>	<b>(37,085,818)</b>		<b>41,451,570</b>
Borrowings	<b>16,410,513</b>	-	-		<b>16,410,513</b>
Provision for taxation	<b>1,288,000</b>	<b>45,000</b>	-		<b>1,333,000</b>
Deferred tax liabilities	<b>1,080,172</b>	-	-		<b>1,080,172</b>
Total liabilities	<b>97,275,593</b>	<b>85,480</b>	<b>(37,085,818)</b>		<b>60,275,255</b>
<b>Other segment information</b>					
Capital expenditure	<b>9,499,189</b>	-	-	A	<b>9,499,189</b>
Depreciation and amortisation	<b>4,846,623</b>	<b>175</b>	-		<b>4,846,798</b>
Non-cash income other than depreciation and amortisation	<b>(406,929)</b>	-	-	B	<b>(406,929)</b>

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2015

## 25. OPERATING SEGMENT (CONT'D)

2014

	Electronic products RM	Investment holding RM	Elimination RM	Note	Total RM
Revenue					
External customers	71,826,493	72	-		71,826,565
Results					
Segment results	(1,215,591)	(175,862)	-		(1,391,453)
Interest income	1,379	72	-		1,451
Interest expense	(348,350)	-	-		(348,350)
Loss before taxation	(1,562,562)	(175,790)	-		(1,738,352)
Taxation	(361,166)	(4,500)	-		(365,666)
Loss for the year, representing total comprehensive loss for the year	(1,923,728)	(180,290)	-		(2,104,018)
Assets					
Segment assets	62,937,407	14,630,153	(21,281,855)		56,285,705
Tax recoverable	92,000	-	-		92,000
Cash and cash equivalents	4,180,017	42,672	-		4,222,689
Total assets	67,209,424	14,672,825	(21,281,855)		60,600,394
Liabilities					
Segment liabilities	32,147,770	32,000	(14,616,654)		17,563,116
Borrowings	13,290,223	-	-		13,290,223
Provision for taxation	-	4,500	-		4,500
Deferred tax liabilities	964,168	-	-		964,168
Total liabilities	46,402,161	36,500	(14,616,654)		31,822,007
Other segment information					
Capital expenditure	9,996,628	-	-	A	9,996,628
Depreciation and amortisation	3,954,864	175	-		3,955,039
Non-cash expense other than depreciation and amortisation	160,210	-	-	B	160,210

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2015

## 25. OPERATING SEGMENT (CONT'D)

Notes to segment information:

A. Additions to non-current assets consist of:

	<b>2015</b>	2014
	<b>RM</b>	RM
Property, plant and equipment	<b>9,499,189</b>	9,996,628

B. Other material non-cash (income)/expense consist of the following items:

	<b>2015</b>	2014
	<b>RM</b>	RM
Gain on disposal of property, plant and equipment	-	(46,999)
Property, plant and equipment written off	-	259
Unrealised (gain)/loss on foreign exchange	<b>(406,929)</b>	206,950
	<b>(406,929)</b>	160,210

### Geographical Segments

Revenue and non-current assets information based on the geographical location of customers and assets respectively are as follows:

	<b>Revenue</b>		<b>Non-current assets</b>	
	<b>2015</b>	2014	<b>2015</b>	2014
	<b>RM</b>	RM	<b>RM</b>	RM
Malaysia	<b>118,793,160</b>	67,912,587	<b>31,597,315</b>	26,944,925
People's Republic of China	<b>330,747</b>	222,617	<b>182,057</b>	182,057
United States of America	<b>3,599,900</b>	3,540,421	-	-
Singapore	<b>8,615,957</b>	150,940	-	-
	<b>131,339,764</b>	71,826,565	<b>31,779,372</b>	27,126,982

### Information about major customers

Total revenue from major customers which individually contributed more than 10% of the Group revenue amounted to **RM101,260,317** (2014: RM54,262,059).

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2015

## 26. FINANCIAL INSTRUMENTS

### 26.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised as loans and receivables ("L&R") and financial liabilities measured at amortised cost ("FL").

GROUP	Carrying amount RM	L&R RM	FL RM
<b>2015</b>			
<b>Financial assets</b>			
Trade receivables	39,751,730	39,751,730	-
Other receivables and refundable deposits	1,290,138	1,290,138	-
Cash and cash equivalents	3,922,483	3,922,483	-
	<b>44,964,351</b>	<b>44,964,351</b>	<b>-</b>
<b>Financial liabilities</b>			
Borrowings	16,410,513	-	16,410,513
Trade payables	30,484,914	-	30,484,914
Other payables and accruals	10,966,656	-	10,966,656
	<b>57,862,083</b>	<b>-</b>	<b>57,862,083</b>
<b>2014</b>			
<b>Financial assets</b>			
Trade receivables	13,015,555	13,015,555	-
Other receivables and refundable deposits	524,391	524,391	-
Cash and cash equivalents	4,222,689	4,222,689	-
	<b>17,762,635</b>	<b>17,762,635</b>	<b>-</b>
<b>Financial liabilities</b>			
Borrowings	13,290,223	-	13,290,223
Trade payables	14,719,126	-	14,719,126
Other payables and accruals	2,843,990	-	2,843,990
	<b>30,853,339</b>	<b>-</b>	<b>30,853,339</b>

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2015

## 26. FINANCIAL INSTRUMENTS (CONT'D)

### 26.1 Categories of financial instruments (Cont'd)

	Carrying amount RM	L&R RM	FL RM
<b>COMPANY</b>			
<b>2015</b>			
<b>Financial assets</b>			
Sundry deposit	1,000	1,000	-
Amount due from subsidiaries	9,335,786	9,335,786	-
Cash and cash equivalents	54,228	54,228	-
	<b>9,391,014</b>	<b>9,391,014</b>	<b>-</b>
<b>Financial liabilities</b>			
Accruals	40,480	-	40,480
<b>2014</b>			
<b>Financial assets</b>			
Sundry deposit	1,000	1,000	-
Amount due from subsidiaries	8,302,337	8,302,337	-
Cash and cash equivalents	42,672	42,672	-
	<b>8,346,009</b>	<b>8,346,009</b>	<b>-</b>
<b>Financial liabilities</b>			
Accruals	32,000	-	32,000

### 26.2 Financial risk management

The Group and the Company are exposed to a variety of financial risks arising from their operations. The key financial risks include credit risk, liquidity risk, interest rate risk and foreign currency risk. The Group and the Company operate within clearly defined guidelines that are approved by the Board and the Group's policy is not to engage in speculative activities.

### 26.3 Credit risk

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group's exposure to credit risk arises principally from its trade receivables while the Company's exposure to credit risk arises principally from advances and financial guarantees given to its subsidiaries.

#### 26.3.1 Trade receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The Group gives its existing customers credit terms ranging from 30 to 90 days. In deciding whether credit shall be extended, the Group will take into consideration factors such as the relationship with the customer, its payment history and credit worthiness. The Group subjects new customers to credit verification procedures. In addition, receivables balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2015

## 26. FINANCIAL INSTRUMENTS (CONT'D)

### 26.3.1 Trade receivables (Cont'd)

The maximum exposure to credit risk arising from trade receivables is represented by the carrying amounts in the statement of the financial position.

The ageing analysis of the Group's trade receivables is as follows:

	2015 RM	2014 RM
Not past due	<b>26,137,853</b>	12,339,914
1 to 30 days past due	<b>4,147,503</b>	652,752
31 to 60 days past due	<b>3,187,665</b>	22,889
61 to 90 days past due	<b>5,856,396</b>	-
Past due more than 90 days	<b>422,313</b>	-
	<b>13,613,877</b>	675,641
	<b>39,751,730</b>	13,015,555

Trade receivables that were past due but not impaired are creditworthy customers with good payment record with the Group. None of the Group's trade receivables that were past due but not impaired have been renegotiated during the financial year.

The Group has trade receivables amounting to **RM13,613,877** (2014: RM675,641) that were past due but not impaired as the management is of the view that these debts will be collected in due course.

As at the end of the reporting period, the Group has significant concentration of credit risk in the form of outstanding balance due from **4 customers** (2014: 1 customer) representing **92%** (2014: 79%) of the total trade receivables.

### 26.3.2 Intercompany balances

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

The maximum exposure to credit risk is represented by its carrying amount in the statement of financial position.

As at the end of the reporting period, there was no indication that the advances to its subsidiaries are not recoverable. The Company does not specifically monitor the ageing of the advances to its subsidiaries.

### 26.3.3 Financial guarantees

The Company provides unsecured financial guarantees to banks in respect of borrowings granted to its subsidiaries.

The Company monitors on an ongoing basis the results of the subsidiaries and repayments made by them.

The maximum exposure to credit risk is as disclosed in Note 14, representing the outstanding borrowings of the subsidiaries at the end of the reporting period.

As at the end of the reporting period, there was no indication that the subsidiaries would default on repayment.

The financial guarantees have not been recognised as per the explanation disclosed in Note 23.

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2015

## 26. FINANCIAL INSTRUMENTS (CONT'D)

### 26.4 Liquidity risk

Liquidity risk is the risk that the Group and the Company will not be able to meet their financial obligations as and when they fall due. The Group and the Company actively manages their debt maturity profile, operating cash flows and availability of funding so as to ensure that all repayment and funding needs are met. As part of its overall prudent liquidity management, the Group and the Company maintains sufficient levels of cash and cash equivalents to meet their working capital requirements.

The table below summarises the maturity profile of the Group's and of the Company's financial liabilities as at the end of the reporting period are based on the undiscounted contractual payments:

	Carrying amount RM	Contractual cash flows RM	Within one year RM	More than one year and less than two years RM	More than two years and less than five years RM	More than five years RM
<b>GROUP</b>						
<b>2015</b>						
<i>Non-derivative financial liabilities</i>						
Borrowings	16,410,513	17,607,479	10,077,971	2,637,776	3,571,937	1,319,795
Trade and other payables	41,451,570	41,451,570	41,451,570	-	-	-
	<b>57,862,083</b>	<b>59,059,049</b>	<b>51,529,541</b>	<b>2,637,776</b>	<b>3,571,937</b>	<b>1,319,795</b>
2014						
<i>Non-derivative financial liabilities</i>						
Borrowings	13,290,223	14,704,941	6,517,229	2,328,430	3,688,309	2,170,973
Trade and other payables	17,563,116	17,563,116	17,563,116	-	-	-
	<b>30,853,339</b>	<b>32,268,057</b>	<b>24,080,345</b>	<b>2,328,430</b>	<b>3,688,309</b>	<b>2,170,973</b>
<b>COMPANY</b>						
<b>2015</b>						
<i>Non-derivative financial liabilities</i>						
Other payables	40,480	40,480	40,480	-	-	-
Financial guarantee	-	16,057,812	16,057,812	-	-	-
	<b>40,480</b>	<b>16,098,292</b>	<b>16,098,292</b>	<b>-</b>	<b>-</b>	<b>-</b>
2014						
<i>Non-derivative financial liabilities</i>						
Other payables	32,000	32,000	32,000	-	-	-
Financial guarantee	-	13,520,073	13,520,073	-	-	-
	<b>32,000</b>	<b>13,552,073</b>	<b>13,552,073</b>	<b>-</b>	<b>-</b>	<b>-</b>

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2015

## 26. FINANCIAL INSTRUMENTS (CONT'D)

### 26.5 Interest rate risk

The Group's and the Company's fixed rate instruments are exposed to a risk of change in their fair value due to changes in interest rates. The Group's floating rate instruments are exposed to a risk of change in cash flows due to changes in interest rates.

The interest rate profile of the Group's and the Company's interest-bearing financial instruments based on the carrying amount as at the end of the reporting period is as follows:

	2015 RM	2014 RM
<b>GROUP</b>		
<b>Fixed rate instruments</b>		
Financial assets	2,642	2,568
Financial liabilities	<b>6,448,580</b>	6,089,770
<b>Floating rate instruments</b>		
Financial liabilities	<b>9,961,933</b>	7,200,453
<b>COMPANY</b>		
<b>Fixed rate instruments</b>		
Financial assets	<b>9,338,428</b>	2,568

### Sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial instruments at fair value through profit or loss, and the Group does not designate derivatives as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

### Cash flow sensitivity analysis for variable rate instruments

An increase of 25 basis point at the end of the reporting period would have decreased in profit before taxation by **RM21,329** (2014: RM10,520) and a corresponding decrease would have an equal but opposite effect. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

### 26.6 Foreign currency risk

The Group is exposed to foreign currency risk on sales and purchases that are denominated in currencies other than the functional currency of the Group. The Group also holds cash and bank balances denominated in foreign currencies for working capital purposes. The currencies giving rise to this risk are primarily US Dollar ("USD"), Singapore Dollar ("SGD") and Japanese Yen ("JPY").

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2015

## 26. FINANCIAL INSTRUMENTS (CONT'D)

### 26.6 Foreign currency risk (Cont'd)

The Group's exposure to foreign currency risk, based on carrying amounts as at the end of the reporting period are as follows:

	Denominated in		
	USD RM	SGD RM	JPY RM
<b>GROUP</b>			
<b>2015</b>			
Trade receivables	21,631,867	-	-
Cash and bank balances	1,587,868	-	-
Trade payables	(19,671,971)	(301,888)	(35,968)
Other payables	(4,884,062)	(26,531)	-
Net exposure	<b>(1,336,298)</b>	<b>(328,419)</b>	<b>(35,968)</b>
<b>2014</b>			
Trade receivables	1,136,908	-	-
Cash and bank balances	456,922	-	-
Trade payables	(6,672,050)	(211,300)	-
Other payables	(92,812)	(30,067)	(7,058)
Net exposure	<b>(5,171,032)</b>	<b>(241,367)</b>	<b>(7,058)</b>

### Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity to a reasonably possible change in the foreign currencies exchange rates (against Ringgit Malaysia), with all other variables held constant, of the Group's profit before taxation. A 10% strengthening of the RM against the following currencies at the end of the reporting period would have increased profit before taxation by the amount shown below and a corresponding weakening would have an equal but opposite effect.

	2015 RM	2014 RM
USD	133,630	517,103
SGD	32,842	24,137
JPY	3,597	706
Increase in profit before taxation	<b>170,069</b>	541,946

### 26.7 Fair value information

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

The carrying amount of the non-current portion of borrowings is reasonable approximation of fair value due to the insignificant impact of discounting.

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2015

## 27. CAPITAL MANAGEMENT

The primary objective of the Group's capital management policy is to maintain a strong capital base to support its businesses and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions or expansion of the Group. The Group may adjust the capital structure by issuing new shares, returning capital to shareholders or adjusting the amount of dividends to be paid to shareholders or sell assets to reduce debts. No changes were made in the objective, policy and process during the financial year under review as compared to previous financial year.

As at the end of the reporting period, the Group has not breached any of the debt covenants imposed by its lenders.

## 28. SUBSEQUENT EVENT

On 26 February 2016, the shareholders of the Company had approved the proposed special bumiputera issue of up to 21,100,000 new ordinary shares of RM0.10 each to bumiputera investors to be identified and/or approved by the Ministry of International Trade and Industry.

# SUPPLEMENTARY INFORMATION DISCLOSED PURSUANT TO BURSA MALAYSIA SECURITIES BERHAD LISTING REQUIREMENTS

Bursa Malaysia Securities Berhad has, on 25 March 2010 and 20 December 2010, issued directives requiring all listed corporations to disclose the breakdown of retained profits or accumulated losses into realised and unrealised on group and company basis, as the case may be, in quarterly reports and annual audited financial statements.

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

	GROUP		COMPANY	
	2015 RM	2014 RM	2015 RM	2014 RM
Total retained profits/(accumulated losses) of the Company and its subsidiaries:				
- Realised	<b>26,338,344</b>	19,969,727	<b>378,728</b>	(617,122)
- Unrealised	<b>(673,243)</b>	(1,171,118)	-	-
	<b>25,665,101</b>	18,798,609	<b>378,728</b>	(617,122)
Less: Consolidation adjustments	<b>(4,633,766)</b>	(4,219,798)	-	-
	<b>21,031,335</b>	14,578,811	<b>378,728</b>	(617,122)

## LIST OF PROPERTIES



<b>Title/Location</b>	<b>Date of Acquisition</b>	<b>Description</b>	<b>Built-up Area / Land area</b>	<b>Existing Use</b>	<b>Tenure</b>	<b>Approximate Age of Buildings</b>	<b>Carrying Amount as at 31/12/2015 RM</b>
15-1-20 & 15-1-21, Bayan Point, Medan Kampung Relau, 11900 Penang	18.09.2006	Office Lot	2,132 sq. ft.	Sales and administration office	Freehold	17 years	357,202
15-1-22, Bayan Point, Medan Kampung Relau, 11900 Penang	10.10.2012	Office Lot	1,066 sq. ft.	Sales and administration office	Freehold	17 years	235,000
HS(D) 123209 PT 98613 Bandar Sungai Petani Daerah Kuala Muda, Kedah Darul Aman	18.02.2013	Industrial Land	197,998 sq. ft.	Vacant	Leasehold for 60 years expiring on 4/3/2050	N/A	2,891,254
HS(D) 123210 PT 98614 Bandar Sungai Petani Daerah Kuala Muda, Kedah Darul Aman	31.12.2013	Industrial Land	194,058 sq. ft.	Vacant	Leasehold for 60 years expiring on 4/3/2050	N/A	3,078,645

# ANALYSIS OF SHAREHOLDINGS

AS AT 1 APRIL 2016

Authorised Share Capital	:	RM25,000,000.00
Issued and fully paid-up Share Capital	:	RM12,300,000.00
Class of Shares	:	Ordinary shares of RM0.10 each
Voting Rights	:	On a show of hands, 1 vote
	:	On a poll, 1 vote for 1 ordinary share

## LIST OF SUBSTANTIAL SHAREHOLDERS OF THE COMPANY

Name	----- Number of Shares Held ----->			
	Direct	%	Deemed	%
Dato' Tan King Seng	42,707,379	34.721	3,143,495*	2.556
Noble Matters Sdn. Bhd.	30,445,863	24.753	-	-
Cheah Choon Ghee	3,207,500	2.608	30,445,863#	24.753
Ong Hock Seong	7,650	0.006	30,445,863#	24.753

Note :

\* Deemed interested by virtue of his shareholdings of not less than 15% in First Share Sdn. Bhd. pursuant to Section 6A of the Companies Act, 1965

# Deemed interested by virtue of his shareholdings of not less than 15% in Noble Matters Sdn. Bhd. pursuant to Section 6A of the Companies Act, 1965

## DIRECTORS' SHAREHOLDINGS IN THE COMPANY

Name	----- Number of Shares Held ----->			
	Direct	%	Deemed	%
Dato' Tan King Seng	42,707,379	34.721	3,143,495*	2.556
Ooi Yeok Hock	2,898,638	2.357	-	-
Tan Chin Hong	3,105,496	2.525	-	-
Loh Chye Teik	-	-	-	-
Teoh Yee Shien	-	-	-	-
Dato' Dr. Loh Hock Hun	-	-	-	-
Cheah Choon Ghee	3,207,500	2.608	30,445,863#	24.753
Khor Thean Lee	500,000	0.407	-	-

Note :

\* Deemed interested by virtue of his shareholdings of not less than 15% in First Share Sdn. Bhd. pursuant to Section 6A of the Companies Act, 1965

# Deemed interested by virtue of his shareholdings of not less than 15% in Noble Matters Sdn. Bhd. pursuant to Section 6A of the Companies Act, 1965

## ANALYSIS BY SIZE OF SHAREHOLDINGS

Size of shareholdings	Number of Shareholders	% of Shareholders	Number of Shares	% of Shares
Less than 100 shares	21	1.378	817	0.001
100 to 1,000 shares	670	43.963	140,100	0.114
1,001 to 10,000 shares	411	26.969	2,503,050	2.035
10,001 to 100,000 shares	356	23.360	11,923,200	9.694
100,001 to less than 5% of issued shares	64	4.199	35,279,591	28.682
5% and above of issued shares	2	0.131	73,153,242	59.474
<b>Total</b>	<b>1,524</b>	<b>100.00</b>	<b>123,000,000</b>	<b>100.00</b>

# ANALYSIS OF SHAREHOLDINGS (cont'd)

AS AT 1 APRIL 2016

## LIST OF THIRTY LARGEST SHAREHOLDERS

NAME	NO. OF SHARES HELD	%
1. NOBLE MATTERS SDN. BHD.	19,910,034	16.187
2. TAN KING SENG	11,250,000	9.146
3. TAN KING SENG	11,250,000	9.146
4. TAN KING SENG	11,250,000	9.146
5. NOBLE MATTERS SDN. BHD.	10,535,829	8.566
6. TAN KING SENG	8,957,379	7.282
7. CHEAH CHOON GHEE	3,207,500	2.608
8. MALACCA EQUITY NOMINEES (TEMPATAN) SDN. BHD. <i>EXEMPT AN FOR PHILLIP CAPITAL MANAGEMENT SDN. BHD. (EPF)</i>	3,174,600	2.581
9. TAN CHIN HONG	3,105,496	2.525
10. LIM LENG NA	2,650,000	2.154
11. LPI PRECISION INDUSTRY (M) SDN. BHD.	2,215,800	1.801
12. ALLIANCEGROUP NOMINEES (TEMPATAN) SDN. BHD. <i>PLEDGED SECURITIES ACCOUNT FOR KONG KOK CHOY (8092812)</i>	1,700,000	1.382
13. FIRST SHARE SDN. BHD.	1,660,100	1.350
14. FIRST SHARE SDN. BHD.	1,483,395	1.206
15. RHB CAPITAL NOMINEES (TEMPATAN) SDN. BHD. <i>PLEDGED SECURITIES ACCOUNT FOR FONG SILING (CEB)</i>	1,000,000	0.813
16. TAN KA LIAN	853,500	0.694
17. HLIB NOMINEES (TEMPATAN) SDN. BHD. <i>PLEDGED SECURITIES ACCOUNT FOR TAN HWANG KIAT (CCTS)</i>	767,600	0.624
18. CHEOK SWEE BENG	750,150	0.610
19. MAYBANK NOMINEES (TEMPATAN) SDN. BHD. <i>SAW KONG BENG</i>	546,700	0.444
20. CHONG KAH AN	505,000	0.411
21. KHOR THEAN LEE	500,000	0.407
22. TAM LEY CHIAN	497,450	0.404
23. TEY YEE YEE	440,000	0.358
24. TAN HUA LEE	437,500	0.356
25. RHB CAPITAL NOMINEES (TEMPATAN) SDN. BHD. <i>PLEDGED SECURITIES ACCOUNT FOR FONG JONG HAN (CEB)</i>	400,000	0.325
26. OW HIANG KEE	378,000	0.307
27. AMSEC NOMINEES (TEMPATAN) SDN. BHD. <i>PLEDGED SECURITIES ACCOUNT FOR HONG POH YUNG</i>	360,700	0.293
28. TAN LEE SOON ENTERPRISE SDN. BHD.	325,000	0.264
29. ZAINUL ABIDEEN BIN FAZLE ABBAS	310,000	0.252
30. TAN KIM SING	302,000	0.246

# NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Eleventh Annual General Meeting of the Company will be held at Irving Suite, Level 5 - Victory Annexe, Eastern & Oriental Hotel, Penang, 10, Lebuhr Farquhar, 10200 Penang on Friday, 27 May 2016 at 2.30 p.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 2015 together with the Reports of the Directors and Auditors thereon.
2. To approve the payment of Directors' fees of RM72,000.00 for the financial year ending 31 December 2016.
3. To re-elect Dato' Tan King Seng who retires in accordance with Article 129 of the Company's Articles of Association.
4. To re-elect Mr. Tan Chin Hong who retires in accordance with Article 129 of the Company's Articles of Association.
5. To re-elect Mr. Khor Thean Lee who retires in accordance with Article 134 of the Company's Articles of Association.
6. To pass the following resolution pursuant to Section 129 of the Companies Act, 1965 as ordinary resolution:  
"THAT Dato' Dr. Loh Hock Hun who is over the age of seventy years and retiring in accordance with Section 129 of the Companies Act, 1965, be hereby re-appointed as Director of the Company and to hold office until the conclusion of next Annual General Meeting."
7. To re-appoint Messrs. Grant Thornton as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration.

**Resolution 1**

**Resolution 2**

**Resolution 3**

**Resolution 4**

**Resolution 5**

**Resolution 6**

### As Special Business :

8. To consider and if thought fit, to pass with or without modifications the following resolutions :-

**(i) ORDINARY RESOLUTION  
AUTHORITY TO ISSUE SHARES**

"That subject always to the Companies Act, 1965, the Articles of Association of the Company and the approvals of the relevant governmental and regulatory authorities, the Directors be and are hereby empowered pursuant to Section 132D of the Companies Act, 1965, to issue shares in the Company at any time and upon such terms and conditions for such purposes as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the issued capital of the Company for the time being and that the Directors be and are also empowered to obtain the approval for the listing of and quotation for additional shares so issued on Bursa Malaysia Securities Berhad and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company."

**Resolution 7**

**(ii) ORDINARY RESOLUTION  
RETENTION OF MR LOH CHYE TEIK AS AN INDEPENDENT NON-EXECUTIVE DIRECTOR OF THE COMPANY**

"That approval be and is hereby given to Mr. Loh Chye Teik who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years, to continue to act as an Independent Non-Executive Director of the Company in compliance with the recommendation of Malaysian Code on Corporate Governance 2012."

**Resolution 8**

# NOTICE OF ANNUAL GENERAL MEETING (cont'd)

## As Special Business : (Cont'd)

8. To consider and if thought fit, to pass with or without modifications the following resolutions :- (Cont'd)

**(iii) ORDINARY RESOLUTION  
RETENTION OF MS TEOH YEE SHIEN AS AN INDEPENDENT NON-EXECUTIVE DIRECTOR OF THE COMPANY**

"That approval be and is hereby given to Ms. Teoh Yee Shien who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years, to continue to act as an Independent Non-Executive Director of the Company in compliance with the recommendation of Malaysian Code on Corporate Governance 2012."

**Resolution 9**

**(iv) ORDINARY RESOLUTION  
RETENTION OF DATO' DR. LOH HOCK HUN AS AN INDEPENDENT NON-EXECUTIVE DIRECTOR OF THE COMPANY**

"That subject to the passing of Resolution 5, approval be and is hereby given to Dato' Dr. Loh Hock Hun to continue to act as an Independent Non-Executive Director of the Company after the cumulative term of nine (9) years, in compliance with the recommendation of Malaysian Code on Corporate Governance 2012."

**Resolution 10**

9. To transact any other business for which due notices shall have been given in accordance with the Companies Act, 1965.

By Order of the Board,

**CHEE WAI HONG (BC/C/1470)  
FOO LI LING (MAICSA 7019557)**  
Company Secretaries

Penang

Date : 29 April 2016

Notes :

1. A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.
2. The proxy form must be duly completed and deposited at the Registered Office of the Company, 51-13-A, Menara BHL Bank, Jalan Sultan Ahmad Shah, 10050 Penang not less than forty-eight (48) hours before the time appointed for holding the meeting.
3. A member shall be entitled to appoint more than two (2) proxies to attend and vote at the same meeting.
4. Where a member appoints two (2) proxies or more, the appointments shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
5. If the appointor is a corporation, this form must be executed under its Common Seal or under the hand of its attorney.
6. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 ("Central Depositories Act"), it may appoint at least one proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
7. Where a member of the Company is an exempt authorised nominee as defined under the Central Depositories Act which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("Omnibus Account"), there shall be no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each Omnibus Account it holds.
8. For purpose of determining who shall be entitled to attend this meeting, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to make available to the Company pursuant to Article 79 of the Articles of Association of the Company and Rule 7.16(2) of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad, a Record of Depositors ("ROD") as at 23 May 2016 and only a Depositor whose name appears on such ROD shall be entitled to attend, speak and vote at this meeting or appoint proxy to attend and/or speak and/or vote in his/her behalf.
9. Details of the Directors standing for re-election can be found in the Directors' profile on page 6 and 7 of the Annual Report.

# NOTICE OF ANNUAL GENERAL MEETING (cont'd)

## ***Explanatory Note on Ordinary Business***

### **Resolution 1 – Payment of Directors' fees**

Resolution 1 is to facilitate payment of Directors' fees on current financial year basis, calculated based on the number of scheduled Board and Committee meetings for 2016 and assuming that all Non-Executive Directors will hold office until the end of the financial year. In the event the Directors' fees proposed is insufficient (e.g. due to more meetings or enlarged Board size), approval will be sought at the next Annual General Meeting for additional fees to meet the shortfall.

## ***Explanatory Note on Special Business***

### **Resolution 7 – Authority to issue shares pursuant to Section 132D of the Companies Act, 1965**

The proposed Ordinary Resolution 7, if passed, is primarily to renew the mandate to give authority to the Board of Directors to issue and allot shares in the Company up to an amount not exceeding 10% of the total issued capital of the Company for the time being, at any time in their absolute discretion without convening a general meeting. This authority, unless revoked or varied by the shareholders of the Company in general meeting, will expire at the conclusion of the next Annual General Meeting.

As at the date of this Notice, the Company has not issued any new shares pursuant to Section 132D of the Companies Act, 1965 under the general authority which was approved at the Tenth Annual General Meeting held on 22 May 2015 and which will lapse at the conclusion of the Eleventh Annual General Meeting to be held on 27 May 2016. A renewal of this authority is being sought at the Eleventh Annual General Meeting under proposed Resolution 7.

This authority if granted will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placing of shares, for purpose of funding future investment project(s), working capital, acquisition(s) and/or settlement of banking facility(ies).

### **Resolution 8 – Retention of Mr. Loh Chye Teik as an Independent Non-Executive Director of the Company**

Both the Nomination Committee and Board have assessed the independence of Mr. Loh Chye Teik, who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine years, and recommended him to continue to act as Independent Non-Executive Directors of the Company based on the following justifications:

- i. He fulfilled the criteria under the definition of Independent Director as stated in the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad, and thus, he would be able to function as check and balance, and bring an element of objectivity to the Board.
- ii. His vast experience in the accounting, tax and audit industry enabled him to provide the Board with a diverse set of experience, expertise and independent judgment.
- iii. He devotes sufficient time and attention to his professional obligations for an informed and balanced decision making.
- iv. He consistently challenged management in an effective and constructive manner and actively participated in board discussion.
- v. He has a good and thorough understanding of the main drivers of the business in a detailed manner.

### **Resolution 9 – Retention of Ms. Teoh Yee Shien as an Independent Non-Executive Director of the Company**

Both the Nomination Committee and Board have assessed the independence of Ms. Teoh Yee Shien, who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine years, and recommended her to continue to act as Independent Non-Executive Directors of the Company based on the following justifications:

- i. She fulfilled the criteria under the definition of Independent Director as stated in the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad, and thus, she would be able to function as check and balance, and bring an element of objectivity to the Board.
- ii. Her vast experience in the accounting and audit industry enabled her to provide the Board with a diverse set of experience, expertise and independent judgment.
- iii. She devotes sufficient time and attention to her professional obligations for an informed and balanced decision making.
- iv. She consistently challenged management in an effective and constructive manner and actively participated in board discussion.
- v. She has a good and thorough understanding of the main drivers of the business in a detailed manner.

### **Resolution 10 – Retention of Dato' Dr. Loh Hock Hun as an Independent Non-Executive Director of the Company**

Both the Nomination Committee and Board have assessed the independence of Dato' Dr. Loh Hock Hun, who has served as an Independent Non-Executive Director of the Company since 11 December 2007 and will reach the nine years term limit on 10 December 2016, and recommended him to continue to act as Independent Non-Executive Directors of the Company after the said nine years term based on the following justifications:

- i. He fulfilled the criteria under the definition of Independent Director as stated in the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad, and thus, he would be able to function as check and balance, and bring an element of objectivity to the Board.
- ii. His vast experience particularly in public service has enabled him to provide the Board with a diverse set of experience, expertise and independent judgment.
- iii. He devotes sufficient time and attention to his professional obligations for an informed and balanced decision making.
- iv. He consistently challenged management in an effective and constructive manner and actively participated in board discussion.
- v. He has a good and thorough understanding of the main drivers of the business in a detailed manner.



# STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

(PURSUANT TO RULE 8.29(2) OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD)

As at date of this notice, there are no individuals who are standing for election as Directors (excluding the above Directors who are standing for re-election) at this forthcoming Annual General Meeting.

The Company will seek shareholders' approval on the general mandate for issue of securities in accordance with Rule 6.04(3) of the Listing Requirements of Bursa Malaysia Securities Berhad. Please refer to the proposed resolution 7 as stated in the Notice of Annual General Meeting of the Company for the details.

# PROXY FORM

\* I/We.....  
(Full Name in Block Letters)

of.....  
(Full Address)

being a \*Member/Members of JHM Consolidation Berhad, hereby appoint \* the Chairman of the meeting or.....  
(Full Name in Block Letters)

of.....  
(Full Address)

or failing him/her, .....  
(Full Name in Block Letters)

of..... as \*my/our proxy/proxies to  
(Full Address)

attend and vote for \*me/us and on \*my/our behalf at the Eleventh Annual General Meeting of the Company to be held at Irving Suite, Level 5 - Victory Annexe, Eastern & Oriental Hotel, Penang, 10, Lebuh Farquhar, 10200 Penang on Friday, 27 May 2016 at 2.30 p.m. and at every adjournment thereof to vote as indicated below :

## AGENDA

To receive the Audited Financial Statements for the year ended 31 December 2015 together with the Reports of the Directors and Auditors thereon			
Resolutions		For	Against
1.	Approval of payment of Directors' fees for the financial year ending 31 December 2016		
2.	Re-election of Dato' Tan King Seng as Director		
3.	Re-election of Mr. Tan Chin Hong as Director		
4.	Re-election of Mr. Khor Thean Lee as Director		
5.	Re-appointment of Dato' Dr. Loh Hock Hun as Director		
6.	Re-appointment of Messrs. Grant Thornton as Auditors and to authorise the Directors to fix the Auditors' remuneration		
7.	Authority under Section 132D of the Companies Act, 1965 for the Directors to issue shares		
8.	Retention of Mr. Loh Chye Teik as an Independent Non-Executive Director		
9.	Retention of Ms. Teoh Yee Shien as an Independent Non-Executive Director		
10.	Retention of Dato' Dr. Loh Hock Hun as an Independent Non-Executive Director		

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

The proportion of \*my/our holding to be represented by \*my/our proxies are as follows:-

First named Proxy	%
Second named Proxy	%
	100%

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

No. of shares held

As witness my hand this ..... day of ....., 2016.

.....  
Signature of Member (s)/ Common Seal

\* Strike out whichever is not desired

### Notes :

1. A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.
2. The proxy form must be duly completed and deposited at the Registered Office of the Company, 51-13-A, Menara BHL Bank, Jalan Sultan Ahmad Shah, 10050 Penang not less than forty-eight (48) hours before the time appointed for holding the meeting.
3. A member shall be entitled to appoint more than two (2) proxies to attend and vote at the same meeting.
4. Where a member appoints two (2) proxies or more, the appointments shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
5. If the appointor is a corporation, this form must be executed under its Common Seal or under the hand of its attorney.
6. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 ("Central Depositories Act"), it may appoint at least one proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
7. Where a member of the Company is an exempt authorised nominee as defined under the Central Depositories Act which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("Omnibus Account"), there shall be no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each Omnibus Account it holds.
8. For purpose of determining who shall be entitled to attend this meeting, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to make available to the Company pursuant to Article 79 of the Articles of Association of the Company and Rule 7.16(2) of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad, a Record of Depositors ("ROD") as at 23 May 2016 and only a Depositor whose name appears on such ROD shall be entitled to attend, speak and vote at this meeting or appoint proxy to attend and/or speak and/or vote in his/her behalf.

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Stamp

THE COMPANY SECRETARIES  
**JHM CONSOLIDATION BERHAD** (686148-A)  
51-13-A Menara BHL Bank  
Jalan Sultan Ahmad Shah  
10050 Pulau Pinang

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**JHM Consolidation Berhad** (686148-A)

15-1-21 Bayan Point,  
Medan Kampung Relau,  
11900 Penang.

**Tel** : 604 646 5121

**Fax** : 604 645 7326

**[www.jhm.net.my](http://www.jhm.net.my)**