



**JHM**  
CONSOLIDATION  
BERHAD (686148-A)

# *A Higher Tier Awaits*

Annual Report 2016





## A Higher Tier Awaits

JHM Consolidation Berhad develops and provides the best microelectronic components (MEC) to different industries of clients. With a direction to explore a bigger industry for challenging and improving the company's research and development capabilities, JHM Consolidation Berhad has targeted to venture into aircraft industry. The humongous airplane in comparison to other aspects in the visual reflects the unlimited opportunities and possibilities that this industry can offer. With big determination, comes with big results.

On the earth, JHM Consolidation Berhad offers benefits to many industries, especially automobile industry; in the sky, JHM Consolidation Berhad is ready to dominate.

## 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.

# Contents

02	Corporate Information	27 - 28	Audit Committee Report
03	Group Structure of JHM Group	29	Statement of Directors' Responsibility in Relation to the Audited Financial Statements
04	Financial Highlights		
05	Chairman's Letter to Shareholders	30	Additional Compliance Information
06 - 08	Management Discussion & Analysis	31 - 84	Financial Statements
09	Awards and Recognition	85	Supplementary Information
10 - 11	Directors' Profile	86	List of Properties
12	Profile of Key Senior Management	87 - 88	Analysis of Shareholdings
13 - 23	Corporate Governance Statement	89 - 92	Notice of Annual General Meeting
24	Statement on Corporate Social Responsibility ("CSR")	93	Statement Accompanying Notice of Annual General Meeting
25 - 26	Statement on Risk Management and Internal Control	Enclosed	Proxy Form



## Board of Directors

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)
Loh Chye Teik	(Senior Independent Non-Executive Director)
Dato' Dr. Loh Hock Hun	(Independent Non-Executive Director)
Wong Chi Yeng	(Independent Non-Executive Director) (Appointed on 4 January 2017)
Teoh Yee Shien	(Independent Non-Executive Director) (Resigned on 10 October 2016)

### Audit Committee

Loh Chye Teik  
(Chairman, Senior Independent Non-Executive Director)

Dato' Dr. Loh Hock Hun  
(Member, Independent Non-Executive Director)

Wong Chi Yeng  
(Member, Independent Non-Executive Director)  
(Appointed on 4 January 2017)

Teoh Yee Shien  
(Member, Independent Non-Executive Director)  
(Resigned on 10 October 2016)

### Nomination Committee

Loh Chye Teik  
(Chairman, Senior Independent Non-Executive Director)

Dato' Dr. Loh Hock Hun  
(Member, Independent Non-Executive Director)

Wong Chi Yeng  
(Member, Independent Non-Executive Director)  
(Appointed on 4 January 2017)

Teoh Yee Shien  
(Member, Independent Non-Executive Director)  
(Resigned on 10 October 2016)

### Remuneration Committee

Loh Chye Teik  
(Chairman, Senior Independent Non-Executive Director)

Ooi Yeok Hock  
(Member, Executive Director)

Wong Chi Yeng  
(Member, Independent Non-Executive Director)  
(Appointed on 4 January 2017)

Teoh Yee Shien  
(Member, Independent Non-Executive Director)  
(Resigned on 10 October 2016)

### Company Secretaries

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

### Registered Office

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

### Management Office

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

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

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

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

### Solicitors

Zaid Ibrahim & Co.  
Allen Chee Ram

### Stock Exchange Listing

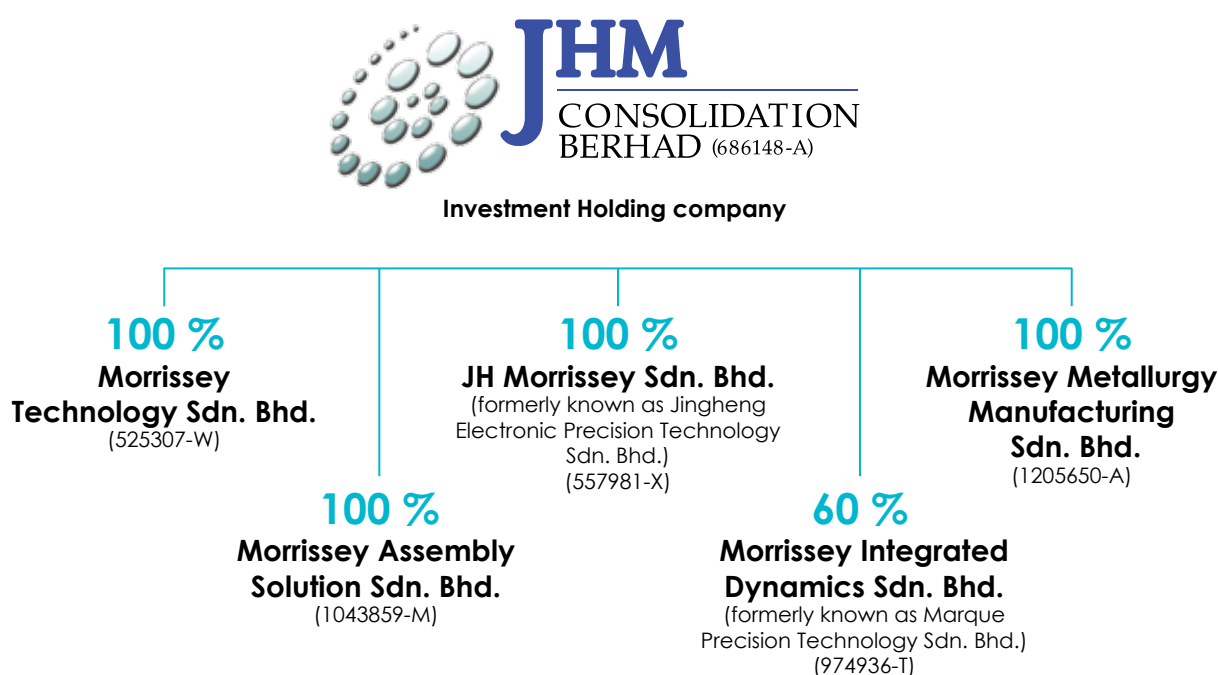
ACE Market of Bursa Malaysia  
Securities Berhad  
Stock Name : JHM  
Stock Code : 0127

# Group Structure of JHM Group



JHM Consolidation Berhad ("JHM") was incorporated in Malaysia on 26 March 2005 and listed on the MESDAQ Market (now known as the ACE Market) on 13 July 2006. JHM is principally an investment holding company with four (4) wholly-owned subsidiaries, namely Morrissey Technology Sdn. Bhd. ("MTSB"), Morrissey Assembly Solution Sdn. Bhd. ("MASSB"), JH Morrissey Sdn. Bhd. ("JMSB") (formerly known as Jingheng Electronics Precision Technology Sdn. Bhd.) and Morrissey Metallurgy Manufacturing Sdn. Bhd. ("MMMSB"). On 10 January 2017, the acquisition of Morrissey Integrated Dynamics Sdn. Bhd. ("MIDSB") (formerly known as Marque Precision Technology Sdn. Bhd.) has been completed and MIDSB is now a sixty percent (60%) owned subsidiary of JHM.

The current group structure is as follows:-



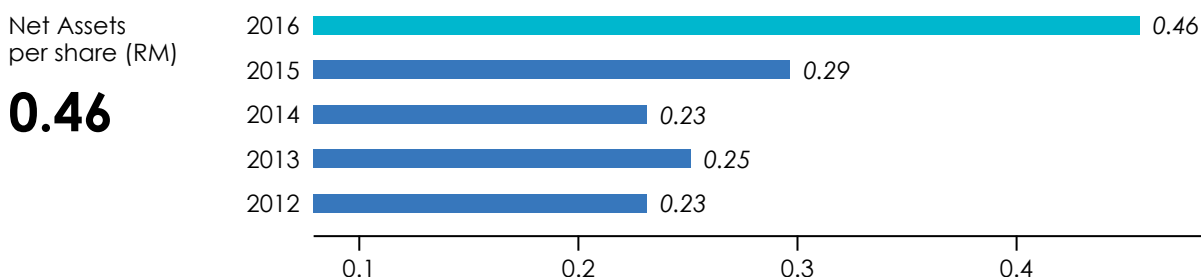
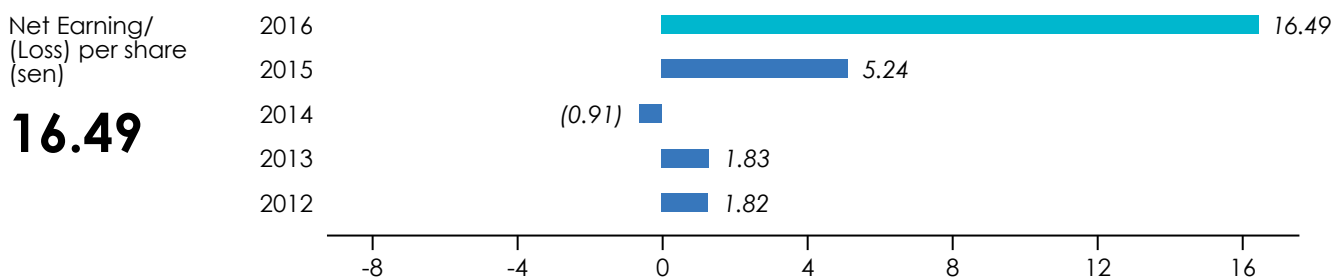
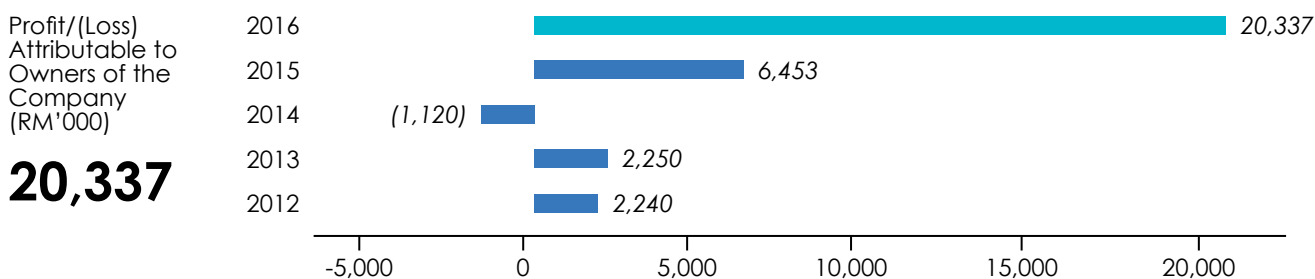
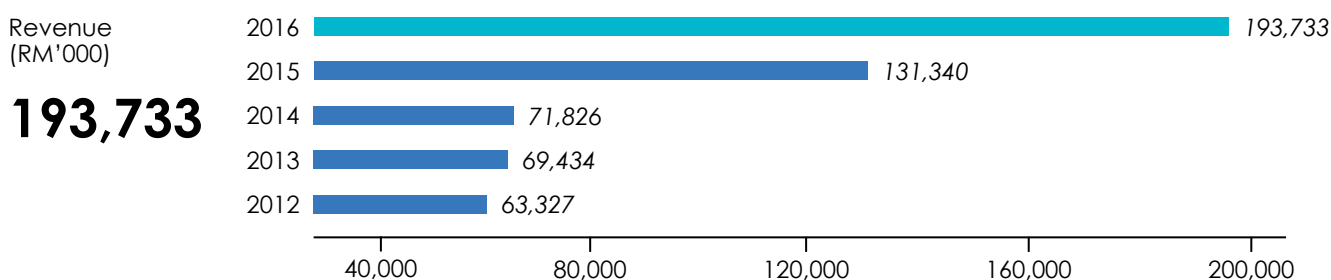
The principal activities of its subsidiaries are as follow:-

Companies	Date of Incorporation	Issued and Paid-up Share Capital	Principal activities
Morrissey Technology Sdn. Bhd.	5 September 2000	1,000,000	Design and manufacture of precision miniature engineering metal parts and components.
Morrissey Assembly Solution Sdn. Bhd.	24 April 2013	5,000,000	Manufacture and assembling of electronic components using surface-mount technology.
JH Morrissey Sdn. Bhd. (formerly known as Jingheng Electronic Precision Technology Sdn. Bhd.)	5 September 2001	200,000	International procurement office.
Morrissey Metallurgy Manufacturing Sdn. Bhd.	18 October 2016	2	The subsidiary did not undertake any business activity during the financial year.
Morrissey Integrated Dynamics Sdn. Bhd. (formerly known as Marque Precision Technology Sdn. Bhd.)	12 January 2012	900,000	Assembly of all kinds of tools, equipment and industrial machinery.

# Financial Highlights



Year Ended 31 December	Audited				
	2012	2013	2014	2015	2016
Revenue (RM'000)	63,327	69,434	71,826	131,340	193,733
Profit/(Loss) Attributable to Owners of the Company (RM'000)	2,240	2,250	(1,120)	6,453	20,337
Net Earning/(Loss) per share (sen)	1.82	1.83	(0.91)	5.24	16.49
Net Assets per share (RM)	0.23	0.25	0.23	0.29	0.46







On behalf of the Board of Directors and Management team of JHM Consolidation Berhad ("JHM"), I am pleased to present the Annual Report and financial statements of JHM Consolidation Berhad for the financial year ended 31 December 2016.

**JHM Group improved its performance in the financial year ended 31 December 2016, with a growth in revenue of 47.51% and a profit after tax of RM20.34 million, an improvement of 215.18% from RM6.45 million in the previous financial year.**

**It is with great pleasure that I congratulate JHM Management for achieving this outstanding resilience in earnings despite the challenging 2016 economic conditions.**

Light-emitting diode ("LED") is the fastest growing technology in the automotive lighting market. The automotive LED lighting technology has improved significantly in terms of heat-light ratio, reduced power consumption, high shock resistance, and longer lifespans are some of the benefits of LED lights. These features have helped manufacturers develop lighting as per customer requirements to ensure safety, as well as adding aesthetic and functional value to the vehicle. Decreasing prices of raw materials, exponential growth in vehicle production worldwide, and the need to enhance energy efficiency are boosting the global automotive LED lighting market.

Currently, JHM is engaged in the manufacturing and assembly of the parts and components for the Level 2 Automotive LED Lighting modules. JHM is one of the main original equipment manufacturer ("OEM") providing one stop solution from fabrication of tooling, design and assembly of LED Lighting application in Malaysia. JHM is supplying the LED lighting application to well-known car manufacturers in NAFTA countries.

The marked increase in revenue was mainly attributable to the continuous, favourable demand conditions for automotive LED lighting which contributed to 79% of the Group's total revenue.

Barring any unforeseen circumstances, we are optimistic that JHM will continue to perform satisfactorily in the financial year ending 2017. Of course, the Management will continue to strive for greater productivity and innovation, with tight control over costs.

On 6 April 2017, the Board announced that the Company proposes to undertake the following:

- (i) a bonus issue of 123,732,500 new ordinary shares in JHM ("**JHM Shares**") ("**Bonus Share(s)**") to be credited as fully paid-up on the basis of 1 Bonus Share for every 1 existing JHM Share held on an entitlement date to be determined later ("**Entitlement Date**") ("**Proposed Bonus Issue**"); and
- (ii) a private placement of up to 10% of the enlarged total number of issued shares of JHM (excluding treasury shares) to third party investors to be identified and at an issue price to be determined later, after the completion of the Proposed Bonus Issue ("**Proposed Private Placement**").

Bursa Malaysia Securities Berhad ("Bursa Securities") has vide its letter dated 14 April 2017 granted the approval to the Company the listing and quotation for the 123,732,500 Bonus Shares to be issued pursuant to the Proposed Bonus Issue and up to 24,746,500 new JHM Shares to be issued pursuant to the Proposed Private Placement and is subject to the conditions as stated in its letter dated 14 April 2017 (Please refer to the Company's announcement dated 14 April 2017 in respect of the above for further details.) The Proposed Bonus Issue is subject to Shareholders approval on the Extraordinary General Meeting ("EGM") to be held on 26 May 2017.

The year 2017 sees a change in the Board composition with the appointment of Ms. Wong Chi Yeng as the Board's new Independent Non-Executive Director. We also bid farewell to Ms. Teoh Yee Shien and I wish to record our thanks and appreciation to Ms. Teoh who had served on the Board as an Independent Non-Executive Director since 2006 and resigned on 10 October 2016.

As always, on behalf of the Board 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



## 1. OVERVIEW OF BUSINESS OPERATION

The business operation is segmented into two (2) business segments i.e. investment holding and electronics products, which was disclosed in Note 27 (Operating Segment) of the notes to the financial statements.

The key performance for the Group is contributed from electronics product segment which is currently subdivided to three (3) business units. Details as below:

- (i) Mechanical Business Unit
  - One stop solution provider for High precision, high speed Tooling design and production for Micro Electronic Components.
  - Production on LEDs application to support 3D effects as well as signature lighting effect substrate.
- (ii) Level 2 Assembly for Automotive Business Unit
  - Design and assembly of automotive rear lighting for well-known car manufacturers in NAFTA countries as well as a few car manufacturers in Japan.
- (iii) Electrical & Electronic ("E&E") Business Unit
  - Design, surface-mount technology ("SMT") production and assembly of automotive rear, interior and front headlamp lighting, inclusive of shifter control and turn signal indicator.
  - SMT production and assembly for Industrial products, i.e. motor controller.

The resource allocation and assessment of performance are mainly based on the nature of business for each of the subsidiary of JHM and factory location. Morrissey Technology Sdn. Bhd. ("MTSB") is operating the Mechanical Business Units and Level 2 Assembly for Automotive Business Unit whereas Morrissey Assembly Solution Sdn. Bhd. ("MASSB") is operating the E&E Business Unit. These two subsidiaries have their operations in Sungai Petani, Kedah.

For additional segmental information, please refer to Note 27 (Operating Segment) under the Notes to the financial statements.

## 2. FINANCIAL RESULTS AND FINANCIAL CONDITION

### **Financial performance**

The Group achieved a revenue of RM193.73 million in the financial year ended 31 December 2016 (FY2016), an improvement of 47.51% against RM131.34 million recorded in the financial year ended 31 December 2015 (FY2015). The increase in revenue was mainly attributable to the result from E&E Business Unit. The Group recorded a net profit of RM20.34 million in (FY2016), an increase of 215.18% compared to RM6.45 million in FY2015.

The main factors contributing to the increase in revenue and net profits as follows:

- (i) Higher demand in LED lamps for automotive industry as well as industrial products.
- (ii) New products launched in fourth (4th) quarter of FY2016 with higher average selling prices.
- (iii) Strengthening of USD against MYR - Foreign currency exchange gain of RM1.59 million in FY2016 as against to RM1.76 million foreign currency exchange loss in FY2015.

The following factors have, however, reduced the net profit impact contributed by the aforementioned:

- (i) Higher finance cost of RM0.32 million with increased in trade financing facilities.
- (ii) Depreciation and amortisation cost has increased from RM4.85 million to RM5.11 million.
- (ii) Increase in taxation expense by RM3.34 million mainly due to increase in profits.

### **Liquidity and capital resources**

As at 31 December, 2016, the Group has deposits and other cash and cash equivalents amounting to RM9.17 million as well as unutilised banking facilities amounting to RM9.84 million. The Group's net gearing ratio has reduced from 0.35 times in FY2015 to 0.26 times in FY2016. The overall significant improvement in the cash and cash equivalents held and reduction in bank borrowings was mainly to due to healthy earnings before interest, tax, depreciation and amortisation ("EBITDA") being generated from operations.



## 2. FINANCIAL RESULTS AND FINANCIAL CONDITION (CONT'D)

### **Liquidity and capital resources (Cont'd)**

The Group has on 6 April 2017 announced a Proposed Private Placement to raise additional funds without having to incur interest expense or service principal repayment as compared to conventional bank borrowings. This would allow the Company to preserve cash flow for reinvestment and/or operational purposes for further growth.

The Proposed Private Placement will also enable JHM Group to strengthen its equity base which in turn may potentially increase the liquidity and marketability of JHM Shares.

### **Acquisition of subsidiary**

The Company had on 10 January 2017 acquired 540,000 ordinary shares, representing 60% equity interest in Morrissey Integrated Dynamics Sdn. Bhd. (formerly known as Marque Precision Technology Sdn. Bhd.) for a total cash consideration of RM900,000. The principal activity of this subsidiary is assembly of all kinds of tools, equipment and industrial machinery. This acquisition is to cater for the expansion of business segment in aerospace industry.

## 3. REVIEW OF OPERATING ACTIVITIES

### **Broaden export market for automotive**

Close to 80% of its revenues are currently from the export of automotive LED lighting to first-tier automotive parts suppliers in NAFTA countries. JHM has plans to penetrate and capture growth opportunities in the Japanese and European automotive parts supply chain.

### **Diversification in automotive industry**

Currently, JHM is providing the LED lighting modules to passenger cars. With its existing technological leadership, cost-competitiveness, design flair and engineering talent pool in the automotive parts manufacturing, JHM is looking towards manufacturing LED lighting for trucks and bus vehicle applications as well as considering venture into motorcycle LED lighting.

### **Penetration into new business**

#### **Aerospace**

JHM has successfully been awarded with the stringent AS9100 Quality Management System certification to begin its diversification into the manufacturing and assembly of LED Electronic Lightning Modules in the aerospace industry.

#### **Professional architectural lighting**

To stay competitive in the LED lighting market, JHM is venturing into professional architectural lighting with European-based LED technology. The module is designed to be used in a variety of directional lighting applications such as retail, specialists, track and architectural.

## 4. OPERATIONAL AND FINANCIAL RISKS

### **Operational risks - dependence on major customers**

Our Group is dependent on its major customers for a significant portion of its revenue. Total revenue from three (3) major customers which individually contributed more than 10% of the Group revenue amounted to RM173,834,583 [2015: RM101,260,317 with two (2) major customers].

However, the Group is taking the necessary steps to grow its others customers that were on board since FYE 2015.





## 4. OPERATIONAL AND FINANCIAL RISKS (CONT'D)

### *Operational Risks - Dependence on major customers (Cont'd)*

<b>Customer</b>	<b>2015</b>	<b>2016</b>
A (Automotive)	64%	53%
B (Automotive)	13%	24%
C (Industrial Products)	7%	12%
Others	16%	11%

The potential loss of these customers could pose a negative impact on the results of its operations. However, JHM is confident to retain the major customers and sustain at current levels especially for the automotive customers. This is mainly due to the automotive LED lighting is a niche market and the vehicle model's estimated lifecycle is five (5) to seven (7) years.

### **Financial risks**

The Group's financial risks are set out in Note 28 under the Notes to the financial statements.

## 5. FORWARD-LOOKING

### **Outlook**

With the plans as discussed in operating activities, we are optimistic that with our continuing pursuit of excellence, steadfast execution of our strategies and our presence in the fast growing LED industry, JHM will continue to perform well in the year ahead

### **Dividend policy**

JHM does not have an explicit dividend policy.



The 15<sup>th</sup> Asia Pacific International Entrepreneur Excellence Award 2016  
“Excellence LEADERSHIP”



Recognition from Hirose Electric (M) Sdn. Bhd. for  
Contribution in Quality, Cost and Delivery



Best Vendor Award (Connector Assembly) for the year 2015  
received from Molex (Malaysia) Sdn. Bhd. on 31 March 2016

# Director's Profile



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## **Dato' Tan King Seng** *(Executive Chairman/Managing Director)*

Dato' Tan King Seng, aged 61, male, a Malaysian, was appointed to the Board on 13 April 2006 and is presently the Executive Chairman and Managing Director of the Company. 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.

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## **Ooi Yeok Hock** *(Executive Director)*

Ooi Yeok Hock, aged 54, male, a Malaysian, was appointed to the Board on 13 April 2006 and is presently Executive Director of the Company. He serves as a member of the Remuneration Committee.

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. He is currently the Business Unit Director for electronic division under Morrissey Technology Sdn. Bhd.

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## **Tan Chin Hong** *(Executive Director)*

Tan Chin Hong, aged 49, male, a Malaysian, was appointed to the Board on 13 April 2006 and is presently Executive Director of the Company. 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. Mr. Tan is currently in charge of the JHM's Group Sales and Marketing Department and as a Business Unit Director for mechanical division under Morrissey Technology Sdn. Bhd.

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## **Cheah Choon Ghee** *(Executive Director)*

Cheah Choon Ghee, aged 54, male, a Malaysian, was appointed to the Board on 11 December 2007 and is presently Executive Director of the Company. Prior to his appointment to the Board, he is the Senior Administration Manager of the 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.

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## **Khor Thean Lee** *(Executive Director)*

Khor Thean Lee, aged 58, male, a Malaysian, was appointed to the Board on 29 February 2016 and is presently Executive Director of the Company. 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.

## Director's Profile (Cont'd)



### **Loh Chye Teik** (Senior Independent Non-Executive Director)

Loh Chye Teik, aged 58, male, a Malaysian, was appointed to the Board on 13 April 2006 and is presently Senior Independent Non-Executive Director of the Company. 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 & Partner of UHY Loh, Chartered Accountant and the Managing Director of Interesources 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.

### **Dato' Dr. Loh Hock Hun** (Independent Non-Executive Director)

Dato' Dr. Loh Hock Hun, aged 72, male, a Malaysian, was appointed to the Board on 11 December 2007 and is presently Independent Non-Executive Director of the Company. 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.

### **Wong Chi Yeng** (Independent Non-Executive Director) (Appointed on 4 January 2017)

Wong Chi Yeng, aged 55, female, a Malaysian, was appointed to the Board on 4 January 2017 and is presently Independent Non-Executive Director. She serves as a member of the Audit Committee, Nomination Committee and Remuneration Committee.

She graduated from University of Malaya, Kuala Lumpur with a Bachelor of Accounting (Honours) in 1987. She started her career as an auditor in a Chartered Accountants firm in Penang in 1987. Ms. Wong is a Tax Manager of Interesources Tax Advisory Sdn. Bhd. since year 2001. She is a member of both Malaysian Institute of Accountants and Chartered Tax Institute of Malaysia.

#### Notes:

1. Save as disclosed below, there are no other family relationships or associations amongst the directors or major shareholders of the Company:-
  - (i) Mr. Tan Chin Hong who is the nephew of Dato' Tan King Seng; and
  - (ii) Ms. Wong Chi Yeng who is the spouse of Mr. Loh Chye Teik.
2. All the Directors do not have any conflict of interest with the Company.
3. Other than traffic offences, none of the Directors of the Company has any convictions for offences within the past 5 years or any public sanction or penalty imposed by the relevant regulatory bodies during the financial year.
4. The Directors' shareholdings are as disclosed in page 87 of this Annual Report.

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

None of our Directors holds or has held any directorships in other public companies and listed 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.

# Profile of Key Senior Management



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## **Kuan Chee Hong** *(Senior Operation Director)*

**Kuan Chee Hong**, aged 54, male, a Malaysian, was appointed as Senior Operation Director of Morrissey Technology Sdn. Bhd. on 16 June 2014. He graduated with a MSc in Electronics Engineering from Queen's University of Belfast in 1988. Mr. Kuan started his career with AMD in Penang as the Test Maintenance Engineer in 1989. For larger part of his career he is working in the field of Electronics Manufacturing Services (EMS) for multinational companies at various functions such as Engineering/Technical Manager, Product Costing Manager, Operation Manager, Manufacturing Director and General Manager. He starts up the new subsidiary of JHM, namely Morrissey Assembly Solution Sdn. Bhd. and currently he is the Business Unit Director of this subsidiary.

He has no family relationship with any Director or major shareholder of the Company.

He does not hold any Directorships in other public companies and listed companies.

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## **Low Soo Kim** *(Finance Manager)*

**Low Soo Kim**, aged 39, female, a Malaysian, was appointed as Finance Manager of the Company on 30 November 2015. She graduated with a Bachelor of Accounting (Hons) from University of Malaya in 2002, and is a member of the Malaysian Institute of Accountants. She started her career in the tax division of Ernst & Young Tax Consultants Sdn. Bhd. and left the company in January 2009 when she held the position of Assistant Tax Manager. She joined a manufacturing company, a wholly-owned subsidiary of a Public Listed Company ("PLC") as Accounts/Finance Manager in year 2009 and was promoted to Group Financial Controller of the PLC in year 2013. She gained experience in the areas of financial management, budget planning, preparation of management accounts and financial reports, plantation management and credit controls of the Group. She is currently in charge of Group's financial reporting and corporate planning.

She has no family relationship with any Director or major shareholder of the Company.

She does not hold any Directorships in other public companies and listed companies.

### Notes :

1. All the above Key Senior Management do not have any conflict of interest with the Company.
2. Other than traffic offences, none of the Key Senior Management of the Company has any convictions for offences within the past 5 years or any public sanction or penalty imposed by the relevant regulatory bodies during the financial year.



# 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 2016 (FY2016).

## 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 Ms Wong Chi Yeng as Independent Non-Executive Director on 4 January 2017, 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 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 Dato' Dr. Loh Hock Hun have served as the Independent Non-Executive Directors of the Company for a cumulative of more than nine (9) years. The Nomination Committee and the Board is satisfied with the performance and the level of independence demonstrated by the present Independent Non-Executive Directors, hence recommended Mr. Loh Chye Teik and Dato' Dr. Loh Hock Hun to continue to act as the Independent Non-Executive Directors of the Company. The relevant motion on the subject matter will be presented to the shareholders for approval at the forthcoming Annual General Meeting. The profiles of the Directors are presented on page 10 and 11 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.

### 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.



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

### Separation of Positions of the Executive Chairman and Managing Director (Cont'd)

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 19 and 20 of this Annual Report.



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

### Retirement and Re-election of Directors

In accordance with the Company's Constitution (Articles of Association as adopted before the commencement of the Companies Act 2016), one-third (1/3) of the Directors including the Managing Director shall retire by rotation from office at each Annual General Meeting ("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 who are standing for re-election at the Twelfth AGM of the Company to be held on 26 May 2017 are as per detailed set out in the Notice of the Twelfth 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 FY2016 as evidenced by the attendance record of the Directors at the Board Meeting. The details of attendance of the Directors during FY2016 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	3/4	75%
Loh Chye Teik	4/4	100%
Teoh Yee Shien (resigned on 10 October 2016)	3/3	100%
Dato' Dr. Loh Hock Hun	4/4	100%
Cheah Choon Ghee	4/4	100%
Khor Thean Lee (appointed on 29 February 2016)	3/3	100%

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



## 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 serve as referencing point for Board's activities to enable Director to carry out their stewardship role and discharge their fiduciary duties to 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 business are in its hands.

The Charter has been uploaded on the Company's website at [www.jhm.com.my](http://www.jhm.com.my) in line with Recommendation 1.7 of the MCCG 2012. The Board will review the Board Charter from time to time 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 cognisant of commercial opportunities and risks as well as to be adequately equipped to execute judicious decision making.

# Corporate Governance Statement (Cont'd)



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

### Directors' Training (Cont'd)

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

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

Name	No. of days	Mode of Training	Title
Dato' Tan King Seng	Half day	Seminar	Opportunity & Challenges in TPPA & AEC
	One day	Seminar	Sustainability Reporting in Malaysia: Putting Public Listed Issuers in the Know
Ooi Yeok Hock	One day	Seminar	2017 Budget Seminar
Khor Thean Lee	One day	Seminar	Sustainability Reporting in Malaysia: Putting Public Listed Issuers in the Know
Tan Chin Hong	Half day	Seminar	Opportunity & Challenges in TPPA & AEC
Loh Chye Teik	One day	Seminar	Addressing the Top 5 Internal Audit Challenges
	One day	Seminar	GST in Practice: A Year & Beyond
	One day	Seminar	Government Grants & Financing Seminar for SMEs 2016 (2'' Series) - Funding for the SMEs
	Two days	Seminar	Seminar Juruaudit Koperasi: Memartabatkan Kualiti Pengauditan
	Two days	Conference	National GST Conference 2016
	One day	Seminar	Uncovering Risks with SAP Licensing & Security
	One day	Seminar	Seminar on Proposed Malaysian Code on Corporate Governance 2016-Implications to Listed Issuers and Board.
	Two days	Conference	National Tax Conference 2016
	One day	Seminar	Seminar GST 2016
	Two days	Conference	GST Conference 2016
	One day	Seminar	Seminar Percukaian Kebangsaan 2016
	Two days	Conference	MIA International Accountants Conference 2016
	One day	Seminar	MPERS in Practice: A Health Check for Preparing Your 2016 Financial Statements.





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

### Directors' Training (Cont'd)

Name	No. of days	Mode of Training	Title
Wong Chi Yeng (appointed on 4 January 2017)	One day	Seminar	New Public Rulings - 2015 & 2016
	One day	Seminar	New Framework and New Guidelines Issued by IRBM
	One day	Seminar	LHDNM - CTIM Tax Forum 2016
	One day	Seminar	Reinvestment Allowance and Industrial Building Allowance
	Two days	Conference	National GST Conference 2016
	One day	Seminar	Transfer Pricing in Malaysia
	One day	Seminar	Seminar Percukaian Kebangsaan 2016
	One day	Seminar	The 2017 Budget Seminar
Dato' Dr. Loh Hock Hun	One day	Seminar	2017 Budget Seminar
	One day	Seminar	New Public Rulings in 2016
Cheah Choon Ghee	One day	Seminar	2017 Budget Seminar

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 Malaysian Code on Corporate Governance.

### 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



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

### Audit Committee

The summary of the activities of the Company's Audit Committee during the financial year are set out under the Audit Committee Report on page 27 to 28 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
Dato' Dr. Loh Hock Hun	Independent Non-Executive Director
Wong Chi Yeng	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 the 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.



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

### Nomination Committee (Cont'd)

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.

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 twice during FY2016 and activities of the Nomination Committee is summarised as follows:-

- (a) 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.
- (b) Reviewed and recommended the re-election and re-appointment of Directors who were retiring and seeking for re-election and re-appointment at Eleventh Annual General Meeting.
- (c) Reviewed and assessed the Independence of the Independent Non-Executive Directors.
- (d) Recommended the retention of Independent Non-Executive Directors who has served as an Independent Non-Executive of the Company for a cumulative term of more than nine years, in compliance with the recommendation of Malaysian Code on Corporate Governance 2012.
- (e) Reviewed to terms of office and performance of an Audit Committee and its members.
- (f) Recommended to the Board the appointment of Mr. Khor Thean Lee as Executive Director and Madam Wong Chi Yeng as Independent Non-Executive Director of the Company.

### Remuneration Committee

The Remuneration Committee currently comprises the following members:

Name of Directors	Designation
Loh Chye Teik (Chairman)	Senior Independent Non-Executive Director
Wong Chi Yeng	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 and benefits payable 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.

# Corporate Governance Statement (Cont'd)



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

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

### Company

	Executive Directors RM	Non-Executive Directors RM	Total RM
Salary, bonus and EPF	-	-	-
Fee	-	66,000	66,000
Benefits-in-kind	-	-	-
Allowance	-	5,500	5,500
<b>Total</b>	<b>-</b>	<b>71,500</b>	<b>71,500</b>

### Group

	Executive Directors RM	Non-Executive Directors RM	Total RM
Salary, bonus and EPF	1,762,416	-	1,762,416
Fee	-	66,000	66,000
Benefits-in-kind	69,167	-	69,167
Allowance	130,000	5,500	135,500
<b>Total</b>	<b>1,961,583</b>	<b>71,500</b>	<b>2,033,083</b>

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

Range of Remuneration	Company		Group	
	Number of Executive Directors	Number of Non-Executive Directors	Number of Executive Directors	Number of Non-Executive Directors
RM50,000 and below	-	3	-	3
RM50,001 – RM100,000	-	-	-	-
RM100,001 – RM150,000	-	-	1	-
RM150,001 – RM200,000	-	-	-	-
RM200,001 – RM250,000	-	-	-	-
RM250,001 – RM300,000	-	-	1	-
RM300,001 – RM350,000	-	-	2	-
RM350,001 – RM400,000	-	-	-	-
RM400,001 – RM450,000	-	-	-	-
RM450,001 – RM500,000	-	-	-	-
RM500,001 – RM550,000	-	-	-	-
RM550,001 – RM600,000	-	-	-	-
RM600,001 – RM650,000	-	-	-	-
RM650,001 – RM700,000	-	-	-	-
RM700,001 – RM750,000	-	-	-	-
RM750,001 – RM800,000	-	-	-	-
RM800,001 – RM850,000	-	-	-	-
RM850,001 – RM900,000	-	-	-	-
RM900,001 – RM950,000	-	-	1	-
<b>Total</b>	<b>-</b>	<b>3</b>	<b>5</b>	<b>3</b>

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; and
- 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. 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.

In compliance with the AMLR, all resolutions set out in the notice of any general meeting or notice of resolution will be voted by the poll with effect from 1 July 2016.

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.

## 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 29 of this Annual Report.

### Internal Control

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 25 and 26 of this Annual Report provides an overview of the state of internal control within the Group.





## D. ACCOUNTABILITY AND AUDIT (CONT'D)

### 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 2016 without the presence of the Executive Directors, with the purposes of finalising the Group's audited financial statements 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 MCCG 2012 throughout FY2016.

This statement is made in accordance with the resolution of the Board dated 31 March 2017.

# 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 financial 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 financial 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 organisation 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 FY2016, 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.



Team Building



Long Services Awards's presentation for services more than 10 years and above during JHM's 2016 Annual Dinner



Long Services Awards's presentation for services more than 5 years

# 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 with 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.

Relevant business risks and their potential impact and likelihood of crystallisation are evaluated on an ongoing basis by the key executives and senior management. Key risks affecting the Group are deliberated at Board meetings.

## (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:

- Authorising 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; and
- Systematic and regular audit on the compliance of ISO 14001, ISO 9001 and TS 16949 by external quality assurance auditors.

## (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.

# Statement on Risk Management and Internal Control *(Cont'd)*



## **(E) INTERNAL AUDIT FUNCTION (CONT'D)**

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:

- Purchasing
- Accounts payable
- Customer concentration analysis
- Accounts receivable
- Sales process

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 RM14,998.

## **(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 31 March 2017 and has been reviewed by the External Auditors.

# Audit Committee Report



## FORMATION

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

## MEMBERS

The AC currently consists of the following members: -

1. Loh Chye Teik - Chairman  
(Senior Independent Non-Executive Director)
2. Dato' Dr. Loh Hock Hun - Member  
(Independent Non-Executive Director)
3. Wong Chi Yeng - Member  
(Independent Non-Executive Director)

## MEETINGS AND ATTENDANCE

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

Name of AC Members	Number of Meetings Attended	Percentage of Attendance
Loh Chye Teik	4/4	100%
Teoh Yee Shien (resigned on 10 October 2016)	3/3	100%
Dato' Dr. Loh Hock Hun	4/4	100%
Wong Chi Yeng (Appointed on 4 January 2017)	N/A	N/A

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

## SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE

In line with the terms and reference of the AC, the following activities were carried out by AC during the financial year ended 31 December 2016 ("FY2016") in discharging its functions and duties:-

- i. Financial Reporting Oversight
  - a) Reviewed the quarterly unaudited financial results with the finance team and thereafter recommended to the Board for approval, for announcement to Bursa Malaysia Securities Berhad and submission to Securities Commission.
- ii. Oversee Activities of External Auditors in dealing with the Group
  - a) Discussed and reviewed the external auditors' audit planning memorandum for the FY2016 outlining their audit objectives, engagement and reporting responsibilities, audit approach, areas of audit emphasis, recent development of the Group, legal updates, engagement team, reporting, timetable and audit fees.
  - b) The AC reviewed the external auditors' findings arising from audits and their recommendation.
  - c) The AC also discussed and reviewed with external auditors the applicability of the new accounting standards and new financial reporting regime issued by the Malaysian Accounting Standards Board.
  - d) The AC reviewed the external auditors' audit completion for the financial year ended 31 December 2015.
  - e) The AC met two times with the external auditors without the presence of the Executive Directors and management staff to discuss any issues of concern to the External Auditors arising from the annual statutory audit.
  - f) The AC reviewed the audit fees of the external auditors for the ensuing year prior to the Board of Directors for approval.
  - g) The AC reviewed and evaluated the performance and independence of the external auditors. The AC was satisfied with the performance and independence of the external auditors and recommended their re-appointment to the Board.





## SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE (CONT'D)

- iii. Internal Audit ("IA")
  - a) Reviewed the IA plan for the financial year ending 31 December 2017 as tabled by the internal auditors.
  - b) Reviewed IA report from internal auditors and assessed the internal auditors' findings, recommendations together with the management's comments.
- iv. Related Party Transaction
  - a) Reviewed any related party transaction and conflict of interest situation that may arise within the Company and the Group.
- v. Other matters considered by Committee
  - a) Reviewed the Financial Analysis and Debtors Ageing Report prepared by the Management

## 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 to 31 July 2016 which has since expired.

No share options were granted to the employees up to the expiry date of ESOS.

## 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 25 to 26 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 2016.

# 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 31 March 2017.



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

There were no material contracts entered into by the Company and its subsidiaries involving interests of Directors, chief executive who is not a Director or major shareholders, either still subsisting at the end of the financial year or entered into since the end of the previous financial year.

## 2. 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.

## 3. UTILISATION OF PROCEEDS

Special Bumiputera Issue

On 12 July 2016, the Company completed the listing of 732,500 new ordinary shares to Bumiputera investors identified and approved by The Ministry of International Trade and Industry. The placement shares were issued at an issue price of RM0.95 per share. As at date of Notice of meeting, the proceeds received from the private placement of RM695,875 has been fully utilised for expenses for Special Bumiputera Issue as well as working capital for operating expenses such as payroll, rental and purchase of raw materials.

## 4. AUDIT FEES

During the financial year ended 31 December 2016, the amount of audit fees paid to external auditors by the Company and by the Group respectively were as follow:-

	<b>Audit Fee (RM)</b>
Company	18,000
Group	58,000

## 5. NON-AUDIT FEES

During the financial year ended 31 December 2016, the amount of non-audit fees paid to external auditors and its affiliates by the Company and the Group respectively were as follow:-

	<b>Non-Audit Fee (RM)</b>
Company	2,500
Group	13,500



# FINANCIAL STATEMENTS

DIRECTORS' REPORT	<b>32 - 34</b>
DIRECTORS' STATEMENT	<b>35</b>
STATUTORY DECLARATION	<b>35</b>
INDEPENDENT AUDITORS' REPORT TO THE MEMBERS	<b>36 - 40</b>
STATEMENTS OF FINANCIAL POSITION	<b>41</b>
STATEMENTS OF COMPREHENSIVE INCOME	<b>42</b>
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	<b>43</b>
STATEMENT OF CHANGES IN EQUITY	<b>44</b>
STATEMENTS OF CASH FLOWS	<b>45 - 46</b>
NOTES TO THE FINANCIAL STATEMENTS	<b>47 - 84</b>
SUPPLEMENTARY INFORMATION	<b>85</b>

# Directors' Report

for The Financial Year Ended 31 December 2016



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 2016**.

## 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	<u>20,615,289</u>	<u>9,877,428</u>
Attributable to:		
Owners of the Company	20,337,291	9,877,428
Non-controlling interests	<u>277,998</u>	<u>-</u>
	<u>20,615,289</u>	<u>9,877,428</u>

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 2016** 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 issued and paid-up ordinary share capital of the Company was increased from RM12,300,000 to RM12,373,250 by the way of a special bumiputera issue of 732,500 new ordinary shares of RM0.10 each at an issue price of RM0.95 per share.

The new ordinary shares issued rank pari passu with the existing ordinary shares of the Company.

Other than the foregoing, 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 another five years to 31 July 2016 which has since expired.

# Directors' Report

for The Financial Year Ended 31 December 2016 (Cont'd)



## 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**  
**Dato' Dr. Loh Hock Hun**  
**Khor Thean Lee**  
**Wong Chi Yeng (appointed on 4.1.17)**  
**Teoh Yee Shien (resigned on 10.10.16)**

## 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 31.12.16
	Balance at 1.1.16	Bought	Sold	

### The Company

#### Direct interest:

Dato' Tan King Seng	42,707,379	860,000	–	43,567,379
Ooi Yeok Hock	2,898,638	100,000	(1,601,800)	1,396,838
Tan Chin Hong	3,105,496	–	–	3,105,496
Cheah Choon Ghee	3,207,500	–	–	3,207,500
*Khor Thean Lee	500,000	–	–	500,000

#### Deemed interest:

Dato' Tan King Seng	3,143,495	1,520,600	–	4,664,095
Cheah Choon Ghee	30,445,863	–	(4,700,600)	25,745,263

\* At the date of appointment on 29.2.16.

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 the Company has interests.

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

## DIRECTORS' BENEFITS

Since the end of the previous financial year, no director of the Company has received or become entitled to receive any benefit (other than 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.



# Directors' Report

for The Financial Year Ended 31 December 2016 (Cont'd)



## 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.

## SIGNIFICANT AND SUBSEQUENT EVENTS

The significant and subsequent events are disclosed in Note 30 and 31 to the financial statements respectively.

## 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: 31 March 2017**

# Directors' Statement



In the opinion of the directors, the financial statements set out on pages 41 to 84 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 2016 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 85 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**

**Date: 31 March 2017**

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

## 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 41 to 84 and the supplementary information set out on page 85 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 **31st** )  
day of **March 2017**. )

**Before me,**

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

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



## Report on the Audit of the Financial Statements

### Opinion

We have audited the financial statements of **JHM Consolidation Berhad**, which comprise the statements of financial position as at **31 December 2016** 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 notes to the financial statements, including a summary of significant accounting policies, as set out on pages 41 to 84.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at **31 December 2016** and of their financial performance and their 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.

### Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

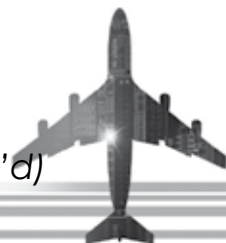
### Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

### Key Audit Matters

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

Key Audit Matter	How our audit addressed the Key Audit Matter
<p><b><i>Appropriateness and measurement of carrying amount and existence of property, plant and equipment (Refer to Notes 2.6 and 4 to the financial statements)</i></b></p> <p>The Group carries significant property, plant and equipment which comprise mainly of plant and machinery.</p> <p>There are a number of areas that could impact the carrying amount of property, plant and equipment, these include:</p> <ul style="list-style-type: none"> <li>the decision to capitalise the assets;</li> <li>the selection of appropriate useful lives of the assets; and</li> <li>the indication of impairment where assets are not recoverable at their carrying amount.</li> </ul> <p>As property, plant and equipment represents a material amount to the Group, there is a risk that expenditure on property, plant and equipment is inappropriately recognised against <i>MFRS 116 Property, Plant and Equipment</i> and that assets are not recoverable at their carrying amount.</p>	<p>Our audit procedures included, among others:</p> <ul style="list-style-type: none"> <li>Obtaining an understanding of:                             <ul style="list-style-type: none"> <li>the Group's capitalisation process;</li> <li>the Group's assessment on the useful lives attributed to the assets;</li> <li>how the Group identifies impairment indicators; and</li> <li>how the Group makes the accounting estimates for impairment;</li> </ul> </li> <li>Reviewing the estimated useful lives, residual values and depreciation method;</li> <li>Performing physical sighting on a sample basis;</li> <li>Reviewing the safeguard controls over the physical custody of property, plant and equipment;</li> <li>Assessing indication of impairment and adequacy of impairment losses of property, plant and equipment; and</li> <li>Performing depreciation reasonableness test.</li> </ul> <p>Based on the procedures performed, we noted no significant exceptions.</p>



**Key Audit Matters (Cont'd)**

Key Audit Matter	How our audit addressed the Key Audit Matter
<p><b>Allowance for inventories (Refer to Notes 2.6 and 7 to the financial statements)</b></p> <p>The Group has significant inventories as at 31 December 2016 comprising raw materials, work-in-progress, finished goods and consumables.</p> <p>The management reviews for slow moving and obsolete inventories and this review requires judgements and estimation uncertainty.</p>	<p>Our audit procedures included, among others:</p> <ul style="list-style-type: none"> <li>• Obtaining an understanding of:                             <ul style="list-style-type: none"> <li>• how the Group identifies and assesses inventory write-downs; and</li> <li>• how the Group makes the accounting estimates for inventory write-downs.</li> </ul> </li> <li>• Examining the inventory movements to identify slow moving and obsolete items;</li> <li>• Reviewing the net realisable value of certain inventories;</li> <li>• Evaluating the reasonableness and adequacy of the allowance for inventories recognised; and</li> <li>• Assessing the consistency in methodology applied by the management in determining the allowance for inventories recognised.</li> </ul> <p>Based on the procedures performed, we noted no significant exceptions.</p>
<p><b>Impairment of trade receivables (Refer to Notes 2.6 and 8 to the financial statements)</b></p> <p>The Group has significant trade receivables as at 31 December 2016 and is subject to credit risk exposures.</p> <p>The management assesses for impairment of trade receivables and this review requires judgements and estimation uncertainty.</p>	<p>Our audit procedures included, among others:</p> <ul style="list-style-type: none"> <li>• Obtaining an understanding of:                             <ul style="list-style-type: none"> <li>• the Group's control over the trade receivables' collection process;</li> <li>• how the Group identifies and assess the impairment of trade receivables; and</li> <li>• how the Group makes the accounting estimates for impairment.</li> </ul> </li> <li>• Reviewing the ageing of trade receivables, the accuracy of which was tested;</li> <li>• Reviewing collections received after the financial year end;</li> <li>• Evaluating the reasonableness and adequacy of the allowance for impairment recognised; and</li> <li>• Assessing the consistency in methodology applied by the management in determining the allowance for impairment loss of trade receivables to those of prior years.</li> </ul> <p>Based on the procedures performed, we noted no significant exceptions.</p>



## **Information Other than the Financial Statements and Auditors' Report Thereon**

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

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

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

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

However, if after reading the other information when available and we conclude there is a material misstatement therein, we will communicate same to the Directors of the Company.

## **Responsibilities of the Directors for the Financial Statements**

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

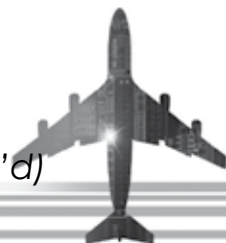
In preparing the financial statements of the Group and of the Company, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and of the Company's internal control.



## Auditors' Responsibility for the Audit of the Financial Statements (Cont'd)

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

## Report on Other Legal and Regulatory Requirements

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

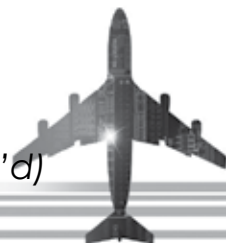
- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries have been properly kept in accordance with the provisions of the Act,
- (b) We are satisfied that the accounts of the subsidiaries that have been consolidated with 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) Our audit reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

## Other Reporting Responsibilities

The supplementary information set out on page 85 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.



# Independent Auditors' Report to The Members of JHM Consolidation Berhad Company No. 686148-A (Incorporated in Malaysia) (Cont'd)



## Other Matters

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

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

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

**Date: 31 March 2017**

**Penang**

# Statements of Financial Position

as at 31 December 2016



	NOTE	GROUP		COMPANY	
		2016 RM	2015 RM	2016 RM	2015 RM
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	4	30,887,220	31,764,865	468	643
Investment in subsidiaries	5	–	–	11,106,000	6,325,998
Development costs	6	–	14,507	–	–
		<b>30,887,220</b>	<b>31,779,372</b>	<b>11,106,468</b>	<b>6,326,641</b>
<b>Current assets</b>					
Inventories	7	20,479,629	18,947,606	–	–
Trade receivables	8	64,882,401	39,751,730	–	–
Other receivables, deposits and prepayments	9	2,157,027	1,613,956	731,000	1,000
Amount due from subsidiaries	10	–	–	14,017,101	9,335,786
Tax recoverable		255,570	–	8,000	–
Cash and cash equivalents	11	9,171,881	3,922,483	337,025	54,228
		<b>96,946,508</b>	<b>64,235,775</b>	<b>15,093,126</b>	<b>9,391,014</b>
<b>TOTAL ASSETS</b>		<b>127,833,728</b>	<b>96,015,147</b>	<b>26,199,594</b>	<b>15,717,655</b>
<b>EQUITY AND LIABILITIES</b>					
Share capital	12	12,373,250	12,300,000	12,373,250	12,300,000
Share premium	13	3,537,844	2,953,447	3,537,844	2,953,447
Capital reserve	14	(276,976)	–	–	–
Retained profits	15	41,198,710	21,031,335	10,256,156	378,728
		<b>56,832,828</b>	<b>36,284,782</b>	<b>26,167,250</b>	<b>15,632,175</b>
Non-controlling interests		–	(544,890)	–	–
<b>Total equity</b>		<b>56,832,828</b>	<b>35,739,892</b>	<b>26,167,250</b>	<b>15,632,175</b>
<b>Non-current liabilities</b>					
Borrowings	16	7,787,053	6,771,216	–	–
Deferred tax liabilities	17	1,213,144	1,080,172	–	–
		<b>9,000,197</b>	<b>7,851,388</b>	<b>–</b>	<b>–</b>
<b>Current liabilities</b>					
Trade payables	18	33,726,575	30,484,914	–	–
Other payables and accruals	19	9,762,760	10,966,656	32,344	40,480
Borrowings	16	16,278,068	9,639,297	–	–
Provision for taxation		2,233,300	1,333,000	–	45,000
		<b>62,000,703</b>	<b>52,423,867</b>	<b>32,344</b>	<b>85,480</b>
<b>Total liabilities</b>		<b>71,000,900</b>	<b>60,275,255</b>	<b>32,344</b>	<b>85,480</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>127,833,728</b>	<b>96,015,147</b>	<b>26,199,594</b>	<b>15,717,655</b>

The notes set out on pages 47 to 84 form an integral part of these financial statements.

# Statements of Comprehensive Income

for The Financial Year Ended 31 December 2016



	NOTE	GROUP		COMPANY	
		2016 RM	2015 RM	2016 RM	2015 RM
Revenue	20	193,732,863	131,339,764	10,309,549	1,323,523
Cost of sales		(159,465,560)	(112,098,658)	-	-
<b>Gross profit</b>		<b>34,267,303</b>	19,241,106	<b>10,309,549</b>	1,323,523
Other income		2,943,159	1,059,842	-	-
Administrative expenses		(10,087,701)	(10,497,646)	(342,259)	(273,401)
<b>Operating profit</b>		<b>27,122,761</b>	9,803,302	<b>9,967,290</b>	1,050,122
Finance costs		(1,124,706)	(801,460)	-	-
<b>Profit before taxation</b>	21	<b>25,998,055</b>	9,001,842	<b>9,967,290</b>	1,050,122
Taxation	22	(5,382,766)	(2,040,337)	(89,862)	(54,272)
<b>Profit for the financial year, representing total comprehensive income for the financial year</b>		<b>20,615,289</b>	6,961,505	<b>9,877,428</b>	995,850
<b>Total comprehensive income attributable to:</b>					
Owners of the Company		20,337,291	6,452,524	9,877,428	995,850
Non-controlling interests		277,998	508,981	-	-
		<b>20,615,289</b>	6,961,505	<b>9,877,428</b>	995,850
<b>Earnings per share attributable to owners of the Company (sen)</b>	23	<b>16.49</b>	5.24		

The notes set out on pages 47 to 84 form an integral part of these financial statements.

# Consolidated Statement of Changes in Equity

for The Financial Year Ended 31 December 2016



NOTE	----- Attributable to owners of the Company -----						Non-controlling Interests RM	Total Equity RM
	Share Capital RM	Share Premium RM	Capital Reserve RM	Retained Profits RM	Total RM			
<b>2016</b>								
Balance at beginning	12,300,000	2,953,447	-	21,031,335	36,284,782	(544,890)	35,739,892	
Total comprehensive income for the financial year	-	-	-	20,337,291	20,337,291	277,998	20,615,289	
Cash allotment	12 & 13	73,250	622,625	-	-	695,875	695,875	
Allotment expenses	13	-	(38,228)	-	-	(38,228)	(38,228)	
Changes in ownership interest in a subsidiary		-	-	-	(169,916)	(169,916)	(60,000)	
Premium paid on acquisition of a subsidiary		-	-	(276,976)	-	(276,976)	(120,000)	
Total transactions with owners		73,250	584,397	(276,976)	(169,916)	210,755	477,647	
Balance at end		12,373,250	3,537,844	(276,976)	41,198,710	56,832,828	56,832,828	
<b>2015</b>								
Balance at beginning		12,300,000	2,953,447	-	14,578,811	29,832,258	(1,053,871)	28,778,387
Total comprehensive income for the financial year		-	-	-	6,452,524	6,452,524	508,981	6,961,505
Balance at end		12,300,000	2,953,447	-	21,031,335	36,284,782	(544,890)	35,739,892

The notes set out on pages 47 to 84 form an integral part of these financial statements.

# Statement of Changes in Equity

for The Financial Year Ended 31 December 2016



	NOTE	Share Capital RM	Non- distributable Share Premium RM	Distributable Retained Profits/ (Accumulated Losses) RM	Total Equity RM
<b>2016</b>					
Balance at beginning		12,300,000	2,953,447	378,728	15,632,175
Total comprehensive income for the financial year		-	-	9,877,428	9,877,428
Cash allotment	12 & 13	73,250	622,625	-	695,875
Allotment expenses	13	-	(38,228)	-	(38,228)
Total transactions with owners		73,250	584,397	-	657,647
Balance at end		12,373,250	3,537,844	10,256,156	26,167,250
<b>2015</b>					
Balance at beginning		12,300,000	2,953,447	(617,122)	14,636,325
Total comprehensive loss for the financial year		-	-	995,850	995,850
Balance at end		12,300,000	2,953,447	378,728	15,632,175

The notes set out on pages 47 to 84 form an integral part of these financial statements.

# Statements of Cash Flows

for The Financial Year Ended 31 December 2016



	GROUP		COMPANY	
	2016 RM	2015 RM	2016 RM	2015 RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Profit before taxation	25,998,055	9,001,842	9,967,290	1,050,122
Adjustments for:				
Amortisation of development costs	14,507	58,030	-	-
Depreciation	5,096,956	4,788,768	175	175
Gain on disposal of property, plant and equipment	(34,999)	-	-	-
Interest expense	1,124,706	801,460	-	-
Interest income	(79,792)	(3,863)	(309,549)	(323,523)
Unrealised gain on foreign exchange	(1,507,261)	(406,929)	-	-
Operating profit before working capital changes	30,612,172	14,239,308	9,657,916	726,774
Increase in inventories	(1,532,023)	(3,530,370)	-	-
Increase in receivables	(23,336,660)	(26,639,475)	(730,000)	-
Increase/(Decrease) in payables	1,438,744	23,310,659	(8,136)	8,480
Cash generated from operations	7,182,233	7,380,122	8,919,780	735,254
Income tax paid	(4,605,064)	(663,772)	(142,862)	(13,772)
Income tax refunded	-	159,939	-	-
Interest paid	(1,124,706)	(801,460)	-	-
Net cash from operating activities	1,452,463	6,074,829	8,776,918	721,482
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Acquisition of non-controlling interests	(180,000)	-	-	-
Interest received	79,792	3,863	1,318	74
Placement of fixed deposits	(3,549,635)	-	-	-
Proceeds from disposal of property, plant and equipment	35,000	1	-	-
Purchase of investment in subsidiaries	-	-	(180,002)	-
*Purchase of property, plant and equipment	(3,372,012)	(7,389,052)	-	-
Net cash (used in)/from investing activities	(6,986,855)	(7,385,188)	(178,684)	74
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Drawdown of bankers acceptance	7,629,500	3,831,000	-	-
Net change in subsidiaries	-	-	(8,973,084)	(710,000)
Net drawdown of finance lease liabilities	4,210,498	-	-	-
Payment of allotment expenses	(38,228)	-	(38,228)	-
Payment of finance lease	(2,836,969)	(1,751,327)	-	-
Payment of term loans	(287,308)	(264,832)	-	-
Proceeds from issuance of shares	695,875	-	695,875	-
(Repayment)/Drawdown of invoice financing	(1,000,000)	1,353	-	-
Net cash from/(used in) financing activities	8,373,368	1,816,194	(8,315,437)	(710,000)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS CARRIED FORWARD</b>	<b>2,838,976</b>	<b>505,835</b>	<b>282,797</b>	<b>11,556</b>

The notes set out on pages 47 to 84 form an integral part of these financial statements.



# Statements of Cash Flows (Cont'd)

for The Financial Year Ended 31 December 2016



	GROUP		COMPANY	
	2016 RM	2015 RM	2016 RM	2015 RM
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS BROUGHT FORWARD</b>	<b>2,838,976</b>	505,835	<b>282,797</b>	11,556
<b>CASH AND CASH EQUIVALENTS AT BEGINNING</b>	<b>2,782,898</b>	2,277,063	<b>54,228</b>	42,672
<b>CASH AND CASH EQUIVALENTS AT END</b>	<b>5,621,874</b>	2,782,898	<b>337,025</b>	54,228
<b>Represented by:</b>				
Cash and cash equivalents	<b>5,622,246</b>	3,922,483	<b>337,025</b>	54,228
Bank overdrafts	<b>(372)</b>	(1,139,585)	<b>-</b>	-
	<b>5,621,874</b>	2,782,898	<b>337,025</b>	54,228
<b>*Purchase of property, plant and equipment</b>				
Total acquisition cost	<b>4,219,312</b>	9,499,189	<b>-</b>	-
Acquired under finance lease	<b>(847,300)</b>	(2,110,137)	<b>-</b>	-
Total cash acquisition	<b>3,372,012</b>	7,389,052	<b>-</b>	-

The notes set out on pages 47 to 84 form an integral part of these financial statements.

# Notes to The Financial Statements

31 December 2016



## 1. CORPORATE INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia, 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 31 March 2017.

## 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:



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

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

#### **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*

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

### 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 Malaysia 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 2017**

*Amendments to MFRS 12 Disclosure of Interest in Other Entities (under Annual Improvements to MFRS 2014-2016 Cycle)*

*Amendments to MFRS 107 Statement of Cash Flows: Disclosure Initiatives*

*Amendments to MFRS 112 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses*

#### **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 2 Classification and Measurement of Share-based Payment Transactions*

*Amendments to MFRS 4 Insurance Contracts: Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts*

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

*Amendments to MFRS 140 Investment Property: Transfer of Investment Property*

*Annual Improvements to MFRS 2014-2016 Cycle (except for Amendments to MFRS 12 Disclosure of Interest in Other Entities)*

*IC Int 22 Foreign Currency Transactions and Advance Consideration*

#### **Effective for annual periods beginning on or after 1 January 2019**

*MFRS 16 Leases*

#### **Effective date yet to be confirmed**

*Amendments to MFRS 10 and MFRS 128 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

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 9 Financial Instruments**

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



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

### 2.5 Standards Issued But Not Yet Effective (Cont'd)

The adoption of *MFRS 9* will result in a change in accounting policy. The Group and the Company are currently assessing the financial impact of adopting *MFRS 9*.

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

*MFRS 15* replaces the guidance in *MFRS 111 Construction Contracts*, *MFRS 118 Revenue*, *IC 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*.

#### ***MFRS 16 Lease***

The scope of *MFRS 16* includes leases of all assets, with certain exceptions. A lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration.

*MFRS 16* requires lessees to account for all leases under a single on-balance sheet model in a similar way to finance leases under *MFRS 117*. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (e.g., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (e.g., the lease liability) and an asset representing the right to use the underlying asset during the lease term (e.g., the right-of-use asset).

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

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

Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2019 with early adoption permitted. The Company are currently assessing the financial impact of adopting *MFRS 16*.

#### ***Amendments to MFRS 107 Statement of Cash Flows: Disclosure Initiatives***

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

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

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

#### 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 machinery are depreciated on a straight line basis over their estimated useful lives. Management estimates the useful lives of the plant and machinery 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 machinery. A reduction in the estimated useful lives of the plant and machinery would increase the depreciation charge and decrease the non-current assets.

##### (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 damage, 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.



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

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

#### (i) Subsidiaries (Cont'd)

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
- 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.





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

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

#### (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.

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 of 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:

	Amortised over its
Leasehold land	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%



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

### 3.3 Property, Plant and Equipment (Cont'd)

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.

### 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.



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

### 3.5 Leases (Cont'd)

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.

### 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.

#### 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.



## 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.



## 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 a time proportion basis using the applicable effective interest rate.
- (c) Dividend income is recognised when the right to receive payment is established.

### 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.

Up to the expiry of the ESOS, no share options were granted to the employees of the Group.



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

### 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.

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. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 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.

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.

### 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.





## 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 2016



## 4. PROPERTY, PLANT AND EQUIPMENT

### GROUP

2016

	At cost			Balance at end RM
	Balance at beginning RM	Additions RM	Disposals RM	
Leasehold land	6,315,010	–	–	6,315,010
Freehold office lot	687,389	–	–	687,389
Plant and machinery	44,635,584	1,889,539	–	46,525,123
Office equipment, furniture and fittings	3,408,513	600,630	–	4,009,143
Electrical installation	821,316	131,450	–	952,766
Renovation	3,720,840	596,320	–	4,317,160
Motor vehicles	2,840,056	1,001,373	(115,388)	3,726,041
	<b>62,428,708</b>	<b>4,219,312</b>	<b>(115,388)</b>	<b>66,532,632</b>

	Accumulated depreciation			Balance at end RM
	Balance at beginning RM	Current charge RM	Disposals RM	
Leasehold land	345,111	174,727	–	519,838
Freehold office lot	95,187	13,748	–	108,935
Plant and machinery	23,271,995	3,785,233	–	27,057,228
Office equipment, furniture and fittings	1,938,976	371,593	–	2,310,569
Electrical installation	491,056	65,281	–	556,337
Renovation	2,218,083	279,701	–	2,497,784
Motor vehicles	1,835,196	406,673	(115,387)	2,126,482
	<b>30,195,604</b>	<b>5,096,956</b>	<b>(115,387)</b>	<b>35,177,173</b>

	Accumulated impairment loss			Balance at end RM
	Balance at beginning RM	Current charge RM	Disposals RM	
Plant and machinery	468,239	–	–	468,239

	Carrying amount RM
Leasehold land	5,795,172
Freehold office lot	578,454
Plant and machinery	18,999,656
Office equipment, furniture and fittings	1,698,574
Electrical installation	396,429
Renovation	1,819,376
Motor vehicles	1,599,559
	<b>30,887,220</b>

# Notes to The Financial Statements (Cont'd)

31 December 2016



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

2015

	At cost			
	Balance at beginning RM	Additions RM	Disposals RM	Balance at end RM
Leasehold land	6,315,010	–	–	6,315,010
Freehold office lot	687,389	–	–	687,389
Plant and machinery	36,692,573	7,943,011	–	44,635,584
Office equipment, furniture and fittings	3,026,897	381,616	–	3,408,513
Electrical installation	796,565	24,751	–	821,316
Renovation	3,288,285	432,555	–	3,720,840
Motor vehicles	2,236,113	717,256	(113,313)	2,840,056
	<u>53,042,832</u>	<u>9,499,189</u>	<u>(113,313)</u>	<u>62,428,708</u>

	Accumulated depreciation			
	Balance at beginning RM	Current charge RM	Disposals RM	Balance at end RM
Leasehold land	170,456	174,655	–	345,111
Freehold office lot	81,439	13,748	–	95,187
Plant and machinery	19,635,744	3,636,251	–	23,271,995
Office equipment, furniture and fittings	1,580,440	358,536	–	1,938,976
Electrical installation	417,763	73,293	–	491,056
Renovation	1,905,414	312,669	–	2,218,083
Motor vehicles	1,728,892	219,616	(113,312)	1,835,196
	<u>25,520,148</u>	<u>4,788,768</u>	<u>(113,312)</u>	<u>30,195,604</u>

	Accumulated impairment loss			
	Balance at beginning RM	Current charge RM	Disposals RM	Balance at end RM
Plant and machinery	468,239	–	–	468,239

	Carrying amount RM
Leasehold land	5,969,899
Freehold office lot	592,202
Plant and machinery	20,895,350
Office equipment, furniture and fittings	1,469,537
Electrical installation	330,260
Renovation	1,502,757
Motor vehicles	1,004,860
	<u>31,764,865</u>

# Notes to The Financial Statements (Cont'd)

31 December 2016



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

### GROUP

The leasehold land and freehold office lot are 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:

	2016 RM	2015 RM
Plant and machinery	10,886,492	7,791,773
Motor vehicles	1,544,430	998,988
	<u>12,430,922</u>	<u>8,790,761</u>

Leased assets are pledged as security for the related finance lease liabilities (Note 16).

### COMPANY

	Office equipment, furniture and fittings	
	2016 RM	2015 RM
<b>At cost</b>	<u>1,750</u>	<u>1,750</u>
<b>Accumulated depreciation</b>		
Balance at beginning	1,107	932
Current charge	175	175
Balance at end	<u>1,282</u>	<u>1,107</u>
<b>Carrying amount</b>	<u>468</u>	<u>643</u>

## 5. INVESTMENT IN SUBSIDIARIES

	COMPANY	
	2016 RM	2015 RM
Unquoted shares, at cost	<u>11,106,000</u>	<u>6,325,998</u>

# Notes to The Financial Statements (Cont'd)

31 December 2016



## 5. INVESTMENT IN SUBSIDIARIES (CONT'D)

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

Name of Company	Effective Equity Interest		Principal Activities
	2016	2015	
Morrissey Technology Sdn. Bhd.	100%	100%	Design and manufacture of precision miniature engineering metal parts and components.
Jingheng Electronic Precision Technology Sdn. Bhd.	100%	100%	International procurement office.
Morrissey Assembly Solution Sdn. Bhd.	100%	60%	Manufacture and assembly of electronic components using surface-mount technology.
Morrissey Metallurgy Manufacturing Sdn. Bhd.	100%	–	The subsidiary did not undertake any business activity during the financial year.

### 2016

- (i) The Company had on 18 October 2016 incorporated 2 ordinary shares of RM1 each, representing 100% equity interest in Morrissey Metallurgy Manufacturing Sdn. Bhd. for a total consideration of RM2.
- (ii) On 30 May 2016, the Company had acquired 60,000 ordinary shares of RM1 each in Morrissey Assembly Solution Sdn. Bhd. ("MASSB") for a cash consideration of RM60,000. Consequently, the equity interest of the Company in MASSB was increased from 60% to 75%.

On 30 June 2016, the Company subscribed for an additional 4,600,000 new ordinary shares of RM1 each in MASSB by way of capitalisation of debts owing to the Company. Consequent to the subscription, the equity interest of the Company in MASSB was increased from 75% to 98%.

On 5 July 2016, the Company acquired the remaining 2% equity interest of MASSB for a cash consideration of RM120,000. Consequently, MASSB became a wholly-owned subsidiary of the Company.

## 6. DEVELOPMENT COSTS

	GROUP	
	2016 RM	2015 RM
<b>Development costs</b>	<b>280,149</b>	280,149
<b>Accumulated amortisation</b>		
Balance at beginning	265,642	207,612
Current charge	14,507	58,030
Balance at end	280,149	265,642
<b>Carrying amount</b>	<b>–</b>	14,507

# Notes to The Financial Statements (Cont'd)

31 December 2016



## 7. INVENTORIES

	GROUP	
	2016 RM	2015 RM
Raw materials	14,112,939	12,194,607
Work-in-progress	2,510,825	3,356,881
Finished goods	3,003,406	2,549,315
Consumables	852,459	846,803
	<b>20,479,629</b>	<b>18,947,606</b>

The cost of inventories recognised in profit or loss for the financial year amounted to **RM159,465,560** (2015: RM112,098,658).

## 8. TRADE RECEIVABLES

	GROUP	
	2016 RM	2015 RM
Analysis by currencies:		
Ringgit Malaysia	16,254,648	18,119,863
US Dollar	48,627,753	21,631,867
	<b>64,882,401</b>	<b>39,751,730</b>

The trade receivables are non-interest bearing and are generally on **30 to 150 days** (2015: 30 to 90 days) credit terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

## 9. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	GROUP		COMPANY	
	2016 RM	2015 RM	2016 RM	2015 RM
Other receivables	128,910	202,870	-	-
Refundable deposits	555,635	528,351	1,000	1,000
Non-refundable deposits	730,000	54,788	730,000	-
Prepayments	385,436	269,030	-	-
GST receivables	357,046	558,917	-	-
	<b>2,157,027</b>	<b>1,613,956</b>	<b>731,000</b>	<b>1,000</b>

## 10. AMOUNT DUE FROM SUBSIDIARIES

	COMPANY	
	2016 RM	2015 RM
Interest bearing @ <b>4%</b> (2015: 4%) per annum	8,014,018	9,335,786
Non-interest bearing	6,003,083	-
	<b>14,017,101</b>	<b>9,335,786</b>

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

# Notes to The Financial Statements (Cont'd)

31 December 2016



## 11. CASH AND CASH EQUIVALENTS

	GROUP		COMPANY	
	2016 RM	2015 RM	2016 RM	2015 RM
Unencumbered:				
Repo with a licensed bank	1,824,000	–	–	–
Short term fund with a licensed financial institution	2,735	2,642	2,735	2,642
Cash and bank balances	3,795,511	3,919,841	334,290	51,586
Cash and cash equivalents	5,622,246	3,922,483	337,025	54,228
Encumbered:				
Fixed deposits with a licensed bank	3,549,635	–	–	–
	9,171,881	3,922,483	337,025	54,228
Analysis by currencies:				
Ringgit Malaysia	6,692,355	2,334,615	337,025	54,228
US Dollar	2,478,516	1,587,868	–	–
Others	1,010	–	–	–
	9,171,881	3,922,483	337,025	54,228

The encumbered fixed deposit is pledged to a licensed bank for banking facility granted to the subsidiaries.

The effective interest rates per annum and maturity of the fixed deposits, repo and short term fund at the end of the reporting period are as follows:

	2016		2015	
	%	Days	%	Days
<b>GROUP</b>				
Repo with a licensed bank	2.45	1	–	–
Short term fund with a licensed financial institution	3.22	< 31	3.25	< 31
Fixed deposits with a licensed bank	3.60 to 4.05	365	–	–
<b>COMPANY</b>				
Short term fund with a licensed financial institution	3.22	< 31	3.25	< 31



# Notes to The Financial Statements (Cont'd)

31 December 2016



## 12. SHARE CAPITAL

	Number of ordinary shares of RM0.10 each		Amount	
	2016	2015	2016 RM	2015 RM
Authorised:	<b>250,000,000</b>	250,000,000	<b>25,000,000</b>	25,000,000
Issued and fully paid:				
Balance at beginning	<b>123,000,000</b>	123,000,000	<b>12,300,000</b>	12,300,000
Cash allotment, at par	<b>732,500</b>	–	<b>73,250</b>	–
Balance at end	<b>123,732,500</b>	123,000,000	<b>12,373,250</b>	12,300,000

The cash allotment is in respect of the special bumiputera issue of 732,500 new ordinary shares of RM0.10 each at an issue price of RM0.95 per share.

### 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 was for a duration of five years from 1 August 2006 until 31 July 2011. The directors had extended the ESOS for another five years to 31 July 2016 which has since expired.

No share options were granted to the employees up to the expiry date of ESOS.

## 13. SHARE PREMIUM

	GROUP AND COMPANY	
	2016 RM	2015 RM
Balance at beginning	<b>2,953,447</b>	2,953,447
Arising from the issuance of 732,500 ordinary shares at a premium of RM0.85 per share	<b>622,625</b>	–
Allotment expenses	<b>(38,228)</b>	–
Balance at end	<b>3,537,844</b>	2,953,447

## 14. CAPITAL RESERVE

### GROUP

Capital reserve represents the premium paid on acquisition of additional equity interest in an existing subsidiary from non-controlling interest.

## 15. 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 2016



## 16. BORROWINGS

	GROUP	
	2016	2015
	RM	RM
<b>Non-current liabilities</b>		
Finance lease liabilities	5,603,539	4,280,443
Term loans	<u>2,183,514</u>	<u>2,490,773</u>
	<b><u>7,787,053</u></b>	<b><u>6,771,216</u></b>
<b>Current liabilities</b>		
Bank overdraft	372	1,139,585
Bankers acceptance	12,910,300	5,050,000
Invoice financing	-	1,000,000
Finance lease liabilities	3,065,870	2,168,137
Term loans	<u>301,526</u>	<u>281,575</u>
	<b><u>16,278,068</u></b>	<b><u>9,639,297</u></b>
<b>Total borrowings</b>	<b><u>24,065,121</u></b>	<b><u>16,410,513</u></b>
Analysis by currencies:		
Ringgit Malaysia	19,354,821	16,410,513
US Dollar	<u>4,710,300</u>	<u>-</u>
	<b><u>24,065,121</u></b>	<b><u>16,410,513</u></b>

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

- (i) A facility agreement;
- (ii) A first party first legal charge over the leasehold land and freehold office lot of subsidiaries;
- (iii) A third party first fixed charge over the properties of a company in which a director of the Company has substantial financial interest; and
- (iv) Corporate guarantees of the Company.

# Notes to The Financial Statements (Cont'd)

31 December 2016



## 16. BORROWINGS (CONT'D)

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

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>2016</b>						
Bank overdraft	6.65	372	372	-	-	-
Bankers acceptance	2.44 to 4.62	12,910,300	12,910,300	-	-	-
Finance lease liabilities	2.37 to 3.33	8,669,409	3,065,870	2,329,671	3,273,868	-
Term loans	4.50	2,485,040	301,526	315,377	1,035,757	832,380
<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

## 17. DEFERRED TAX LIABILITIES

	GROUP	
	2016 RM	2015 RM
Balance at beginning	1,080,172	964,168
Transfer to profit or loss	148,972	148,004
	<b>1,229,144</b>	1,112,172
Over provision in prior year	(16,000)	(32,000)
Balance at end	<b>1,213,144</b>	1,080,172

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

	GROUP	
	2016 RM	2015 RM
Excess of capital allowances over depreciation on property, plant and equipment	1,615,000	1,116,000
Unabsorbed reinvestment allowance	(332,000)	-
Inventories - tax effect on unrealised profit	(69,856)	(35,828)
	<b>1,213,144</b>	1,080,172

# Notes to The Financial Statements (Cont'd)

31 December 2016



## 18. TRADE PAYABLES

	GROUP	
	2016 RM	2015 RM
Analysis by currencies:		
Ringgit Malaysia	<b>4,200,900</b>	10,475,087
US Dollar	<b>29,473,874</b>	19,671,971
Singapore Dollar	<b>25,027</b>	301,888
Taiwan Dollar	<b>26,774</b>	35,968
	<b><u>33,726,575</u></b>	<u>30,484,914</u>

The trade payables are non-interest bearing and are normally settled within **30 to 120 days** (2015: 30 to 90 days) term.

## 19. OTHER PAYABLES AND ACCRUALS

	GROUP		COMPANY	
	2016 RM	2015 RM	2016 RM	2015 RM
Other payables	<b>4,048,836</b>	6,986,484	-	-
Accruals	<b>5,061,350</b>	3,575,711	<b>32,344</b>	40,480
GST payables	<b>652,574</b>	404,461	-	-
	<b><u>9,762,760</u></b>	<u>10,966,656</u>	<b><u>32,344</u></b>	<u>40,480</u>
Analysis by currencies:				
Ringgit Malaysia	<b>8,760,610</b>	6,056,063	<b>32,344</b>	40,480
Singapore Dollar	<b>15,600</b>	26,531	-	-
US Dollar	<b>986,550</b>	4,884,062	-	-
	<b><u>9,762,760</u></b>	<u>10,966,656</u>	<b><u>32,344</u></b>	<u>40,480</u>

## 20. REVENUE

	GROUP		COMPANY	
	2016 RM	2015 RM	2016 RM	2015 RM
Gross dividend income from a subsidiary	-	-	<b>10,000,000</b>	1,000,000
Invoiced value of goods sold less returns and discounts	<b>193,731,546</b>	131,339,690	-	-
Interest income	<b>1,317</b>	74	<b>309,549</b>	323,523
	<b><u>193,732,863</u></b>	<u>131,339,764</u>	<b><u>10,309,549</u></b>	<u>1,323,523</u>

# Notes to The Financial Statements (Cont'd)

31 December 2016



## 21. PROFIT BEFORE TAXATION

This is arrived at:

	GROUP		COMPANY	
	2016 RM	2015 RM	2016 RM	2015 RM
After charging:				
Amortisation of development costs	14,507	58,030	–	–
Audit fee	58,000	53,000	18,000	18,000
Depreciation	5,096,956	4,788,768	175	175
Directors' allowance for non-executive directors	5,500	6,000	5,500	6,000
Directors' fee for non-executive directors	66,000	72,000	66,000	72,000
Interest expense on:				
- Bank overdraft	74,571	103,272	–	–
- Bankers acceptance	360,609	172,001	–	–
- Invoice financing	56,016	36,383	–	–
- Finance lease	512,395	346,207	–	–
- Term loans	121,115	143,597	–	–
Preliminary expenses	3,086	–	–	–
Realised loss on foreign exchange	26,205	2,235,083	–	–
Rental of premises	795,700	691,200	–	–
Rental of machinery	273,039	206,076	–	–
*Staff costs	25,543,671	20,907,364	27,120	–
And crediting:				
Gain on disposal of property, plant and equipment	34,999	–	–	–
Interest income	79,792	3,863	309,549	323,523
Realised gain on foreign exchange	1,616,394	476,760	–	–
Unrealised gain on foreign exchange	1,507,261	406,929	–	–
<b>*Staff costs</b>				
- Salaries, allowance, bonus and wages	23,143,749	19,139,901	24,000	–
- EPF	2,127,872	1,574,065	3,120	–
- SOCSO	272,050	193,398	–	–
	<b>25,543,671</b>	<b>20,907,364</b>	<b>27,120</b>	<b>–</b>

### 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	
	2016 RM	2015 RM	2016 RM	2015 RM
Executive directors:				
- Salary, allowance and bonus	1,641,170	1,031,062	–	–
- EPF	251,246	155,151	–	–
	<b>1,892,416</b>	<b>1,186,213</b>	<b>–</b>	<b>–</b>
Benefits-in-kind	69,167	40,133	–	–
	<b>1,961,583</b>	<b>1,226,346</b>	<b>–</b>	<b>–</b>

# Notes to The Financial Statements (Cont'd)

31 December 2016



## 22. TAXATION

	GROUP		COMPANY	
	2016 RM	2015 RM	2016 RM	2015 RM
Malaysian income tax:				
Based on profit for the financial year				
- Current tax	<b>(5,361,000)</b>	(1,938,000)	<b>(72,000)</b>	(55,000)
- Deferred tax relating to the origination and reversal of temporary differences	<b>(148,972)</b>	(148,004)	-	-
	<b>(5,509,972)</b>	(2,086,004)	<b>(72,000)</b>	(55,000)
Over/(Under) provision in prior year				
- Current tax	<b>111,206</b>	13,667	<b>(17,862)</b>	728
- Deferred tax	<b>16,000</b>	32,000	-	-
	<b>127,206</b>	45,667	<b>(17,862)</b>	728
	<b>(5,382,766)</b>	(2,040,337)	<b>(89,862)</b>	(54,272)

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

	GROUP		COMPANY	
	2016 RM	2015 RM	2016 RM	2015 RM
Profit before taxation	<b>25,998,055</b>	9,001,842	<b>9,967,290</b>	1,050,122
Income tax at Malaysian statutory tax rate of <b>24%</b> (2015: 25%)	<b>(6,239,533)</b>	(2,250,461)	<b>(2,392,150)</b>	(262,531)
Income not subject to tax	<b>487,446</b>	133,845	<b>2,400,316</b>	250,018
Expenses not deductible for tax purposes	<b>(679,804)</b>	(498,366)	<b>(80,166)</b>	(42,487)
Utilisation of unabsorbed tax losses and capital allowances	<b>217,661</b>	360,092	-	-
Deferred tax movements not recognised	<b>704,258</b>	163,982	-	-
Changes in tax rate	-	4,904	-	-
	<b>(5,509,972)</b>	(2,086,004)	<b>(72,000)</b>	(55,000)
Over/(Under) provision in prior year	<b>127,206</b>	45,667	<b>(17,862)</b>	728
	<b>(5,382,766)</b>	(2,040,337)	<b>(89,862)</b>	(54,272)



## 22. TAXATION (CONT'D)

### GROUP

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

	2016 RM	2015 RM
Excess of capital allowances over depreciation of property, plant and equipment	-	603,000
Unabsorbed tax losses	-	(790,000)
Unabsorbed capital allowances	-	(735,000)
	<u>-</u>	<u>(922,000)</u>

The amount and future availability of unabsorbed tax losses and unabsorbed capital allowances for which the related tax effects have not been accounted for at the end of the reporting period are estimated at **RM Nil** (2015: RM3,290,000) and **RM Nil** (2015: RM3,064,000) respectively.

## 23. EARNINGS PER SHARE

### GROUP

#### (a) Basic earnings per share

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

	COMPANY	
	2016	2015
Profit for the financial year (RM)	<u>20,337,291</u>	<u>6,452,524</u>
Weighted average number of ordinary shares of RM0.10 each	<u>123,345,178</u>	<u>123,000,000</u>
Basic earnings per share (sen)	<u>16.49</u>	<u>5.24</u>

#### (b) Diluted earnings per share

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



# Notes to The Financial Statements (Cont'd)

31 December 2016



## 24. CAPITAL COMMITMENTS

	GROUP	
	2016 RM	2015 RM
Contracted and not provided for:		
- Property, plant and equipment	67,290	909,798
Approved and not contracted for:		
- Property, plant and equipment	<u>389,400</u>	<u>-</u>

	COMPANY	
	2016 RM	2015 RM
Approved and not contracted for:		
- Investment in a subsidiary	<u>170,000</u>	<u>-</u>

## 25. CONTINGENT LIABILITIES (UNSECURED)

	COMPANY	
	2016 RM	2015 RM
Corporate guarantees extended to financial institutions for credit facilities granted to its subsidiaries		
- Limit	<u>40,134,026</u>	<u>20,406,323</u>
- Utilised as at the end of the reporting period	<u>22,853,391</u>	<u>16,057,812</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. Further there was no consideration received by the Company for the issuance of the corporate guarantees and therefore there is no fair value on the corporate guarantees to be recognised.

## 26. RELATED PARTY DISCLOSURES

	COMPANY	
	2016 RM	2015 RM
<b>(i) Related party transaction</b>		
Interest charged to a subsidiary	<u>308,232</u>	<u>323,449</u>



## 26. RELATED PARTY DISCLOSURES (CONT'D)

### (ii) Compensation of key management personnel

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

	----- GROUP -----		----- COMPANY -----	
	2016 RM	2015 RM	2016 RM	2015 RM
Salaries and other short-term employee benefits	<b>2,705,951</b>	1,304,346	<b>98,620</b>	78,000

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.

## 27. 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 2016



## 27. OPERATING SEGMENT (CONT'D)

### By Business Segments

2016

	Electronic products RM	Investment holding RM	Elimination RM	Note	Total RM
<b>Revenue</b>					
External customers	<u>193,731,546</u>	<u>1,317</u>	<u>-</u>		<u>193,732,863</u>
<b>Results</b>					
Segment results	27,383,911	(340,942)	-		27,042,969
Interest income	78,475	1,317	-		79,792
Interest expense	<u>(1,124,706)</u>	<u>-</u>	<u>-</u>		<u>(1,124,706)</u>
Profit/(Loss) before taxation	26,337,680	(339,625)	-		25,998,055
Taxation	<u>(5,292,904)</u>	<u>(89,862)</u>	<u>-</u>		<u>(5,382,766)</u>
Profit/(Loss) for the financial year, representing total comprehensive income/(loss) for the financial year	<u>21,044,776</u>	<u>(429,487)</u>	<u>-</u>		<u>20,615,289</u>
<b>Assets</b>					
Segment assets	155,342,487	25,854,569	(62,790,779)		118,406,277
Tax recoverable	247,570	8,000	-		255,570
Cash and cash equivalents	<u>8,834,856</u>	<u>337,025</u>	<u>-</u>		<u>9,171,881</u>
Total assets	<u>164,424,913</u>	<u>26,199,594</u>	<u>(62,790,779)</u>		<u>127,833,728</u>
<b>Liabilities</b>					
Segment liabilities	101,058,336	32,344	(57,601,345)		43,489,335
Borrowings	24,065,121	-	-		24,065,121
Deferred tax liabilities	1,213,144	-	-		1,213,144
Provision for taxation	<u>2,233,300</u>	<u>-</u>	<u>-</u>		<u>2,233,300</u>
Total liabilities	<u>128,569,901</u>	<u>32,344</u>	<u>(57,601,345)</u>		<u>71,000,900</u>
<b>Other segment information</b>					
Capital expenditure	4,219,312	-	-	A	4,219,312
Depreciation and amortisation	5,111,288	175	-		5,111,463
Non-cash income other than depreciation and amortisation	<u>(1,542,260)</u>	<u>-</u>	<u>-</u>	B	<u>(1,542,260)</u>

# Notes to The Financial Statements (Cont'd)

31 December 2016



## 27. OPERATING SEGMENT (CONT'D)

### By Business Segments (Cont'd)

2015

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

# Notes to The Financial Statements (Cont'd)

31 December 2016



## 27. OPERATING SEGMENT (CONT'D)

Notes to segment information:

A. Additions to non-current assets consist of:

	2016 RM	2015 RM
Property, plant and equipment	<u>4,219,312</u>	<u>9,499,189</u>

B. Other material non-cash income consist of the following items:

	2016 RM	2015 RM
Gain on disposal of property, plant and equipment	(34,999)	-
Unrealised gain on foreign exchange	<u>(1,507,261)</u>	<u>(406,929)</u>
	<u>(1,542,260)</u>	<u>(406,929)</u>

### Geographical Segments

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

	Revenue		Non-current assets	
	2016 RM	2015 RM	2016 RM	2015 RM
Malaysia	164,108,707	118,793,160	30,705,163	31,597,315
People's Republic of China	291,956	330,747	182,057	182,057
United States of America	5,513,088	3,599,900	-	-
United Kingdom	1,977	-	-	-
Singapore	<u>23,817,135</u>	<u>8,615,957</u>	<u>-</u>	<u>-</u>
	<u>193,732,863</u>	<u>131,339,764</u>	<u>30,887,220</u>	<u>31,779,372</u>

### Information About Major Customers

Total revenue from major customers which individually contributed more than 10% of the Group revenue amounted to **RM173,834,583** (2015: RM101,260,317).



## 28. FINANCIAL INSTRUMENTS

### 28.1 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").

	Carrying amount RM	L&R RM	FL RM
<b>GROUP</b>			
<b>2016</b>			
<b>Financial assets</b>			
Trade receivables	64,882,401	64,882,401	-
Other receivables and refundable deposits	1,041,591	1,041,591	-
Cash and cash equivalents	9,171,881	9,171,881	-
	<u>75,095,873</u>	<u>75,095,873</u>	<u>-</u>
<b>Financial liabilities</b>			
Borrowings	24,065,121	-	24,065,121
Trade payables	33,726,575	-	33,726,575
Other payables and accruals	9,762,760	-	9,762,760
	<u>67,554,456</u>	<u>-</u>	<u>67,554,456</u>
<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	-
	<u>44,964,351</u>	<u>44,964,351</u>	<u>-</u>
<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
	<u>57,862,083</u>	<u>-</u>	<u>57,862,083</u>



## 28. FINANCIAL INSTRUMENTS (CONT'D)

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

	Carrying amount RM	L&R RM	FL RM
<b>COMPANY</b>			
<b>2016</b>			
<b>Financial assets</b>			
Refundable deposit	1,000	1,000	-
Amount due from subsidiaries	14,017,101	14,017,101	-
Cash and cash equivalents	337,025	337,025	-
	<u>14,355,126</u>	<u>14,355,126</u>	<u>-</u>
<b>Financial liabilities</b>			
Accruals	<u>32,344</u>	<u>-</u>	<u>32,344</u>
<b>2015</b>			
<b>Financial assets</b>			
Refundable deposit	1,000	1,000	-
Amount due from subsidiaries	9,335,786	9,335,786	-
Cash and cash equivalents	54,228	54,228	-
	<u>9,391,014</u>	<u>9,391,014</u>	<u>-</u>
<b>Financial liabilities</b>			
Accruals	<u>40,480</u>	<u>-</u>	<u>40,480</u>

### 28.2 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.

### 28.3 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.





## 28. FINANCIAL INSTRUMENTS (CONT'D)

### 28.3 Credit risk (Cont'd)

#### 28.3.1 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 150 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.

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:

	2016 RM	2015 RM
Not past due	62,360,160	26,137,853
1 to 30 days past due	1,038,684	4,147,503
31 to 60 days past due	664,504	3,187,665
61 to 90 days past due	301,182	5,856,396
90 to 120 days past due	517,871	422,313
120 to 150 days past due	-	-
Past due more than 150 days	-	-
	<b>2,522,241</b>	13,613,877
	<b>64,882,401</b>	39,751,730

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 **RM2,522,241** (2015: RM13,613,877) 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 **3 customers** (2015: 4 customers) representing **91%** (2015: 92%) of the total trade receivables.

#### 28.3.2 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 the carrying amount of the advances 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.



## 28. FINANCIAL INSTRUMENTS (CONT'D)

### 28.3 Credit risk (Cont'd)

#### 28.3.3 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 16, 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 25.

### 28.4 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 manage 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 their overall prudent liquidity management, the Group and the Company maintain 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 and 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>2016</b>						
<i>Non-derivative financial liabilities</i>						
Borrowings	24,065,121	25,119,748	16,754,424	2,946,643	4,543,845	874,836
Trade and other payables	43,489,335	43,489,335	43,489,335	-	-	-
	<b>67,554,456</b>	<b>68,609,083</b>	<b>60,243,759</b>	<b>2,946,643</b>	<b>4,543,845</b>	<b>874,836</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>



## 28. FINANCIAL INSTRUMENTS (CONT'D)

## 28.4 Liquidity risk (Cont'd)

	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>COMPANY</b>						
<b>2016</b>						
<i>Non-derivative financial liabilities</i>						
Other payables	32,344	32,344	32,344	-	-	-
*Financial guarantee	-	22,853,391	22,853,391	-	-	-
	<b>32,344</b>	<b>22,885,735</b>	<b>22,885,735</b>	<b>-</b>	<b>-</b>	<b>-</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>

\*This liquidity risk exposure is included for illustration purpose only as the related financial guarantee has not crystallised.

## 28.5 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 their carrying amount as at the end of the reporting period is as follows:

	2016 RM	2015 RM
<b>GROUP</b>		
<b>Fixed rate instruments</b>		
Financial assets	5,376,370	2,642
Financial liabilities	8,669,409	6,448,580
<b>Floating rate instruments</b>		
Financial liabilities	15,395,712	9,961,933
<b>COMPANY</b>		
<b>Fixed rate instruments</b>		
Financial assets	8,016,753	9,338,428



## 28. FINANCIAL INSTRUMENTS (CONT'D)

### 28.5 Interest rate risk (Cont'd)

#### Sensitivity analysis for fixed rate instruments

The Group and the Company do not account for any fixed rate financial instruments at fair value through profit or loss, and the Group and the Company do 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 **RM31,576** (2015: RM21,329) 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.

### 28.6 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") and Singapore Dollar ("SGD").

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

	USD RM	Denominated in SGD RM	Others RM
<b>GROUP</b>			
<b>2016</b>			
Trade receivables	48,627,753	-	-
Cash and bank balances	2,478,516	-	1,010
Trade payables	(29,473,874)	(25,027)	(26,774)
Other payables	(986,550)	(15,600)	-
Borrowings	(4,710,300)	-	-
Net exposure	<u>15,935,545</u>	<u>(40,627)</u>	<u>(25,764)</u>
<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	<u>(1,336,298)</u>	<u>(328,419)</u>	<u>(35,968)</u>

#### 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 or decreased profit before taxation by the amount shown below and a corresponding weakening would have an equal but opposite effect.



## 28. FINANCIAL INSTRUMENTS (CONT'D)

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

	2016 RM	2015 RM
USD	(1,593,555)	133,630
SGD	4,063	32,842
Others	2,576	3,597
	<u>(1,586,916)</u>	<u>170,069</u>
(Decrease)/Increase in profit before taxation		

### 28.7 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.

## 29. 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.

## 30. SIGNIFICANT 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.

## 31. SUBSEQUENT EVENTS

- (i) The Company had on 10 January 2017 acquired 540,000 ordinary shares of RM1 each, representing 60% equity interest in Morrissey Integrated Dynamics Sdn. Bhd. (formerly known as Marque Precision Technology Sdn. Bhd.) for a total cash consideration of RM900,000.
- (ii) The Minister of Domestic Trade, Co-operatives and Consumerism has appointed 31 January 2017 as the date on which the Companies Act 2016 comes into operation except Section 241 and Division 8 of Part III.

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

# Supplementary Information Disclosed Pursuant to Bursa Malaysia Securities Berhad Listing Requirements



The breakdown of retained profits of the Group and of the Company 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 the Guidance on Special Matter No. 1 - Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants are as follows:

	----- GROUP -----		----- COMPANY -----	
	2016 RM	2015 RM	2016 RM	2015 RM
Total retained profits of the Company and its subsidiaries:				
- Realised	<b>47,601,288</b>	26,338,344	<b>10,256,156</b>	378,728
- Unrealised	<b>(1,213,144)</b>	(673,243)	-	-
	<b>46,388,144</b>	25,665,101	<b>10,256,156</b>	378,728
Less: Consolidation adjustments	<b>(5,189,434)</b>	(4,633,766)	-	-
	<b>41,198,710</b>	21,031,335	<b>10,256,156</b>	378,728

# List of Properties



Title/Location	Date of Acquisition	Description	Built-up Area / Land area	Existing Use	Tenure	Approximate Age of Buildings	Carrying Amount as at 31/12/2016 RM
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	18 years	348,454
15-1-22, Bayan Point, Medan Kampung Relau, 11900 Penang	10.10.2012	Office Lot	1,066 sq. ft.	Sales and administration office	Freehold	18 years	230,000
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	2,806,632
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	2,988,540



# Analysis of Shareholdings

as at 31 March 2017



Issued and paid-up Share Capital	: RM12,373,250.00
Class of Shares	: Ordinary shares
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	44,917,379	36.302	5,664,095*	4.578
NOBLE MATTERS SDN. BHD.	24,994,163	20.200	–	–
CHEAH CHOON GHEE	1,457,500	1.178	24,994,163#	20.200
ONG HOCK SEONG	7,650	0.006	24,994,163#	20.200

Note :

- \* Deemed interested by virtue of his shareholdings of not less than 20% in First Share Sdn. Bhd. pursuant to Section 8 of the Companies Act, 2016
- # Deemed interested by virtue of his shareholdings of not less than 20% in Noble Matters Sdn. Bhd. pursuant to Section 8 of the Companies Act, 2016

## DIRECTORS' SHAREHOLDINGS IN THE COMPANY

Name	Number of Shares Held			
	Direct	%	Deemed	%
DATO' TAN KING SENG	44,917,379	36.302	5,664,095*	4.578
OOI YEOK HOCK	799,938	0.647	–	–
TAN CHIN HONG	3,105,496	2.510	–	–
CHEAH CHOON GHEE	1,457,500	1.178	24,994,163#	20.200
KHOR THEAN LEE	500,000	0.404	–	–
LOH CHYE TEIK	–	–	–	–
DATO' DR. LOH HOCK HUN	–	–	–	–
WONG CHI YENG	–	–	–	–

Note :

- \* Deemed interested by virtue of his shareholdings of not less than 20% in First Share Sdn. Bhd. pursuant to Section 8 of the Companies Act, 2016
- # Deemed interested by virtue of his shareholdings of not less than 20% in Noble Matters Sdn. Bhd. pursuant to Section 8 of the Companies Act, 2016

## ANALYSIS BY SIZE OF SHAREHOLDINGS

Size of shareholdings	Number of Shareholders	% of Shareholders	Number of Shares	% of Shares
Less than 100 shares	20	1.169	808	0.001
100 to 1,000 shares	735	42.957	214,500	0.174
1,001 to 10,000 shares	570	33.314	2,851,150	2.304
10,001 to 100,000 shares	300	17.534	9,727,009	7.861
100,001 to less than 5% of issued shares	84	4.909	41,027,491	33.158
5% and above of issued shares	2	0.117	69,911,542	56.502
<b>Total</b>	<b>1,711</b>	<b>100.000</b>	<b>123,732,500</b>	<b>100.00</b>

# Analysis of Shareholdings (Cont'd)

as at 31 March 2017



## LIST OF THIRTY LARGEST SHAREHOLDERS

	NAME	NO. OF SHARES HELD	%
1	TAN KING SENG	44,917,379	36.302
2	NOBLE MATTERS SDN.BHD.	24,994,163	20.200
3	FIRST SHARE SDN BHD	5,664,095	4.578
4	TAN CHIN HONG	3,105,496	2.510
5	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR RONIE TAN CHOO SENG (8058147)	3,000,000	2.425
6	HSBC NOMINEES (ASING) SDN BHD HSBC-FS I FOR SAMSUNG ASEAN SECURITIES MASTER INVESTMENT TRUST	2,137,600	1.728
7	LIM LENG NA	2,000,000	1.616
8	MAYBANK NOMINEES (TEMPATAN) SDN BHD TEY TIAN FOO	1,460,000	1.180
9	CHEAH CHOON GHEE	1,457,500	1.178
10	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR FONG SILING (CEB)	1,200,000	0.970
11	UOB KAY HIAN NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR UOB KAY HIAN PTE LTD (A/C CLIENTS)	1,000,000	0.808
12	MAYBANK NOMINEES (TEMPATAN) SDN BHD SAW KONG BENG	946,200	0.765
13	MALACCA EQUITY NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR PHILLIP CAPITAL MANAGEMENT SDN BHD (EPF)	869,400	0.703
14	DB (MALAYSIA) NOMINEE (ASING) SDN BHD SSBT FUND RCEN FOR GEORGETOWN EMERGING MARKETS FUND SPC, LTD.	705,500	0.570
15	CHAW TECK LONG	660,000	0.533
16	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHANG SENG KOOI (KLC/KAF)	560,000	0.453
17	TEY THIAN SING @ TEE THIAN KERN	556,600	0.450
18	KHOR THEAN LEE	500,000	0.404
19	CIMSEC NOMINEES (ASING) SDN BHD PLEDGED SECURITIES ACCOUNT FOR MARIANNA PASCAL (J KUNING DUA-CL)	478,000	0.386
20	CIMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TEY BIN YUEN (KUNING 2-CL)	470,000	0.380
21	SHUM THIN SOON	469,400	0.379
22	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN POH KHOON	436,000	0.352
23	TAN HUA LEE	430,000	0.348
24	TEY BIN YUEN	428,200	0.346
25	CARTABAN NOMINEES (ASING) SDN BHD EXEMPT AN FOR BARCLAYS CAPITAL SECURITIES LTD (SBL/PB)	414,800	0.335
26	KONG LI THEN	400,000	0.323
27	HO AH JANG @ HOO SOO JANG	371,800	0.300
28	NG CHOON LUK @ NG CHOON LAK	365,000	0.295
29	LIEW MEI HIN @ LIEW MEE HIN	360,900	0.292
30	LIM ZI YANG	350,000	0.283

# Notice of Annual General Meeting



NOTICE IS HEREBY GIVEN THAT the Twelfth Annual General Meeting of the Company will be held at Fullerton Suite, Victory Annexe, Level 5, Eastern & Oriental Hotel, Penang, 10, Lebuhr Farquhar, 10200 Penang on Friday, 26 May 2017 at 2.00 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 2016 together with the Reports of the Directors and Auditors thereon.  | <b>Please refer to the Explanatory Notes</b> |
| 2. To approve the payment of Directors' fees and Directors' benefits of RM78,000.00 for the financial year ending 31 December 2017.   | <b>Resolution 1</b>                          |
| 3. To re-elect Mr Loh Chye Teik who retires in accordance with the Company's Constitution (Article 129 of the Articles of Association of the Company as adopted before the commencement of the Companies Act, 2016).    | <b>Resolution 2</b>                          |
| 4. To re-elect Mr Cheah Choon Ghee who retires in accordance with the Company's Constitution (Article 129 of the Articles of Association of the Company as adopted before the commencement of the Companies Act, 2016). | <b>Resolution 3</b>                          |
| 5. To re-elect Ms Wong Chi Yeng who retires in accordance with the Company's Constitution (Article 134 of the Articles of Association of the Company as adopted before the commencement of the Companies Act, 2016).    | <b>Resolution 4</b>                          |
| 6. To re-appoint Dato' Dr. Loh Hock Hun as Director of the Company.   | <b>Resolution 5</b>                          |
| 7. To re-appoint Messrs. Grant Thornton as Auditors of the Company until the conclusion of the next Annual General Meeting and to authorise the Directors to fix their remuneration.                                    | <b>Resolution 6</b>                          |

### 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, 2016, the Constitution of the Company and the approvals of the relevant governmental and regulatory authorities, the Directors be and are hereby empowered pursuant to Section 75 and Section 76 of the Companies Act, 2016, 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 subject to the passing of Resolution 2, 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**



## As Special Business (Cont'd)

(iii) **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 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

9. To transact any other business for which due notices shall have been given in accordance with the Companies Act, 2016.

By Order of the Board,

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

Penang

Date : 30 April 2017

Notes :

1. A proxy may but need not be a member of the Company. There shall be no restriction as to the qualification of the proxy.
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 48 hours before the time appointed for holding the meeting.
3. A member shall be entitled to appoint more than 2 proxies to attend and vote at the same meeting.
4. Where a member appoints 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 the Constitution of the Company (Article 79 of the Articles of Association as adopted before the commencement of the Companies Act, 2016) and Rule 7.16(2) of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad, a Record of Depositors ("**ROD**") as at 19 May 2017 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. All resolutions as set out in this notice of Twelfth Annual General Meeting are to be voted by poll.



## **Explanatory Note on Ordinary Business**

### **Item 1 of the Agenda**

#### **To receive the Audited Financial Statements for the financial year ended 31 December 2016 together with the Reports of the Directors and Auditors thereon.**

This item is meant for discussion only as the provision of Section 340(1)(a) of the Companies Act, 2016 does not require shareholders' approval for the audited financial statements. Therefore, this item will not be put forward for voting.

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

Resolution 1 is to facilitate payment of Directors' fees and Directors' benefits on current financial year basis, calculated based on the number of scheduled Board and Committee meetings for 2017 and assuming that all Non-Executive Directors will hold office until the end of the financial year. In the event the Directors' fees and Directors' benefits 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 and benefits to meet the shortfall.

### **Resolution 5 – Re-appointment of Dato' Dr Loh Hock Hun as Director**

The proposed Ordinary Resolution 5 is to re-appoint Dato' Dr. Loh Hock Hun who is over 70 years of age and was re-appointed at the Annual General Meeting held on 27 May 2016 pursuant to Section 129 of the Companies Act, 1965 (which was then in force) to hold office until the conclusion of the next Annual General meeting. The said Section 129 is now superseded by the Companies Act, 2016 which does not require a director over 70 years of age to be re-appointed at the Annual General Meeting. This resolution once passed will confirm the re-appointment of Dato' Dr. Loh Hock Hun to continue to act as Director of the Company without any further requirement for him to seek re-appointment in future.

## **Explanatory Note on Special Business**

### **Resolution 7 – Authority to issue shares**

#### **Renewal of authority to allot and issue shares pursuant to Section 75 and Section 76 of the Companies Act, 2016**

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 75 and Section 76 of the Companies Act, 2016 under the general authority which was approved at the Eleventh Annual General Meeting held on 27 May 2016 and which will lapse at the conclusion of the Twelfth Annual General Meeting to be held on 26 May 2017. A renewal of this authority is being sought at the Twelfth 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**

The proposed Ordinary Resolution 8, if passed, will retained Mr. Loh Chye Teik as Independent Non-Executive Director of the Company in line with the recommendation no. 3.3 of the Malaysian Code of Corporate Governance 2012. 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.



## **Explanatory Note on Ordinary Business (Cont'd)**

### **Resolution 9 – Retention of Dato' Dr. Loh Hock Hun as an Independent Non-Executive Director of the Company**

The proposed Ordinary Resolution 9, if passed, will retained Dato' Dr. Loh Hock Hun as Independent Non-Executive Director of the Company in line with the recommendation no. 3.3 of the Malaysian Code of Corporate Governance 2012. 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 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 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.

## **PERSONAL DATA POLICY**

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance list, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof) and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"). (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

# Statement Accompanying Notice of Annual General Meeting

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(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.



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# Proxy Form

**JHM CONSOLIDATION BERHAD**  
(Company No.: 686148-A)  
(Incorporated in Malaysia)

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

..... being a \*Member / Members of JHM  
(Full Address)

Consolidation Berhad, hereby appoint \* the Chairman of the meeting or .....  
(Full Name in Block Letters)

of .....  
(Full Address)

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

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

attend and vote for \*me/ us and on \*my/ our behalf at the Twelfth Annual General Meeting of the Company to be held at Fullerton Suite, Victory Annexe, Level 5, Eastern & Oriental Hotel, Penang, 10, Lebuh Farquhar, 10200 Penang on Friday, 26 May 2017 at 2.00 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 2016 together with the Reports of the Directors and Auditors thereon		
Resolutions	For	Against
1. Approval of payment of Directors' fees and Directors' benefits for the financial year ending 31 December 2017		
2. Re-election of Mr Loh Chye Teik as Director		
3. Re-election of Mr Cheah Choon Ghee as Director		
4. Re-election of Ms Wong Chi Yeng 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 75 and Section 76 of the Companies Act, 2016 for the Directors to issue shares		
8. Retention of Mr Loh Chye Teik as an Independent Non-Executive Director		
9. 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

CDS Account No.

As witness my hand this ..... day of ..... , 2017.

.....  
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. There shall be no restriction as to the qualification of the proxy.
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 48 hours before the time appointed for holding the meeting.
3. A member shall be entitled to appoint more than 2 proxies to attend and vote at the same meeting.
4. Where a member appoints 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 the Constitution of the Company (Article 79 of the Articles of Association as adopted before the commencement of the Companies Act, 2016) and Rule 7.16(2) of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad, a Record of Depositors ("ROD") as at 19 May 2017 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. All resolutions as set out in this notice of Twelfth Annual General Meeting are to be voted by poll.

PLEASE FOLD ACROSS THE LINES AND CLOSE

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Postage

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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PLEASE FOLD ACROSS THE LINES AND CLOSE

**JHM CONSOLIDATION BERHAD** (686148-A)

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

T 604 646 5121

F 604 645 7326