Kumpulan H & L High-Tech Berhad (317805-V)
Incorporated in Malaysia
No. 6, Jalan TSB 1,
Taman Industri Sungai Buloh,
47000 Sungai Buloh,
Selangor Sarul Ehsan.
Tel: (+603) 6157 6339 **Fax:** (+603) 6156 8918

For further information about our company or more details about our products, please visit our website:

www.hlhightech.com

KUMPULAN H & L HIGH TECH BERHAD (317805-V)

ANNUAL REPORT 2016

KUMPULAN H & L HIGH-TECH BERHAD

(317805-V)

2016 ANNUAL REPORT

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Tan Lye Huat
Group Executive Chairman and Managing Director

Tan Sook Yee
Executive Director

Chu Kan
Independent Non-Executive Director

Hau Hock Khun
Independent Non-Executive Director

Rita Tai Lai Ling
Independent Non-Executive Director

Chew Yock Fat
Independent Non-Executive Director

AUDIT COMMITTEE

Chew Yock Fat
Chairman / Independent Non-Executive Director

Chu Kan
Independent Non-Executive Director

Hau Hock Khun
Independent Non-Executive Director

Rita Tai Lai Ling
Independent Non-Executive Director

COMPANY SECRETARIES

Ng Bee Lian
Wong Wai Foong *
Yap Sit Lee *
* Appointed on 21 June 2016

REGISTERED OFFICE

Unit 30-01, Level 30, Tower A
Vertical Business Suite, Avenue 3
Bangsar South, No 8, Jalan Kerinchi,
59200 Kuala Lumpur
Tel : (03) 2783 9191
Fax : (03) 2783 9111

INVESTOR RELATIONS

www.insage.com.my/ir/HIGHTEC

PRINCIPAL PLACE OF BUSINESS

No. 6, Jalan TSB 1
Taman Industri Sungai Buloh
47000 Sungai Buloh
Selangor Darul Ehsan
Tel : (03) 6157 6339
Fax : (03) 6156 8918
Email : info@hlhightech.com
Website : www.hlhightech.com

SHARE REGISTRARS

Symphony Share Registrars Sdn. Bhd.

Level 6, Symphony House
Pusat Dagangan Dana 1, Jalan PJU1A/46
47301 Petaling Jaya
Selangor Darul Ehsan.
Tel : (03) 7841 8000
Fax : (03) 7841 8151

AUDITORS

Messrs. SJ Grant Thornton
Chartered Accountants

PRINCIPAL BANKERS

Hong Leong Bank Berhad
CIMB Bank Berhad
OCBC Bank (Malaysia) Berhad

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia Securities Berhad
Stock Name : HIGHTEC
Stock Code : 7033

PROFILE OF THE BOARD OF DIRECTORS AND KEY SENIOR MANAGEMENT

TAN LYE HUAT

Group Executive Chairman and Managing Director
(Key Senior Management)

Tan Lye Huat, Malaysian, Male, aged 63, was appointed as Group Executive Chairman and Managing Director of Kumpulan H&L High-Tech Berhad (H&L) on 2 September 1997. He is a businessman by profession and the founder of H&L High-Tech Sdn Bhd (HHT), Plastik STC Sdn Bhd (PSSB), H&L High-Tech Deco Sdn Bhd (HHTD), H&L High-Tech Properties Sdn Bhd (HHTP) and H&L High-Tech Properties Development Sdn Bhd (HHPD).

He founded Hup Lee Engineering Works (HLEW) in 1976 as a partnership in the mould and dies industry and incorporated the partnership under HHT on 9 November 1988.
With more than 39 years experience of closely managing the production and marketing operations of HHT and HLEW, he possess in-depth knowledge and experience in the overall operations of HHT as well as the industry in general.

He sits on the Board of all companies under the H&L Group and also holds directorships in a number of other private limited companies. He has no conflict of interest with the Company. His daughter Tan Sook Yee is Director of H&L.

He has no conviction for any offences within the past 5 year (other than traffic offences, if any) and there was no sanction or penalty imposed by the relevant regulatory bodies during the financial year.

TAN SOOK YEE

Executive Director
(Key Senior Management)

Tan Sook Yee, Malaysian, Female, aged 36 was appointed as Non-Independent Executive Director of H&L on 30 June 2006.

She graduated with a Bachelor of Manufacturing Engineering (Honours) and Bachelor of Commerce from the University of Melbourne.

She joined H&L Group as a Customer Support Engineer in 2004 and is now the Business Development Director of which her primary role is to develop new projects for the Group and manage the Group's international businesses. She is also the Quality Management Representative for the H&L Group. She sits on the Board of H&L and all its subsidiaries. She also holds directorships in a number of other private limited companies. She has no conflict of interest with the Company. She is the daughter of Mr. Tan Lye Huat, Chairman and Managing Director of H&L. She has no conflict of interest with the Company.

She has no conviction for any offences within the past 5 year (other than traffic offences, if any) and there was no sanction or penalty imposed by the relevant regulatory bodies during the financial year.

CHU KAN

Independent Non – Executive Director

Chu Kan, Malaysian, Male, aged 73, was appointed as an Independent Non-Executive Director of Kumpulan H&L High-Tech Berhad on 2 September 1997.He has been a member of the Institute of Internal Auditors since 1980 and he became a professional member of the National Institute of Accountants, Australia in 2003. In 1969, he began his career as an office manager cum accountant with General Ceramic Bhd (now known as General Corporation Bhd).

He left in 1986 as the assistant group internal auditor. In 1987, he joined Redland Prestige Ceramic Sdn Bhd, a wholly owned subsidiary of Johan Holdings Bhd, which is principally involved in manufacturing of ceramic tiles, as a finance and administration manager. He retired from employment in early 1997 and currently sits on the Board of several private limited companies.

He also sits on Audit Committee, Nomination Committee and Remuneration Committee. He does not have any family relationship with any director and/or major shareholder of the Company and there is no other business arrangement with the Company in which he has personal interest.

He has no conviction for any offences within the past 5 year (other than traffic offences, if any) and there was no sanction or penalty imposed by the relevant regulatory bodies during the financial year.

BOARD OF DIRECTORS' PROFILE (CONT'D)

RITA TAI LAI LING
Independent Non-Executive Director

Rita Tai, Malaysian, Female, aged 51, was appointed as an Independent Non-Executive Director of H & L on 23 June 2009. She is a Chartered Accountant of the Malaysian Institute of Accountants, a Certified Public Accountant of the Malaysian Institute of Certified Public Accountants and a holder of Capital Market Services Representative's License (CMSRL) issued by the Securities Commission.

She began her career in 1989 as an Accountant with MST Industrial System Sdn Bhd. In 1990, she joined Coopers & Lybrand (now known as PriceWaterHouseCoopers) as an audit assistant and thereafter was promoted to the position of an Audit Manager. Subsequently in 1994, she joined a licensed Asset Management company as the Head of Finance and Corporate Affairs. In 1997, she joined Hwang DBS Securities Sdn. Bhd. (now known as Hwang DBS Investment Bank Bhd.) as a Dealer's Representative. Later in 2001, she transferred her CMSRL to Kenanga Investment Bank Berhad and has been with the company until end of 2011. In January 2012, she transferred her CMSRL to Malacca Securities Sdn Bhd. The years of experience that she gained in the audit and business advisory services as well as in the securities industry has equipped her with extensive knowledge in the operations of the stockbroking, manufacturing, banking, insurance, trading and plantation sectors.

She does not have any family relationship with any director and/or major shareholder of the Company and there is no other business arrangement with the Company in which she has personal interest.
She has no conviction for any offences within the past 5 year (other than traffic offences, if any) and there was no sanction or penalty imposed by the relevant regulatory bodies during the financial year.

HAU HOCK KHUN
Independent Non-Executive Director

Hau Hock Khun, Malaysian, Male, aged 44, was appointed as an Independent Non-Executive Director of H & L on 5 August 2009. He holds a Bachelor of Law (L.L.B.) from Bond University, Australia, MBA (Total Quality Management) from Newport University, USA and International Diploma Computer Science NCC, UK.

He was called to the Malaysian Bar on 31 May 1998 and is admissible to the Queensland Solicitors' Board (Australia), and currently is the Advocate & Solicitor of the High Court of Malaya. He is also a Mediator registered with the panel of Malaysia Mediation Centre and the Associate Member of the U. K. Chartered Institute of Arbitrators.
He is currently a Managing Partner in Messrs H K Hau, Advocates and Solicitors and also a Consultant for various organisation for property and project development planning, property investment & development and real estate related matters.
He is proficient and well versed in various law fields with specialization and experience in shipping, company restructuring, franchising, trade mark, patents, industry design, corporate and commercial law, banking and civil litigation. As well as in the property and real estate related matters.

He does not have any family relationship with any director and/or major shareholder of the Company and there is no other business arrangement with the Company in which he has personal interest.
He has no conviction for any offences within the past 5 year (other than traffic offences, if any) and there was no sanction or penalty imposed by the relevant regulatory bodies during the financial year.

CHEW YOCK FAT
Independent Non-Executive Director

Chew Yock Fat, Malaysian, Male, age 58, was appointed as Independent Non-Executive Director of H & L on 4 February 2015. He is a Member of Malaysian Institute of Accountant, Fellow member of Association of Chartered Certified Accountants UK and a Licensed GST Agent.

He worked as Accountant in 1985 with Fung Keong Rubber Manufactory Sdn Bhd and subsequently in 1988 as Finance Manager with Don Eastern Sdn Bhd .Later he joined one of the subsidiaries of Southern Steel Berhad as the Group Financial Controller until 1994. He was the Financial Controller with a Japanese MNC from 1994 until 2008 and later as Financial Controller in a Swedish company until 2013.

He has wide ranging experience in finance, accounting, corporate and indirect taxes. He is also well verse with compliance matters such as Sarbanes Oxley, Foreign Corrupt Practice, Anti Money Laundering. In addition, he had experience conducting GST training and providing consultancy services to Small Medium Enterprises.

He is the Chairman of Audit Committee. He does not have any family relationship with any director and/or major shareholder of the Company and there is no other business arrangement with the Company in which he has personal interest.

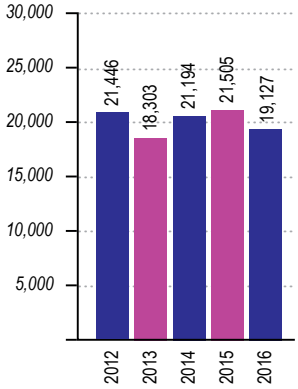
He has no conviction for any offences within the past 5 year (other than traffic offences, if any) and there was no sanction or penalty imposed by the relevant regulatory bodies during the financial year.

5 YEARS' FINANCIAL HIGHLIGHTS

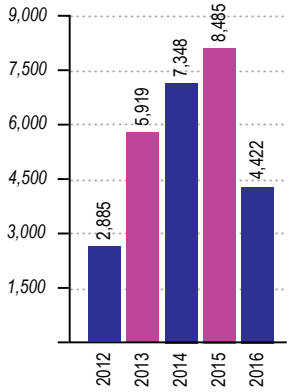
For the financial year ended 31st October	2012 RM 000	2013 RM 000	2014 RM 000	2015 RM 000	2016 RM 000
GROUP REVENUE	21,446	18,303	21,194	21,505	19,127
PROFIT BEFORE TAX	2,885	5,919	7,348	8,485	4,422
PROFIT ATTRIBUTABLE TO SHAREHOLDERS	2,265	7,229	6,198	6,971	3,458
PAID UP CAPITAL	40,612	40,612	40,612	40,612	40,612
TOTAL ASSETS	80,149	83,886	89,442	95,350	96,100
SHAREHOLDERS' EQUITY	63,730	69,496	75,288	80,821	83,763
NET EARNINGS PER SHARE (SEN) *	6.19	19.76	16.95	19.06	9.45
NET TANGIBLE ASSETS PER SHARE (RM) *	1.74	1.90	2.06	2.21	2.29
DIVIDEND RATE %	4.00%	3.50%	3.50%	3.50%	3.50%

* Excluding treasury shares

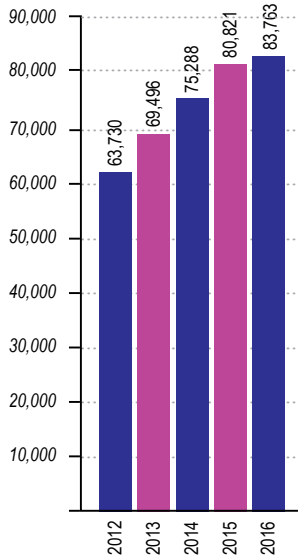
GROUP REVENUE (RM '000)



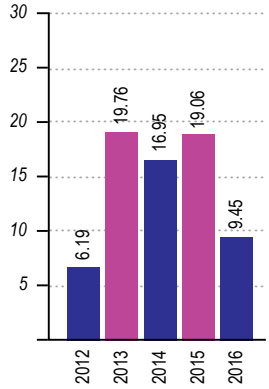
PROFIT BEFORE TAX (RM '000)



SHAREHOLDERS' EQUITY (RM '000)



NET EARNINGS PER SHARE (SEN)



* Excluding treasury shares

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board, it gives me great pleasure to present the Annual Report and Audited Financial Statements for Kumpulan H & L High-Tech Berhad and its Group of companies for the financial year ended 31st October 2016.

REVIEW OF THE FINANCIAL PERFORMANACE

2016 was a challenging year with many head winds coming mainly from external fronts. The slow-down in China's economy from 7% in 2015 to around 6.7% in 2016 had repercussions in Malaysia. In 2016, China was Malaysia's second largest trading partner with RM88 billion exports from Jan to Nov. Due to slower growth, Malaysian's export of goods was impacted for the first 11 months of 2016 in comparison to 2015. Total exports of goods came in at RM710.4 billion against RM711.6 billion - a decline of RM1.2 billion or 0.2% decline.

Trade surplus for the same period in 2016 also declined from RM86.3billion to RM78.6 billion, a drop of RM7.7 billion or 9% lower compared to 2015. (source : Malaysia External Trade Development Corporation).

On the domestic front, GDP for the first 9 months grew at an average rate of 4.15% where it was once 5% the whole year in 2015. Unemployment rates have also climbed from 3.2% in Oct 2015 to 3.5% in Oct 2016. CPI was also trending upwards from 2.1% since Nov 2015. All these factors had affected SME, and Kumpulan H & L High-Tech Berhad was no exception.

The Consolidated revenue in 2016 came in at RM19.1 million down from RM21.5 million in 2015. This shows a decline of RM2.4 million or 11.1% lower than the numbers in 2015.

Both manufacturing and property segments registered decline in revenue due to weak exports and weak domestic demand. However, plantation registered commendable increased in revenue as more palm trees have reached the harvesting stage. Total FFB production in 2016 was almost 3,000 tons. In the coming years, FFB production and revenue are expected to increase significantly as more and more palm trees mature. The age of the trees will be around 5 years old next year.

Profit after tax for current year comes in at RM3.5 million compared to RM7.0 million in 2015. The lower after tax profit was due to the lower fair value adjustment in 2016 and higher operating expenses due to non-capitalization of expense in plantation as palm trees reached harvesting stage also partly contributed to the decline.

Basis earning per share in current year is 9.45 cents as compared with 19.06 cents in 2015

REVIEW OF SUBSIDIARY COMPANIES' PERFORMANCE FOR THE FINANCIAL YAER ENDED 31st OCTOBER 2016

The management has taken a cautious approach towards the manufacturing business, especially the moulds business, in view of soft demand. Credit risks have been well managed with no impairment being reported including the group. Care was also taken by management to preserve working capital and cash. This will allow the group to capitalize on any business opportunity that may arise in the near future.

PLANTATION

Looking forward, plantation is expected to contribute positively to the revenue and profit in coming years since most palm trees had reached harvesting stage. Partly due to weak Ringgit, the Crude Palm Oil prices have also improved significantly in 2016 and are expected to continue till quarter 1 in 2017.

CHAIRMAN'S STATEMENT (CONT'D)

MANUFACTURING

Manufacturing business is not expected to improve much in coming years mainly due to external factors. Unless China's economy improves, exports growth is expected to be subdued. In addition, cost pressure may increase due to imposition of levies on foreign workers by the government in 2018. The weaker Ringgit is likely to contribute to import inflation and affect local consumption.

PROPERTY & PROPERTY DEVELOPMENT

Rental rates are facing downwards pressure due to glut and oversupply conditions since 2015. Rental rates and yield are likely to be lower and the situation is not likely to improve in 2017.

In property development the scenario was no different. There were significantly less new launches. With more completed properties in 2017, many developers have adopted a wait and see strategy particularly in the Klang Valley area. However our property development is in Ipoh where the glut situation is not that serious. With good location and reasonable prices, I expect there will be positive contribution in coming years.

PROSPECTS

The Group will continue to nurture the Plantation business which has started to bear fruit while at the same time focusing on business opportunities in our existing business - strengthening our finance resources and credit risks management. Barring any unforeseen circumstances, the directors anticipate the results of forthcoming year to be challenging.

CORPORATE DEVELOPMENTS

There were no major corporate developments in 2016. But rest assured, the Board is always on the lookout for any potential business that can enhance and add value to the Group.

PROPOSED DIVIDEND

The Board of Directors is pleased to recommend a final single-tier dividend of 2.0 sen per Ordinary share of RM1.00 each in respect of financial year ended 31 October 2016 (2015 : single-tier dividend of 2.0 sen per ordinary share of RM1.00 each) subject to the approval of the shareholders at the forthcoming Annual General Meeting.

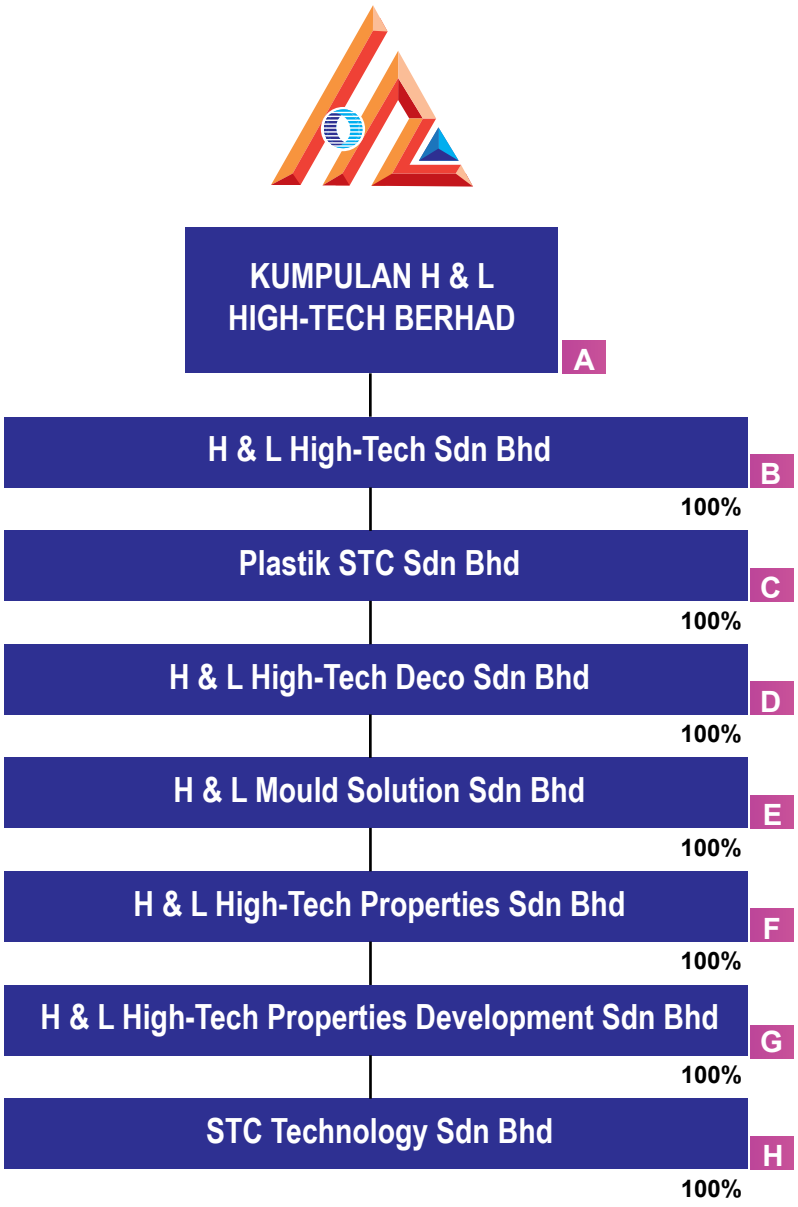
ACKNOWLEDGEMENT AND APPRECIATION

On behalf of the Board of Directors, I wish to express my sincere thanks to all dedicated management and employees who have continued to work ceaselessly to overcome many challenges to ensure the growth of our business and profitability in 2016.

I would also like to thank our esteemed business associates and shareholders for their continuous support, loyalty and confidence in us and our business.

TAN LYE HUAT
Group Executive Chairman and Managing Director

CORPORATE STRUCTURE



Principle Activities:

A Invesment holdings
B Manufacture and sale of precision engineering moulds, jigs, fixtures, tools and other machine parts
C Manufacture and sale of customised precision engineering plastic injection moulded thermoplastic and thermosett parts and components for electrical and electronic industry
D Oil palm plantation
E Dormant
F Letting of properties and property investment
G Properties development
H Dormant

STATEMENT OF CORPORATE GOVERNANCE

The Board recognises the importance of good corporate governance and fully subscribes to and supports the principles of the Malaysian Code on Corporate Governance and the relevant provisions in the Main Market Listing Requirement of Bursa Malaysia Securities Berhad.

This corporate governance statement also set up the application of 8 principles of Malaysian Code on Corporate Governance 2012, relevant chapters of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad on corporate governance.

Principle 1
- establish clear roles and responsibilities of the Board of Directors and Management

The Board has a collective responsibility for the management of the Group.

The Non-Executive Directors are responsible for bringing independent judgment and scrutiny to decisions taken by the Board and providing objective challenges to Management. The Non-Executive Directors do not participate in the day-to-day management of the Group and do not engage in any business dealing or other relationship with the Group to ensure that they are capable of exercising judgment objectively and act in the best interest of the Group, its stakeholders and shareholders, including minority shareholders.

To enhance accountability, the Board has specific functions reserved for the Board and those delegated to Management.

The Board assumes the following responsibilities in discharging its fiduciary and leadership functions:
- Reviewing and adopting a strategic plan for the Group
- Overseeing the conduct of the Group's business via assessing the performance of Group and management team to determine whether the business is being properly managed.
- Identifying principal business risks faced by the Group and ensuring the implementation of appropriate internal controls and mitigating measure to address such risks.
- Ensure that all candidates appointed to senior management positions are of sufficient caliber and satisfied that there are programmes in place to provide for the orderly succession of senior management and members of the Board.
- Overseeing the development and implementation of shareholders communications policy for the Group.
- Reviewing the adequacy and the integrity of the management information system and internal control system of the Group.

Code of Ethics and Conduct

The Company has adopted a code of conduct and ethics which applies to Directors, officers and employees of the Group and is available on the Company's website at www.hlhightech.com.

The Board is ultimately responsible for the implementation of this Code of Ethics. The Board has delegated to the Nomination Committee the responsibility to administer this Code of Ethics. Directors who learn of or suspect that a violation of the Code of Ethics has occurred or is likely to occur must immediately report the violation to the Chairman of the Nomination Committee, or to any other member of the Nomination Committee, except in the case of issues regarding the Company's financial statements, financial reporting, accounting, auditing matters or internal accounting controls of which it should be reported to the Chairman of the Audit Committee.

If a Director is unsure whether a violation should be reported to the Nomination or the Audit Committee, he or she is encouraged to report to both Committees. Directors who report violations or suspected violations in good faith will not be subject to retaliation of any kind. Reported violations will be treated confidentially to the extent possible.

Alleged violations of the Code of Ethics shall be investigated by the Nomination Committee and may result in discipline and other action at the discretion of the Board upon recommendation of the Nomination Committee, including, where appropriate, removal from the Board. The Board is ultimately responsible for the investigation and resolution of all issues that may arise under this Code of Ethics.

STATEMENT OF CORPORATE GOVERNANCE (CONT'D)

Board Charter

Apart from the adoption of the above Code of Ethics and Conduct, the Board is also guided by the Charter which provides reference for directors in relation to the Board's roles, powers, duties and functions. The Charter outlines processes and procedures for the Board and their committees to be effective and efficient. The Board will regularly review the Charter to ensure it remains consistent with the Board's objectives and responsibilities and all the relevant standards of corporate governance. The Board Charter is made available on the Company's website.

Sustainability of Business

The Board embraces sustainability through collaboration and partnership with its suppliers, customers and other stakeholders. The Group is committed to the continuous efforts in maintaining a delicate balance between the sustainability agenda and the shareholders' interests.

Whistle-blowing Policy

The Board acknowledges that misconduct such as violation of laws, rules, regulations, production fault, fraud, health and safety violations or corruption are usually known first by the people who work in or with the Group. An early warning system such as a whistle-blowing policy and procedure can help the Group detect wrongdoings and alert the Group to take corrective action before a problem becomes a crisis.

The Board thus in its effort to enhance corporate governance has put in place a whistle blowing policy to provide an avenue for employees, suppliers and stakeholders to report genuine concerns about malpractices, unethical behaviour or misconduct without fear of reprisal. Any concerns raised will be investigated and outcome of such investigation will be reported to the Board. Appropriate action will be taken to resolve the issue.

Board Gender Diversity Policies and Targets and the Measures

Corporate Governance Blueprint 2011 states that the Board should ensure women participation on board to reach 30% by year 2016.

The Board has not adopted any diversity policy but will continue to identify suitable candidates for appointment to the board as and when the vacancies arises. Such candidates will be strictly assessed based on merit, their competencies, time commitment, experience and knowledge regardless of gender, age and ethnicity.

The Nominating Committee will oversee the overall composition of the Board and Board Committees, including succession planning to maintain the appropriate size and skills, the balance between Executive Directors, non-Directors and Independent Directors as well as the mix of skills and other core competencies required on the Board.

Principle 2
- Strengthen the composition of the Board

The Board currently consists of six (6) directors, comprise two (2) Executive Directors and four (4) Independent Non-Executive Directors.

The roles of the Chairman and Managing Director are currently not separated. The Managing Director is primarily responsible for the orderly conduct and the working of the Board, day to day running of the business and implementation of Board policies and decisions. There is sufficient balance of executive directors such that decision made are fully discussed and examined taking into account the long term interest of shareholders, employees, customers and other communities in which the Group conducts its business. The presences of Independent Non-Executive Directors are essential as they provide unbiased and independent views, advice and judgement as well to safeguard the interest of other parties such as minority shareholders. A brief profile of each director is presented in this annual report on pages 3 to 4. The Board composition complies with the Main Market Listing Requirement of Bursa Malaysia Securities Berhad, which requires one third to be independent.

STATEMENT OF CORPORATE GOVERNANCE (CONT'D)

The Board Committees

The Board delegates certain authorities to Board Committees as well as authority delegated by the Board to these committees have been approved by the Board and are reviewed from time to time to ensure that they are relevant and up-to-date.

The various committees report the outcome of their meetings to the Board which are then incorporated in the Board's minutes. The Board Committees are as follows:-

- Nomination Committee
- Audit Committee and
- Remuneration Committee

Nomination Committee - Selection and Assessment of Directors

A Nomination Committee was established to make recommendations to the Board on the suitable candidates for appointment to the Board. The Nomination Committee comprise exclusively of Independent Non-Executive Directors.

The Nomination Committee was formed by the Board with specific terms of reference and empowered by the Board to, amongst others, identify, recommend and nominate suitably qualified candidates in terms of appropriate balance of skills, expertise, attributes and core competencies for the re–election and re-appointment of directors, review the independence of Directors, ensure new Directors go through a proper induction programme and to continuously, collectively and individually, evaluate Directors and senior management on their performance on an on-going basis and recommend training, if necessary.

The Committee is also tasked to review succession plans and boardroom diversity, including gender diversity and to develop criteria for the assessment of the Board, Board Committees and individual Directors, including where appropriate, criteria on assessing the independence of candidates' appointment as Independent, Non-Executive Directors and to assess the contribution and performance of members of the Board. Currently, the Company has two female members of the Board.

The Nomination Committee has reviewed and assessed the mix of skills, expertise, composition, size and experience of the Board, including the core-competencies of both Executive and Non-Executive Directors; considered aspects of succession planning and boardroom diversity, including gender diversity; training courses for Directors and other qualities of the Board, including core-competencies which Non-Executive Directors should bring to the Board and the contribution of each individual Director; effectiveness of the Board, as a whole, and the Board Committees as well as the retirement of Directors by rotation who are eligible for re-election or re-appointment.

The Board, through the assessment and recommendations of the Nomination Committee, is confident and firmly believes that individuals chosen and appointed to the Board are all individuals of high calibre and integrity and can be tasked to discharge their duties and responsibilities independently and effectively.

In enhancing the function of the independent Non-Executive directors, the Board has defined their roles and responsibilities including the following:

- Provides independent and objective views, assessment and suggestions in Board's deliberations;
- Ensures effective check and balance in the Board's proceedings;
- Mitigate any possible conflict of interest between the policy-making process and the day-to-day management of the Group and
- Contribute to the development of the business strategies and direction of the Group.

The Independent Directors are free to obtain advice from independent professionals if deemed necessary for the proper discharge of their duties at the expenses of the Company. The Independent Directors have direct access to the advice and services of internal and external auditors and the company secretary who is responsible for ensuring the Board procedures are followed.

STATEMENT OF CORPORATE GOVERNANCE (CONT'D)

In accordance with the Articles of Association of the Company, it provides that every Annual General Meeting, at least one-third of the Directors for the time being, shall retire from office and being eligible for re-election provided always that all the Directors shall retire from office at least in each three (3) years.

Mr Tan Lye Huat, Mr Chew Yock Fat and Mr Chu Kan are due to retire at the forthcoming Annual General Meeting and will be recommended for re-election or re-appointment (where applicable) by the Board.

In determining whether to recommend a Director for re-election or re-appointment, the aforesaid Directors' attendance at six (6) meetings, participation and contribution to the activities of the Board will be duly considered by Nomination Committee.

The Nomination Committee is satisfied that the abovementioned Directors have met the requirement set out above and have recommended to the Board of Directors for their re-election and re-appointment at the forthcoming Annual General Meeting. All the abovementioned Directors have consented to serve as Directors, if elected or re-appointed, by the shareholders at the forthcoming Annual General Meeting.

For more details on the members and meeting attendance of the Nomination Committee, please refer to the Nomination Committee Report on page 27 of the annual report.

In Kumpulan Group, all appointments and employments are based on merits and not determined by gender, ethnicity and age bias. The current structure of gender, ethnicity and age of the employees of the Group are as follows:-

Gender		**Ethnicity**		**Age**	
Male	88%	Malaysian - Bumiputera	26.3%	19 – 30	30%
Female	12%	Malaysian - Chinese	8.3%	31 – 40	49%
		Malaysian - Indian	0.3%	41 – 50	14%
		Foreigners	65.1%	> 51	7%

Qualified and Competent Company Secretary

The current Company Secretary is a qualified Chartered Secretary and member of MAICSA. The appointment of the company secretary is based on criteria related to the qualifications, experience and competence of the individual concerned to carry out their duties and responsibilities having regard to the Company and its subsidiaries' business, size of operations and compliance with the Listing Requirements.

Audit Committee

The Audit Committee currently comprises four (4) independent Non-Executive Directors. The Committee meets not less than 4 times a year and is governed by clearly defined terms of reference in the financial year ended 31 October 2016. For the financial year ended 31 October 2016, the Committee met 5 times. Details of the composition of the Audit Committee and attendance of members at meetings held in 2016 are as follows:-

STATEMENT OF CORPORATE GOVERNANCE (CONT'D)

Members of Audit Committee and Meeting Attendance

Membership Status	Name	Attendance
Chairman Independent Non-Executive Director	Chew Yock Fat	5/5
Member Independent Non-Executive Director	Chu Kan	5/5
Member Independent Non Executive Director	Rita Tai Lai Ling	5/5
Member Independent Non-Executive Director	Hau Hock Khun	4/5

Meetings are to be held as and when necessary. The quorum for each meeting is two. The minutes of the Audit Committee meetings are tabled at the Board for noting and for action by the Board, where appropriate. Recommendations of the Committee are submitted to the Board for approval.

For summary of activities of the Audit Committee for the financial year ended 31 October 2016, please refer to pages 22 of the annual report.

Remuneration Committee

The Remuneration Committee was established to make recommendations to the Board on the compensation framework for Directors. The Remuneration Committee consists of three (3) members, all are Independent Non-Executive Directors.

The Remuneration Committee was formed by the Board with specific terms of reference. The main responsibilities of the Remuneration Committee are to ensure that the remuneration, salary and benefits of the employees of the Company are benchmarked with industry standards in light of the Company's performance in the industry.

The Remuneration Committee review the remuneration structure of Executive and Non-Executive Directors and recommend to the Board. The Company's Articles of Association provide that any payment of Directors' fees should be approved at the Annual General Meeting.

Recommendations by the Remuneration Committee are reported at a meeting of the Board by the Chairperson of the Remuneration Committee. All Committee meeting minutes, including meeting papers, carried out by the Committee in the discharge of its functions are properly documented. The Remuneration Committee held one meeting which was attended by all members during the financial year to review and recommend to the Board on the remuneration of the Directors.

Members of Remuneration Committee and meeting attendance

Membership Status	Name	Attendance
Chairperson Independent Non-Executive Director	Rita Tai Lai Ling	1/1
Member Independent Non-Executive Director	Hau Hock Khun	1/1
Member Independent Non Executive Director	Chu Kan	1/1

Details of the nature and the amount of the Directors' remuneration paid or payable by the Group for the financial year ended 31 October 2016 are as follow:-

	Executive Directors (RM '000)	Non-Executive Directors (RM '000)
Fees*	0	48
Emoluments*	903	38
Employer Provident Fund	92	0
Benefit-in-kind	16	0

* Fee and benefits paid by the Company amounted to approximately RM86,000 only.

The number of Directors of the Company whose remuneration fall within the following bands are:-

Range of Remuneration inclusive of allowance	Executive Director	Independent Non-Executive Directors
Below RM50,000	-	4
RM150,000 - RM200,000	1	-
RM750,000 - RM800,000	1	-

On the disclosure of detailed remuneration of each Director, the Board is of the view that the transparency of Directors' remuneration has been sufficiently dealt with by the "band disclosure" presented in this Statement.

Principle 3
- Reinforce independence of the Board

The Board recognises the importance of independence and objectivity in its decision making process. The Directors are professionals of high calibre and integrity and possess of in-depth knowledge and experience of the business to enable them to discharge their duties effectively. The Independent Non-Executive Directors bring to bear objective and independent views, advice and judgment on interests, not only of the Group, but also of shareholders, employees, customers, suppliers and the many communities in which the Group conducts its business. Independent Non-Executive Directors are essential for protecting the interests of shareholders and can make significant contributions to the Group's decision-making by bringing in the quality of detached impartiality.

During the financial year under review, the Board assessed the independence of its Independent, Non-Executive Directors based on criteria set out in the Listing Requirements. The MCCG 2012 provides a limit of a cumulative term of nine (9) years on the tenure of an Independent Director. The Board Charter provides a limit of a cumulative term of nine (9) years on the tenure of an independent director.

However, an Independent Director may continue to serve the Board upon reaching the 9-year limit subject to the Independent Director's re-designation as a Non-Independent Non-Executive Director. In the event the Board intends to retain the Director as Independent after the latter has served a cumulative term of 9 [nine] years, the Board must justify the decision and seek shareholders' approval at general meeting. In justifying the decision, the Nomination Committee is entrusted to assess the candidate's suitability to continue as an Independent, Non-Executive Director based on the criteria on independence. There is one Independent Non-Executive Director of the Company namely Mr. Chu Kan who has served the Board for cumulative term of more than nine years since 02 September 1997. The board recommends retaining his destination as Independent Non-Executive Director of the Company mainly based on the following justifications:-

- he had fulfilled the criteria under the definition of Independent Director pursuant to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad;
- he had ensured effective check and balance in the proceedings of the Board and the Board Committees;
- he had actively participated in Board deliberations, provided objectivity in decision-making and an independent voice to the Board and contributed in preventing Board domination by any single party;
- his vast experience in internal audit and finance .would enable him to provide the Board with a diverse set of experience, expertise and independent judgement to better manage and run the Group;

- he had devoted sufficient time and attention to his responsibility as Independent Non-Executive Director of the Company and
- he had exercised due care in the interest of the Company and shareholders during his tenure as Independent Non-Executive Director.

Principle 4
- Foster commitment of Directors

The Board ordinarily meets at least four (4) times a year, scheduled well in advance before the end of the preceding financial year to facilitate the Directors in planning their meeting schedule for the year. Additional meetings are convened when urgent and important decisions need to be made between scheduled meetings.

Time Commitment

Where any direction or decisions are required expeditiously or urgently from the Board between the regular meetings, special meetings of the Board are convened after consultation with the Group Executive Chairman and Managing Director.

The agenda for the meeting of the Board are set by the Company Secretary in consultation with the Group Executive Chairman and Managing Director. Decisions of the Board are made unanimously or by consensus. Where appropriate, decisions may be taken by way of Directors' Circular Resolutions between scheduled and special meetings.

The agenda, the relevant reports and Board papers are furnished to Directors seven (7) days in advance to allow the Directors sufficient time to peruse for effective discussion and decision making during meetings.

The Board has a regular schedule of matters which are typically on the agenda and reviewed during the course of the year namely, Quarterly Reports; the Quarterly Unaudited Consolidated Results; Recommendations of the various Board Committees; Announcements to Bursa; Company's Audited Financial Statements; Company's Annual Report [which includes the Statement on Corporate Governance, Internal Control Statement, an Audit Committee Report and Creating Shared Value Statement.]

Members of the Management Team or external advisors are invited, as and when required, to attend the Board and/ or Committee meetings to advise and furnish the members of the Board and/ or Committees with information and clarification relating to the items on the agenda for effective discussion and decision making.

All pertinent issues discussed at Board meetings in arriving at the decisions and conclusions are properly recorded by the Company Secretary by way of minutes of meetings. It is the policy of the Company for Directors to devote sufficient time and efforts to carry out their responsibilities. The Board obtains this commitment from Directors at the time of appointment. It is also the Board's policy for Directors to notify the Group Executive Chairman and Managing Director before accepting any new directorship notwithstanding that the Listing Requirements allow a Director to sit on the boards of 5 listed issuers. Such notification is expected to include an indication of time that will be spent on the new appointment.

Board Meetings

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

Name of Director	Designation	Attendance Board Meeting
Tan Lye Huat	Group Executive Chairman and Managing Director	5 / 5
Tan Sook Yee	Executive Director	5 / 5
Chu Kan	Independent non-Executive Director	5 / 5

STATEMENT OF CORPORATE GOVERNANCE (CONT'D)

Name of Director	Designation	Attendance Board Meeting
Rita Tai Lai Ling	Independent non-Executive Director	5 / 5
Hau Hock Khun	Independent non-Executive Director	4 / 5
Chew Yock Fat	Independent non-Executive Director	5 / 5

Directors' Training

The Board is mindful of the importance for its members to undergo continuous training and through its Nomination Committee continues to evaluate and determine the training needs of its members to ensure continuing education is made available to Directors in order for them to enhance their business acumen and professionalism in discharging their duties to the Group. Any Director appointed to the Board is required to complete the Mandatory Accreditation Programme ("MAP") within 4 [four] months from the date of appointment.

The Directors have during the financial year ended 31 October 2016 attended various courses, training and programmes as follow:

Director	Date / Month	Courses / Training / Programme
Tan Lye Huat	23 Jul 2016	Building A High Performance Team
Tan Sook Yee	23 Jul 2016	Building A High Performance Team
	11 Oct 2016	FMM GST Seminar: Latest Updates and Tax Audit Compliance for Manufacturers
Chew Yock Fat	5 April 2016	Fraud Risks Management
Rita Tai Lai Ling	18 June 2016	Philip Capital Annual Investment Conference
Chew Yock Fat	5 April 2016	Fraud Risks Management

The Company also provided internal briefings to the Directors on key corporate governance developments and salient changes on the Listing Requirements, laws and regulations. In addition, as part of the Directors' continuous education programme, all Directors are, from time to time, provided with hard copies of reading materials pertaining to the latest developments in areas relating to the Directors' roles and responsibilities. The External Auditors also briefed the Board members on any changes to the Malaysian Financial Reporting Standards that affect the Group's financial statements during the year. The Directors' are also encouraged to attend appropriate external trainings on subject matter that aids the Directors in the discharge of their duties as Directors, at the Company's expense.

Principle 5
- Uphold integrity in financing reporting

The Board aims to provide and present a clear, balanced and comprehensive assessment of the Group's financial performance and prospects at the end of the financial year, primarily through the annual financial statements and quarterly announcement of results to shareholders, as well as the Message to Shareholders and review of the Group's operations in the Annual Report.

The Board is responsible for ensuring that the financial statements give a true and fair view of the state of affairs of the Group and the Company as at the end of the reporting period and of their results and cash flows for the period then ended. In preparing the financial statements, the Directors ensure that accounting standards approved by the Malaysian Accounting Standards Board [MASB] in Malaysia and the provisions of the Companies Act 2016 are complied with and reasonable and prudent judgments and estimates have been made. The Directors' overall responsibilities also include taking such steps as are reasonably open to them to safeguard the assets of the Group and for the implementation and continued operation of adequate accounting and internal control systems for the prevention of fraud and other irregularities.

The Board is satisfied that it has met its obligation to present a balanced and understandable assessment of the Group's position and

prospects in the Directors' Report and the Financial Statements set out in this Annual Report. To assist in the discharge its duties on financial reporting, the Board has established an Audit Committee, comprising wholly Independent Non-Executive Directors, with Mr. Chu Kan as the Chairman of the Audit Committee. The composition of the Audit Committee, including its roles and responsibilities are set out in this Annual Report. One of the key responsibilities of the Audit Committee is to ensure that the financial statements of the Group and Company comply with applicable financial reporting standards in Malaysia. Such financial statements comprise the quarterly financial report announced to Bursa and the annual statutory financial statements. The Board's obligation to establish formal and transparent arrangements in considering how it should apply financial reporting and internal controls, and maintaining an appropriate relationship with the Group's external auditors is met through the Audit Committee.

The Audit Committee discusses with the external auditors the nature and scope of the audit and reporting obligations before audit commences. The Audit Committee ensures that the Management provides timely response on any material queries raised by the external auditors, in respect of the accounting records, financial accounts or system of controls. The Audit Committee is empowered by the Board to review any matters concerning the appointment and re-appointment, resignations or dismissals of external auditors and review and evaluate factors relating to the independence of the external auditors.

The Audit Committee works closely with the external auditors in establishing procedures in assessing the suitability and independence of the external auditors, in confirming that they are, and have been, independent throughout the conduct of the audit engagement with the Group in accordance with the independence criteria set out by the International Federation of Accountants and the Malaysian Institute of Accountants. The terms of engagement for services provided by the external auditors are reviewed by the Audit Committee prior to submission to the Board for approval.

Principle 6
- Recognise and manage risks of the Group

Recognising the importance of risk management and internal controls, the Board has established a structured risk management framework to identify, evaluate, control, monitor and report the principal business risks faced by the Group on an on-going basis. The key features of the risk management framework are set out in the Statement on Risk Management and Internal Control as stated in this Annual Report.

The Board has established internal control policies and procedures and monitors to ensure that such internal control system is implemented and effectively carried out by the Management Team. The Group has in place an Information Technology Policy that outlines the processes that should be followed to create policies, best practices, standards and the use of the supporting information technologies. The Group is mindful of the legal implications if technology systems or information are misused in a manner which may be found to breach laws and regulations. Guided by the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers, the Board performs reviews on an annual basis covering not only financial, but operational and compliance controls and risk management systems, in all material aspects. The Board is provided with reasonable assurance from the various reports submitted by Management and the Audit Committee on risk management and internal control system. Details on the Statement on Risk Management and Internal Control and Internal Audit Function are furnished in pages 29 to 30 of the Corporate Governance and Financial Report.

Principle 7
- Ensure timely and high quality disclosure

An essential aspect of an active and constructive communication policy is the promptness in disseminating information to shareholders and investors. The Board is aware of the need to establish corporate disclosure policies and procedures to enable comprehensive, accurate and timely disclosures pertaining to the Company and its subsidiaries to regulators, shareholders and stakeholders.

For the financial year under review, the corporate disclosure policies and procedures which have been adopted and implemented in the Company are as follows:

i) Timely release of quarterly financial results

STATEMENT OF CORPORATE GOVERNANCE (CONT'D)

The Group recognises the importance of prompt and timely dissemination of information to shareholders and investors, in order for these stakeholders to be able to make informed investment decisions. The Board is of the view that information that is not released in a timely manner, albeit comprehensive and accurate, would be less relevant for such investment purposes.

As such, the Group accords a high priority in ensuring that information is made available and disseminated as early as possible.

ii) Company website and authorized spokesperson

In order to disseminate timely information, the Company have made available latest Quarterly Report and other financial information on the Company's corporate website, www.hlhightech.com at which shareholders can access information under the 'Investor Relations' tab.

As part of the Company's commitment towards the objective in maintaining effective communication with shareholders and investors to enable them to make informed investment decisions, experienced Senior Management personnel are directly involved in the Company's investor relations activities. With the active involvement of the Senior Management personnel, the investment community is assured of views and information on the Group that is appropriate, accurate and timely. The details of the authorized Senior Management personnel responsible for Investor Relations are as follows:

Name	: Tan Sook Yee
Designation	: Executive Director, Business Development
Age	: 36 years
Address	: Kumpulan H & L High-Tech Berhad No.6, Jalan TSB 1, Taman Industri Sungai Buloh, 47000 Sungai Buloh, Selangor Darul Ehsan.
Tel No	: 03 - 61576339
E-mail	: info@hlhightech.com

iii) Related party transactions and material contract

An internal compliance framework exists to ensure the Company meets its obligations under the Listing Requirements, including obligations relating to related party transactions and recurrent related party transactions. The Board, through its Audit Committee, reviews all related party transactions involved. A director who has an interest in a transaction must abstain from deliberating and voting on the relevant resolution, in respect of such transaction at the meeting of the Board and at the Annual General Meeting convened to consider the said matter.

There are procedures established by the Group to ensure that all related party transactions are undertaken on an arm's length basis and on normal commercial terms, consistent with the Group's usual business practices and policies, which are generally not more favourable than those generally available to the public and other suppliers and are not detrimental to minority shareholders. Salient features of the procedures relating to the governance of related party transactions are summarized as follows:

- a list of related parties of the Group is circulated to the Directors and Management of the Company and its subsidiaries to notify that all related party transactions are required to be undertaken on an arm's length basis and on normal commercial terms not more favourable than those generally available to the public and other suppliers and are not detrimental to the minority shareholders;

- all related party transactions are reported to the Audit Committee. Any member of the Audit Committee, where deemed fit, may request for additional information pertaining to the transactions, including advice from independent sources or advisers; and

- There was no Related Party Transactions entered into by the Company with its related parties for the financial year ended 31 October 2016.

For the financial year ended 31 October 2016, there were no material contracts entered into by the Group, involving directors and substantial shareholders.

Principle 8
- Strengthen relationship between the company and its shareholders

The Board believes that they are not only accountable to shareholders but also responsible for managing a successful and productive relationship with the Company's stakeholders.

Annual Report and shareholder participation at general meeting

The Company recognises the importance of maintaining transparency and accountability to its shareholders. The Board ensures that all the Company's shareholders are treated equitably and the rights of all investors, including minority shareholders, are protected. The Board provides its shareholders and investors with information on its business, financials and other key activities in the Annual Report of the Company, which contents are continuously enhanced to take into account the developments, amongst others, in corporate governance.

The Board aims to provide and present a clear and comprehensive assessment of disclosures in the Annual Report to shareholders. In disclosing information in the Annual Report, the Board is guided by the principles set out in the Listing Requirements and the Code of Business Conduct.

The Company sends out the Notice of the Annual General Meeting and related circular to shareholders at least 21 days before the meeting as required under the Listing Requirements, in order to facilitate full understanding and evaluation of the issues involved. Where special business items appear in the Notice of the Annual General Meeting, a full explanation is provided to shareholders on the effect of the proposed resolution emanating from the special business item.

The Annual General Meeting is the principal opportunity for the Board to meet shareholders and for the Chairman to provide an overview of the Company's progress and receive questions from shareholders.

At the Annual General Meeting, shareholders actively participate in discussing the resolutions proposed or on future developments of the Group's operations in general. The Board, the Management Team and the Company's external auditors, are present to answer questions raised and provide clarification as required by shareholders. All the resolutions set out in the Notice of the Annual General Meeting are put to vote by show of hands.

The outcome of the Annual General Meeting is announced to Bursa on the same meeting day. At every Annual General Meeting, helpdesks are set up as a contact point for shareholders. The Company's primary contact with shareholders is through the Chairman, Managing Director, Executive Director and the authorised senior management personnel. All shareholders' queries are received by the authorised senior management personnel. The authorised senior management personnel provides feedback and responses to the shareholders' queries, save for sensitive information, which may not be privy to the general public.

STATEMENT OF CORPORATE GOVERNANCE (CONT'D)

Communication and engagement with shareholders

The Company recognises the importance of being transparent and accountable to its stakeholders and, as such, maintains an active and constructive communication policy that enables the Board and Management to communicate effectively with investors, financial community and the public generally.

The various channels of communications are through meetings with institutional shareholders and investment communities, quarterly announcements on financial results to Bursa, relevant announcements and circulars, when necessary, the Annual and Extraordinary General Meetings and through the Company's corporate website at www.hlhightech.com which shareholders and prospective investors can access corporate information, annual reports, press releases, financial information, company announcements and share prices of the Company.

To maintain a high level of transparency and to effectively address any issues or concerns, the Group has a dedicated electronic mail, info@hlhightech.com, to which stakeholders can direct their queries or concerns.

Statement by the Board on compliance

The Board has deliberated, reviewed and approved this Statement. The Board considers and is satisfied that the Company has fulfilled its obligations under the Code of Business Conduct, MCCG 2012, the relevant chapters of the Listing Requirements on corporate governance and all applicable laws and regulations throughout the financial year ended 31 October 2016. This Statement was presented and approved at the meeting of the Board on 18 January 2017.

SUSTAINABILITY AND CORPORATE SOCIAL RESPONSIBILITY (CSR)

Our Group has recognised and acknowledged the importance of a corporate culture that emphasizes good corporate social responsibility ("CSR") and corporate citizenship. While delivering sustainable and growing stakeholders value through the core business, our Group also contributes and provides for the betterment of the employee welfare, market place and community.

ENVIRONMENT

Our Group promotes environmentally-conscious work practices in order to reduce environmental impact, enhance energy efficiency and recycling whenever possible. Our manufacturing wastes are relatively minor impact to the environment, and we can easily eliminate such waste in orderly manner and in accordance with guidelines and regulations as stipulated by the Department of Environment ("DOE").

MARKETPLACE

Our Group recognises that our ability to produce consistently high quality products is critical to the success of our business. As such, we place extensive and substantial emphasis on the ultimate quality of our products and maintain stringent quality control throughout our manufacturing processes. This enables us to produce high quality products to satisfy the demands and expectations of highly-demanding international customers. Being a manufacturer of export goods, we are required to adhere to the product quality requirements of countries in which we export to. In addition, we also work closely with our customers to ensure that our products are in proper compliance with prevailing local requirements or quality standards.

WORKPLACE

Our Group believes that human capital development is very important to ensure that we have the right and relevant skill set and knowledge in ensuring business sustainability and growth. As such, we have conducted trainings with emphasis on quality for the staff to improve further their quality of work and workplace. Health and Safety at the workplace is also another area of importance to us. Regular inspections are taken to ensure the Company's equipment and infrastructures are well-maintained. In addition, all workers are covered by Personal Accident insurance and Foreign Worker Compensation Scheme, other medical benefits, working hours, overtime and off days are clearly outlined.

DIRECTORS' INFORMATION

For the financial year ended 31 October 2016

	Name of Director	Directorship in Listed Companies	Membership in Board Committee	Convictions for Offences within past 10 years other than Traffic Offences	Attendance Board Meeting	Attendance Audit Committee Meeting
1	Tan Lye Huat	Kumpulan H & L High-Tech Berhad	Risk Management Committee Investment Committee	NIL	5 / 5	N/A
2	Chu Kan	Kumpulan H & L High-Tech Berhad	Audit Committee Remuneration Committee Nomination Committee Risk Management Committee	NIL	5 / 5	5 / 5
3	Tan Sook Yee	Kumpulan H & L High-Tech Berhad	Risk Management Committee	NIL	5 / 5	N/A
4	Rita Tai Lai Ling	Kumpulan H & L High-Tech Berhad	Audit Committee Remuneration Committee Nomination Committee	NIL	5 / 5	5 / 5
5	Hau Hock Khun	Kumpulan H & L High-Tech Berhad	Audit Committee Remuneration Committee Nomination Committee Investment Committee	NIL	4 / 5	4 / 5
6	Chew Yock Fat	Kumpulan H & L High-Tech Berhad	Audit Committee	NIL	5 / 5	5 / 5

AUDIT COMMITTEE REPORT

AUDIT COMMITTEE REPORT

The Board of Directors is pleased to present the report on the Audit Committee and its activities for the financial year ended 31 October 2016 in compliance with Paragraph 15.15 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

1. MEMBER

The Audit Committee currently comprises the following members, all of which are Independent Non-Executive Directors. A summary of their respective attendance at the Audit Committee meetings held during the financial year are as follows:-

MEMBERS AND MEETINGS ATTENDANCE

Name	Membership status	Attendance
• Chew Yock Fat	Chairman, Independent Non-Executive Director	5 out of 5
• Rita Tai Lai Ling	Independent Non-Executive Director	5 out of 5
• Hau Hock Khun	Independent Non-Executive Director	4 out of 5
• Chu Kan	Independent Non-Executive Director	5 out of 5

Date, Time and Place of the Audit Committee Meetings held

Date	Time	Place
28 December 2015	2.00 p.m.	Boardroom No.6 Jalan TSB 1 Taman Industri Sg. Buloh 47000 Sg Buloh Selangor Darul Ehsan
02 February 2016	2.00 p.m.	
28 March 2016	2.45 p.m.	
20 June 2016	2.30 p.m.	
26 September 2016	2.30 p.m	

2. TERMS OF REFERENCE

Objective

- To serve as a focal point for communication between Non-Committee Directors and external auditors, internal auditors and the management on matters in connection with financial accounting, reporting and controls.
- To assist the Board of Directors in fulfilling its fiduciary responsibilities relating to corporate accounting, system of internal controls, management and financial reporting practices of the Group.
- To enhance the independence of the functions of the Company's external auditors and internal auditors through active participation in the audit progress.

AUDIT COMMITTEE REPORT (CONT'D)

Membership

The Committee shall be appointed by the Board from amongst its members and shall consist of not less than three (3) members, all of whom must be Independent Non-Executive Directors.

At least one (1) member of the Audit Committee:-
1. must be a member of the Malaysian Institute of Accountants; or
2. if he is not a member of the Malaysian Institute of Accountants, must have at least three (3) years working experience and
   a. either have passed the examinations specified in Part I of the First Schedule of the Accountants Act 1967; or
   b. a member of one of the associations of accountants specified in Part II of the First Schedule of the Accountants Act 1967; or
3. possess a degree/masters/doctorate in accounting or finance and at least 3 years post qualification experience in accounting or finance; or
4. must have at least 7 years' experience being a chief financial officer of a corporation or having the function of being primarily responsible for the management of the financial affairs of a corporation; or
5. fulfill such other requirements relating to financial-related qualifications or experience as prescribed or approved by Bursa Malaysia Securities Berhad.

The Chairman of the Committee shall be appointed by the members of the Audit Committee who shall be an Independent Non-Executive Director.

Members of the Committee may relinquish their membership with prior written notice to the Company Secretary and may continue to serve as Director of the Company.

In the event of any vacancy in the Committee, the vacancy shall be filled within 3 months and the Nomination Committee shall review and recommend for the Board's approval another appropriate Director to fill the vacancy.

The Board must ensure that no Alternate Director is appointed as a member of the Audit Committee.

Authority & Rights

The Committee shall in accordance with the procedure determined by the Board and at the cost of the Company:

a. has authority to investigate any activity within its Terms of Reference;
b. has the resources which are required to perform its duties;
c. has full and unrestricted access to any information pertaining to the Group;
d. has direct communication channels with the External Auditors and person(s) carrying out the internal audit function or activity(if any);
e. has authority to obtain independent professional or other advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary; and
f. be able to convene meetings with External Auditors, excluding the attendance of executive members of the Group, whenever deemed necessary.

Duties and Responsibilities

a. To consider the appointment of the external auditors, the audit fee and questions of resignation or dismissal;
b. To discuss with the external auditors before the annual audit commences, the nature and scope of the audit plan;
c. To review the quarterly, and annual financial statements of the Company and the Group focusing particularly on:
   (i) Any changes in accounting policies and practices
   (ii) Significant adjustments arising from the audit
   (iii) The going concern assumption
   (iv) Compliance with accounting standards and other legal requirements
d. To discuss problems and reservations arising from the final and any interim audits, evaluation of the system of internal controls and any matters the external auditors may wish to discuss including assistance given by the employees of the Group to the auditors; and to review the auditors' audit report, management letter and management's response.

AUDIT COMMITTEE REPORT (CONT'D)

e. To consider any related party, inter company transactions and conflict of interest that may arise within the Company/Group and any related parties outside the Group including any transaction, procedure or course of conduct that raises questions of management integrity;
f. To review the scope, functions, procedures of internal audit and results of any internal audit conducted and whether or not appropriate actions, where necessary have been taken:
g. Such other functions as may be agreed by the Audit Committee and the Board of Directors.

Meeting and Minutes

The meeting shall be held not be less than four (4) times a year. Additionally, the Chairman shall convene a meeting of the Committee if requested to do so by its member, management or the internal or external auditors to consider any matters within the scope and responsibilities of the Committee. The external auditors have the right to appear and be heard at any meeting of the Committee and shall appear before the Committee when required to do so by the Committee. The Committee may invite any Board member or any member of the Senior Management or any relevant employee within the Company who the Committee thinks fit to attend its meetings to assist in resolving and clarifying matters raised in audit reports. Any two (2) members of the Committee present at the meeting shall constitute a quorum. If at any meeting the Chairman of the Committee is not present within 10 minutes after the time appointed for holding the meeting, the Members present may choose one of their numbers who is an Independent Non-Executive Director to be Chairman of the meeting.

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

The Audit Committee members shall meet with external auditors without Executive Board members at least twice a year.

An Agenda shall be sent to all the members of the Committee and any persons that may be required to attend. Minutes of each meeting shall be kept and distributed to each member of the Committee and also the members of the Board of Directors.

The Company Secretary shall be Secretary of the Committee.

3. SUMMARY OF WORK

During the financial year, the Audit Committee conducted its activities in accordance with its existing terms of reference, which included the review of the external auditors' scope of work and annual audit plan.

Five (5) meetings of the Committee were held during the financial year ended 31 October 2016,

a. At each of these Audit Committee's meetings, the Group's finance manager were invited to brief the Audit Committee on specific issues.

b. The reviews of the Group's quarterly and year-to-date unaudited financial statements were made before submission to the Board for their consideration and approval. During the respective Board Meetings, the Chairman of the Audit Committee briefed the Board on issues raised in respect of the financial statements and the recommendations of the Committee thereon.

c. During the review of the Group's twelve-month's financial results, representatives of the External Auditors, Messrs SJ Grant Thornton was invited to discuss the Group financial statements for the financial year ended 31 Oct 2016. Management's response to all pertinent issues and findings had been raised and noted by the External Auditors during their examination of the said Group Accounts; together with recommendations in respect of the findings; and

AUDIT COMMITTEE REPORT (CONT'D)

d. Reviewed the internal audit reports presented and considered the significant findings of internal audit in the Group's operating subsidiaries through the review of internal audit reports tabled and management responses thereto and ensuring significant findings were adequately addressed by Management.

e. Reviewed and confirmed with the Management that the Group did not enter into any related-party transaction during the financial year.

4. INTERNAL AUDIT FUNCTION

The Group's internal audit function had since November 2002 been outsourced to independent consultants, which is independent of its activities and operation and will report to the audit committee on the following:

a. Undertakes the internal audit of the Group's operating units; ascertaining the extent of the units compliance with the established internal control procedures, policies and statutory requirements; highlighting the weaknesses and recommending improvements to the existing systems of controls;
b. Assist in reviewing the adequacy and effectiveness of the Group's processes for controlling its activities;
c. To review and appraise the soundness, adequacy and application of accounting, financial and other controls and promoting effective control in the Company and the Group at reasonable costs; and
d. Periodically provide information on the status and results of the internal audit plan.

During the financial year the audit committee has reviewed internal audit activity that covered Inventory Management System Review and the internal audits conducted did not reveal any material weaknesses which would be require disclosure in the annual report. The costs incurred for the Internal Audit function in respect of the financial year ended 31 October 2016 was RM 18,133.

NOMINATION COMMITTEE AND TERMS OF REFERENCE

The Nomination Committee comprises the following directors during the financial year

- Hau Hock Khun — Chairman, Independent Non-Executive Director
- Chu Kan — Independent Non-Executive Director
- Rita Tai Lai Ling — Independent Non-Executive Director

(a) The members of the Nomination Committee shall be appointed by the Board from amongst their member, consisting of wholly Non-Executives and shall consist not less than three (3) members.

(b) The members of the Committee shall elect the Chairman from amongst their member who shall be Independent Non-Executive Director.

(c) If the number of members for any reasons fall below three (3), the Committee shall, within three (3) months of that event, review and recommend for the Board's approval appropriate Director to fill the vacancy.

(d) The Company Secretary shall be the Secretary of the Committee.

(e) Directors do not participate in decisions on their own nomination.

(f) The Chairman of the Nomination Committee reports to the Board after each Committee meeting.

Terms of Reference

(a) To propose new nominees for the Board and its subsidiaries whether to be filled by Board members, shareholders or executives.

The Committee shall also consider candidates for directorships proposed by the Managing Director and within the bounds of practicality by any other senior executive or any director or shareholder.

(b) To make recommendations to the Board of Directors to fill seats on Board Committees.

(c) To assist the Board annually in reviewing the required mix of skills of experience and other qualities, including core competencies, which Non Executive Directors should bring to the Board.

(d) To annually carry out the process to be implemented by the Board for assessing the effectiveness of the Board as a whole, the Committees of the Board and for assessing the contribution of each individual Director.

(e) To review management's proposals for the appointment, dismissal, transfer and promotions of all executives.

(f) To make recommendations on the re-appointment of Independent Non-Executive Directors at the conclusion of a cumulative term of office of nine (9) years;

Meetings and Procedures

Meetings are to be held as and when necessary. The quorum for each meeting shall be two (2). The Committee will decide its own procedures and other administrative arrangements.

Minutes of each meeting shall be kept by the Secretary as evidence that the Committee has discharged its functions. The Chairman of the Committee will report to the Board after each Nomination Committee meeting.

During the financial year ended 31 October 2016, one meeting was held, which was attended by all members of the Nomination Committee and the activities of the Nomination Committee include the following:-

NOMINATION COMMITTEE AND TERMS OF REFERENCE
(CONT'D)

- assessed the effectiveness of the Board as a whole, the Committees of the Board and the contribution of each individual director. Evaluation and assessment forms were distributed to all Directors for completion and the Chairman of the Nomination Committee had reviewed these evaluation and assessment forms;

- assessed the independence of its Independent Directors;

- reviewed the performance of its Executive Directors;

- reviewed and recommended the re-election of Mr Tan Lye Huat and Mr Chew Yock Fat who shall retire by rotation at the forthcoming Annual General Meeting;

- reviewed and recommended that Mr Chu Kan who has served as Independent Non-Executive Director for a cumulative term of more than nine (9) nines to continue to act as Independent Non-Executive Director of the Company pursuant to the Malaysian Code on Corporate Governance 2012.

To carry out the assessment of those directors who are eligible to stand for re-election or re-appointment, the Nomination Committee will base on formal reviews of the performance of the Directors, their contribution to the Board through their skills, experience, strength and qualities, their level of independence and abilities to exercise independent, demonstrate objectivity, clarity of thought during deliberations at meetings and ability to spend sufficient time and commitment to the Company.

That for the annual assessment carried out on the effectiveness of the Board and the Board Committees as a whole, the Nomination Committee was satisfied with the existing Board composition and was of the view that all the Directors and Board Committee of the Company had discharged their responsibility in a commendable manner and had performed competently and effectively. The Board's effectiveness is assessed in the areas of composition, administration and process, accountability and responsibility, conduct and communication.

STATEMENT OF RISK MANAGEMENT AND INTERNAL CONTROL

The Board of Directors ("The Board") is pleased to provide the following statement which outlines the key elements of the internal control systems within the Group for the financial year ended 31 October 2016.

The Malaysian Code on Corporate Governance 2012 requires the Board to maintain an effective governance structure to ensure the appropriate management of risks and level of internal control to safeguard shareholders' interest and the Group's assets. In compliance with paragraph 15.26(b) of the Main Market Listing Requirement of Bursa Malaysia Securities Berhad, the Board has prepared the following statement.

THE BOARD'S RESPONSIBILITIES

The Board acknowledges their responsibility for the Group's system of internal controls covering not only financial controls but also operational and compliance controls as well as risk management. The internal control system is designed to meet the Group's particular needs and to manage the risks exposure.

The system includes financial controls, operational and compliance controls and risk management to safeguard the shareholders' investments and the Group's assets. Because of the limitations that are inherent in any system of internal control, the system is designed to manage the principal business risks that may impede the Group from achieving its business objectives, rather than eliminate the risk of failure to achieve to achieve corporate objectives. The system, by its nature, can only provide reasonable but not absolute assurance against any material misstatement or loss.

KEY ELEMENTS OF THE GROUP'S INTERNAL CONTROL

- Clearly defined delegation of responsibilities of the Board, Committee and Management of the Group including authorization levels for all aspect of business. Subsidiary companies have clear accountabilities to ensure appropriate risk management and control procedures are in place;

- Clearly documented internal procedures in the ISO 9001, where applicable, for its subsidiaries;

- Detailed budgeting process whereby subsidiary companies prepare budgets for the coming year which are approved by their respective Boards and endorsed by the Board of H&L;

- Regular and comprehensive information provided to Board of Directors and Management, covering operational and financial performance;

- Monitoring actual results against budget. Significant variances are investigated and followed up, and where necessary management actions are taken;

- Internal audit visit by outsourced internal auditors are to review and appraise the internal control system within the Group in accordance with the approved internal audit plan;

- The Group Chairman and Managing Director provide briefing to the Board on significant changes in the business and external environment, which affect the operation of the Group at large;

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

- Where areas of improvement in the system are identified, the Board considers the recommendations made by the Audit Committee and the Management; and

- There is an ongoing process for identifying, evaluating and managing the significant risk faced by the Company.

The Board engages an independent firm of consultants to assist the Board in reviewing and appraising the internal control system within the Group.

RISK MANAGEMENT FRAMEWORK

The Board regularly reviews the Group's key commercial and financial risks together with general risks relating to compliance with laws and regulations so that reasonable level of assurance that the system of controls and operations is appropriate to the Group's situation and that there is an acceptable level of risk throughout the Group's businesses.

In light of the 'Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers' issued by Bursa Malaysia, the Board has re-evaluated its risk management practices to ensure that it is appropriate and continues to remain relevant to the Group's requirements.

The Board has approved a Risk Management Framework & Internal Controls System Policy. This policy sets the organisational structure and defines the delegation of responsibilities of the Board, Committees and Management of the Group in Risk Management.

The Board has also approved the Terms of Reference for Risk Management Committee ("RMC") in the Board Charter. The RMC consists of all Directors on the Board chaired by the Chairman of the Board and shall meet at least once a year.

CONCLUSION

During the financial year, the results of findings by the internal audit function, including the recommended corrective actions, were reported directly to the Audit Committee. The Board is of the opinion that there were no material losses incurred during the financial year as a result of weaknesses in internal control. The Audit Committee considers the report from the internal audit function and comments from Management before making recommendation to the Board to strengthen the internal control system.

The Board has also received assurance from the Managing Director and the Management that the Group's internal control and risk management system is operating adequately and effectively based on the internal controls implemented throughout the Group.

This statement is made in accordance with the resolution of the Board of Directors dated 18 January 2017.

OTHER INFORMATION

1. Non Audit Fees

The amount of non audit-fees paid/payable to external auditors and its affiliates for the financial year ended 31 October 2016 were as below

	Audit Fee (RM)	Non-Audit Fee (RM)
Listed issuer	22,300	5,000
Group	96,000	5,000

2. Revaluation Policy on Landed Properties

The revaluation policy on landed properties is as disclosed in the financial statement.

3. Material Contracts

During the financial year there were no material contracts entered into by the Company or its subsidiary involving interest of Directors and major shareholders of the Company that have not been reflected in the financial statement.

4. Utilisation of Proceeds

No proceeds were raised by the Company for any corporate exercise during the financial year.

5. Recurrent Related Party Transaction of a Revenue or Trading Nature

During the financial year, the company and its subsidiaries had not entered into any recurrent related party transactions, which are of revenue or trading nature, which requires shareholders' mandate.

CONTENT

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31 OCTOBER 2016

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DIRECTORS' REPORT

The Directors have pleasure in submitting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 October 2016.

PRINCIPAL ACTIVITIES

The Company is principally an investment holding company.

The principal activities of the subsidiary companies are disclosed in Note 26 to the Financial Statements.

There were no significant changes in the nature of activities of the Company and of its subsidiary companies during the financial year.

RESULTS

	Group RM	Company RM
Profit for the financial year	3,457,577	1,270,822

DIVIDENDS

The amount of dividends paid and declared since the end of the last financial year were as follows:-

	RM
In respect of the financial year ended 31 October 2015:-	
Final single tier dividend of 2.0 sen per ordinary share of RM1.00 each for total ordinary shares of 36,576,525 paid on 25 May 2016	731,530

Subsequent to the end of the reporting period, an interim single tier dividend, in respect of the financial year ended 31 October 2016, of 1.5 sen per ordinary shares on 36,576,525 ordinary shares, amounting to RM548,648 had been declared and to be paid on 10 February 2017. This declared dividend is not reflected in the current year's financial statements. Such dividend will be accounted for in the shareholders' equity as an appropriation of retained earnings in the financial year ending 31 October 2017.

DIRECTORS' REPORT (CONT'D)

DIVIDENDS (CONT'D)

In addition, a final single tier dividend, in respect of the financial year ended 31 October 2016, of 2 sen per share of RM1.00 each for total ordinary shares of 36,576,525 amounted to RM731,530 will be proposed for shareholders' approval at the upcoming general meeting. This proposed dividend is not reflected in the current year's financial statements. Such dividend, if approved by the shareholders will be accounted for in shareholders' equity as an appropriation of retained earnings in the financial year ending 31 October 2017.

RESERVES AND PROVISIONS

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

DIRECTORS

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

Tan Lye Huat
Tan Sook Yee
Chu Kan
Rita Tai Lai Ling
Hau Hock Khun
Chew Yock Fat

In accordance with Article 63 of the Company's Articles of Association, Ms. Rita Tai Lai Ling and Mr. Hau Hock Khun will retire from the Board by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

In accordance with Section 129(6) of the Companies Act, 1965, Mr. Chu Kan will retire at the forthcoming Annual General Meeting and, being eligible, offer himself for re-election.

DIRECTORS' INTERESTS

According to the register of Directors' shareholdings, the Directors who held office at the end of the financial year and who have interest in shares of the Company and its related corporations were as follows:-

	---------- Ordinary share of RM1.00 each ----------			
Company	At 1.11.2015	Bought	Sold	At 31.10.2016
Direct interest				
Tan Lye Huat	1,739,272	-	-	1,739,272
Tan Sook Yee	804,756	-	-	804,756
Indirect interest				
Tan Lye Huat	24,488,869	-	-	24,488,869
Tan Sook Yee	20,887,124	-	-	20,887,124

DIRECTORS' REPORT (CONT'D)

DIRECTORS' INTERESTS (CONT'D)

By virtue of their interest in shares of the Company, Tan Lye Huat and Tan Sook Yee are deemed to have interest in the shares of all the subsidiary companies under Section 6A of the Companies Act, 1965 to the extent that the Company has an interest.

Other than abovementioned, no other Directors at the end of the financial year held any interest in shares of the Company and its related corporations during the financial year.

DIRECTORS' BENEFITS

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

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

AUDIT COMMITTEE

The members of the Audit Committee are as follows:-

Chew Yock Fat (Independent Non-Executive Director, Audit Committee Chairman)
Chu Kan (Independent Non-Executive Director)
Rita Tai Lai Ling (Independent Non-Executive Director)
Hau Hock Khun (Independent Non-Executive Director)

The functions of the Audit Committee are to review accounting policies, internal controls, financial results and annual financial statements of the Group and of the Company on behalf of the Board of Directors.

In performing its functions, the Committee reviewed the overall scope of external audit. It met with the Group's auditors to discuss the results of their examinations and their evaluation of the system of internal controls of the Group and of the Company.

The Committee also reviewed the assistance given by the officers of the Group and of the Company to the auditors.

The Committee reviewed the financial statements of the Company and the consolidated financial statements of the Group as well as of the auditors' report thereon.

DIRECTORS' REPORT (CONT'D)

ISSUE OF SHARES AND DEBENTURES

There were no changes in the authorised, issued and paid up capital of the Company during the financial year.

TREASURY SHARES

The shareholders of the Company, by a special resolution passed at an Annual General Meeting held on 28 March 2007, approved the Company's plan to repurchase up to 10% of the issued and paid-up share capital of the Company ("Share Buy Back"). The authority granted by the shareholders was subsequently renewed in the last Annual General Meeting held on 28 April 2016. The Directors of the Company are committed to enhance the value of the Company to its shareholders and believe that the purchase plan can be applied in the best interest of the Company and its shareholders.

The Company has the right to cancel or to resell these shares and/or distributes as dividends at a later date. As treasury shares, the rights attached to voting, dividends and participation in other distribution is suspended. None of the treasury shares repurchased during the financial year had been sold as at the reporting date.

As at the reporting date, the number of ordinary shares in issue after deducting treasury shares against equity is 36,576,525 ordinary shares of RM1.00 each.

OTHER STATUTORY INFORMATION

Before the statements of financial position and statements of profit or loss and other comprehensive income of the Group and of the Company were made out, the Directors took reasonable steps:-

(a) to ascertain that action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that there were no bad debts to be written off and no provision for doubtful debts was required; and

(b) to ensure that any current assets which were unlikely to be realised in the ordinary course of business including their values as shown in the accounting records of the Group and of the Company have been written down to an amount which they might be expected so to realise.

DIRECTORS' REPORT (CONT'D)

OTHER STATUTORY INFORMATION (CONT'D)

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

(a) which would render it necessary to write off any bad debts or to make any provision for doubtful debts in the financial statements of the Group and of the Company; or

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

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

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

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

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

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

In the opinion of the Directors:-

(a) no contingent liability or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may affect the ability of the Group and of the Company to meet their obligations as and when they fall due;

(b) the results of operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and

(c) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of operations of the Group and of the Company for the current financial year in which this report is made.

EVENTS AFTER THE REPORTING PERIOD

The significant events after the reporting period is disclosed in Note 39 to the financial statements.

DIRECTORS' REPORT (CONT'D)

AUDITORS

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

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

.....)
TAN LYE HUAT)
)
)
)
) DIRECTORS
)
)
)
)
)
.....)
TAN SOOK YEE

Kuala Lumpur
18 January 2017

KUMPULAN H & L HIGH-TECH BERHAD
(Incorporated in Malaysia)
AND ITS SUBSIDIARY COMPANIES

STATEMENT BY DIRECTORS

In the opinion of the Directors, the financial statements set out on pages 42 to 122 are drawn up in accordance with 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 October 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 123 had been compiled in accordance with the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

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

....
TAN LYE HUAT TAN SOOK YEE

Kuala Lumpur
18 January 2017

STATUTORY DECLARATION

I, Chong Kong Hui, being the Officer primarily responsible for the financial management of Kumpulan H & L High-Tech Berhad, do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on pages 42 to 122 and the supplementary information set out on page 123 are correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared)
by the abovenamed at Kuala Lumpur)
in the Federal Territory this day of)
18 January 2017)

.....
CHONG KONG HUI

Before me:

Commissioner for Oaths

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF KUMPULAN H & L HIGH-TECH BERHAD

Report on the Financial Statements

We have audited the financial statements of Kumpulan H & L High-Tech Berhad, which comprise statements of financial position of the Group and of the Company as at 31 October 2016, and statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information as enumerated in Notes 1 to 39 and set out on pages 48 to 122.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Grant Thornton
An instinct for growth™

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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF KUMPULAN H & L HIGH-TECH BERHAD (CONT'D)

Report on the Financial Statements (cont'd)

Opinion

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

Report on Other Legal and Regulatory Requirements

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

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

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

(c) Our auditors' reports on the financial statements of the subsidiary companies 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 95 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

Other Matter

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

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

FOO LEE MENG
(NO: 3069/07/17(J))
CHARTERED ACCOUNTANT

Kuala Lumpur
18 January 2017

STATEMENTS OF FINANCIAL POSITION AS AT 31 OCTOBER 2016

Group	Note	2016 RM	2015 RM
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	4	14,480,735	15,220,110
Investment properties	5	49,826,675	46,410,000
Biological assets	6	4,757,244	4,983,780
Land held for property development	7	546,630	739,829
Prepaid land lease payments	8	1,829,744	1,863,064
Other investments	9	165,000	165,000
Total non-current assets		71,606,028	69,381,783
CURRENT ASSETS			
Property development costs	10	508,455	443,686
Inventories	11	3,112,605	3,463,731
Derivative financial assets	12	1,320	-
Trade receivables	13	3,642,589	3,944,523
Other receivables	14	1,541,059	1,343,532
Other investments	9	410,280	557,440
Tax recoverable		35,674	54,141
Deposits with licensed financial institutions	15	11,793,943	11,230,127
Cash and bank balances		3,447,650	4,931,091
Total current assets		24,493,575	25,968,271
TOTAL ASSETS		96,099,603	95,350,054
EQUITY AND LIABILITIES			
EQUITY			
Equity attributable to owners of the Company			
Share capital	16	40,612,085	40,612,085
Treasury shares	17	(3,554,493)	(3,554,493)
Revaluation reserve	18	6,003,014	5,786,262
Retained earnings	19	40,702,831	37,976,784
Total equity		83,763,437	80,820,638
LIABILITIES			
Non-current liabilities			
Borrowings	20	4,714,085	5,880,695
Deferred tax liabilities	21	3,318,488	3,326,301
Government grants	22	119,713	179,569
Total non-current liabilities		8,152,286	9,386,565
Current liabilities			
Derivative financial liabilities	23	25,200	-
Trade payables	24	335,880	735,487
Other payables	25	2,446,619	1,920,985
Borrowings	20	1,165,867	1,070,729
Government grants	22	59,856	59,856
Dividend payable		-	548,648
Tax payable		150,458	807,146
Total current liabilities		4,183,880	5,142,851
Total liabilities		12,336,166	14,529,416
TOTAL EQUITY AND LIABILITIES		96,099,603	95,350,054

STATEMENTS OF FINANCIAL POSITION AS AT 31 OCTOBER 2016 (CONT'D)

Company	Note	2016 RM	2015 RM
ASSETS			
NON-CURRENT ASSET			
Investment in subsidiary companies	26	23,416,971	23,416,971
Total non-current asset		23,416,971	23,416,971
CURRENT ASSETS			
Other receivables	14	2,922	1,453
Amount due from subsidiary companies	26	12,468,863	10,834,597
Deposits with licensed financial institutions	15	2,606,105	3,237,296
Cash and bank balances		249,451	1,260,996
Total current assets		15,327,341	15,334,342
TOTAL ASSETS		38,744,312	38,751,313
EQUITY AND LIABILITIES			
EQUITY			
Equity attributable to owners of the Company			
Share capital	16	40,612,085	40,612,085
Treasury shares	17	(3,554,493)	(3,554,493)
Retained earnings	19	1,603,890	1,064,598
Total equity		38,661,482	38,122,190
LIABILITIES			
Current liabilities			
Other payables	25	82,690	80,379
Dividend payable		-	548,648
Tax payable		140	96
Total current liabilities/Total liabilities		82,830	629,123
TOTAL EQUITY AND LIABILITIES		38,744,312	38,751,313

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

KUMPULAN H & L HIGH-TECH BERHAD
(Incorporated in Malaysia)

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
(FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2016)

		Group		Company	
	Note	2016 RM	2015 RM	2016 RM	2015 RM
Revenue	27	19,126,807	21,504,516	1,430,400	1,884,000
Cost of sales		(12,734,769)	(13,926,664)	-	-
Gross profit		6,392,038	7,577,852	1,430,400	1,884,000
Other income		3,724,740	6,292,038	80,079	115,739
Selling and distribution expenses		(681,028)	(605,617)	-	-
Administration expenses		(3,329,625)	(3,194,469)	(113,110)	(123,278)
Other expenses		(1,372,277)	(1,223,810)	(125,781)	(114,189)
Finance costs		(312,166)	(360,517)	-	-
Profit before tax	28	4,421,682	8,485,477	1,271,588	1,762,272
Tax expense	29	(964,105)	(1,514,450)	(766)	(41)
Profit for the financial year		3,457,577	6,971,027	1,270,822	1,762,231
Other comprehensive income, net of tax					
Item that will not be subsequently reclassified to profit or loss					
- Revaluation of buildings		216,752	390,640	-	-
Total comprehensive income for the financial year		3,674,329	7,361,667	1,270,822	1,762,231
Profit for the financial year attributable to:-					
Owners of the Company		3,457,577	6,971,027	1,270,822	1,762,231
Total comprehensive income attributable to:-					
Owners of the Company		3,674,329	7,361,667	1,270,822	1,762,231
Earnings per share attributable to the owners of the Company (sen)					
- Basic	30	9.45	19.06		
- Diluted	30	-	-		

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

STATEMENTS OF CHANGES IN EQUITY (FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2016)

	← Non-distributable →			Distributable	
	Share capital RM	Revaluation reserve RM	Treasury shares RM	Retained earnings RM	Total RM
Group					
Balance at 1 November 2014	40,612,085	5,395,622	(3,554,493)	32,834,584	75,287,798
Total comprehensive income:-					
Profit for the financial year	-	-	-	6,971,027	6,971,027
Revaluation during the financial year	-	390,640	-	-	390,640
Transaction with owners:-					
Dividends paid (Note 31)	-	-	-	(1,828,827)	(1,828,827)
Balance at 31 October 2015	40,612,085	5,786,262	(3,554,493)	37,976,784	80,820,638
Total comprehensive income:-					
Profit for the financial year	-	-	-	3,457,577	3,457,577
Revaluation during the financial year	-	216,752	-	-	216,752
Transaction with owners:-					
Dividends paid (Note 31)	-	-	-	(731,530)	(731,530)
Balance at 31 October 2016	40,612,085	6,003,014	(3,554,493)	40,702,831	83,763,437
Company					
Balance at 1 November 2014	40,612,085	-	(3,554,493)	1,131,194	38,188,786
Total comprehensive income	-	-	-	1,762,231	1,762,231
Transaction with owners:-					
Dividends paid (Note 31)	-	-	-	(1,828,827)	(1,828,827)
Balance at 31 October 2015	40,612,085	-	(3,554,493)	1,064,598	38,122,190
Total comprehensive income	-	-	-	1,270,822	1,270,822
Transaction with owners:-					
Dividends paid (Note 31)	-	-	-	(731,530)	(731,530)
Balance at 31 October 2016	40,612,085	-	(3,554,493)	1,603,890	38,661,482

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

STATEMENTS OF CASH FLOWS (FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2016)

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
OPERATING ACTIVITIES				
Profit before tax	4,421,682	8,485,477	1,271,588	1,762,272
Adjustments for:-				
Amortisation of biological assets	226,536	58,230	-	-
Amortisation of prepaid land lease payments	33,320	24,840	-	-
Amortisation on government grants	(59,856)	(59,856)	-	-
Depreciation of property, plant and equipment	1,478,044	1,676,066	-	-
Gross dividend income from other investments	(24,920)	(27,210)	-	-
Fair value gain on investment properties	(2,150,000)	(4,350,000)	-	-
Interest income	(409,762)	(378,915)	(80,079)	(115,739)
Interest expenses	312,166	360,517	-	-
Net unrealised loss/(gain) on foreign exchange	144,092	(302,737)	-	-
Gain on disposal of property, plant and equipment	-	(5,998)	-	-
Gain on disposal of other investments	(9,369)	(44,897)	-	-
Fair value loss on derivative financial instruments	23,880	-	-	-
Net fair value loss on other investments	1,829	101,350	-	-
Property, plant and equipment written off	-	4,431	-	-
Operating profit before working capital changes	3,987,642	5,541,298	1,191,509	1,646,533
Changes in working capital:-				
Inventories	351,126	(239,364)	-	-
Receivables	(319)	(367,605)	(1,469)	2,365
Payables	134,175	(176,690)	2,311	9,837
Property development costs	128,430	552,565	-	-
Cash generated from operations	4,601,054	5,310,204	1,192,351	1,658,735
Tax refunded	13,104	76,034	-	336
Tax paid	(1,691,691)	(936,615)	(722)	(292)
Net cash from operating activities	2,922,467	4,449,623	1,191,629	1,658,779

STATEMENTS OF CASH FLOWS (FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2016) (CONT'D)

	Note	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
INVESTING ACTIVITIES					
Dividend received from other investments		24,920	27,210	-	-
Advances to subsidiary companies		-	-	(1,634,266)	(64,103)
Biological assets expenditure		-	(594,571)	-	-
Interest received		409,762	378,915	80,079	115,739
Proceeds from disposal of property, plant and equipment		-	6,001	-	-
Proceeds from disposal of other investments		154,700	697,635	-	-
Proceeds from government grants		-	299,281	-	-
Purchase of property, plant and equipment		(453,469)	(1,049,208)	-	-
Purchase of other investments		-	(501,878)	-	-
Purchase of investment properties		(1,266,675)	-	-	-
Net cash (used in)/from investing activities		(1,130,762)	(736,615)	(1,554,187)	51,636
FINANCING ACTIVITIES					
Interest paid		(312,166)	(360,517)	-	-
Dividend paid		(1,280,178)	(1,280,179)	(1,280,178)	(1,280,179)
Repayment of borrowings		(1,071,472)	(1,023,119)	-	-
Net cash used in financing activities		(2,663,816)	(2,663,815)	(1,280,178)	(1,280,179)
CASH AND CASH EQUIVALENTS					
Net changes		(872,111)	1,049,193	(1,642,736)	430,236
Effect of exchange rate changes		(47,514)	170,109	-	-
Brought forward		16,161,218	14,941,916	4,498,292	4,068,056
Carried forward	A	15,241,593	16,161,218	2,855,556	4,498,292

NOTE TO THE STATEMENTS OF CASH FLOWS

A. CASH AND CASH EQUIVALENTS

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

	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
Cash and bank balances	3,447,650	4,931,091	249,451	1,260,996
Deposits with licensed financial institutions (Note 15)	11,793,943	11,230,127	2,606,105	3,237,296
	15,241,593	16,161,218	2,855,556	4,498,292

As disclosed in Note 15 to the Financial Statements, the deposits with a licensed financial institution amounted to RM83,183 (2015: RM80,687) has been pledged to a licensed financial institution as security for banking facility granted to the Group and hence, are not available for general use.

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

NOTES TO THE FINANCIAL STATEMENTS - 31 OCTOBER 2016

1. GENERAL INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of the Bursa Malaysia Securities Berhad. The registered office of the Company is located at Unit 30-01, Level 30, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur. The principal place of business of the Company is located at No. 6, Jalan TSB 1, Taman Industri Sungai Buloh, 47000 Sungai Buloh, Selangor Darul Ehsan.

The Company is principally an investment holding company.

The principal activities of the subsidiary companies are disclosed in Note 26 to the Financial Statements.

There were no significant changes in the nature of activities of the Company and of its subsidiary companies during the financial year.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 18 January 2017.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

2.1 Statement of Compliance

The financial statements of the Group and of the Company have been prepared in accordance with the requirements of the Companies Act, 1965 in Malaysia and Financial Reporting Standards ("FRS") issued by the Malaysian Accounting Standards Board ("MASB").

2.2 Basis of Measurement

The financial statements of the Group and of the Company are prepared under the historical cost convention, except for certain properties that are measured at revalued amounts or fair values at the end of each reporting period as indicated in the summary of significant accounting policies.

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

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

2.2 Basis of Measurement (cont'd)

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

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

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

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

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to their fair value measurement as a whole:-

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 – Valuation techniques for which the lowest level input that is significant to their fair value measurement is directly or indirectly observable.
- Level 3 – Valuation techniques for which the lowest level input that is significant to their fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to their fair value measurement as a whole) at the end of each reporting period.

The Group has established control framework in respect to the measurement of fair values of financial instruments. This includes a certified independent valuer that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the Board of Directors. The certified independent valuer will review significant unobservable inputs and valuation adjustments.

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

2.2 Basis of Measurement (cont'd)

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of fair value hierarchy as explained above.

2.3 Functional and Presentation Currency

The financial statements are presented in Ringgit Malaysia ("RM") which is the Company's functional currency and all values are rounded to the nearest RM except when otherwise stated.

2.4 Financial Reporting Standards ("FRSs")

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

The Group and the Company have consistently applied the accounting policies set out in Note 3 to the Financial Statements to all periods presented in these financial statements.

At the beginning of the current financial year, the Group and the Company adopted amendments/improvements to FRSs and IC Int which are mandatory for the financial periods beginning on or after 1 November 2015.

Initial application of the amendments/ improvements to FRSs and IC Int did not have material impact on the financial statements of the Group and of the Company.

2.4.2 Standards Issued but Not Yet Effective

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published by MASB but are not yet effective, and have not been early adopted by the Group and the Company.

Management anticipates that all of the relevant pronouncements will be adopted in the Group's and the Company's accounting policies for the first period beginning after the effective date of the pronouncement.

Information on new standards, amendments and interpretations that are expected to be relevant to the Group's and the Company's financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have material impact on the Group's and the Company's financial statements.

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

2.4 Financial Reporting Standards ("FRSs") (cont'd)

2.4.2 Standards Issued but Not Yet Effective (cont'd)

FRS 9 Financial Instruments

FRS 9 replaces FRS 139 Financial Instruments: Recognition and Measurement and all previous version of FRS 9. FRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory.

The Group and the Company plans to adopt the new standards on the required effective date. During 2016, the Group and the Company have performed a high-level impact assessment of all three aspects of FRS 9. This preliminary assessment is based on currently available information and may subject to changes arising from further detailed analysis or additional reasonable and supportable information being made available to the Group and the Company in the future. Overall, the Group and the Company expect no significant impact on its statement of financial position and equity except of applying the impairment requirements of FRS 9.

(a) Classification and Measurement of Financial Assets

FRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics.

FRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income ("FVOCI") and fair value through profit or loss ("FVTPL"). Under FRS 9, derivative embedded in contracts where the host is a financial asset in the scope of the standard are never bifurcated. Instead, the hybrid financial instruments as a whole is assessed for classification.

Based on the preliminary assessment, the Group and the Company do not expect have any impact on their statements of financial position or equity on applying the classification and measurement requirements of FRS 9. Listed securities, debentures and equity instruments currently held as available-for-sale with gains and losses recorded in OCI will be measured at fair value through profit or loss instead, which will increase volatility in recorded profit or loss. The AFS reserve currently presented as accumulated OCI will be reclassified to opening retained earnings. Debt securities are expected to be measured at fair value through OCI under FRS 9 as the Group and the Company expect not only to hold the assets to collect contractual cash flows but also to sell a significant amount on a relatively frequent basis.

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

2.4 Financial Reporting Standards ("FRSs") (cont'd)

2.4.2 Standards Issued but Not Yet Effective (cont'd)

FRS 9 Financial Instruments (cont'd)

(a) Classification and Measurement of Financial Assets (cont'd)

The equity shares in non-listed companies are intended to be held for the foreseeable future. The Group and the Company expect to apply the option to present fair value changes in OCI, and, therefore, believes the application of FRS 9 would not have any. If the Group and the Company were not to apply that option, the shares would be held at fair value through profit or loss, which would increase the volatility of recorded profit or loss.

Loans as well as trade receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. Thus, the Group and the Company expect that these will continue to be measured at amortised cost under FRS 9. However, the Group and the Company will analyse the contractual cash flow characteristics of those instruments in more detail before concluding whether all those instruments meet the criteria for amortised cost measurement under FRS 9.

(b) Impairment of Financial Assets

FRS 9 replaces the 'incurred loss' model in FRS 139 with a forward-looking 'expected credit loss' ("ECL") model. This will require considerable judgement as to how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis.

The new impairment model will apply to financial assets measured at amortised cost or FVOCI, except for investments in equity instruments, and to contract assets.

Under IFRS 9, loss allowances will be measured on either of the following bases:
- 12-month ECLs. These are ECLs that result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs. These are ECLs that result from all possible default events over the expected life of a financial instrument.

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

2.4 Financial Reporting Standards ("FRSs") (cont'd)

2.4.2 Standards Issued but Not Yet Effective (cont'd)

FRS 9 Financial Instruments (cont'd)

(b) Impairment of Financial Assets (cont'd)

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not. An entity may determine that a financial asset's credit risk has not increased significantly if the asset has low credit risk at the reporting date. However, lifetime ECL measurement always applies for trade receivables and contract assets without a significant financing component; an entity may choose to apply this policy also for trade receivables and contract assets with a significant financing component.

FRS 9 requires the Group and the Company to record expected credit losses on all of its debt securities, loans and trade receivables, either on a 12-month or lifetime basis. The Group and the Company expects to apply the simplified approach and record lifetime expected losses on all trade receivables. The Group and the Company expect have any impact on its equity due to unsecured nature of its loans and receivables, but it will need to perform a more detailed analysis which considers all reasonable and supportable information, including forward-looking elements to determine the extent of the impact.

(c) Classification of Financial Liabilities

FRS 9 largely retains the existing requirements in FRS 139 for the classification of financial liabilities.

However, under FRS 139 all fair value changes of liabilities designated at FVTPL are recognised in profit or loss, whereas under FRS 9 these fair value changes are generally presented as follows:
- the amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in OCI; and
- the remaining amount of change in the fair value is presented in profit or loss.

The Group and the Company have not designated any financial liabilities at FVTPL and the Group and the Company have no current intention to do so. The Group's and the Company's preliminary assessment did not indicate any material impact if FRS 9's requirements regarding the classification of financial liabilities is applied.

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

2.4 Financial Reporting Standards ("FRSs") (cont'd)

2.4.2 Standards Issued but Not Yet Effective (cont'd)

FRS 9 Financial Instruments

(d) Disclosures

FRS 9 will require extensive new disclosures, in particular about hedge accounting, credit risk and expected credit losses. The Group's and the Company's preliminary assessment included an analysis to identify data gaps against current processes and the Group and the Company plan to implement the system and controls changes that they believe will be necessary to capture the required data.

(e) Transition

Changes in accounting policies resulting from the adoption of FRS 9 will generally be applied retrospectively, except the Group and the Company plan to take advantage of the exemption allowing them not to restate comparative information for prior periods with respect to classification and measurement (including impairment) changes. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of FRS 9 generally will be recognised in retained earnings and reserves as at 1 January 2018.

The Group's management has yet to assess the impact of FRS on these consolidated financial statements. The new standard is required to be applied for annual reporting periods beginning on or after 1 January 2018.

FRS 15 Revenue from Contracts with Customers

FRS 15 establishes a five-step model to account for revenue arising from contracts with customers. Under FRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled for transferring goods or services to a customer.

The new revenue standard will supersede all current revenue recognition requirements under FRS, including FRS 111 Construction Contracts, FRS 118 Revenue, IC Interpretation 13 Customer Loyalty Programmes, IC Interpretation 15 Agreements for Construction of Real Estate, IC Interpretation 18 Transfers of Assets from Customers and IC Interpretation 131 Revenue – Barter Transaction Involving Advertising Services.

Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018, with early adoption permitted. The Group plans to adopt the new standard on the required effective date using the full retrospective method.

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

2.4 Financial Reporting Standards ("FRSs") (cont'd)

2.4.2 Standards Issued but Not Yet Effective (cont'd)

FRS 15 Revenue from Contracts with Customers (cont'd)

The Group has completed an initial assessment of the potential impact of the adoption of FRS 15 on its consolidated financial statements, which subject to changes arising from a more detailed ongoing analysis. Furthermore, the Group is considering the clarifications issued by MASB on 16 June 2016 and will monitor any further developments.

(a) Sale of goods

Contracts with customers in which the sale of steel products and agricultural products are generally expected to be the only performance obligation are not expected to have any impact on the Group's profit or loss. The Group expects the revenue recognition to occur at a point in time when control of the asset is transferred to the customer, generally on delivery of the goods.

In preparing to FRS 15, the Group considers variable consideration of the sales transaction. Some contracts with customers provide a right of return, trade discounts or volume rebates. Currently, the Group recognises revenue from the sale of goods measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. If revenue cannot be reliably measured, the Group defers revenue recognition until the uncertainty is resolved. Such provisions give rise to variable consideration under FRS 15, and will be required to be estimated at contract inception.

FRS 15 requires the estimated variable consideration to be constrained to prevent over-recognition of revenue. The Group continues to assess individual contracts to determine the estimated variable consideration and related constraint. The Group expects that application of the constraint may result in more revenue being deferred than is under current FRS.

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

2.4 Financial Reporting Standards ("FRSs") (cont'd)

2.4.2 Standards Issued but Not Yet Effective (cont'd)

FRS 15 Revenue from Contracts with Customers (cont'd)

(b) Property development and construction

The revenue arising from property development and construction are assessed as fulfilled the criteria of sales over the time under the FRS 15. The revenue currently includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments, to the extent that it is probable that they will result in revenue and can be measured reliably. When a claim or variation is recognised, the measured of contract progress or contract price is revised and the cumulative percentage of completion is reassessed at each reporting date.

Under FRS 15, claims and variations will be included in the contract accounting when they are approved.

The Group has performed an initial assessment on contracts of property development and constructions and does not expect that there will be significant impact on its consolidated financial statements.

(c) Presentation and disclosure requirements

FRS 15 provides presentation and disclosure requirements, which are more detailed than under current FRS. The presentation requirements represent a significant change from current practice and significantly increases the volume of disclosures required in Group's financial statements. Many of the disclosure requirements in FRS 15 are completely new. The Group is in the progress of developing of appropriate systems, internal controls, policies and procedures necessary to collect and disclose the required information.

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

2.4 Financial Reporting Standards ("FRSs") (cont'd)

2.4.2 Standards Issued but Not Yet Effective (cont'd)

FRS 16 Leases

FRS 16 replaces FRS 117 Leases, IC Interpretation 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. FRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under FRS 117. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., 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 (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., 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 also 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 lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under FRS 16 is substantially unchanged from today's accounting under FRS 117. Lessors will continue to classify all leases using the same classification principle as in FRS 117 and distinguish between two types of leases: operating and finance leases.

FRS 16 also requires lessees and lessors to make more extensive disclosures than under FRS 117.

FRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies FRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

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

2.4 Financial Reporting Standards ("FRSs") (cont'd)

2.4.3 Malaysian Financial Reporting Standards ("MFRSs")

To converge with International Financial Reporting Standards in 2012, the MASB had on 19 November 2011, issued a new MASB approved accounting framework, the MFRSs, which are mandatory for annual financial periods beginning on or after 1 January 2012, with the exception of entities that are within the scope of MFRS 141, Agriculture and IC Interpretation 15, Agreements for Construction of Real Estate, including its parent, significant investor and venture ("Transitioning Entities").

Transitioning Entities will be allowed to defer adoption of the new MFRSs for an additional one year. Consequently, adoption of the MFRSs by Transitioning Entities will be mandatory for annual financial periods beginning on or after 1 January 2014. On 4 July 2012, the MASB has decided to allow Transitioning Entities to defer the adoption of the MFRSs Framework for another year. On 7 August 2014, the MASB has again decided to allow Transitioning Entities to defer the adoption of the MFRS Framework for another year. On 2 September 2015, the MASB had announced that the Transitioning Entities shall be required to apply the MFRSs Framework for annual financial periods beginning on or after 1 January 2017. On 8 September 2016, MASB announced that the effective date of MFRS 15 will be deferred to annual financial periods beginning on or after 1 January 2018, following the recent press release by the International Accounting Standards Board confirming a one-year deferral of IFRS 15-Revenue from Contracts with Customers. Consequently, the effective date for Transitioning Entities to apply the MFRSs will also be deferred to annual financial period beginning on or after 1 January 2018.

A subsidiary company of the Company falls within the scope of definition of Transitioning Entities and has opted to defer the adoption of the new MFRSs Framework. Accordingly, the Group will be required to prepare its first set of financial statements using the MFRSs Framework for the financial year ending 31 October 2019.

The subsidiary companies which are not Transitioning Entities had adopted MFRSs on 1 November 2012.

The Group and the Company are currently assessing the impact of adoption of MFRSs 1, First-time Adoption of Malaysian Financial Reporting Standards, including identification of the differences in existing accounting policies as compared to the new MFRSs and the use of optional exemptions as provided for in MFRSs 1.

Thus, the impact of adopting the new MFRSs Framework on the Group's and the Company's first set of financial statements prepared in accordance with the MFRS Framework cannot be determined and estimated reliably until the process is completed.

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

2.5 Significant Accounting Estimates and Judgements

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

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

Key Sources of Estimation Uncertainty

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

Income Taxes/Deferred Tax Liabilities

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

Deferred Tax Assets

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

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

2.5 Significant Accounting Estimates and Judgements (cont'd)

Key Sources of Estimation Uncertainty (cont'd)

Deferred Tax Assets (cont'd)

Assumptions about generation of future taxable profits depend on management's estimates of future cash flows. These depend on estimates of future production and sales volume, operating costs, capital expenditure, dividends and other capital management transactions. Judgement is also required about application of income tax legislation. These judgements and assumptions are subject to risks and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets recognised in the statement of financial position and the amount of unrecognised tax losses and unrecognised temporary differences.

The recognised and unrecognised deferred tax assets during the financial year of the Group have been fully described in Note 21 to the Financial Statements.

Fair Value Measurement and Valuation Processes

Some of the Group's assets are measured at fair value for financial reporting. Significant judgment is involved in determining the appropriate valuation techniques and inputs for fair value measurements where active market quotes are not available.

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

Information about the valuation techniques and inputs used in determining the fair value of various assets are disclosed in the Notes 4 and 5 to the Financial Statements.

Fair Value of Derivatives Financial Instruments

The fair values of outstanding derivative transactions are based on fair values obtained from major financial institutions. Changes in the underlying assumptions could materially impact in the profit or loss.

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

2.5 Significant Accounting Estimates and Judgements (cont'd)

Significant Management Judgement in Applying Accounting Policies

The significant management judgements in applying the accounting policies of the Group that have the most significant effect on the financial statements are as follow:-

Deferred Tax Assets

The assessment of the probability of future taxable income in which deferred tax assets can be utilised is based on the Group's latest approved budget forecast, which is adjusted for significant non-taxable income and expenses and specific limits to the use of any unused tax loss or credit. The tax rules in which the Group operates are also carefully taken into consideration. If a positive forecast of taxable income indicates the probable use of a deferred tax asset, especially when it can be utilised without a time limit, that deferred tax asset is usually recognised in full. The recognition of deferred tax assets that are subject to certain legal or economic limits or uncertainties is assessed individually by management based on the specific facts and circumstances.

Leases

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

Classification between Investment Properties and Owner-Occupied Properties

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

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

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

2.5 Significant Accounting Estimates and Judgements (cont'd)

Significant Management Judgement in Applying Accounting Policies (cont'd)

Classification between Investment Properties and Owner-Occupied Properties (cont'd)

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

Available-for-sale Investment

The Group reviews its available-for-sale investments at each reporting date to assess whether they are impaired. The Group also records impairment charges on available-for-sale equity investments when there has been a significant or prolonged decline in the fair value below their cost.

The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, historical share price movements and the duration and extent to which the fair value of an investment is less than its cost. No further impairment loss has been provided for available-for-sale investment during the financial year.

3. SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Basis of Consolidation

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 Basis of Consolidation (cont'd)

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

Business Combinations

Business combinations are accounted for using the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received (for all the acquisition took place after 1 November 2009).

All the subsidiary companies within the Group are acquired before 1 November 2009. Thus, the cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

If business combinations achieved in stages, previously held equity interests in the acquiree are re-measured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

The Group elects for each individual business combination, whether non-controlling interest in the acquiree, if any, is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree net identifiable assets.

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

3.2 Subsidiary Companies

Subsidiary companies are entities, including structured entities, controlled by the Group. The financial statements of subsidiary companies are included in the consolidated financial statements from the date that control commences until the date that control ceases.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.2 Subsidiary Companies (cont'd)

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

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

3.3 Loss of Control

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

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

3.4 Property, Plant and Equipment

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

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

Buildings are measured at fair value less accumulated depreciation on buildings and impairment losses recognised after the date of the revaluation. Valuations are performed with sufficient regularity, to ensure that the carrying amount does not differ materially from the fair value of the buildings at the end of the reporting period.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.4 Property, Plant and Equipment (cont'd)

As at the date of revaluation, accumulated depreciation, if any, is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Any revaluation surplus arising upon appraisal of buildings is recognised in other comprehensive income and credited to the 'revaluation reserve' in equity. To the extent that any revaluation decrease or impairment loss has previously been recognised in profit or loss, a revaluation increase is credited to profit or loss with the remaining part of the increase recognised in other comprehensive income. Downward revaluations of buildings are recognised upon appraisal or impairment testing, with the decrease being charged to other comprehensive income to the extent of any revaluation surplus in equity relating to this asset and any remaining decrease recognised in profit or loss. Any revaluation surplus remaining in equity on disposal of the asset is transferred to other comprehensive income.

Depreciation is recognised on the straight line method in order to write off the cost of each asset over its estimated useful life. Property, plant and equipment are depreciated based on the estimated useful lives of the assets as follows:-

Factory and buildings	2%
Plant and machinery	10% - 20%
Motor vehicles	20%
Office equipment, furniture and fittings	10% - 20%
Warehouse	10%
Renovations	10%
Tools and utensils	10% - 14%
Electrical installation	10%

Capital work-in-progress consists of tools and utensils under construction/installation for intended use as production facilities. The amount is stated at cost until the property, plant and equipment are ready for their intended use. Assets under construction are not depreciated until it is completed and ready for their intended use.

The residual values, useful life and depreciation method are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable or at least annually to ensure that the amount, method and period of depreciation are consistent with previous estimates and expected pattern of consumption of future economic benefits embodied in the items of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gain or loss arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in profit or loss in the financial year in which the asset is decognised.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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 fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specific in an arrangement.

Finance Lease

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

Minimum lease payments made under finance leases are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the profit or loss.

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 is substance is a finance lease is classified as a property, plant and equipment.

Operating Lease

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 statements of financial position. Property interest held under an operating lease, which is held to earn rental income or for capital appreciation or both, is classified as investment property.

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

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

The Group had previously revalued its leasehold land in year 2002 and has retained the unamortised revalued amount as the surrogate carrying amount of prepaid lease payments in accordance with the transitional provisions in FRS 117. The Group's prepaid lease payment are amortised on a straight line basis over the lease term of 94 years.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.6 Investment Properties

Investment properties consist of land and buildings held for capital appreciation or rental purpose and not occupied or only an insignificant portion is occupied for use or in the operations of the Group.

Investment properties are initially measured at cost. The cost of investment properties includes expenditure that is directly attributable to the acquisition of the assets. Subsequent to initial recognition, investment properties are stated at fair value and are revalued annually, which is determined by registered independent valuers having an appropriate recognised professional qualification and recent experience in the location and category of the properties being valued and supported with by market evidence. Gain or losses arising from changes in the fair value of investment properties are included in the profit or loss in the financial year in which they arise.

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

3.7 Biological Assets

Plantation Development Expenditure – Oil Palm Plantation

Planting expenditure of new oil palm plantations and leasehold land rental attributable to the plantation incurred up to the time of maturity have been capitalised as biological assets.

Any other costs related to the development of new plantation are included as part of the capitalisation of immature planting cost.

As and when the new oil palm plantation mature, the planting expenditure will be taken to the profit or loss as revenue expenditure.

The capitalised pre-cropping cost is not amortised, which represents costs incurred in planting in the original estates, as their values are maintained through replanting programmes.

The capitalised costs will be amortised to the profit or loss and the amortisation is on a straight-line basis over the economic useful lives of the trees.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.8 Land Held for Property Development

Land held for property development consists of land where no development activities have been carried out or where development activities are not expected to be completed within the normal operating cycle. Such land is classified within non-current assets and is stated at cost plus incidental costs directly attributable to acquisition less any accumulated impairment losses.

Land held for property development is classified as property development cost at the point when development activities have commenced and where it can be demonstrated that the development activities can be completed within the normal operating cycle.

3.9 Property Development Costs

Property development costs comprise costs associated with the acquisition of land and all costs that are directly attributable to development activities or that can be allocated on a reasonable basis to such activities.

When the outcome of a development activity can be estimated reliably, property development revenue and expenses are recognised in the profit or loss by using the percentage of completion method. The percentage of completion is determined by reference to the proportion that contract costs incurred for work performed to date bear to the estimated total contract cost.

When the outcome of a development activity cannot be estimated reliably, property development revenue is recognised only to the extent of property development costs incurred that is probable will be recoverable, and property development costs on development units sold are recognised as an expense in the period in which they are incurred.

Irrespective of whether the outcome of a property development activity can be estimated reliably, when it is probable that total property development costs (including expected defect liability expenditure) will exceed total property development revenue, any expected loss on a development project, including costs to be incurred over the defects liability period, is recognised as an expense immediately.

Property development costs not recognised as an expense are recognised as an asset and are stated at the lower of cost and net realisable value.

The excess of revenue recognised in the profit or loss over billings to purchasers is classified as accrued billings within trade receivables and the excess of billings to purchasers over revenue recognised in the profit or loss is classified as progress billings within trade payables.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.10 Inventories

Inventories comprising raw materials, work-in-progress and finished goods are stated at the lower of cost and net realisable value.

Cost is determined on a first-in-first-out method. The costs of raw materials comprise costs of purchase plus the cost of bringing the inventories to their present condition and location. The costs of work-in-progress and finished goods comprise raw materials, direct labour, other direct costs and appropriate proportions of production overheads.

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

3.11 Financial Instruments

3.11.1 Initial Recognition and Measurement

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

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

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

3.11.2 Financial Assets - Categorisation and Subsequent Measurement

For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments are classified into the following categories upon initial recognition:-

a) financial assets at fair value through profit or loss;
b) held-to-maturity investments;
c) loans and receivables; and
d) available-for-sale financial assets.

The category determines subsequent measurement and whether any resulting income and expense is recognised in profit or loss or in other comprehensive income.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.11 Financial Instruments (cont'd)

3.11.2 Financial Assets - Categorisation and Subsequent Measurement (cont'd)

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

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

The Group does not have held-to-maturity investments and the Company does not have financial assets at fair value through profit or loss, available-for-sale financial assets and held-to-maturity investments. Other categories of financial assets are described below:-

Financial Assets at Fair Value through Profit or Loss

Financial assets at fair value through profit or loss include financial assets that are either classified as held for trading or that meet certain conditions and are designated at fair value through profit or loss upon initial recognition. All derivative financial instruments (including separated embedded derivatives) which are acquired principally for the purpose of selling in the near term fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply.

Subsequent to initial recognition, assets in this category are measured at fair value with gains or losses recognised in profit or loss. The fair values of derivative financial instruments are determined by reference to active market transactions or using a valuation technique where no active market exists. Net gains or net losses on financial assets at fair value through profit or loss do not include exchange differences, interest and dividend income. Exchange differences, interest and dividend income on financial assets at fair value through profit or loss are recognised separately in profit or loss as part of other expenses or other income.

Financial assets at fair value through profit or loss could be presented as current or non-current. Financial assets that are held primarily for trading purposes are presented as current whereas financial assets that are not held primarily for trading purposes are presented as current or non-current based on the settlement date.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.11 Financial Instruments (cont'd)

3.11.2 Financial Assets - Categorisation and Subsequent Measurement (cont'd)

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition these are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. Gains or losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process. The Group's and the Company's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

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

Available-for-sale Financial Assets

Available-for-sale financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. The Group's available-for-sale financial assets include the equity instruments.

Available-for-sale financial assets are measured at fair value subsequent to the initial recognition. Gains and losses are recognised in other comprehensive income and reported within the available-for-sale reserve within equity, except for impairment losses and foreign exchange differences on monetary assets, which are recognised in profit or loss. When the asset is disposed of or is determined to be impaired the cumulative gain or loss recognised in other comprehensive income is reclassified from the equity reserve to profit or loss and presented as a reclassification adjustment within other comprehensive income.

Interest calculated using the effective interest method and dividends are recognised in profit or loss. Dividends on an available-for-sale equity are recognised in profit or loss when the Group's right to receive payment is established.

Investment in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less impairment loss.

Available-for-sale financial assets are classified as non-current assets unless they are expected to be realised within 12 months after the end of the reporting period.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.11 Financial Instruments (cont'd)

3.11.3 Financial Liabilities - Categorisation and Subsequent Measurement

After the initial recognition, financial liability is classified as:-

a) financial liability at fair value through profit or loss;
b) other liabilities measured at amortised cost using the effective interest method; and
c) financial guarantee contracts.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. 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.

The Group's financial liabilities derivative financial liabilities, include borrowings, trade and other payables. The Company's financial liabilities include other payables.

Financial Liabilities at Fair Value through Profit or Loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading, contingent consideration in a business combination and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities held for trading include derivatives entered into by the Group that are not financial guarantee contracts or do not meet the hedge accounting criteria. Derivative liabilities are initially measured at fair value and subsequently stated at fair value, with any resultant gains or losses recognised in profit or loss. Net gains or losses on derivatives include exchange differences.

Other Liabilities Measured at Amortised Cost

Other liabilities are subsequently measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.11 Financial Instruments (cont'd)

3.11.3 Financial Liabilities - Categorisation and Subsequent Measurement (cont'd)

Financial Guarantee Contracts

Financial guarantee contracts issued by the Group and the Company are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specific debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount recognised less cumulative amortisation.

3.11.4 Derivative Financial Instruments

Derivative financial instruments are initially recognised at fair value at the date a derivative financial instrument contract is entered into and are subsequently remeasured to their fair value at the end of each reporting date. The resulting gain or loss is recognised in the profit or loss immediately.

A derivative financial instrument with a positive fair value is recognised as a financial asset whereas a derivative financial instrument with a negative fair value is recognised as a financial liability. A derivative financial instrument is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivative financial instruments are presented as current assets or current liabilities.

3.11.5 Offsetting of Financial Instruments

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

3.12 Impairment of Financial Assets

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.12 Impairment of Financial Assets

Trade and Other Receivables and Other Financial Assets Carried at Amortised Cost

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

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

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

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

Unquoted Equity Securities Carried at Cost

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on financial assets carried at cost has been incurred, the amount of the loss is measured as the difference between the 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. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.12 Impairment of Financial Assets (cont'd)

Available-for-sale Financial Assets

Significant or prolonged decline in fair value below cost, significant financial difficulties of the issuer or obligor, and the disappearance of an active trading market are considerations to determine whether there is objective evidence that investment securities classified as available-for-sale financial assets are impaired.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to profit or loss.

Impairment losses on available-for-sale equity investments are not reversed in profit or loss in the subsequent periods. Increase in fair value, if any, subsequent to impairment loss is recognised in other comprehensive income. For available-for-sale debt investments, impairment losses are subsequently reversed in profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss in profit or loss.

3.13 Impairment of Non-Financial Assets

At each reporting date, the Group and the Company review the carrying amounts of its non-financial assets to determine whether there is any indication of impairment. Non-financial asset is tested for impairment annually at financial year end or more frequently if events or changes in circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level.

If any such indication exists, or when annual impairment testing for an asset is required, the recoverable amount is estimated and an impairment loss is recognised whenever the recoverable amount of the asset or a cash-generating unit is less than its carrying amount. Recoverable amount of an asset or a cash generating unit is the higher of its fair value less costs to sell and its value in use.

In assessing value in use, the estimated future cash flows are discounted to their present value using the pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognised in profit or loss in those expense categories consistent with the function of the impaired asset.

An impairment loss is recognised as an expense in profit and loss immediately except for assets that were previously revalued where the revaluation surplus was taken to other comprehensive income. In this case the impairment loss is also recognised in other comprehensive income up to the amount of any previous revaluation surplus.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.13 Impairment of Non-Financial Assets (cont'd)

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses for an asset may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior financial years.

All reversals of impairment losses are recognised as income immediately in profit or loss unless the asset is measured at revalued amount, in which case the reversal as a revaluation increase. After such a reversal, the depreciation charge is adjusted in future periods to allocate the revised carrying amount of the asset, less any residual value, on a systematic basis over its remaining useful life.

3.14 Foreign Currency Transactions and Balances

Transactions in foreign currencies are recorded in the respective functional currency of the Company and its subsidiary companies at exchange rates approximating those ruling at the date of the transaction. Foreign currency monetary assets and liabilities are translated at exchange rates ruling at reporting date. Non-monetary items that are measured at historical cost are translated at the dates of the initial transactions and those items measured at fair value in foreign currency are translated at the date when the fair value was determined.

Gains and losses resulting from settlement of such transactions and conversion of short term assets and liabilities, whether realised or unrealised, are included in profit or loss as they arise.

3.15 Cash and Cash Equivalents

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits and deposits pledged to licensed financial institutions which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

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

3.16 Tax Expense

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.16 Tax Expense (cont'd)

Current Tax

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

Current tax is recognised in the statements of financial position as a liability (or an asset) to the extent that it is unpaid (or refundable).

Deferred Tax

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

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the reporting date, except for investment properties carried at fair value model. Where investment properties are carried at their fair value in accordance with the accounting policy set out in Note 3.6 to the Financial Statements, the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held with the objective to consume substantially all of the economic benefits embodied in the property over time, rather than through sale.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.16 Tax Expense (cont'd)

Deferred Tax (cont'd)

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

3.17 Government Grants

Government grants are recognised initially as deferred income at fair value when there is reasonable assurance that the Group will comply with the conditions attaching to them and the grants will be received.

Government grant used for financial support, assistance or to reimburse costs incurred by the Group are recognised in the profit or loss on the straight line basis over the expected lives of 5 years of the related products.

3.18 Revenue Recognition

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

(a) Revenue from joint property development project is recognised when the right to receive distribution is established.

(b) Revenue from sale of goods is recognised in the profit or loss upon delivery of goods and customers' acceptance, net of discounts and sales returns.

(c) Rental income is recognised on accrual basis unless collectibility is in doubt.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.19 Employee Benefits

Short-term Employee Benefits

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

Defined Contribution Plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities of funds and will have no legal or constructive obligation to pay further contribution if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years.

Such contributions are recognised as expenses in the profit or loss as incurred. As required by law, the Group makes such contributions to the Employees Provident Fund ("EPF").

3.20 Equity, Reserves and Dividend Payments

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

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

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

Retained earnings include all current and prior period retained earnings.

Interim dividends are simultaneously proposed and declared, because the articles of association of the Company grants the Directors the authority to declare interim dividends. Consequently, interim dividends are recognised directly as a liability when they are proposed and declared.

Final dividends proposed by the Directors are not accounted for in shareholders' equity as an appropriation of retained earnings, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognsied as a liability.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.20 Equity, Reserves and Distributions to Owners (cont'd)

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

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

3.21 Treasury Shares

When issued shares of the Company are repurchased, the consideration paid, including directly attributable costs is presented as a change in equity. Repurchased shares that have not been cancelled are classify as treasury shares and presented as a deduction from equity. No gain or loss is recognised in the profit or loss on the sale, reissuance or cancellation of treasury shares.

When treasury shares are distributed as share dividends, the cost of the treasury shares is applied in the reduction of the share premium account or distributable reserves, or both.

When treasury shares are reissued by resale, the difference between the sale consideration net of directly attributable costs and the carrying amount of the treasury shares is shown as a movement in equity.

3.22 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 and the Company incurred in connection with the borrowing of funds.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.23 Operating Segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenue and incur expenses, including revenue and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available. Additional disclosures on each of these segments are shown in Note 38 to the Financial Statements.

3.24 Earnings per Ordinary Share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares.

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group based on the weighted average number of ordinary shares in issue during the period.

Diluted EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group based on the weighted average number of shares in issue, for the effects of all dilutive potential ordinary shares during the period.

3.25 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.

3.26 Provision for Liabilities

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.27 Goods and Services Tax

The Group's revenue may subject to goods and services tax ("GST") in accordance with rules applicable in Malaysia.

The net amount of such taxes recoverable from, or payable to the authority is included as part of "other receivables" or "other payables" in the statements of financial position.

Revenues, expenses, assets and liabilities are recognised net of the amount of taxes except:-

(i) where the taxes incurred on the purchase of assets or services is not recoverable from the taxation authority, in which case the tax incurred is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

(ii) receivables and payables stated is inclusive of the tax elements.

3.28 Related Parties

A related party is a person or entity that is related to the entity that is preparing its financial statements ("the reporting entity"). A related party transaction is a transfer of resources, services or obligations between the reporting entity 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 reporting entity if that person:-

(i) Has control or joint control over the reporting entity;
(ii) Has significant influence over the reporting entity; or
(iii) Is a member of the key management personnel of the reporting entity.

(b) An entity is related to the reporting entity if any of the following conditions applies:-

(i) The entity and the reporting entity are members of the same group;
(ii) One entity is an associate or joint venture of the reporting 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 benefit of employees of either the reporting entity or an entity related to the reporting entity;
(vi) The entity is controlled or jointly-controlled by a person identified in the preceding paragraph above;
(vii) A person who has control or joint control over the reporting entity has significant influence over the entity or is a member of the key management personnel of the entity; or
(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

4. PROPERTY, PLANT AND EQUIPMENT

Group	-At valuation- Factory and buildings	Plant and machinery	Motor vehicles	Office equipment, furniture and fittings	At cost Warehouse	Renovations	Electrical installation	Tools and utensils	Tools and utensils under construction	Total
	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM
Cost or valuation										
At 1.11.2014	10,954,067	33,523,364	4,024,628	5,574,607	695,528	1,254,231	1,090,388	4,796,483	4,633	61,917,929
Revaluation adjustment	290,000	-	-	-	-	-	-	-	-	290,000
Additions	81,338	45,278	590,205	94,849	171,672	32,500	-	33,366	-	1,049,208
Disposals	-	(273,258)	(103,579)	-	-	-	-	-	-	(376,837)
Written off	-	(3,950)	-	(5,487)	-	-	-	-	-	(9,437)
At 31.10.2015	11,325,405	33,291,434	4,511,254	5,663,969	867,200	1,286,731	1,090,388	4,829,849	4,633	62,870,863
Revaluation adjustment	60,000	-	-	-	-	-	-	-	-	60,000
Additions	50,795	124,700	126,350	6,624	-	-	-	145,000	-	453,469
Written off	-	-	-	(2,000)	-	-	-	(85,500)	-	(87,500)
At 31.10.2016	11,436,200	33,416,134	4,637,604	5,668,593	867,200	1,286,731	1,090,388	4,889,349	4,633	63,296,832

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

Group (cont'd)	-At valuation- Factory and buildings RM	Plant and machinery RM	Motor vehicles RM	At cost Office equipment, furniture and fittings RM	Warehouse RM	Renovations RM	Electrical installation RM	Tools and utensils RM	Tools and utensils under construction RM	Total RM
Accumulated depreciation										
At 1.11.2014	22,172	31,381,648	3,265,698	5,235,930	483,189	889,517	1,083,068	4,219,305		46,580,527
Charge for the financial year	252,292	719,574	322,765	104,322	61,892	76,284	5,208	133,729	-	1,676,066
Revaluation adjustment	(224,000)	-	-	-	-	-	-	-	-	(224,000)
Disposals	-	(273,257)	(103,577)	-	-	-	-	-	-	(376,834)
Written off	-	(3,950)	-	(1,056)	-	-	-	-	-	(5,006)
At 31.10.2015	50,464	31,824,015	3,484,886	5,339,196	545,081	965,801	1,088,276	4,353,034	-	47,650,753
Charge for the financial year	271,591	475,542	376,300	94,705	69,677	69,689	848	119,692	-	1,478,044
Revaluation adjustment	(225,200)	-	-	-	-	-	-	-	-	(225,200)
Written off	-	-	-	(2,000)	-	-	-	(85,500)	-	(87,500)
At 31.10.2016	96,855	32,299,557	3,861,186	5,431,901	614,758	1,035,490	1,089,124	4,387,226	-	48,816,097
Net carrying amount										
31.10.2016	11,339,345	1,116,577	776,418	236,692	252,442	251,241	1,264	502,123	4,633	14,480,735
31.10.2015	11,274,941	1,467,419	1,026,368	324,773	322,119	320,930	2,112	476,815	4,633	15,220,110

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

(a) The buildings were revalued in the financial year 2016, based on valuation carried out by an independent professional valuer, Wan Malik Mohamed MIS (M), FRICS, Chartered Valuation Surveyor and Registered Valuer (V014) of W.M. Malik & Kamaruzaman, on an open market value basis to reflect the market value of existing use. The comparison method was adopted in arriving at the market value of the buildings. There have been no changes to the valuation technique during the financial year.

Buildings at valuation are categorised at Level 2 fair value.

Level 2 Fair Value

Level 2 fair values of factory and buildings have been generally derived using the sales comparison approach. Sales price of comparable properties in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square foot of comparable properties.

At the reporting date, had the revalued factory and buildings of the Group carried under the cost model, the carrying amount would have been at RM3,316,745 (2015: RM3,451,781).

(b) The motor vehicles of the Group with cost and net carrying amount amounted to RM510,451 (2015: RM510,451) and RMNil (2015: RMNil) respectively are held in trust in the name of Directors of the Company.

5. INVESTMENT PROPERTIES

Group	Freehold land RM	Leasehold lands RM	Freehold buildings RM	Leasehold buildings RM	Total RM
Fair value					
At 1 November 2014	20,440,000	7,630,000	13,720,000	270,000	42,060,000
Fair value adjustment	3,030,000	1,190,000	130,000	-	4,350,000
At 31 October 2015	23,470,000	8,820,000	13,850,000	270,000	46,410,000
Addition	1,266,675	-	-	-	1,266,675
Fair value adjustment	1,910,000	110,000	130,000	-	2,150,000
At 31 October 2016	26,646,675	8,930,000	13,980,000	270,000	49,826,675

5. INVESTMENT PROPERTIES (CONT'D)

	Group	
	2016	2015
	RM	RM
Rental income from investment properties	2,026,558	1,972,440
Direct operating expenses for investment properties	111,680	111,679

Freehold land and building and leasehold land and building of a subsidiary company with net carrying amount of RM30,975,000 (2015: RM29,500,000) and RM1,050,000 (2015: RM940,000) respectively have been charged to a bank for credit facility granted to the subsidiary company as disclosed in Note 20 to the Financial Statements.

Fair value basis of investment properties

Investment properties are stated at fair value, which has been determined based on valuations at the end of the reporting period. As at 31 October 2016, the fair values of the investment properties are based on valuations performed by an accredited independent valuers with recent experience in the location and category of properties being valued. In estimating the fair value of the properties, the highest and best use of the properties is their current use. There has been no change to the valuation technique during the financial year.

Fair value measurement of the investment properties were categorised as follows:-

	Group	
	2016	2015
	Level 2	Level 2
	RM	RM
Recurring fair value measurements:-		
Freehold land	26,646,675	23,470,000
Leasehold land	8,930,000	8,820,000
Freehold buildings	13,980,000	13,850,000
Leasehold buildings	270,000	270,000

Level 2 Fair Value

Level 2 fair values of freehold land and buildings, leasehold land and buildings have generally derived using the sales comparison approach. Sales price comparable properties in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square foot of comparable properties.

6. BIOLOGICAL ASSETS

Group

Biological assets consist of plantation development expenditure in relation to oil palm plantations.

	2016 RM	2015 RM
Cost		
At 1 November 2015/2014	5,042,010	4,447,439
Additions	-	594,571
At 31 October	5,042,010	5,042,010
Accumulated amortisation		
At 1 November 2015/2014	58,230	-
Amortisation changed to profit or loss	226,536	58,230
At 31 October	284,766	58,230
Net carrying amount		
At 31 October	4,757,244	4,983,780

Biological assets incurred during the financial year includes:-

	2016 RM	2015 RM
Personnel expenses		
- wages and salaries	-	143,372
- staff welfare	-	18,659
	-	162,031

7. LAND HELD FOR PROPERTY DEVELOPMENT

Group

	2016 RM	2015 RM
Freehold land		
Cost		
At 1 November 2015/2014	739,829	1,200,711
Transferred to property development costs	(193,199)	(460,882)
At 31 October	546,630	739,829

Title deeds of the freehold land are currently surrendered to Perak state authority as part of the conditions for the property development project entered by the subsidiary company.

8. PREPAID LAND LEASE PAYMENTS

Group	Long leasehold land	
	2016	2015
Cost	RM	RM
At 1 November 2015/2014/31 October	2,136,309	2,136,309
Accumulated amortisation		
At 1 November 2015/2014	273,245	248,405
Amortisation charged to profit or loss	33,320	24,840
At 31 October	306,565	273,245
Net carrying amount		
At 31 October	1,829,744	1,863,064

	2016	2015
	RM	RM
Amount to be amortised		
Not later than one year	33,321	24,840
Later than one year but not later than five years	133,284	99,360
Later than five years	1,663,139	1,738,864
	1,829,744	1,863,064

Long leasehold land represents leasehold land with unexpired lease period of more than 50 years.

9. OTHER INVESTMENTS

Group

	Golf club membership	Unquoted shares in Malaysia	Quoted shares in Malaysia	Total
2016	RM	RM	RM	RM
Non-current				
Available-for-sale financial assets	180,000	50,000	-	230,000
Less: Impairment loss	(65,000)	-	-	(65,000)
	115,000	50,000	-	165,000
Current				
Financial assets at fair value through profit or loss	-	-	410,280	410,280
	-	-	410,280	410,280

9. OTHER INVESTMENTS (CONT'D)

Group (cont'd)

	Golf club membership RM	Unquoted shares in Malaysia RM	Quoted shares in Malaysia RM	Total RM
2016 (cont'd)				
Representing items:-				
At cost	115,000	50,000	-	165,000
At fair value	-	-	410,280	410,280
	115,000	50,000	410,280	575,280
Market value of quoted investments	-	-	410,280	410,280
2015				
Non-current				
Available-for-sale financial assets	180,000	50,000	-	230,000
Less: Impairment loss	(65,000)	-	-	(65,000)
	115,000	50,000	-	165,000
Current				
Financial assets at fair value through profit or loss	-	-	557,440	557,440
	-	-	557,440	557,440
Representing items:-				
At cost	115,000	50,000	-	165,000
At fair value	-	-	557,440	557,440
	115,000	50,000	557,440	722,440
Market value of quoted investments	-	-	557,440	557,440

10. PROPERTY DEVELOPMENT COSTS

Group	Freehold land RM
At 1 November 2014	535,369
Transferred from land held for property development	460,882
Transferred to profit and loss	(552,565)
At 31 October 2015	443,686
Transferred from land held for property development	193,199
Transferred to profit and loss	(128,430)
At 31 October 2016	508,455

10. PROPERTY DEVELOPMENT COSTS (CONT'D)

Title deeds of the freehold land are currently surrendered to Perak state authority as part of the conditions for the property development project entered by a subsidiary company.

11. INVENTORIES

Group

	2016 RM	2015 RM
Raw materials	1,131,982	1,604,839
Work-in-progress	421,187	175,291
Finished goods	1,559,436	1,683,601
	3,112,605	3,463,731

12. DERIVATIVE FINANCIAL ASSETS

Group

	2016 RM	2015 RM
Positive fair value on:-		
Currency forward contract	1,320	-

As at the reporting date, the contracted underlying principal amount of the Group's currency forwarded contract is RM229,930 (2015: RMNil).

13. TRADE RECEIVABLES

Group	2016 RM	2015 RM
Trade receivables	3,642,589	3,944,523

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

13. TRADE RECEIVABLES (CONT'D)

The ageing analysis of trade receivables are as follows:-

	Gross RM	Individually impaired RM	Net RM
2016			
Within credit terms	2,183,300	-	2,183,300
Past due 1-30 days but not impaired	1,267,135	-	1,267,135
Past due 31-120 days but not impaired	128,814	-	128,814
Past due more than 120 days but not impaired	63,340	-	63,340
	3,642,589	-	3,642,589

	Gross RM	Individually impaired RM	Net RM
2015			
Within credit terms	2,141,427	-	2,141,427
Past due 1-30 days but not impaired	865,069	-	865,069
Past due 31-120 days but not impaired	684,390	-	684,390
Past due more than 120 days but not impaired	253,637	-	253,637
	3,944,523	-	3,944,523

The normal credit terms given to the customers range from 30 to 75 days (2015: 30 to 75 days). Other credit terms are assessed and approved on a case-by-case basis.

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

As at 31 October 2016, trade receivables of RM1,459,289 (2015: RM1,803,096) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default.

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

14. OTHER RECEIVABLES

Group

	2016 RM	2015 RM
Non-trade receivables	92,106	73,393
Deposits	1,215,219	1,021,370
Prepayments	138,311	134,132
GST receivable	95,423	114,637
	1,541,059	1,343,532

Company

	2016 RM	2015 RM
Deposits	1,000	1,000
Prepayments	1,922	453
	2,922	1,453

Included in the deposits of the Group is an amount of RM1,057,399 (2015: RM709,100) represents the partial payment made on the purchase of a vacant bungalow land at Miri, Sarawak for a total consideration of RM1,174,888 by a subsidiary company. This transaction has not completed as at the reporting date.

15. DEPOSITS WITH LICENSED FINANCIAL INSTITUTIONS

Group and Company

The interest rates for deposits with licensed financial institutions of the Group and of the Company ranged from 2.40% to 5.33% (2015: 1.29% to 4.07%) and 2.71% to 5.33% (2015: 1.29% to 3.97%) per annum respectively.

Group

Included in deposits with licensed financial institutions is an amount of RM83,183 (2015: RM80,687) which has been pledged for banking facilities granted to the subsidiary companies.

During the previous reporting date, included in deposits with licensed financial institutions was an amount of RM78,932 held in trust by certain Directors and an employee of the Group.

16. SHARE CAPITAL

Group/Company

	2016 RM	2015 RM
Authorised:-		
50,000,000 ordinary shares of RM1.00 each	50,000,000	50,000,000
Issued and fully paid-up:-		
40,612,085 ordinary shares of RM1.00 each	40,612,085	40,612,085

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

17. TREASURY SHARES

Group/Company

	2016		2015	
	Number of treasury shares	RM	Number of treasury shares	RM
At beginning of financial year/At end of financial year	4,035,560	3,554,493	4,035,560	3,554,493

The shareholders of the Company, by a special resolution passed at an Annual General Meeting held on 28 March 2007, approved the Company's plan to repurchase up to 10% of the issued and paid-up share capital of the Company ("Share Buy Back"). The authority granted by the shareholders was subsequently renewed in the last Annual General Meeting held on 28 April 2016. The Directors of the Company are committed to enhance the value of the Company to its shareholders and believe that the purchase plan can be applied in the best interest of the Company and its shareholders.

The shares purchased were retained as treasury shares. The Company has the right to re-issue these shares at a later date. As treasury shares, the rights attached as to voting, dividends and participation in other distributions are suspended.

As at the reporting date, the Company held 4,035,560 (2015: 4,035,560) of the Company's shares and the number of ordinary shares in issue after setting off against treasury shares is 36,576,525 (2015: 36,576,525).

No treasury shares were sold during the current and previous financial year.

18. REVALUATION RESERVE

Group

	2016 RM	2015 RM
At 1 November 2015/2014	5,786,262	5,395,622
Revaluation surplus during the financial year	285,200	514,000
Transferred to deferred tax liability	(68,448)	(123,360)
At 31 October	6,003,014	5,786,262

The revaluation reserve is not available for distribution.

19. RETAINED EARNINGS

Company

The Company adopted the Single Tier Income Tax system in which the Company may declare the payment of the dividends out of its entire retained earnings.

20. BORROWINGS

Group

	2016 RM	2015 RM
Current		
Secured:-		
Term loan	1,165,867	1,070,729
Non-current		
Secured:-		
Term loan	4,714,085	5,880,695
	5,879,952	6,951,424
Repayment terms		
- not later than 1 year	1,165,867	1,070,729
- between 1 to 5 years	4,346,671	4,897,058
- later than 5 years	367,414	983,637
	5,879,952	6,951,424

The effective interest rate of term loans is at rates of 4.05% to 4.85% (2015: 4.60% to 4.85%) per annum.

20. BORROWINGS (CONT'D)

The term loans are secured by way of:-

(i) Fixed charge against freehold land and building and leasehold land and building of a subsidiary company as disclosed in Note 5 to the Financial Statements;
(ii) Assignment of rental proceeds; and
(iii) Corporate guarantee by the Company.

21. DEFERRED TAX LIABILITIES

Group

(a) The deferred tax liabilities is made up of the following:-

	2016			2015		
	Assets RM	Liabilities RM	Net RM	Assets RM	Liabilities RM	Net RM
At 1 November 2015/2014	(539,777)	3,866,078	3,326,301	(447,696)	3,476,961	3,029,265
Recognised in profit or loss	(87,831)	30,543	(57,288)	(92,081)	299,911	207,830
Crystalisation of deferred tax upon depreciation of revalued assets	-	(18,973)	(18,973)	-	(34,154)	(34,154)
Revaluation reserve	-	68,448	68,448	-	123,360	123,360
At 31 October	(627,608)	3,946,096	3,318,488	(539,777)	3,866,078	3,326,301

The components of deferred tax liabilities/(assets) are made up of temporary difference arising from:-

	2016 RM	2015 RM
Carrying amount of qualifying property, plant and equipment and investment properties in excess of their tax base	962,589	943,092
Inventories written down	(1,279)	(1,279)
Revaluation surplus	1,656,600	1,623,497
Unabsorbed capital allowances	(416,741)	(248,828)
Unutilised business losses	(11,714)	(11,714)
Unutilised industrial building allowance	(197,874)	(197,874)
Fair value gain on investment properties	1,326,907	1,219,407
	3,318,488	3,326,301

21. DEFERRED TAX LIABILITIES (CONT'D)

Group (cont'd)

(b) As at reporting date, deferred tax benefits for the following temporary differences have not been recognised in the financial statements:-

	2016 RM	2015 RM
Carrying amount of qualifying property, plant and equipment and biological assets in excess of their tax base	(3,725,236)	(3,719,636)
Unabsorbed agriculture allowance	5,030,300	4,593,700
Unutilised business losses	1,506,088	1,394,288
Unabsorbed capital allowances	34,396	34,396
	2,845,548	2,302,748

Potential deferred tax assets are not recognised in financial statements as it is anticipated that the tax effects of such deferrals will not reverse in the near future.

22. GOVERNMENT GRANTS

Group

	2016 RM	2015 RM
At 1 November 2015/2014	239,425	-
Granted during the financial year	-	299,281
Amortised during the financial year	(59,856)	(59,856)
At 31 October	179,569	239,425
Current		
- amortised within the next 12 months	59,856	59,856
Non-current		
- amortised after the next 12 months	119,713	179,569
	179,569	239,425

The government grant received is in respect of the purchase of a asset under the scheme of Malaysia Investment Development Authority (MIDA) by the government principal agency for promotion of the manufacturing and services sectors in Malaysia.

23. DERIVATIVE FINANCIAL LIABILITIES

Group	2016 RM	2015 RM
Negative fair value on:-		
Currency forward contract	25,200	-

As at the reporting date, the contracted underlying principal amount of the Group's currency forwarded contract is RM839,200 (2015: RMNil).

24. TRADE PAYABLES

Group

The trade payables of the Group are non-interest bearing and the normal credit term granted by suppliers of the Group ranges from 30 to 60 days (2015: 30 to 60 days).

25. OTHER PAYABLES

Group

	2016 RM	2015 RM
Sundry deposits	917,889	770,530
Non-trade payables	203,750	249,236
Accrual of expenses	1,269,225	866,463
GST payable	55,755	34,756
	2,446,619	1,920,985

Company

	2016 RM	2015 RM
Accrual of expenses	82,690	80,379

Deposit of RM259,244 (2015: RM300,000) is received in relation with a subsidiary company entering into an arrangement with PYHomes Realty Sdn. Bhd. for the purpose of developing the subsidiary company's lands into a mixed residential project with the usual amenities.

26. INVESTMENT IN SUBSIDIARY COMPANIES/AMOUNT DUE FROM SUBSIDIARY COMPANIES

Company

	2016 RM	2015 RM
Investment in subsidiary companies		
Unquoted shares, at cost	23,416,971	23,416,971

Name of company	Place of incorporation	Effective interest 2016 %	Effective interest 2015 %	Principal activities
1. H & L High-Tech Sdn. Bhd.	Malaysia	100	100	Manufacture and sale of precision engineering moulds, dies, jigs, fixtures, tools and other precision machine parts.
2. Plastik STC Sdn. Bhd.	Malaysia	100	100	Manufacture and sale of customised precision engineering plastic injection moulded thermoplastic and thermosett parts and components for electrical and electronic industry.
3. H & L High-Tech Deco Sdn Bhd.	Malaysia	100	100	Oil palm plantation.
4. H & L High-Tech Properties Sdn. Bhd.	Malaysia	100	100	Letting of properties and property investment.
5. H & L High-Tech Properties Development Sdn. Bhd.	Malaysia	100	100	Property development.
6. H & L Mould Solution Sdn. Bhd.	Malaysia	100	100	Dormant.
7. STC Technology Sdn. Bhd.	Malaysia	100	100	Dormant.

Amount due from subsidiary companies

The amount due from subsidiary companies is non-trade related, unsecured, bears no interest and is repayable on demand.

27. REVENUE

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Dividend income	-	-	1,430,400	1,884,000
Sales of goods	15,808,501	17,484,313	-	-
Rental income	1,892,158	1,838,040	-	-
Distribution from joint property development project	1,426,148	2,182,163	-	-
	19,126,807	21,504,516	1,430,400	1,884,000

28. PROFIT BEFORE TAX

Profit before tax has been determined after charging/(crediting), amongst other items, the following:-

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Amortisation of biological assets	226,536	58,230	-	-
Amortisation of prepaid land lease payments	33,320	24,840	-	-
Amortisation on government grants	(59,856)	(59,856)	-	-
Auditors'remuneration				
- statutory audit	96,000	91,100	22,300	21,800
- other services	5,000	5,000	5,000	5,000
Depreciation of property, plant and equipment	1,478,044	1,676,066	-	-
Fair value gain on investment properties	(2,150,000)	(4,350,000)	-	-
Interest expenses				
- term loans	312,166	360,517	-	-
Rental expenses	283,303	77,824	-	-
Gain on disposal of property, plant and equipment	-	(5,998)	-	-
Unrealised foreign exchange				
- gain	-	(302,737)	-	-
- loss	144,092	-	-	-
Realised foreign exchange				
- gain	(133,160)	(390,800)	-	-
Property, plant and equipment written off	-	4,431	-	-
Interest income	(409,762)	(378,915)	(80,079)	(115,739)
Gain on disposal of other investments	(9,369)	(44,897)	-	-

28. PROFIT BEFORE TAX (CONT'D)

Profit before tax has been determined after charging/(crediting), amongst other items, the following (cont'd):-

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Gross dividend income from other investments	(24,920)	(27,210)	-	-
Rental income	(145,080)	(145,080)	-	-
Net fair value loss on other investments	1,829	101,350	-	-
Fair value loss on derivative financial instruments	23,880	-	-	-

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

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Executive:-				
Defined contribution plans	86,870	83,440	-	-
Salaries and others emoluments	1,079,440	846,461	-	-
Non-executive:-				
Fee	48,000	46,500	48,000	46,500
Others	38,250	40,300	38,250	40,300

The estimated monetary value of benefit-in-kind received by the Directors other than cash from the Group amounted to RM16,325 (2015: RM16,325).

29. TAX EXPENSE

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Current year's tax provision	1,065,360	1,392,401	360	401
(Over)/Under provision of tax expense in prior financial years	(24,994)	(51,627)	406	(360)
Overprovision of deferred tax in prior financial years	(30,082)	7,418	-	
Transferred (to)/ from deferred tax liabilities (Note 21)	(46,179)	166,258	-	-
	964,105	1,514,450	766	41

29. TAX EXPENSE (CONT'D)

Malaysian income tax is calculated at the statutory tax rate of 24% (2015: 25%) of the estimated taxable profit for the financial year.

A reconciliation of income tax expense applicable to profit before tax at the statutory tax rate to income tax expense at the effective tax rate of the Group and of the Company is as follow:-

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Profit before tax	4,421,682	8,485,477	1,271,588	1,762,272
Tax at statutory tax rate of 24% (2015: 25%)	1,061,204	2,121,369	305,181	440,568
Tax effects in respect of:-				
Income not subject to tax	(580,735)	(1,210,034)	(362,209)	(499,529)
Expenses not deductible for tax purposes	314,485	334,325	57,388	59,362
Crystallisation of deferred tax upon depreciation charged for revalued asset	(18,973)	(34,154)	-	-
Addition deferred tax liabilities on real property gain	107,500	217,500	-	-
(Over)/Under provision of deferred tax in prior financial year	(30,082)	7,418	-	-
(Over)/Under provision of tax expense in prior financial years	(24,994)	(51,627)	406	(360)
Deferred tax assets not recognised	135,700	139,150	-	-
Double deduction expenses	-	(9,497)	-	-
	964,105	1,514,450	766	41

The Group unutilised business losses, unabsorbed capital allowances, unabsorbed agriculture allowance and unutilised industrial building allowance which can be carried forward to offset against future taxable profit amounted to approximately RM1,554,896 (2015: RM1,443,096), RM1,770,817 (2015: RM1,071,179), RM5,030,300 (2015: RM4,593,700) and RM824,475 (2015: RM824,475) respectively.

The availability of the unutilised business losses, unabsorbed capital allowances, unabsorbed agriculture allowance and unutilised industrial building allowance which can be carried forward to offset against future taxable profit on the respective subsidiary companies are subject to no substantial changes in shareholdings of the respective subsidiary companies under Section 44(5A) & (5B) of Income Tax Act, 1967.

30. EARNINGS PER SHARE

Group

(a) The basic earnings per share has been calculated by dividing profit for the financial year attributable to ordinary equity holders of the Company of RM3,457,577 (2015: RM6,971,027) to the weighted average number of shares issued during the financial year of 36,576,525 (2015: 36,576,525), excluding treasury shares held by the Company.

(b) There is no diluted earnings per share as the Company does not have any convertible financial instruments as at reporting date.

31. DIVIDENDS

	Group and Company	
	2016	2015
	RM	RM
In respect of the financial year ended 31 October 2014:-		
First interim single tier dividend of 1.5 sen per ordinary share for total ordinary shares of 36,576,525 paid on 4 February 2015	-	548,648
Final single tier dividend of 2.0 sen per ordinary share for total ordinary shares of 36,576,525 paid on 28 May 2015	-	731,531
In respect of the financial year ended 31 October 2015:-		
First interim single tier dividend of 1.5 sen per ordinary share for total ordinary shares of 36,576,525 paid on 2 November 2015	-	548,648
Final single tier dividend of 2.0 sen per ordinary share for total ordinary shares of 36,576,525 paid on 25 May 2016	731,530	-
	731,530	1,828,827

32. EMPLOYEE BENEFITS EXPENSE

	Group	
	2016	2015
	RM	RM
Staff costs:-		
- Directors	1,079,440	929,901
- Other staff	5,830,096	5,686,991
	6,909,536	6,616,892

Included in staff costs is defined contribution plans as follows:-

	Group	
	2016	2015
	RM	RM
- Directors	86,870	83,440
- Other staff	351,476	370,966
	438,346	454,406

33. CONTINGENT LIABILITY

	Company	
	2016	2015
	RM	RM
Unsecured:-		
Corporate guarantee given to financial institutions for credit facilities granted to subsidiary companies		
- Limit	11,500,000	11,500,000
- Utilised	5,879,952	6,951,424

34. COMMITMENTS

Capital commitment

	Group	
	2016	2015
	RM	RM
Capital expenditure		
Authorised and contracted for:-		
- Property, plant and equipment	117,489	469,955
- Leasehold land	1,080,000	2,160,000

Lease commitment

The Group had entered into a total of six non-cancellable Renting Agreements with various parties to lease the land for venturing into business of the oil palm plantation, comprising an area of approximately 1,110 acres for a renting period of sixty years.

The payment terms of the leasing are as follows:-

i) For the first six months, no rental charges for tenor to land mobilisation.
ii) After the first six months, no rental charges for tenor on oil palm plantation process for three years.
iii) After the three years and six months, RM0.50 of rental charges will be apply on each oil palm tree planted on monthly basis for a period of two years.
iv) After the five years and six months, RM0.60 of rental charges will be apply on each oil palm tree planted on monthly basis until the end of the tenancy period.
v) If the oil palm tree plant is infected by disease, rental charges will be exempted for three years.

As at the reporting date, the lease commitments are as follows:-

	2016	2015
	RM	RM
Within one year	334,440	281,700
Between one to five years	1,337,760	1,314,600
More than five years	16,722,000	17,296,380
	18,394,200	18,892,680

35. RELATED PARTY DISCLOSURES

Related Party Transaction

The Company has related party relationship with its subsidiary companies, Directors and key management personnel.

The significant related party transactions during the financial year were as follows:-

	2016 RM	2015 RM
Company		
Subsidiary companies:-		
- Dividend income	1,430,400	1,884,000

The outstanding balances arising from the related party transactions as at the reporting date are disclosed in Note 26 to the Financial Statements.

Transactions with key management personnel

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

The remuneration of key management personnel is same with the Directors remuneration as disclosed in Note 28 and Note 32 to the Financial Statements. The Group and the Company have no other members of key management personnel apart from the Board of Directors.

36. FINANCIAL INSTRUMENTS

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

(i) Loans and receivables ("L & R");
(ii) Fair value through profit or loss ("FVTPL");
(iii) Available - for - sale financial assets ("AFS"); and
(iv) Other liabilities measured at amortised cost ("AC").

36. FINANCIAL INSTRUMENTS (CONT'D)

Categories of Financial Instruments (cont'd)

The table below provides an analysis of financial instruments categorised as follows (cont'd):-

Group	Carrying Amount	L & R	FVTPL	AFS	AC
2016	RM	RM	RM	RM	RM
Financial assets					
Other investments	575,280	-	410,280	165,000	-
Derivative financial assets	1,320	-	1,320	-	-
Trade receivables	3,642,589	3,642,589	-	-	-
Other receivables	1,307,325	1,307,325	-	-	-
Deposits with licensed financial institutions	11,793,943	11,793,943	-	-	-
Cash and bank balances	3,447,650	3,447,650	-	-	-
	20,768,107	20,191,507	411,600	165,000	-
Financial liabilities					
Derivative financial liabilities	25,200	-	25,200	-	-
Trade payables	335,880	-	-	-	335,880
Other payables	2,390,864	-	-	-	2,390,864
Borrowings	5,879,952	-	-	-	5,879,952
	8,631,896	-	25,200	-	8,606,696
2015					
Financial assets					
Other investments	722,440	-	557,440	165,000	-
Trade receivables	3,944,523	3,944,523	-	-	-
Other receivables	1,094,763	1,094,763	-	-	-
Deposits with licensed financial institutions	11,230,127	11,230,127	-	-	-
Cash and bank balances	4,931,091	4,931,091	-	-	-
	21,922,944	21,200,504	557,440	165,000	-
Financial liabilities					
Trade payables	735,487	-	-	-	735,487
Other payables	1,886,229	-	-	-	1,886,229
Borrowings	6,951,424	-	-	-	6,951,424
Dividend payable	548,648	-	-	-	548,648
	10,121,788	-	-	-	10,121,788

36. FINANCIAL INSTRUMENTS (CONT'D)

Categories of Financial Instruments (cont'd)

The table below provides an analysis of financial instruments categorised as follows (cont'd):-

Company	Carrying Amount	L & R	FVTPL	AFS	AC
2016	RM	RM	RM	RM	RM
Financial assets					
Other receivables	1,000	1,000	-	-	-
Amount due from subsidiary companies	12,468,863	12,468,863	-	-	-
Deposits with licensed financial institutions	2,606,105	2,606,105	-	-	-
Cash and bank balances	249,451	249,451	-	-	-
	15,325,419	15,325,419	-	-	-
Financial liabilities					
Other payables	82,690	-	-	-	82,690
2015					
Financial assets					
Other receivables	1,000	1,000	-	-	-
Amount due from subsidiary companies	10,834,597	10,834,597	-	-	-
Deposits with licensed financial institutions	3,237,296	3,237,296	-	-	-
Cash and bank balances	1,260,996	1,260,996	-	-	-
	15,333,889	15,333,889	-	-	-
Financial liability					
Other payables	80,379	-	-	-	80,379
Dividend payable	548,648	-	-	-	548,648
	629,027	-	-	-	629,027

Financial Risks Management Objective and Policies

The Group is exposed to financial risks arising from its operations and the use of financial instruments. Financial risk management policy is established to ensure that adequate resources are available for the development of the Group's business whilst managing its credit risk, liquidity risk, foreign currency risk, interest rate risk and market price risk. The Group operates within clearly defined policies and procedures that are approved by the Board of Directors to ensure the effectiveness of the risk management process.

36. FINANCIAL INSTRUMENTS (CONT'D)

Financial Risks Management Objective and Policies (cont'd)

The main areas of financial risks faced by the Group and the policy of the Group in respect of the major areas of treasury activity are set out as follow:-

(a) Credit Risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. It is the Group's policy to enter into financial instrument with a diversity of creditworthy counterparties. The Group does not expect to incur material credit losses of its financial assets or other financial instruments.

Concentration of credit risk exists when changes in economic, industry and geographical factors similarly affect the group of counterparties whose aggregate credit exposure is significant in relation to the Group's total credit exposure. The Group's portfolio of financial instrument is broadly diversified along geographical lines and transactions are entered into with diverse creditworthy counterparties, thereby mitigate any significant concentration of credit risk.

It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. The Group does not offer credit terms without the approval of the head of credit control.

The areas where the Group is exposed to credit risk are as follows:-

Receivables

As at reporting date, the maximum exposure to credit risk arising from receivables is limited to the carrying amounts in the statements of financial position.

With a credit policy in place to ensure the credit risk is monitored on an ongoing basis, management has taken reasonable steps to ensure that receivables are stated at their realisable values. A significant portion of the receivables are regular customers that have been transacting with the Group. The Group uses aging analysis to monitor the credit quality of the receivables. Any receivables having significant balances past due more than credit terms granted are deemed to have higher credit risk, and are monitored individually.

The ageing analysis for trade receivables is disclosed in Note 13 to the Financial Statements.

36. FINANCIAL INSTRUMENTS (CONT'D)

Financial Risks Management Objective and Policies (cont'd)

(a) Credit Risk (cont'd)

Receivables (cont'd)

The ageing analysis for trade receivables is disclosed in Note 12 to the Financial Statements.

The credit risk concentration profile by geographical on trade receivables of the Group as at reporting date is as follow:-

	2016		2015	
	RM	%	RM	%
By country				
Malaysia	1,242,721	35	806,842	20
European countries	2,134,135	58	2,627,753	67
Taiwan	86,919	2	193,116	5
China	47,661	1	29,886	1
Others **	131,153	4	286,926	7
	3,642,589	100	3,944,523	100

** Less than 1% for each of the country.

Exposure to credit risk

Credit risk concentration profile

The Company determines concentration of credit risk by comparing the amount due from each individual customer against the total trade receivables. The credit risk concentration profile of the Company's trade receivables at the reporting date as:

	RM	%
2016		
Customer A	613,060	17
Customer B	436,034	12
Customer C	429,099	12
2015		
Customer A	542,719	14
Customer B	501,859	13
Customer C	485,131	12

Investments and Other Financial Assets

As at reporting date, the Group has only invested in domestic securities. The maximum exposure to credit risk is represented by the carrying amounts in the statements of financial position.

36. FINANCIAL INSTRUMENTS (CONT'D)

Financial Risks Management Objective and Policies (cont'd)

(a) Credit Risk (cont'd)

Investments and Other Financial Assets (cont'd)

Investments are mostly in liquid securities and only with counterparties that have a credit rating equal to or better than the Group.

In view of the sound credit rating of counterparties, management does not expect any counterparty to fail to meet its obligations except for the impairment loss recognised in respect of unquoted investments as disclosed in Note 9 to the Financial Statements.

Financial Guarantee/Corporate Guarantee

The maximum exposure to credit risk as disclosed in Note 33 to Financial Statements representing the outstanding banking facilities of the subsidiary companies as at end of the reporting period.

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

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

36. FINANCIAL INSTRUMENTS (CONT'D)

Financial Risks Management Objective and Policies (cont'd)

(a) Credit Risk (cont'd)

Intercompany Balances

The maximum exposure to credit risk of the Company is represented by their carrying amounts in the statements of financial position.

The Company provides unsecured loans and advances to subsidiary companies and monitors the results of the subsidiary companies regularly.

As at the end of the reporting period, there was no indication that the carrying amount of loans and advances to the subsidiary companies are not recoverable.

(b) Liquidity Risk

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

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

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

The liquidity risks arise principally from its payables and loans. The repayment term of loans is disclosed in Note 20 to the Financial Statements respectively.

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

	Current	Non-Current			
	On demand/less than 1 year RM	1 to 2 years RM	2 to 5 years RM	More than 5 years RM	Total contractual cash flows RM
Group					
2016					
Non-derivative financial liabilities					
Secured:-					
Borrowings	1,384,188	1,384,188	3,017,299	441,620	6,227,295
Unsecured:-					
Trade payables	335,880	-	-	-	335,880
Other payables	2,390,864	-	-	-	2,390,864
Total undiscounted financial liabilities	4,110,932	1,384,188	3,017,299	441,620	8,954,039

36. FINANCIAL INSTRUMENTS (CONT'D)

Financial Risks Management Objective and Policies (cont'd)

(b) Liquidity Risk (cont'd)

The summary of the maturity profile based on contractual undiscounted repayment obligations are as below (cont'd):-

	Current		Non-Current		
Group (cont'd)	On demand/less than 1 year RM	1 to 2 years RM	2 to 5 years RM	More than 5 years RM	Total contractual cash flows RM
2015					
Non-derivative financial liabilities					
Secured:-					
Borrowings	1,384,188	1,384,188	3,791,496	1,051,611	7,611,483
Unsecured:-					
Trade payables	735,487	-	-	-	735,487
Other payables	1,886,229	-	-	-	1,886,229
Dividend payable	548,648	-	-	-	548,648
Total undiscounted financial liabilities	4,554,552	1,384,188	3,791,496	1,051,611	10,781,847
Company					
2016					
Non-derivative financial liabilities					
Corporate guarantee	5,879,952	-	-	-	5,879,952
Unsecured:-					
Other payables	82,690	-	-	-	82,690
Total undiscounted financial liabilities	5,962,642	-	-	-	5,962,642
2015					
Non-derivative financial liabilities					
Corporate guarantee	6,951,424	-	-	-	6,951,424
Unsecured:-					
Other payables	80,379	-	-	-	80,379
Dividend payable	548,648	-	-	-	548,648
Total undiscounted financial liabilities	7,580,451	-	-	-	7,580,451

The above amounts reflect the contractual undiscounted cash flows, which differ from the carrying values of financial liabilities at the reporting date

36. FINANCIAL INSTRUMENTS (CONT'D)

Financial Risks Management Objective and Policies (cont'd)

(c) Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group is exposed to foreign currency risk on sales and purchases that are denominated in a currency other than the respective functional currencies of the subsidiary companies. The currencies giving rise to this risk are primarily EURO, US Dollar (USD) and Singapore Dollar (SGD).

The Group's exposure to foreign currency risk, based on carrying amounts as at the reporting date are as follows (foreign currency balances are unhedged):-

	Denominated in		
	EURO RM	USD RM	SGD RM
2016			
Derivative financial assets	1,320	-	-
Trade receivables	677,109	1,360,202	362,558
Cash and bank balances	74,011	720,521	50,107
Derivative financial liabilities	-	(25,200)	-
Trade payables	-	(64,633)	(7,632)
Other payables	(80,327)	(84,732)	-
	672,113	1,906,158	405,033
2015			
Trade receivables	1,019,688	1,482,182	635,792
Cash and bank balances	143,314	553,238	304,265
Other receivables	-	664	-
Trade payables	-	(413,576)	-
Other payables	(7,001)	-	-
	1,156,001	1,622,508	940,057

The following table demonstrates the sensitivity of the Group's profit for the financial year to a reasonably possible change in the EURO, USD and SGD exchange rates against the functional currency of the Company, with all other variables held constant.

	Increase/(Decrease) on profit for the financial years	
	2016 RM	2015 RM
EURO/RM		
- Strengthened 3%	20,163	34,680
- Weakened 3%	(20,163)	(34,680)
USD/RM		
- Strengthened 3%	57,185	48,675
- Weakened 3%	(57,185)	(48,675)
SGD/RM		
- Strengthened 2%	8,101	18,801
- Weakened 2%	(8,101)	(18,801)

36. FINANCIAL INSTRUMENTS (CONT'D)

Financial Risks Management Objective and Policies (cont'd)

(c) Foreign Currency Risk (cont'd)

The assumed movement in the above foreign currency exchange rate for the foreign currency exchange rate sensitivity analysis is based on the prudent estimate of the current market environment.

Exposures to foreign exchange rates vary during the financial year depending on the volume of overseas transactions. Nonetheless, the analysis above is considered to be representative of the Group's exposures to foreign currency risk.

(d) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates.

The Group's fixed rate borrowings are exposed to a risk of change in their fair value due to changes in interest rates. The Group's variable rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates. Investments in equity securities and short term receivables and payables are not significantly exposed to interest rate risk.

The Group's interest rate management objective is to manage the interest expense consistent with maintaining an acceptable level of exposure to interest rate fluctuation. In order to achieve this objective, the Group targets a mix of fixed and floating debt based on assessment of its existing exposure and desired interest rate profile.

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

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Fixed rate instruments				
Financial asset				
Deposits with licensed financial institutions	11,793,943	11,230,127	2,606,105	3,237,296
Floating rate instruments				
Financial liability				
Term loans	5,879,952	6,951,424	-	-

36. FINANCIAL INSTRUMENTS (CONT'D)

Financial Risks Management Objective and Policies (cont'd)

(d) Interest Rate Risk (cont'd)

Fair Value Sensitivity Analysis for Fixed Rate Instruments

The Group and the Company do not account for any fixed rate financial assets and liabilities at fair value through profit or loss and 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.

Fair Value Sensitivity Analysis for Floating Rate Instruments

At the reporting date, if interest rate had been 50 (2015: 50) basis points lower/higher, with all the other variable held constant, the Group's profit for the financial year would have been RM29,400 (2015: RM34,757) higher/lower, arising mainly from lower/higher interest expense on floating rate borrowings.

(e) Market Price Risk

Market price risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market prices (other than foreign exchange or interest rates). Equity price risk arises from the Group's investments in equity securities quoted in Bursa Malaysia Securities Berhad.

Management of the Group monitors the equity investments on a portfolio basis. Material investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by the authorised person of the Group.

Equity Price Risk Sensitivity Analysis

This analysis assumes that all other variables remain constant and all the Group's equity investments moved in percentage of the share price.

A 3% (2015: 5%) decrease in share price of each counter at the reporting date would have increase the Group's profit for the financial year by RM12,308 (2015: RM27,872). A 3% (2015: 5%) weakening in the share price of each counter would have equal but opposite effect on the Group's profit for the financial year.

36. FINANCIAL INSTRUMENTS (CONT'D)

Fair Value of Financial Instruments

The carrying amounts of short term receivables and payable, cash and cash equivalents and borrowings approximate their fair values due to the relatively short term nature of these financial instruments and insignificant impact of discounting or that they are floating rate instruments that are re-priced to market interest rates on or near the reporting date.

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

The following summarises the methods used in determining the fair value of financial instruments reflected above:-

Investment in Equity Instruments

The fair value of financial assets that are quoted in an active market are determined by reference to their quoted closing bid price at the reporting period.

Non-derivatives Financial Liabilities

Fair value, which is determined for disclosures purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period.

The interest rates used to discount estimated cash flows, where applicable, are as follows:-

	2016 %	2015 %
Term loans	4.05 – 4.85	4.60 - 4.85

Fair Value Hierarchy

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

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

36. FINANCIAL INSTRUMENTS (CONT'D)

Fair Value Hierarchy (cont'd)

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

	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
Group				
2016				
Financial assets at FVTPL				
Non-derivative financial assets held for trading	410,280	-	-	410,280
Derivative financial asset	1,320	-	-	1,320
Available-for-sale financial assets				
Unquoted shares and golf club membership	-	165,000	-	165,000
	411,600	165,000	-	576,600
Derivative financial liability	25,200	-	-	25,200
2015				
Financial assets at FVTPL				
Non-derivative financial assets held for trading	557,440	-	-	557,440
Available-for-sale financial assets				
Unquoted shares and golf club membership	-	165,000	-	165,000
	557,440	165,000	-	722,440

There were no transfers between Level 1 and 2 in the reporting period.

37. CAPITAL MANAGEMENT

The Group's objective when managing capital is to maintain a strong capital base and safeguard the Group's ability to continue as a going concern, so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Directors monitor and determine to maintain an optimal gearing ratio that complies with debt covenants and regulatory requirements.

37. CAPITAL MANAGEMENT (CONT'D)

The Group monitors capital using a gearing ratio, which are the total interest bearing borrowings over owners' equity. The Group's policy is to keep the gearing ratio below 0.50. The borrowings include hire purchase creditors, term loan and other loan while owners' equity refers to the equity attributable to the owners of the Company.

	Group	
	2016 RM	2015 RM
Total borrowings		
- term loans	5,879,952	6,951,424
Owners' equity	83,763,437	80,820,638
Debt-to-equity ratio	0.07	0.09

There were no changes in the Group's approach to capital management during the financial year.

38. OPERATING SEGMENT

(i) Business segment

For management purposes, the Group is organised into four major business units based on their products and services which comprises the following:-

(a) Manufacturing and trading	-	Manufacturing and sales of precision engineering moulds and other precision
(b) Investment	-	Investment holding, letting of properties and properties investment
(c) Plantation	-	Cultivation of oil palm
(d) Joint property development	-	Property development

Management monitors the operating results to its business units separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which, in certain respects as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements.

38. OPERATING SEGMENT (CONT'D)

(i) Business segment (cont'd)

Transfer prices between operating segments are on negotiated basis.

	Note	Manufacturing and trading RM	Investment RM	Plantation RM	Joint property development RM	Elimination RM	Total RM
2016							
Revenue:-							
External revenue		14,845,434	1,630,558	1,224,667	1,426,148	-	19,126,807
Inter-segment revenue		817,797	1,692,000	-	-	(2,509,797)	-
Total revenue		15,663,231	3,322,558	1,224,667	1,426,148	(2,509,797)	19,126,807
Results:-							
Interest income		315,647	82,575	-	11,540	-	409,762
Finance costs		-	(312,166)	-	-	-	(312,166)
Depreciation and amortisation		(1,165,703)	-	(486,341)	(26,000)	-	(1,678,044)
Other non-cash income/ (expenses)	(a)	(6,552)	2,020,000	-	-	-	2,013,448
Tax expense		(381,027)	(381,172)	-	(201,906)	-	(964,105)
Segment profit		1,712,482	1,720,351	(609,361)	634,105	-	3,457,577
Assets:-							
Additions to non-current assets	(b)	219,624	1,266,675	233,845	-	-	1,720,144
Segment assets		37,544,613	48,593,446	7,116,322	2,845,222	-	96,099,603
Liabilities:-							
Segment liabilities		3,632,414	8,193,468	125,810	384,474	-	12,336,166

38. OPERATING SEGMENT (CONT'D)

(i) Business segment (cont'd)

	Note	Manufacturing and trading RM	Investment RM	Plantation RM	Joint property development RM	Elimination RM	Total RM
2015							
Revenue:-							
External revenue		17,276,765	1,816,440	229,148	2,182,163	-	21,504,516
Inter-segment revenue		318,576	1,905,600	-	-	(2,224,176)	-
Total revenue		17,595,341	3,722,040	229,148	2,182,163	(2,224,176)	21,504,516
Results:-							
Interest income		250,368	118,173	-	10,374	-	378,915
Finance costs		-	(360,517)	-	-	-	(360,517)
Depreciation and amortisation		(1,484,239)	-	(248,896)	(26,001)	-	(1,759,136)
Other non-cash income/ (expenses)	(a)	417,851	4,180,000	-	-	-	4,597,851
Tax expense		(778,029)	(493,507)	-	(242,914)	-	(1,514,450)
Segment profit		436,128	6,424,745	(597,315)	707,469	-	6,971,027
Assets:-							
Additions to non-current assets	(b)	676,365	-	967,414	-	-	1,643,779
Segment assets		38,378,611	48,230,136	6,609,197	2,240,109	(107,999)	95,350,054
Liabilities:-							
Segment liabilities		4,341,640	9,634,613	109,697	443,466	-	14,529,416

38. OPERATING SEGMENT (CONT'D)

(i) Business segment (cont'd)

Notes:-

(a) Notes to other non-cash income/(expenses) consist of the following items:-

	2016 RM	2015 RM
Fair value gain on investment properties	2,150,000	4,350,000
Gain on disposal of property, plant and equipment	-	5,998
Gain on disposal of other investments	9,369	44,897
Net fair value loss on other investments	(1,829)	(101,350)
Net unrealised (loss)/gain on foreign exchange	(144,092)	302,737
Property, plant and equipment written off	-	(4,431)
	2,013,448	4,597,851

(b) Additions to non-current assets consist of:-

	2016 RM	2015 RM
Investment properties	1,266,675	-
Property, plant and equipment	453,469	1,049,208
Biological assets	-	594,571
	1,720,144	1,643,779

(ii) Geographical information

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

	2016		2015	
	Revenue RM	Non-current Assets RM	Revenue RM	Non-current Assets RM
Malaysia *	8,060,821	71,606,028	7,846,149	69,381,783
South East Asia	116,320	-	104,091	-
European countries	10,057,335	-	11,645,589	-
Others	892,331	-	1,908,687	-
	19,126,807	71,606,028	21,504,516	69,381,783

* The Company's home country

38. OPERATING SEGMENT (CONT'D)

(iii) Information about major customers

The following are major customers with revenue equal or more than 5 percent of the Group's revenue:-

	RM	%	Operating Segment
31.10.2016			
Customer A	2,736,832	14.3	Manufacturing and trading
Customer B	2,378,950	12.4	Manufacturing and trading
Customer C	1,989,402	10.4	Manufacturing and trading
Customer D	1,023,513	5.4	Manufacturing and trading
Customer E	972,603	5.1	Manufacturing and trading
	9,101,300	47.6	
31.10.2015			
Customer A	2,154,448	10.0	Manufacturing and trading
Customer B	2,097,229	9.6	Manufacturing and trading
Customer C	1,613,122	7.5	Manufacturing and trading
Customer D	1,283,592	6.0	Manufacturing and trading
	7,148,391	33.1	

39. EVENTS AFTER THE REPORTING PERIOD

Subsequent to the end of the reporting period, an interim single tier dividend, in respect of the financial year ended 31 October 2016, of 1.5 sen per ordinary shares on 36,576,525 ordinary shares, amounting to RM548,648 had been declared and to be paid on 10 February 2017. This declared dividend is not reflected in the current year's financial statements. Such dividend will be accounted for in the shareholders' equity as an appropriation of retained earnings in the financial year ending 31 October 2017.

In addition, a final single tier dividend, in respect of the financial year ended 31 October 2016, of 2 sen per share of RM1.00 each for total ordinary shares of 36,576,525 amounted to RM731,530 will be proposed for shareholders' approval at the upcoming general meeting. This proposed dividend is not reflected in the current year's financial statements. Such dividend, if approved by the shareholders will be accounted for in shareholders' equity as an appropriation of retained earnings in the financial year ending 31 October 2017.

SUPPLEMENTARY INFORMATION - 31 OCTOBER 2016

DISCLOSURES OF REALISED AND UNREALISED PROFITS

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

The breakdown of retained earnings as at the reporting date, which has been prepared by the Directors in accordance with the directives from Bursa Malaysia Securities Berhad stated above and Guidance on Special Matter No. 1 issued on 20 December 2010 by the Malaysian Institute of Accountants, are as follows:-

	Group		Company	
	2016	2015	2016	2015
	RM	RM	RM	RM
Total retained earnings of the Company and its subsidiary companies				
- Realised	37,049,329	36,193,531	1,603,890	1,064,598
- Unrealised	23,169,884	21,258,284	-	-
	60,219,213	57,451,815	1,603,890	1,064,598
Less: Consolidation adjustments	(19,516,382)	(19,475,031)	-	-
Total retained earnings	40,702,831	37,976,784	1,603,890	1,064,598

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

ANALYSIS OF SHAREHOLDINGS

ANALYSIS OF SHAREHOLDINGS
AS AT 02 FEBRUARY 2017

Authorised Share Capital	:	RM 50,000,000
Issued & Fully Paid-Up Capital	:	RM 40,612,085
No. of Shareholders	:	1,310
Class of share	:	Ordinary share of RM1.00
Volting Rights	:	One vote for each ordinary share

DISTRIBUTION SCHEDULE OF SHARE AS AT 02 FEBRUARY 2017

SIZE OF SHAREHOLDINGS	No. of Holders		No. of Shares		Percentage(%)	
	Malaysian	Foreign	Malaysian	Foreign	Malaysian	Foreign
less than 100	276	5	9,788	264	0.03	0.00
100 to 1,000	85	0	42,608	-	0.12	-
1,001 to 10,000	787	2	2,396,515	7,125	6.55	0.02
10,001 to 100,000	128	2	3,100,844	46,125	8.48	0.13
100,001 to less than 5% of issued shares	22	0	12,105,970	-	33.10	-
5% and above of issued shares	3	0	18,867,286	-	51.58	-
TOTAL	**1,301**	**9**	**36,523,011**	**53,514**	**99.85**	**0.15**

* Treasury shares excluded

LIST OF THIRTY (30) LARGEST SHAREHOLDINGS AS AT 02 FEBRUARY 2017

	NAMES	No. of Share Held	% of Share*
1.	AFFLUENT FUTURE SDN BHD	11,480,001	31.39
2.	TAN LYE HUAT HOLDINGS SDN BHD	5,396,245	14.75
3.	TAN AH HENG	1,991,040	5.44
4.	TAN LYE HUAT	1,739,272	4.76
5.	NG TIONG KANG	1,646,263	4.50
6.	TAN KIM LAI	1,075,519	2.94
7.	TAN YAW BIN	959,990	2.62
8.	TAN ENG LOON	925,149	2.53
9.	TAN AI NEE	900,000	2.46
10.	TAN SOOK YEE	688,828	1.88
11.	TAN HWA	599,800	1.64
12.	TAN HO FOOT	569,702	1.56
13.	TAN FUNG YING	450,000	1.23
14.	TAN YAW TUNG	352,088	0.96
15.	TAN YAW BIN	324,823	0.89
16.	YAYASAN TERENGGANU	307,500	0.84
17.	MAYBAN SECURITIES NOMINEES (TEMPATAN) SDN BHD <PLEDGED SECURITIES ACCOUNT FOR LOW KIM SOI @ LOW TIEN SANG>	268,073	0.73

ANALYSIS OF SHAREHOLDINGS (CONT'D)

LIST OF THIRTY (30) LARGEST SHAREHOLDINGS AS AT 02 FEBRUARY 2017

	NAMES	No. of Share Held	% of Share*
18.	TAN JIN TUAN	243,000	0.66
19.	TAN AI LING	194,600	0.53
20.	TAN ENG YIK	185,300	0.51
21.	TAN YAW TUNG	184,705	0.50
22.	KOAY LAY PENG	153,750	0.42
23.	TAN SOOK YEE	115,928	0.32
24.	NG CHAI TEE	113,223	0.31
25.	CHEANG KAM HONG	108,457	0.30
26.	PUBLIC NOMINEES (TEMPATAN) SDN BHD < PLEDGED SECURITIES ACCOUNT FOR SEOW HOON HIN >	100,000	0.27
27.	PERBADANAN KEMAJUAN NEGERI KEDAH	93,758	0.26
28.	TAN PEI WEI	78,925	0.22
29.	HO MAY HAR	66,215	0.18
30.	MAYBANK NOMINEE (TEMPATAN) SDN BHD < PLEDGED SECURITIES ACCOUNT FOR SEOW HOON HIN >	65,000	0.18
		31,377,154	**85.78**

* Treasury shares excluded

LIST OF SUBSTANTIAL SHAREHOLDERS AS AT 02 FEBRUARY 2017

	NAMES	No. of Share Held	% of Share*
1.	AFFLUENT FUTURE SDN BHD	11,480,001	31.39
2.	TAN LYE HUAT HOLDINGS SDN BHD	5,396,245	14.75
	TOTAL		**51.58**

* Treasury shares excluded

INFORMATION ON DIRECTORS SHAREHOLDINGS AS AT 02 FEBRUARY 2017

	NAME OF DIRECTORS	Direct Holdings		Indirect Holdings	
		No.	%	No.	%
1.	TAN LYE HUAT	1,739,272	4.28	19,952,608	49.13
2.	TAN SOOK YEE	804,756	1.98	20,887,124	51.43
3.	CHU KAN	-	-	-	-
4.	HAU HOCK KHUN	-	-	-	-
5.	RITA TAI LAI LING	-	-	-	-
6.	CHEW YOCK FAT	-	-	-	-

LIST OF PROPERTIES (AS AT 31 OCTOBER 2016)

Location	Date of Acquisition (A)/ Valuation (V)	Description/ Existing use	Land area/ built-up area (sq metres)	Tenure/ age of buildings (years)	Net Book Value RM
Lot No Pt 1539 52, Jalan SS 25/28 Taman Mayang 47301 Petaling Jaya Selangor	31/10/2016 (V)	2-storey Terrace Factory (Corner unit)/rented out	481.2 / 987.8	Freehold / 30	3,160,000
Lot No Pt 1540 50, Jalan SS 25/28 Taman Mayang 47301 Petaling Jaya Selangor	31/10/2016 (V)	2-storey Terrace Factory/rented out	185.8 / 371.6	Freehold / 30	1,300,000
Lot No Pt 1541 48, Jalan SS 25/28 Taman Mayang 47301 Petaling Jaya Selangor	31/10/2016 (V)	2-storey Terrace Factory/rented out	185.8 / 371.6	Freehold / 30	1,300,000
Lot No Pt 1542 46, Jalan SS 25/28 Taman Mayang 47301 Petaling Jaya Selangor	31/10/2016 (V)	2-storey Terrace Factory/rented out	185.8 / 371.6	Freehold / 30	1,300,000
Lot No Pt 1543 44, Jalan SS 25/28 Taman Mayang 47301 Petaling Jaya Selangor	31/10/2016 (V)	2-storey Terrace Factory/rented out	185.8 / 371.6	Freehold / 30	1,300,000
Lot No Pt 20033 6, Jalan TSB 1 Taman Industri Sungai Buloh 47000 Sungai Buloh Selangor	31/10/2016 (V) 31/10/2016 (V)	Prepaid lease payment Industrial building/ factory	3,715 / 5,183	99 year leasehold (24/03/2091) Leasehold / 20	1,206,090 6,300,000 7,506,090
Lot No Pt 19770 7, Jalan TSB 9 Taman Industri Sungai Buloh 47000 Sungai Buloh Selangor	31/10/2016 (V) 31/10/2016 (V)	Prepaid lease payment Factory, Warehouse and office space	3,633 / 3,189	99 year leasehold (24/03/2091) Leasehold / 20	1,259,580 3,800,000 5,059,580
Lot 14, Lorong Keluli 1C Kaw Perindustrian Bukit Raja, Seksyen 8 Shah Alam Selangor	31/10/2016 (V)	Warehouse cum office / rented out	16,489/13,383	Freehold / 22	31,000,000
Lot 2581, 2582, 2583, 2584 Mukim of Ijuk Daerah Kuala Selangor Negeri Selangor AND	31/10/2016 (V)	Land for investment	47,063	99 year leasehold (22/08/2081)	8,150,000
Lot 2573, 2574, 2575 Mukim of Ijuk Daerah Kuala Selangor Negeri Selangor	31/10/2016 (V)	Land for investment	35,354	99 year leasehold (26/10/2081)	

NOTICE OF ANNUAL GENERAL MEETING

KUMPULAN H & L HIGH-TECH BERHAD (317805-V)
(Incorporated in Malaysia)

NOTICE IS HEREBY GIVEN that the Twenty-Second Annual General Meeting of the Company will be held at Green I, ClubHouse, Tropicana Golf and Country Resort, Jalan Kelab Tropicana, 47410 Petaling Jaya, Selangor Darul Ehsan on Tuesday, 28 March 2017 at 11.00 a.m., for the following purposes:-

A G E N D A

1. To receive the audited financial statements for the financial year ended 31 October 2016 together with the Reports of the Directors and Auditors thereon. **(Please see Note 2)**

2. To approve the payment of a Final Single Tier Dividend of 2 sen per ordinary share in respect of the financial year ended 31 October 2016. **(Resolution 1)**

3. To approve the payment of Directors' Fees and benefits of up to RM90,000 for the financial year ended 31 October 2016. **(Resolution 2)**

4. To approve the Directors' fees and benefits of up to RM90,000 for the financial year ending 31 October 2017. **(Resolution 3)**

5. To re-elect the following Directors who retire pursuant to Article 97 of the Company's Articles of Association, comprising part of the Constitution of the Company ("Constitution"):-
   (i) Mr Tan Lye Huat **(Resolution 4)**
   (ii) Mr Chew Yock Fat **(Please see Note 3)** **(Resolution 5)**

6. To re-appoint Mr Chu Kan as Director. **(Please see Note 3)** **(Resolution 6)**

7. To re-appoint Messrs. SJ Grant Thornton as Auditors and to authorise the Directors to fix their remuneration. **(Resolution 7)**

AS SPECIAL BUSINESS

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

8. **ORDINARY RESOLUTION**
   AUTHORITY TO ALLOT SHARES PURSUANT TO SECTIONS 75 AND 76 OF THE COMPANIES ACT, 2016 (Please see Note 4)

   "THAT pursuant to Sections 75 and 76 of the Companies Act 2016, and subject to the approval of the relevant governmental/regulatory authorities (if any), the Directors be and are hereby authorised to allot shares in the Company, from time to time, at such price, upon such terms and conditions and for such purpose and to such person or persons whomsoever as the Directors may in their absolute discretion deem fit provided that the aggregate number of shares to be issued does not exceed ten per centum (10%) of the total number of issued shares of the Company for the time being and THAT the Directors be and are hereby also empowered to obtain the approval for the listing of and quotation for the additional shares so issued from Bursa Malaysia Securities Berhad and THAT such authority shall continue to be in force until conclusion of the next annual general meeting of the Company after the approval was given or at the expiry of the period within which the next annual general meeting is required to be held after the approval was given, whichever is earlier, unless such approval is revoked or varied by the Company at a general meeting." **(Resolution 8)**

9. **ORDINARY RESOLUTION**
PROPOSED RENEWAL OF AUTHORITY TO PURCHASE ITS OWN SHARES BY THE COMPANY **(Please see Note 5)**

"THAT, subject always to the Companies Act 2016 ("Act"), the provisions of the Constitution of the Company, Bursa Malaysia Securities Berhad ("Bursa Securities") Main Market Listing Requirements of Bursa Securities ("Listing Requirements") and all other applicable laws, guidelines, rules and regulations, the Company be and is hereby authorised, to the fullest extent permitted by law, to purchase such amount of ordinary shares in the Company as may be determined by the Directors of the Company from time to time through Bursa Securities upon such terms and conditions as the Directors may deem fit and expedient in the interest of the Company provided that:- **(Resolution 9)**

(i) the aggregate number of shares purchased does not exceed ten per centum (10%) of the total number of issued shares of the Company as quoted on Bursa Securities as at the point of purchase;

(ii) an amount not exceeding the Company's audited retained profits at the time of purchase(s) will be allocated by the Company for the purchase of own shares; and

(iii) the Directors of the Company may decide either to retain the shares purchased as treasury shares or cancel the shares or retain part of the shares so purchased as treasury shares and cancel the remainder or to resell the shares or distribute the shares as dividends or to deal with the treasury shares in the manners as allowed by the Act.

AND THAT the authority conferred by this resolution will commence immediately upon the passing of this Ordinary Resolution and will continue to be in force until:

(a) the conclusion of the next Annual General Meeting ("AGM") of the Company following at which time the authority shall lapse unless by ordinary resolution passed at that meeting, the authority is renewed, either unconditionally or subject to conditions;

(b) the expiration of the period within which the next AGM of the Company is required by law to be held; or

(c) revoked or varied by ordinary resolution passed by the shareholders of the Company at a general meeting,

(b) the expiration of the period within which the next AGM of the Company is required by law to be held; or

whichever occurs first, but shall not prejudice the completion of purchase(s) by the Company before the aforesaid expiry date and, in any event, in accordance with the provisions of the Listing Requirements and any other relevant authorities.

AND THAT authority be and is hereby given to the Directors of the Company to take all such steps as are necessary or expedient to implement, finalise and give full effect to the aforesaid purchase(s) with full powers to assent to any conditions, modifications, variations and/or amendments (if any) as may be required or imposed by the relevant authorities and with the fullest power to do all such acts and thing thereafter in accordance with the Act, the provisions of the Constitution of the Company and the requirements and/ or guidelines of Bursa Securities for the Main Market and all other relevant governmental and/ or regulatory authorities."

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

10. **ORDINARY RESOLUTION**
CONTINUATION IN OFFICE AS AN INDEPENDENT NON-EXECUTIVE DIRECTOR **(Please see Note 6)**

"THAT approval be and is hereby given to Mr. Chu Kan who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine years, to continue to act as an Independent Non-Executive Director of the Company to hold office until the conclusion of next Annual General Meeting of the Company." **(Resolution 10)**

11. To transact any other business of which due notice shall have been given.

By Order Of the Board

WONG WAI FOONG (MAICSA 7001358)
NG BEE LIAN (MAICSA 7041392)
YAP SIT LEE (MAICSA 7028098)
Company Secretaries

Kuala Lumpur
28 February 2017

NOTICE OF DIVIDENDS ENTITLEMENT AND PAYMENT

NOTICE IS HEREBY GIVEN THAT subject to the approval of the shareholders of the Company at the Twenty-Second Annual General Meeting to be held on 28 March 2017, a Final Single Tier Dividend of 2.0 sen per ordinary share in respect of the financial year ended 31 October 2016 will be paid on 18 April 2017 to the shareholders whose names appear in the Record of Depositors on 10 April 2017.

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

(a) Shares transferred into the depositor's securities account before 4.00 p.m. on 10 April 2017 in respect of transfers; and
(b) Shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the rules of the Bursa Malaysia Securities Berhad.

Notes:
1. APPOINTMENT OF PROXY

(a) A proxy need not be a member of the Company. There is no restriction as to the qualification of the proxy.

(b) To be valid, the form of proxy, duly completed must be deposited at the Registered office located at Unit 30-01, Level 30, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No.8, Jalan Kerinchi, 59200 Kuala Lumpur not less than 48 hours before the time for holding the meeting or any adjournment thereof.

(c) A Member shall not appoint more than two (2) proxies to attend at the same meeting, where a member appoints two proxies, the appointment shall not be valid unless the member specifies the proportion of the shareholding to be represented by each proxy. Where a Member is an authorised nominee as defined in the Securities Industry (Central Depositories) Act, 1991, it may appoint not more than two (2) proxies in respect of each securities account it holds in ordinary shares of the Company standing to the credit of the said securities account.

(d) Where a Member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) Securities Account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

(e) Where a Member or the authorised nominee appoints two (2) proxies, or where an exempt authorised nominee appoints two (2) or more proxies, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.

(f) The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under seal or under the hand of an officer or attorney duly authorised.

(g) Only members whose name appear in the Record of Depositors as at 21 March 2017 will be entitled to attend, vote and speak at the Meeting or appoint proxy(ies) to attend, vote and speak on their behalf. count.

2. AUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2016

The Audited Financial Statements is meant for discussion only as an approval from shareholders is not required pursuant to the provisions of Sections 248(2) and 340(1) of the Companies Act, 2016. Hence, this item on the Agenda is not put forward for voting by shareholders of the Company.

3. RE-ELECTION AND RE-APPOINTMENT OF INDEPENDEDNT DIRECTORS

In line with the Recommendation 3.1 of the Malaysian Code on Corporate Governance 2012, the Nomination Committee and the Board of Directors had undertaken an annual assessment on the independence of Mr Chew Yock Fat and Mr Chu Kan who are seeking re-election or re-appointment at the forthcoming Annual General Meeting. Please refer to page 9 as stated in the Statement of Corporate Governance Statement contained in the Company's Annual Report 2016 for further details.

4. AUTHORITY TO ALLOT SHARES PURSUANT TO SECTIONS 75 AND 76 OF THE COMPANIES ACT, 2016

The proposed Resolution 8 is the renewal of the mandate obtained from the members at the last Annual General Meeting ("the previous mandate"). As at the date of this Notice, the Company did not allot any shares pursuant to the mandate granted to the Directors at the Twenty-First Annual General Meeting held on 28 April 2016 as there were no requirements for such fund raising activities.

The proposed Resolution 8, if passed, would provide flexibility to the Directors to undertake fund raising activities, including but not limited to further placement of shares for the purpose of funding the Company's future investment project(s), working capital and/or acquisition(s), by the issuance of shares in the Company to such persons at any time as the Directors may deem fit provided that the aggregate number of shares issued pursuant to the mandate does not exceed 10% of the total number of issued shares of the Company for the time being, without having to convene a general meeting. This authority, unless revoked or varied by the Company in a general meeting, will expire at the conclusion of the next Annual General Meeting of the Company or at the expiry of the period within which the next annual general meeting is required to be held after the approval was given, whichever is earlier.

5. PROPOSED RENEWAL OF AUTHORITY FOR THE COMPANY TO PURCHASE ITS OWN SHARES

The proposed Resolution 9, if passed, will allow the Company to purchase its own shares through Bursa Securities up to ten per centum (10%) of the total number of issued shares of the Company. Please refer to the Statement to Shareholders dated 28 February 2017 in relation to the Proposed Renewal of Authority for Share Buy-Back for further details.

6. CONTINUATION IN OFFICE AS AN INDEPENDENT NON-EXECUTIVE DIRECTOR

Pursuant to the Malaysian Code on Corporate Governance 2012, it is recommended that approval of shareholders be sought in the event the Company intends to retain an Independent Director who has served in that capacity for more than nine years.

The Nomination Committee and the Board of Directors had assessed the independence of Mr Chu Kan and recommended him to continue to act as an Independent Non-Executive Director of the Company based on the following justifications:-

(i) Mr. Chu Kan is a member of the Institute of Internal Auditors and became a professional member of the National Institute of Accountants, Australia in 2003. He has vast experience in internal audit and accounting practices. He fulfills the criteria under the definition of Independent Director as defined in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Listing Requirements") and he would be able to provide proper checks and balances, thus bring an element of objectivity to the Board of Directors;
(ii) he has been with the Company for more than nine (9) years and was familiar with the Company's business operations and the plastic mould injection industry market;
(iii) With his vast experience in internal audit and finance, he would be able to provide constructive opinions and exercise independent judgment and has ability to act in the best interest of the Company;
(iv) He has actively participated in Board's discussion and provided an independent view to the Board;
(v) He has the caliber, qualifications, experiences and personal qualities to consistently challenged management in an effective and construction manner;
(vi) He has exercised his due care during his tenure as an Independent Non-Executive Director of the Company and carried out his professional duties in the interest of the Company and shareholders; and
(vii) He had met with the attendance requirements for Board Meetings pursuant to the Listing Requirements. During the financial period under review, he had attended all the five Board meetings held. This testified his dedication in discharging the responsibilities expected of an Independent Director.

The proposed Resolution 10, if passed, will enable Mr Chu Kan to continue to act as an Independent Non Executive Director of the Company to hold office until the conclusion of next Annual General Meeting of the Company.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

(Pursuant to Paragraph 8.27(2) of Bursa Malaysia Securities Berhad Main Market Listing Requirements) Directors who are standing for re-appointment at the Twenty-Second Annual General Meeting are as follows:-

1. Mr Chu Kan

The profile of the above Director is set out in the section entitled "Profile of Directors" on page 3.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

ANNEXURE A

CONTENTS OF STATEMENT ACCOMPANYING NOTICE OF TWENTY-SECOND ANNUAL GENERAL MEETING OF KUMPULAN H & L HIGH-TECH BERHAD

Pursuant to Paragraph 8.28(2) of the Listing Requirements of the Bursa Malaysia Securities Berhad

1. The names of individuals who are standing for election or re-election:-
   Under Article 97 of the Articles of Association

   Mr. Tan Lye Huat
   Mr. Chew Yock Fat

2. Board Meetings held in the financial year ended 31 October 2016
   During the financial period, the following five (5) Board meetings were held:-

   28 December 2015
   02 February 2016
   28 March 2016
   20 June 2016
   26 September 2016

   and the details of attendance of the Directors at the Board Meetings held in the financial year ended 31 October 2016 are set out below:-

Name of Directors	Attendance
Tan Lye Huat	5/5
Chu Kan	5/5
Tan Sook Yee	5/5
Rita Tai Lai Ling	5/5
Hau Hock Khun	4/5
Chew Yock Fat	5/5

3. Annual General Meeting of Kumpulan H & L High-Tech Berhad

   Place : Green I, Clubhouse,
   Tropicana Golf & Country Resort, Jalan Kelab Tropicana,
   47410 Petaling Jaya,Selangor D.E.

   Date & Time : 28 March 2017 at 11:00 a.m.

4. Details of Directors who are standing for re-election

   The shareholdings of the Directors standing for re-election in the Company are disclosed in the Directors' Report under Directors' Interest of this annual report and other details of Directors standing for re-election are disclosed in the Directors' Profile on page 3 and 4 in this annual report.

KUMPULAN H & L HIGH-TECH BERHAD (317805-V)
(Incorporated in Malaysia)

PROXY FORM

I/We.....
(FULL NAME IN BLOCK LETTERS)

NRIC No./Company No.....of.....

.....
(FULL ADDRESS)

being a Member/Members of **KUMPULAN H & L HIGH-TECH BERHAD** hereby appoint .....

.....NRIC No. .....
(FULL NAME IN BLOCK LETTERS)

of .....
(FULL ADDRESS)

or failing whom, ...NRIC No.....
(FULL NAME IN BLOCK LETTERS)

of.....
(FULL ADDRESS)

or failing him/her, the Chairman of the Meeting as my/our proxy to vote for me/us and on my/our behalf, at the Twenty-Second Annual General Meeting of the Company to be held at Green I, ClubHouse, Tropicana Golf and Country Resort, Jalan Kelab Tropicana, 47410 Petaling Jaya, Selangor Darul Ehsan on Tuesday, 28 March 2017 at 11:00 am and at any adjournment thereof.

RESOLUTIONS	FOR	AGAINST
1. To approve the payment of a final single tier Dividend of 2 sen per ordinary share in respect of the financial year ended 31 October 2016.		
2. To approve the payment of Directors' Fees and benefits of up to RM 90,000 for the financial year ended 31 October 2016.		
3. To approve the payment of Directors' Fees and benefits of up to RM 90,000 for the financial year ending 31 October 2017.		
4. To re-elect Mr Tan Lye Huat, who retires pursuant to Article 97 of the Company's Articles of Association, as Director.		
5. To re-elect Mr Chew Yock Fat, who retires pursuant to Article 97 of the Company's Articles of Association, as Director.		
6. To re-appoint Mr Chu Kan as Director.		
7. To re-appoint Messrs SJ Grant Thornton as Auditors and to authorize the Directors to fix their remuneration.		
8. To grant authority to allot shares pursuant to Sections 75 and 76 of the Companies Act, 2016.		
9. To approve the proposed renewal of authority to purchase its own shares by the Company.		
10. To approve Mr Chu Kan to continue to act as an Independent Non-Executive Director.		

*(*Please indicate with an "X" in the space provided above on how you wish your vote to be cast. If no instruction as to voting is given, the proxy will vote or abstain from voting at his/her discretion.)*

Dated this ..... day of ....., 2017.

CDS Account No. :
Number of shares held:
If more than 1 proxy, please specify number of shares represented by each proxy
Name of Proxy 1:
Name of Proxy 2:

.....
Signature or Common Seal of Shareholder
Contact Number:

NOTES:

1. A proxy need not be a member of the Company. There is no restriction as to the qualification of the proxy.

2. To be valid, the form of proxy, duly completed must be deposited at the Registered office located at Unit 30-01, Level 30, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No.8, Jalan Kerinchi 59200 Kuala Lumpur not less than 48 hours before the time for holding the meeting or any adjournment thereof.

3. A Member shall not appoint more than two (2) proxies to attend at the same meeting, where a member appoints two proxies the appointment shall not be valid unless the member specifies the proportion of the shareholding to be represented by each proxy. Where a Member is an authorised nominee as defined in the Securities Industry (Central Depositories) Act, 1991, it may appoint not more than two (2) proxies in respect of each securities account it holds in ordinary shares of the Company standing to the credit of the said securities account.

4. Where a Member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) Securities Account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

5. Where a Member or the authorised nominee appoints two (2) proxies, or where an exempt authorised nominee appoints two (2) or more proxies, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.

6. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under seal or under the hand of an officer or attorney duly authorised.

7. Only members whose name appear in the Record of Depositors as at 21 March 2017 will be entitled to attend, vote and speak at the Meeting or appoint proxy(ies) to attend, vote and speak on their behalf.

Stamp

The Secretary

KUMPULAN H & L HIGH-TECH BERHAD

(Company No. 317805-V)

Registered Office

Unit 30-01, Level 30, Tower A
Vertical Business Suite, Avenue 3
Bangsar South, No 8, Jalan Kerinchi,
59200 Kuala Lumpur